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 shall not be deemed a part of or incorporated by reference into this Appendix A and should not be considered in making a decision to buy the Bonds.

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"), Municipal Transportation Agency ("MTA") and other enterprise departments. Descriptions of such enterprises are included for informational purposes only, but no property, funds, or resources of such enterprises are available or pledged as security for repayment of the Bonds.

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 the date of the Preliminary Official Statement. 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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MATERIAL CITY FINANCIAL CHALLENGES

The following is a quick summary of high-level material financial challenges facing the City. This summary is not intended to be an exhaustive treatment of the subject, and investors are advised to read the entire Official Statement to obtain information essential to make an informed investment decision.

The City continues to face material financial challenges, including the outcome of several potential measures proposed for the November 2026 ballot that could result in the loss of hundreds of millions of dollars from the assumptions in the proposed budget; the increased costs and reduced revenues resulting from H.R. 1; and uncertain 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 $1.09 billion in fiscal year 2029-30. See also, "BUDGETARY RISKS" below.

FY27 & FY28 PROPOSED BUDGET

The fiscal years 2026-27 and 2027-28 proposed budget (the "FY27 & FY28 Proposed Budget") was issued by the Mayor on June 1, 2026, and will be considered for adoption of the Board of Supervisors (the "Board") in July. See "CITY BUDGET – Budget Process" for additional detail. The FY27 & FY28 Proposed Budget reflects $16.9 billion of expenditures (all funds) in fiscal year 2026-27 and $17.2 billion in fiscal year 2027-28. The FY27 & FY28 Proposed Budget addresses the projected $642.8 million two-year shortfall as of the March 2026 Five-Year Financial Plan through projected revenue increases, reductions to positions, and the use of fund balance and reserves. For information concerning recent reports relating to the City's financial condition, see "PERIODIC FINANCIAL REPORTING; RECENT REPORTS."

The information in Appendix A reflects the FY27 & FY28 Proposed Budget as issued by the Mayor on June 1, 2026. As described in "CITY BUDGET – Budget Process," the Board of Supervisors approves the budget through adoption of the Budget and Appropriation Ordinance typically by no later than August 1 of each fiscal year. In connection with the budget approval process, on July 10, 2026, the Controller's Office published the updated Budget and Appropriation Ordinance, including amendments recommended by the Board of Supervisors Budget and Appropriation Committee, which reflected approximately $24 million less in available General Fund sources and uses of funds over the two-year budget period. During the 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 FY27 & FY28 Adopted Budget will be available on the City's website subsequent to adoption by the Board of Supervisors.

PERIODIC FINANCIAL REPORTING; RECENT REPORTS

The City Charter and Administrative Code provide for the preparation of a number of periodic financial reports. These reports include:

Controller Revenue Letter: The Controller Revenue Letter is issued in June of each year, and addresses the Controller's view of the accuracy of economic assumptions underlying the revenue estimates in the Mayor's Proposed Budget. On June 9, 2026, the Controller issued the Revenue Letter relating to the FY27 & FY28 Proposed Budget (the "June 2026 Revenue Letter"). See "CITY BUDGET - FY27 & FY28 Proposed Budget and Revenue Letter."

Budget Status Reports: 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. See "CITY BUDGET – May 2026 Nine-Month Report" and the description below of the Nine-Month Budget Status Report issued by the Controller's Office on May 12, 2026 (the "May 2026 Nine-Month Report").

Five-Year Financial Plan: 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 Five-Year Plan, and discuss strategic goals and corresponding resources for City departments. Proposition A requires that, by March 1st of each odd numbered year thereafter, the Mayor shall propose a five-year financial plan, and by May 1st of each such year the Board of Supervisors shall review, amend and adopt the five-year financial plan by resolution. 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. See the "CITY BUDGET – March 2026 Five-Year Plan Update."

Following is a description of certain recently issued reports, with the most recent reports presented first.

FY27 & FY28 Revenue Letter

On June 9, 2026, the Controller issued the June 2026 Revenue Letter relating to the FY27 & FY28 Proposed Budget. While the Controller found the revenue assumptions in the FY27 & FY28 Proposed Budget to be reasonable and to make meaningful progress toward closing the structural deficit, the Controller noted that the City faces several key financial risks in upcoming fiscal years. These risks include: the outcome of several potential measures proposed for the November 2026 ballot that could result in the loss of hundreds of millions of dollars from the assumptions in the proposed budget; the increased costs and reduced revenues resulting from H.R. 1; the state's May Revised Budget that would reduce the City's excess ERAF revenue by approximately $30 million annually; and economic risk. See "CITY BUDGET - FY27 & FY28 Proposed Budget and Revenue Letter."

Controller's Report on the Status of the City Economy

On May 15, 2026, the Controller's Office issued its most recent report on the status of the City economy through March 31, 2026. The report noted that economic indicators from early 2026 suggest that, while macroeconomic risks to the City's economy are real, the City's economy may have reached an inflection point. Highlights of the report include the following:

- Information sector jobs are showing year-over-year growth, job listings have recently trended positive in San Francisco and other tech hubs, and the City's unemployment rate dipped in 2026.
- For the first time since the COVID pandemic, monthly hotel revenues (for March 2026) exceeded levels for the same month in 2019.
- Downtown metrics are also improving: Muni Metro and downtown BART ridership have also reached post-pandemic highs, office vacancy rates continue to drop, and foot traffic recovery is continuing.
- Apartment asking rents continue to grow rapidly and have also surpassed 2019 levels (in nominal dollars). Condo and single-family home price growth is also well-outpacing state levels.

May 2026 Nine-Month Report

On May 12, 2026, the Controller's Office released the May 2026 Nine-Month Report. The May 2026 Nine-Month Report notes that the Controller projects a $728.2 million General Fund ending balance in fiscal year 2025-26, a $53.9 million improvement from the $674.3 million balance contained in the March 2026 Five-Year Plan Update described below. Application of this additional current year fund balance would decrease the

projected shortfall in the fiscal year 2026-27 and 2027-28 budget to $606.9 million (from $642.8 million) and by $18.0 million in FY 2028-29.

The May 2026 Nine-Month Report notes that Citywide revenues are projected to be $339.9 million above budget, a $53.2 million increase from March 2026 projections, partially offset by a related $9.5 million increase in baseline contributions and $23.5 million deposit to the Budget Stabilization Reserve. The May 2026 Nine-Month Report also notes that departments are projected to end the year with a $89.5 million net surplus, including a revenue surplus of $6.4 million and expenditure savings of $83.0 million, which is a $33.7 million improvement from the March 2026 Five-Year Plan Update. See CITY BUDGET – May 2026 Nine-Month Report" for additional information.

March 2026 Five-Year Plan Update

On March 31, 2026, the Mayor, Board of Supervisors Budget Analyst, and Controller issued the Budget Outlook Update (March Five-Year Update) (the "March 2026 Five-Year Plan Update"). Compared to the December 2025 Five-Year Plan Update, the March 2026 Five-Year Plan Update projects a General Fund shortfall for the coming fiscal year (FY 2026-27) of $168.5 million, $127.8 million less than that December 2025 Five-Year Plan Update. For FY 2026-27 and 2027-28, the period for which the City is required to adopt a balanced budget, the March 2026 Five-Year Plan Update projects a $642.8 million General Fund shortfall, or $293.8 million less than the shortfall projected in the December 2025 Five-Year Plan Update. The March 2026 Five-Year Plan Update also notes that the estimated revenue impact of funding changes from H.R.1 is unchanged from the prior projection at a two-year total of $306.3 million, representing just under half of the total $642.8 million shortfall and that long term structural shortfalls remain, growing to $1.1 billion by FY 2029-30, which is $79.9 million less than the December 2025 Five-Year Plan Update.

The updates in the March 2026 Five-Year Plan Update are the result of improvements in current year fund balance, increased General Fund revenues in FY 2026-27, ongoing Public Health revenue increases, and lower employer contributions for retirement, along with nominal updates to other citywide expenditures.

See "CITY BUDGET –December 2025 Five-Year Plan Update" and "- March 2026 Five-Year Plan Update" for additional information.

Upcoming Reports

Significant upcoming reports include the 2025-26 Annual Comprehensive Financial Report, expected to be issued later in November 2026. The financial pressures described in this Official Statement result in challenges with respect to revenue and expense forecasting, and there can be no assurances that future reports will not identify increasing expenses and/or decreasing revenues, potentially resulting in increased deficit projections as compared to prior reports. See "GENERAL FUND REVENUES - PROPERTY TAXATION - Assessed Valuations, Tax Rates, and Tax Delinquencies."

CITY BUDGET

Overview

The City manages the operations of various 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. The City's fiscal position is thus 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 Board of Supervisors is expected to finally adopt the FY27 & FY28 Proposed Budget by July 31, 2026. The fiscal year 2026-27 budget appropriates annual revenues, fund balance, transfers and reserves of $16.9 billion, of which the City's General Fund accounts for $7.6 billion. The fiscal year 2027-28 budget appropriates revenues, fund balance, transfers and reserves of $17.2 billion, of which $7.9 billion represents the General Fund budget. See "CITY BUDGET – FY27 & FY28 Proposed Budget and Revenue Letter" for further details on the budget. Table A-1 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2023-24 through 2024-25, and the Original Budget for fiscal year 2025-26, and the FY27 & FY28 Proposed Budget for fiscal years 2026-27 and 2027-28. 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 "MATERIAL CITY FINANCIAL CHALLENGES" and "BUDGETARY RISKS" for discussions of factors that may adversely impact the revenue and expenditure levels assumed in the FY27 & FY28 Proposed Budget.

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TABLE A-1
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2023-24 through 2027-28
(000s)

	2023-24 Final Revised Budget[5]	2024-25 Final Revised Budget[5]	2025-26 Original Budget[6]	2026-27 Proposed Budget[7]	2027-28 Proposed Budget[7]
Prior-Year Budgetary Fund Balance & Reserves	$ 2,963,605	$ 2,813,034	$ 187,156	$ 160,051	$ 536,068
Budgeted Revenues					
Property Taxes	$ 2,510,000	$ 2,469,580	$ 2,437,000	$ 2,407,000	$ 2,427,000
Business Taxes[1]	851,077	1,022,943	1,139,600	1,572,180	1,477,740
Other Local Taxes[2]	1,098,880	969,170	1,002,170	1,139,550	1,163,630
Licenses, Permits and Franchises	30,240	32,364	23,126	24,071	24,454
Fines, Forfeitures and Penalties	3,028	3,914	6,038	3,608	3,608
Interest and Investment Earnings	111,757	135,134	151,882	164,804	153,454
Rents and Concessions	14,571	16,164	18,502	25,886	33,388
Grants and Subventions	1,462,866	1,327,077	1,372,885	1,298,827	1,348,887
Charges for Services	275,495	359,169	405,243	487,090	459,883
Other	32,153	27,340	18,909	17,344	17,551
Total Budgeted Revenues	$ 6,390,067	$ 6,362,855	$ 6,575,355	$ 7,140,360	$ 7,109,594
Expenditure Appropriations					
Public Protection	$ 1,747,925	$ 1,860,865	$ 1,923,582	$ 2,019,924	$ 2,067,957
Public Works, Transportation & Commerce	254,637	230,938	177,859	217,219	248,030
Human Welfare & Neighborhood Development	1,686,647	1,654,758	1,670,511	1,733,488	1,813,647
Community Health	1,099,022	1,203,239	1,223,759	1,313,062	1,327,717
Culture and Recreation	198,594	186,330	204,503	216,575	222,982
General Administration & Finance	346,074	357,895	342,691	368,729	381,158
General City Responsibilities	213,493	180,453	201,002	262,247	316,128
Total Expenditure Appropriations	$ 5,546,392	$ 5,674,478	$ 5,743,907	$ 6,131,244	$ 6,377,620
Budgetary reserves and designations, net	$ 62,362	$ 40,000	$ 28,420	$ 43,719	$ 16,930
Transfers In	$ 229,393	$ 294,442	$ 258,508	$ 297,199	$ 266,569
Transfers Out[3]	(1,355,235)	(1,344,255)	(1,248,692)	(1,422,647)	(1,517,681)
Net Transfers In/Out	($1,125,842)	($1,049,783)	($ 990,184)	$(1,125,448)	$(1,251,112)
Budgeted Excess (Deficiency) of Sources Over (Under) Uses	$ 2,619,076	2,411,628	-	-	-
Variance of Actual vs. Budget	193,958	442,157	-	-	-
Total Actual Budgetary Fund Balance[4]	$ 2,813,034	$ 2,853,785	-	-	-

(1) Business tax includes the overpaid executive tax beginning in FY 2025-26 and FY 2026-27 proposed budgets. Prior to that, it is included in "other local taxes."

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

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

(4) Fiscal year 2023-24 and 2024-25 Final Revised Budget reflects prior year actual budgetary fund balance.

(5) Fiscal year 2023-24 and 2024-25 Final Revised Budgets are based on respective Annual Comprehensive Financial Reports.

(6) Fiscal year 2025-26 is based on the Original Budget, adopted July 24, 2025.

(7) Fiscal years 2026-27 and 2027-28 are based on the FY27 & FY28 Proposed Budget.

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 2027-28, all departments except for MTA, SFPUC, SFO, and the Port will have budgets open again for amendments.

2. A 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. The

December 2025 Five-Year Plan Update, 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 the Controller's Office on December 19, 2025, for fiscal year 2026-27 through fiscal year 2029-30. See "CITY BUDGET – December 2025 Five-Year Plan Update" section below. See also "- May 2026 Nine-Month Report" and "- March 2026 Five-Year Plan Update."

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 under "Rainy Day Reserve" and "Budget Stabilization Reserve" below.

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 Charter Section 3.105, 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.

General Fund Results: Audited Financial Statements

The City issued the ACFR, which includes the City's audited financial statements, for fiscal year 2024-25 on November 26, 2025. The 2025-26 Annual Comprehensive Financial Report is expected to be issued in November of 2026.

Fiscal year 2024-25 GAAP basis and budgetary basis General Fund fund balance increased from fiscal year 2023-24. As of June 30, 2025, the GAAP basis General Fund fund balance was $2.617 billion while budgetary basis General Fund fund balance was $2.854 billion. Strength in fund balance largely reflects unexpectedly strong General Fund revenue in fiscal year 2024-25.

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.

Table A-2 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-2 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 – May 2026 Nine-Month Report" for a summary of the most recent projections.

On a GAAP basis, the General Fund balance as of June 30, 2025 was $2.6 billion. Table A-3 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, 2021 through June 30, 2025.

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TABLE A-2
Statement of Revenues, Expenditures and Changes in General Fund Fund Balances[1]
Fiscal Years 2020-21 through 2024-25
(000s)

Revenues:	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Property Taxes	$ 2,332,864	$ 2,336,071	$ 2,459,052	$ 2,526,392	$ 2,468,240
Business Taxes	722,642	861,172	850,593	868,932	1,120,358
Other Local Taxes[2]	709,018	1,115,553	1,108,545	1,036,816	1,009,524
Licenses, Permits and Franchises	12,332	32,078	28,953	29,702	34,256
Fines, Forfeitures and Penalties	4,508	5,755	3,191	6,484	5,214
Interest and Investment Income	(1,605)	(93,447)	68,319	180,387	178,144
Rents and Concessions	5,111	10,668	11,775	11,764	14,931
Intergovernmental	1,607,803	1,795,395	1,339,711	1,393,646	1,399,799
Charges for Services	230,048	238,438	243,234	281,393	357,122
Other	46,434	23,265	29,677	42,268	31,807
Total Revenues	$ 5,669,155	$ 6,324,948	$ 6,143,050	$ 6,377,784	$ 6,619,395
Expenditures:					
Public Protection	$ 1,498,514	$ 1,562,797	$ 1,654,953	$ 1,730,773	$ 1,834,505
Public Works, Transportation & Commerce	204,973	232,078	265,019	241,299	221,660
Human Welfare and Neighborhood Development	1,562,982	1,478,115	1,577,163	1,617,231	1,598,333
Community Health	1,056,590	1,002,047	967,381	947,867	980,332
Culture and Recreation	145,405	159,056	172,832	186,187	181,510
General Administration & Finance	314,298	298,742	301,748	293,959	303,882
General City Responsibilities	119,913	156,870	189,570	168,497	153,057
Total Expenditures	$ 4,896,675	$ 4,889,705	$ 5,128,666	$ 5,185,813	$ 5,273,279
Excess of Revenues over Expenditures	$ 772,480	$ 1,435,243	$ 1,014,384	$ 1,191,971	$ 1,346,116
Other Financing Sources (Uses):					
Transfers In	$ 343,498	$ 84,107	$ 119,361	$ 155,223	$ 147,659
Transfers Out	(1,166,855)	(1,209,383)	(1,316,074)	(1,354,857)	(1,345,856)
Other	(338)	(74,928)	(74,677)	(76,864)	(94,300)
Total Other Financing Sources (Uses)	($ 823,695)	($1,200,204)	($ 1,271,390)	($ 1,276,498)	$ (1,292,497)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	($ 51,215)	$ 235,039	($ 257,006)	($ 84,524)	$ 53,619
Total Fund Balance at Beginning of Year	$ 2,685,922	$ 2,670,104	$ 2,905,143	$ 2,648,137	$ 2,563,610
Cumulative effect of accounting change	35,397	-			
Total Fund Balance at End of Year -- GAAP Basis	$ 2,670,104	$ 2,905,143	$ 2,648,137	$ 2,563,610	$ 2,617,229
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
-- GAAP Basis	$ 179,077	$ 325,664	$ 150,628	$ 228,515	$ 162,302
-- Budget Basis	$ 901,980	$ 1,016,157	$ 852,147	$ 903,673	$ 861,986

(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) 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-3 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-3 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. 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 reserved for SFUSD and not part of the General Fund,);
- 25% of the excess revenues to the Rainy Day One-Time or Capital Expenditures account; and
- 25% of the excess revenues may be used for any lawful governmental purpose.

The FY27 & FY28 Proposed Budget maintains balances in the City Rainy Day Reserve of $114.5 million, $0 in the City Rainy Day One-Time Reserve, and $1.0 million in the SFUSD's Rainy Day Economic Stabilization Reserve as shown in Table A-3. Under Proposition C, the City is not eligible to withdraw from the Rainy Day Reserve in either budget year.

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

Budget Stabilization Reserve

The City maintains a Budget Stabilization Reserve, as shown on the third line of Table A-3 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 City is ineligible to make withdrawals from the Budget Stabilization Reserve in either budget year. At fiscal year 2024-25 close, the City deposited $115.7 million to the Budget Stabilization Reserve, as strong year-end results yielded larger unassigned General Fund fund balances than what was assumed as a source in the budget. Additionally, the Mayor's proposed budget assumes a $35.8 million deposit in fiscal year 2026-27 and a $68.8 million deposit in fiscal year 2027-28 because transfer tax is expected to exceed its prior five-year average. These deposits bring this reserve up to a balance of $464.8 million in fiscal year 2026-27 and $533.7 million in fiscal year 2027-28. When the combined balance of the Budget Stabilization Reserve and Rainy Day

Reserve exceeds 10 percent of General Fund revenues, the excess is deposited in the Budget Stabilization One-Time Reserve. While the $54.8 million balance of this reserve was budgeted in fiscal year 2022-23, stronger than anticipated performance through year-end meant the reserve was ultimately not needed that year. The entire $54.8 million balance of this reserve was previously budgeted in the fiscal year 2025-26 budget, and the FY27 & FY28 Proposed Budget pushes out the depletion of this reserve into fiscal year 2026-27.

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 may 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-3 below. These include the Salaries and Benefit Reserve (balance of $9.6 million as of fiscal year 2024-25) and the Litigation Reserve. The Litigation Reserve and Public Health Management Reserve (balance of $325.5 million in fiscal year 2024-25) are combined for reporting purposes. The purpose of the latter is to manage patient revenue volatility in the Department of Public Health.

General Reserve

The City maintains a General Reserve, shown as part of "Unassigned for General Reserve" in the "assigned and unassigned, available for appropriation" section of Table A-3 below. In fiscal year 2024-25 the General Reserve balance is $136.8 million. On December 16, 2014, the Board of Supervisors adopted financial policies which increased 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, growing to 3.0 percent of General Fund revenues in 0.25 percent annual increments thereafter. In fiscal year 2025-26, the General Reserve required funding level is 2.5 percent of General Fund revenue, growing to 2.75 percent in fiscal year 2026-27 and 3.0 percent in fiscal year 2027-28. In fiscal year 2025-26, $27.6 million is deposited in this reserve. The FY27 & FY28 Proposed Budget assumes required deposits of $41.5 million for fiscal year 2026-27 and $16.9 million for fiscal year 2027-28, respectively. See "CITY BUDGET – May 2026 Nine-Month Report" and "CITY BUDGET – FY27 & FY 28 Proposed Budget and Revenue Letter" for a summary of the most recent projections.

Fiscal Cliff Reserve

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. The Mayor's fiscal year 2024-25 and fiscal year 2025-26 proposed budget amended this reserve to include managing business tax revenue shortfalls as an additional eligible use. The FY26 & FY27 Original Budget included spending $25.0 million of the reserve in fiscal year 2025-26 and $15.0 million in fiscal year 2026-27 and shifted the remaining $142.4 million balance of this reserve into a newly created Federal and State Revenue Risk Reserve through administrative provisions of the fiscal year 2025-26 Annual Appropriations Ordinance. The FY27 & FY28 Proposed Budget maintains these appropriations.

Federal and State Revenue Risk Reserve

The FY 2025-26 Annual Appropriations Ordinance established the Federal and State Revenue Risk Reserve for the purpose of managing revenue shortfalls related to changes in federal and state funding. This reserve was funded by combining the $79.2 million balance of the Federal and State Emergency Grant Disallowance Reserve, the $142.4 million balance of the Fiscal Cliff Reserve, and all revenue escheated to the General Fund from City Option Medical Reimbursement Accounts in fiscal year 2025-26, which is estimated to be $220.8 million, minus the $9.1 million the Board of Supervisors approved to support families who lost access to SNAP benefits during the October and November 2025 federal shutdown, for a starting balance of $433.3 million. The Mayor's proposed budget includes uses of $41.4 million in fiscal year 2026-27 and $43.5 million in fiscal year 2027-28 in this reserve.

Operating Cash Reserve

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

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TABLE A-3
Summary of General Fund Fund Balances
Fiscal Years 2020-21 through 2024-25
(000s)

	2020-21	2021-22	2022-23	2023-24	2024-25
Restricted for rainy day (Economic Stabilization account)[1]	$ 114,539	$ 114,539	$ 114,539	$ 114,539	$ 114,539
Committed for budget stabilization (citywide) [2]	320,637	320,637	330,010	330,010	445,745
Committed for Recreation & Parks savings reserve	-	-	-	-	-
Assigned, not available for appropriation					
Assigned for encumbrances	$ 407,137	$ 462,668	$ 424,301	$ 431,461	$ 385,055
Assigned for appropriation carryforward	753,776	940,213	840,748	569,737	534,533
Assigned for salaries and benefits[3]	5,088	17,921	27,927	1,807	9,557
Assigned for Self-Insurance[4]	42,454	45,567	46,496	43,362	40,000
Assigned for Hotel Tax Loss Contingency	6,000	3,500	3,500	-	-
Total Fund Balance Not Available for Appropriation	$ 1,649,631	$ 1,905,045	$ 1,787,521	$ 1,490,916	$ 1,529,429
Assigned and unassigned, available for appropriation					
Assigned for litigation & contingencies[3]	$ 173,591	$ 235,133	$ 259,230	$ 282,731	$ 325,541
Assigned for subsequent year's budget	173,989	307,743	122,701	226,708	152,745
Unassigned for General Reserve[5]	78,333	57,696	64,707	135,714	136,829
Unassigned - Budgeted for use second budget year	-	149,695	291,710	228,502	229,612
Unassigned - Projected for use third and fourth budget year	-	163,400	81,190	154,861	139,961
Unassigned - COVID-19 Contingency Reserve[6]	113,500	13,999	-	-	-
Unassigned - Conditional Increment Reserve	-	-	-	402	-
Unassigned - Federal & State Emergency Revenue Reserve[6]	100,000	81,300	81,300	81,300	2,120
Unassigned - Fiscal Cliff Reserve[6]	293,900	229,750	220,432	182,425	40,000
Unassigned - Federal & State Revenue Risk Reserve[6]	-	-	-	-	221,605
Unassigned - Business Tax Stabilization Reserve	149,000	29,454	29,454	29,454	29,454
Unassigned - Gross Receipts Prepayment Reserve	26,000	-	-	-	-
Unassigned - Public Health Use in FY 2023-24	-	-	21,213	-	-
Unassigned - Other Reserve	13,807	1,021	1,021	21	7,911
Unassigned - Available for future appropriation	31,784	39,795	3,126	-	38,578
Total Fund Balance Available for Appropriation	$ 1,153,904	$ 1,308,986	$ 1,176,084	$ 1,322,118	$ 1,324,356
Total Fund Balance, Budget Basis	$ 2,803,535	$ 3,214,031	$ 2,963,605	$ 2,813,034	$ 2,853,785
Budget Basis to GAAP Basis Reconciliation					
Total Fund Balance - Budget Basis	$ 2,803,535	$ 3,214,031	$ 2,963,605	$ 2,813,034	$ 2,853,785
Unrealized gain or loss on investments	3,978	(156,403)	(158,859)	(79,138)	(5,617)
Nonspendable fund balance	2,714	4,134	1,174	1,001	1,503
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(31,745)	(32,874)	(40,685)	(54,052)	(70,973)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(120,569)	(118,791)	(111,163)	(114,312)	(159,470)
Inventories	17,925	-	-	-	-
Pre-paid lease revenue	(5,734)	(4,954)	(5,935)	(2,923)	(2,029)
Total Fund Balance, GAAP Basis	$ 2,670,104	$ 2,905,143	$ 2,648,137	$ 2,563,610	$ 2,617,229

(1) See "Rainy Day Reserve" for additional information.

(2) See "Budget Stabilization Reserve" for additional information.

(3) See "Salaries, Benefits and Litigation Reserves" for additional information.

(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) See "General Reserve" for additional information.

(6) See "COVID Response and Economic Loss Reserve, Federal and State Emergency Grant Disallowance Reserve, and Fiscal Cliff Reserve" for additional information.

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

Recent Reports

The following sections describe recent reports on the City's financial condition, presented with the most recent report first, followed by prior reports.

FY27 & FY 28 Proposed Budget and Revenue Letter

The FY27 & FY28 Proposed Budget was issued by the Mayor on June 1, 2026, and will be considered for adoption by the Board in July. See "CITY BUDGET – Budget Process" for additional detail. The FY27 & FY 28 Proposed Budget reflects $16.9 billion of expenditures (all funds) in fiscal year 2026-27 and $17.2 billion in fiscal year 2027-28. The FY27 & FY28 Proposed Budget addresses the then-current $642.8 million two-year shortfall through projected revenue increases, reductions to positions, and the use of fund balance and reserves.

The Charter requires that the Controller comment on revenue estimates assumed in the FY27 & FY28 Proposed Budget. These comments were issued in the June 2026 Revenue Letter.

While the Controller found the revenue assumptions in the Mayor's proposed budget to be reasonable and makes meaningful progress toward closing the structural deficit, the Controller noted that the City faces several material financial risks in upcoming fiscal years. These risks include: the projected structural budget gap following depletion of one-time funds; state and local measures before the City and State legislatures and voters that could increase or decrease revenue and increase costs; federal budget risk and potential disallowance of claims for reimbursement of emergency response costs; state budget revenue risk; and wider economic risks that could derail revenue forecasts.

Key findings in the June 2026 Revenue Letter included:

- Tax Revenue. Overall General Fund tax revenue grows by $143.0 million (or 2.9%) in fiscal year 2026-27 compared to the May 2026 Nine-Month Report and declines by $50.4 million (or 1.0%) in fiscal year 2027-28. Business tax revenue grows in the first year of the budget because of strength in technology and professional services as well as administrative changes related to Proposition M (2024) that shifted revenue that previously would have been received in fiscal year 2025-26 into fiscal year 2026-27. The forecast assumes the City's commercial real estate "reset" continues, resulting in sustained transfer tax revenue and a deposit to the Budget Stabilization Reserve. However, with commercial market values often below assessed values, property transactions may restrain growth in property tax revenue. The volume of commercial assessment appeals decisions and related refunds is expected to continue growing, putting downward pressure on revenues. Fiscal year 2026-27 local assessment roll values received by the Controller from the Assessor as of the beginning of July 2026 indicate secured roll growth of 2.3% and unsecured roll growth of -1.4%, which will provide a modest revenue improvement compared to the FY 27 & FY28 Proposed Budget, which assumed growth of 2.0% and 0%, respectively. Modest growth is expected for other economically sensitive taxes, such as sales and hotel taxes, which remain below pre-pandemic levels.

- Public Health Revenue**.** The Department of Public Health's ("DPH") revenues are projected to grow by $66.8 million in fiscal year 2026-27 and decline by $26.8 million in fiscal year 2027-28. H.R. 1, the July 2025 federal budget reconciliation bill, and state Medi-Cal cuts are expected to reduce revenues by $61.6 million and $165.0 million in the budget years, as detailed below. Absent these federal and state cuts, revenues would have grown by $128.4 million in fiscal year 2026-27 and $76.6 million in fiscal year 2027-28. Strength in public health revenue is primarily in Zuckerberg San Francisco General Hospital ("ZSFG"), Behavioral Health, Primary Care, and Jail Health. At ZSFG and the San Francisco Health Network, growth is largely due to increases in Medi-Cal managed care supplemental funding, Medi-Cal Graduate Medical Education ("GME"), and Medicaid Disproportionate Share Hospital (DSH) payments. In Behavioral Health, revenue growth aligns with current year trends and is driven by sustained growth in behavioral health patient services and continued implementation of CalAIM

revenue programs. Primary Care revenue growth is supported by improving timely access to care, increasing capacity, and increasing the percentage of visits paid. With the launch of the CalAIM Justice-Involved Initiative, Jail Health began billing Medi-Cal for eligible services. Its revenue increase is driven by better than anticipated Medi-Cal reimbursements for in-custody health services and discharge pharmacy programs.

- Ongoing Solutions. The FY27 & FY28 Proposed Budget makes progress toward closing the structural deficit, with approximately $300 million in ongoing savings. The March 2026 Five-Year Plan Update forecasted a gap of $741.7 million in fiscal year 2028-29. Our preliminary review of proposed ongoing and one-time solutions indicates the shortfall is likely to be approximately $450 million in fiscal year 2028-29, growing in subsequent years. Roughly half of the ongoing solutions are comprised of increased tax and public health revenue while the remaining are driven by reductions in citywide personnel costs and other initiatives. Continued improvement in the structural deficit will require additional revenue increases or expenditure reductions in future years.

- The FY27 & FY28 Proposed Budget reduces authorized and funded positions by 32 full-time equivalents (FTE) in fiscal year 2026-27 and 249 FTE in fiscal year 2027-28. Within General Fund supported operations, however, funded positions increase by 129 FTE in fiscal year 2026-27 then decrease by 324 FTE in fiscal year 2027-28. Fiscal year 2026-27 increases include staffing at the newly expanded psychiatric emergency ward at Zuckerberg San Francisco General hospital and DPH behavioral health facilities and a (cost neutral) shift of staff from the Department of Building Inspection to the Planning Department. In addition, the FY27 & FY28 Proposed Budget includes project-funded positions in HSA (114 FTE in fiscal year 2026-27 and an additional 34 FTE in fiscal year 2027-28) to perform H.R. 1-related eligibility work. The decrease in funded positions in fiscal year 2027-28 is driven primarily by attrition savings equal to 378 FTE positions across 22 departments. These unspecified position cuts include 113 FTE at DPH and 48 FTE at HSA, with the remainder spread among 22 other departments.

- Despite position cuts, salary and fringe benefit costs are growing due to negotiated wage increases and health and retirement benefit obligations. Labor agreements with miscellaneous employees include a raise of 4.5% in fiscal year 2026-27, including 2.5% effective June 30, 2027, the last day of the agreement. Fiscal year 2027-28 is an open contract year for which the FY27 & FY28 Proposed Budget assumes a 0.6% increase, though costs may change pending negotiations. Public safety employee raises are 3% in fiscal year 2026-27 and 3% in fiscal year 2027-28. Budgeted health rates increase by 9.5% in fiscal year 2026-27 and 9.5% in fiscal year 2027-28 and employer contributions to retirement grow from 16.5% in the current year to 16.7% in fiscal year 2026-27 and 17.5% in fiscal year 2027-28.

- One-Time Solutions. The FY27 & FY28 Proposed Budget assumes the use of $696.1 million of General Fund one-time sources over the two budget years, $175.6 million more than assumed in the March 2026 Update to the Five-Year Financial Plan. These sources include the draw down of $505.0 million in prior year fund balance and $191.1 million of reserves. Consistent with the March 2026 Update to the Five-Year Financial Plan, the budget designates $261.4 million of unappropriated fund balance for balancing future budget shortfalls in fiscal year 2028-29 and after. The budgeted use of reserves is prudent and commensurate with known financial risks. The increase in the use of fund balance in the second year of the budget, from $42.4 million in fiscal year 2026-27 to $462.5 million in fiscal year 2027-28, represents a temporary budget solution that will need to be replaced by recurring revenue increases or expenditure reductions in future years.

- Reserve Deposits. The FY27 & FY28 Proposed Budget includes use of a Federal and State Revenue Risk reserve, increases economic stabilization reserves to a projected $648.2 million by fiscal year 2027-28, and makes required deposits to the General Reserve. The Controller's Office finds the use of one-time funds to increase reserve balances to be prudent and commensurate with known financial risks. In addition to using $191.1 million of prior year reserves to balance (including $117.6 million in fiscal

year 2026-27 and an additional $73.5 million in fiscal year 2027-28), the FY27 & FY28 Proposed Budget makes deposits to several reserves. The new Federal and State Revenue Risk Reserve consolidated remaining balances of the Federal and State Emergency Grant Disallowance Reserve and Fiscal Cliff Reserve with anticipated future revenue escheated from City Option Medical Reimbursement Accounts for a total expected balance of $433.3 million. Given revenue uncertainty and the one-time nature of escheatment revenue, it is prudent to reserve these funds for a known risk rather than appropriate them for on-going costs. The level of reserve is believed to be commensurate to risk; the projected balance of the Federal and State Revenue Risk Reserve represents approximately 10% of the City's annual operating federal and state pass-through revenues and could be used to temporarily backstop cuts in both state and federal budgets.

Additionally, the FY27 & FY28 Proposed Budget makes a required $35.9 million deposit to the Budget Stabilization Reserve in FY 2026-27, triggered by the expectation that transfer tax will exceed the prior five-year average. The City is not eligible to withdraw from Economic Stabilization Reserves. The proposed budget also makes required General Reserve deposits of $41.5 million and $16.9 million in fiscal year 2026-27 and fiscal year 2027-28. These deposits to the Budget Stabilization Reserve and General Reserve are required by Financial Policies previously adopted by the Mayor and Board of Supervisors.

- The final adopted budget will require active monitoring and management by departments, the Mayor, and the Board of Supervisors given economic and financial risks. These risks include the possibility of a slowing local economic recovery or a recession, as well as risks associated with both state and federal revenue streams. Additionally, close management and monitoring of personnel spending will be required for departments to stay within budgets as the budget deletes many vacant positions while increasing expected attrition savings.

May 2026 Nine-Month Report

On May 12, 2026, the Controller's Office released the May 2026 Nine-Month Report. The May 2026 Nine-Month Report notes that the Controller projects a $728.2 million General Fund ending balance in fiscal year 2025-26, a $53.9 million improvement from the $674.3 million balance contained in the March 2026 Five-Year Plan Update. Application of this additional current year fund balance would decrease the projected shortfall in the upcoming two-year budget for fiscal years 2026-27 and 2027-28 to $606.9 million (from $642.8 million) and by $18.0 million in fiscal year 2028-29. The May 2026 Nine-Month Report notes that risks to this projection remain from economic uncertainty and potential changes affecting federal revenue.

The May 2026 Nine-Month Report notes that citywide revenues are projected to be $339.9 million above budget, a $53.2 million increase from the March 2026 Five-Year Plan Update, partially offset by a related $9.5 million increase baseline contributions and $23.5 million deposit to the Budget Stabilization Reserve. Property tax is projected to be $27.0 million above budget, reflecting updated assumptions of the effect of current year refunds. Business tax revenue is projected to be $202.0 million above budget due to strong worldwide sales among a number of businesses located in San Francisco, as reflected in tax year 2025 filings to-date, and litigation outcomes allowing reserve releases. Real property transfer tax revenue is projected to be $108.7 million above budget, reflecting renewed investor interest in the City's commercial real estate. Revenues sensitive to day-to-day economic activity in the City, such as sales, hotel, and stadium admissions taxes, are projected to be above budget. Strength in these sources more than offsets an $83.3 million shortfall in FEMA reimbursements.

Departments are projected to end the year with a $89.5 million net surplus, including a revenue surplus of $6.4 million and expenditure savings of $83.0 million, which is a $33.7 million improvement from the FY 2025-26 Six-Month Budget Status Report. The Department of Public Health is projected to have a $32.5 million revenue surplus in behavioral health, CalAIM, and prior year skilled nursing supplemental payments partially offset by a shortfall in patient service revenue at Zuckerberg San Francisco General ("ZSFG") due to lower than expected patient volume and census. Unanticipated security and nurse registry costs at ZSFG are offset by

savings elsewhere. The Human Services Agency is projected to have a net $33.2 million surplus in operations and administration across many programs. Sheriff overspending on overtime and revenue shortfalls at City Planning, Early Childhood, Public Works, and Human Resources partially offset these surpluses. Expenditure savings across non-safety departments include salary and benefit savings realized intentionally through the Mayor's hiring freeze.

The Police, Sheriff, Fire, and Emergency Management departments and the Public Utilities Commission require additional appropriations for overtime under Administrative Code Section 3.17. The Board has approved a supplemental appropriation to reallocate existing budget to overtime at the Police Department. An ordinance to reallocate existing budget to overtime at the Emergency Management Department and the Public Utilities Commission, and to spend a Fire Department revenue surplus, has been proposed. Any additional supplemental appropriations using projected revenue surpluses or expenditure savings displayed in this report will reduce fund balance available to solve budget year shortfalls. No ordinance has been introduced to increase the budget for Sheriff overtime. The May 2026 Nine-Month Report projects that the department will deplete its General Fund operating budget in the first week of June. After this point, while payroll expenses will continue to post as required under federal law, financial system controls will prevent any other expenses from being paid. The May 2026 Nine-Month Report notes that, since January 20, 2025, the federal administration and federal agencies have sought to eliminate, reduce, or condition federal funding based on policy preferences related to immigration, LGBTQ+ rights, clean energy, and DEI/DEIA activities, among other topics. Federal agencies have terminated, frozen, or conditioned grants and funding that City departments rely on for ongoing programming. The City and other plaintiffs have filed litigation challenging these actions and have successfully obtained court orders blocking many actions. The City Attorney will continue litigating to protect federal funds awarded to or received by the City and will continue to work with the Mayor's Office and City departments to protect the City's interests, but threats to the City's federal funding remain ongoing. The federal government is appealing court losses and implementing new funding cuts and conditions. Given the uncertainty in this area, the Board of Supervisors established the Federal and State Revenue Risk Reserve to address significant revenue shortfalls.

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The following table shows changes in the projected variances from the FY25 & FY26 Original Budget in the December 2025 Five-Year Plan, the February 2026 Six-Month Budget Status Report, the March 2026 Five-Year Plan Update and the May 2026 Nine-Month Report.

TABLE A-4
May 2026 Nine-Month Report
Fiscal Year 2025-26 General Fund Variances
Compared to FY26 & FY27 Original Budget
Surplus/(Shortfall)($ Millions)

	December 2025 Five-Year Plan Update	February 2026 6-Month Budget Status Report	March 2026 Five-Year Plan Update	May 2026 Nine-Month Report	Change from March 2026 Five-Year Plan Update
FY 2024-25 Ending Fund Balance	420.9	420.9	420.9	420.9	-
Appropriation in the FY 2025-26 Budget	(382.4)	(382.4)	(382.4)	(382.4)	-
A. Prior Year Fund Balance vs Budgeted Levels	**38.6**	**38.6**	**38.6**	**38.6**	**-**
Citywide Revenue	167.7	213.7	286.8	339.9	53.2
Baseline Contributions	(47.3)	(54.7)	(61.5)	(71.0)	(9.5)
Departmental Operations	(3.3)	55.8	55.8	89.5	33.7
B. Current Year Revenues and Expenditures	**117.1**	**214.8**	**281.1**	**358.4**	**77.4**
General Reserve Appropriated - Source	-	3.5	3.5	9.5	6.0
New Expenditures Supported by General Reserve - Use	-	(3.5)	(3.5)	(9.5)	(6.0)
Deposit to Budget Stabilization Reserve	-	(8.4)	(14.9)	(38.4)	(23.5)
C. Supplemental Appropriations & Use of Reserves	**-**	**(8.4)**	**(14.9)**	**(38.4)**	**(23.5)**
D. Previously Unappropriated Fund Balance	**140.0**	**140.0**	**140.0**	**140.0**	**-**
Fund Balance Previously Appropriated in FY 2026-27	229.6	229.6	229.6	229.6	-
E. FY 2025-26 Projected Ending Balance	**525.2**	**614.6**	**674.3**	**728.2**	**53.9**

March 2026 Five-Year Plan Update

On March 31, 2026, the Mayor, Board of Supervisors Budget Analyst, and Controller issued the March 2026 Five-Year Plan Update. Compared to the December 2025 Five-Year Plan Update, the March 2026 Five-Year Plan Update projected an approximately $168.5 million shortfall in fiscal year 2026-27. For fiscal year 2027-28 the March 2026 Five-Year Plan Update projected a shortfall of $474.3 million ($166.0 million less than the December 2025 Five-Year Plan Update) and for fiscal year 2028-29, the March 2026 Five-Year Plan Update projected a shortfall of $741.4 ($167.6 million less than the December 2025 Five-Year Plan Update). The March 2026 Five-Year Plan Update projected that long term structural shortfalls remain, growing to $1.1 billion by fiscal year 2029-30, which is $79.9 million less than the December 2025 Five-Year Plan Update projection. The following table contains the updated shortfall projections from the March 2026 Five-Year Plan Update.

TABLE A-5(a)
March 2026 Five-Year Plan Update
General Fund-Supported Projected Budgetary
Surplus/(Shortfall) ($ Millions)

	Projection 2026-27	Projection 2027-28	Projection 2028-29	Projection 2029-30
SOURCES Increase / (Decrease)	**445.4**	**823.3**	**938.1**	**902.8**
Uses				
Baselines & Reserves	(195.0)	(203.6)	(236.4)	(243.1)
Salaries & Benefits	(205.7)	(528.5)	(688.6)	(844.3)
Citywide Operating Budget Costs	(50.2)	(178.6)	(239.9)	(318.9)
Departmental Costs	(78.5)	(165.1)	(289.0)	(380.3)
USES Decrease / (Increase)	**(529.4)**	**(1,075.8)**	**(1,453.9)**	**(1,786.6)**
Subtotal Surplus / (Shortfall)	(83.9)	(252.5)	(515.8)	(883.8)
State & Federal Policy Impacts	(84.5)	(221.8)	(226.0)	(204.8)
Projected Surplus / (Shortfall)	**(168.5)**	**(474.3)**	**(741.7)**	**(1,088.6)**
Two-Year Deficit	**(642.8)**			

The March 2026 Five-Year Plan Update identified a number of significant uncertainties and outstanding policy choices remain that could affect the City's financial condition over the next five years, including:

- Recent forecasts indicate slower GDP growth and elevated levels of uncertainty. This forecast does not project a recession. Labor supply and demand are now falling in tandem as firms pause due to heightened uncertainty for a variety of reasons, including tariffs and deportations, the possibility of an AI stock market correction, and the growing risk of a prolonged oil shock from the US/Israel-Iran war.

- Impact of Federal funding changes from 2025 H.R. 1. The March 2026 Five-Year Plan Update assumes no change from the December 2025 Five-Year Plan Update in the estimated revenue loss from H.R. 1. Revenue losses are assumed at $84.5 million in FY 2026-27, $221.8 million in FY 2027-28, $226.0 million in FY 2028-29, and $204.8 million in FY 2029-30. Projections do not assume the cost of hiring additional staff at the Human Services Agency to process more frequent eligibility redeterminations and review work requirements, or potential state revenue backfill. Significant uncertainty remains about the fiscal impact of H.R. 1 given state and federal implementation decisions yet to be made. See "BUDGET RISKS - Impact of Federal Government on Local Finances."

- Fiscal impacts of other federal policy changes. Since January 20, 2025, the federal administration and federal agencies have sought to eliminate, reduce, or condition federal funding to local governments based on policy preferences on a variety of topics. Federal agencies have terminated, frozen, or conditioned grants and funding that City departments rely on for ongoing programming. While the City and other local governments have challenged these actions, threats to the City's federal funding remain ongoing. Given the uncertainty in this area, the Board of Supervisors established the Federal and State Revenue Risk Reserve to address significant revenue shortfalls. See "BUDGET RISKS - Impact of Federal Government on Local Finances."

- State Budget Impacts: The state's FY 2026-27 budget proposal issued in early January included an improved revenue outlook offset by spending increases. The budget assumes strong income tax collections will continue through FY 2026-27 fueled by tech stock exuberance. Despite this growth, both the Governor and the Legislative Analyst's Office (LAO) anticipate significant ongoing structural deficits exceeding $20 billion annually, which the proposed budget does not address, and which pose concerns about the sustainability of the

state's finances. The growth of structural deficits has led the LAO to issue its most negative forecast of the budget since the pandemic. This report assumes no significant changes in state funding levels.

- Labor Negotiations: The March 2026 Five-Year Plan Update projection maintains the average inflation projection of the California Department of Finance SF Metropolitan Statistical Area CPI and Moody's SF Metropolitan Area CPI as noted above. Miscellaneous contracts are open beginning in fiscal year 2027-28 and public safety contracts are closed through fiscal year 2029-30. All open contracts assume these inflation factors. Every 1% increase in wages above plan assumptions for miscellaneous employees would increase the General Fund deficit by approximately $32.9 million in fiscal year 2027-28 and thereafter.

- Pending Policy Decisions with Fiscal Impact: Legislative actions to increase spending, including uses of the General Reserve, without commensurate revenue increases, will increase the shortfalls projected in this report, as will any reductions to tax rates. On February 24, 2026, an ordinance was introduced that would reduce real property transfer tax rates for transactions exceeding $10 million effective July 1, 2026. The current text of the ordinance would decrease revenue by an estimated $93.8 million in FY 2026-27, $96.4 million in FY 2027-28, $98.8 million in FY 2028-29, and $101.2 million in FY 2029-30.

December 2025 Five-Year Plan Update

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 that, every two years, the City must 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. The Charter also 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 19, 2025, the Mayor's Office, Controller's Office, and Board of Supervisors Budget and Legislative Analyst's Office issued the "Five Year Financial Plan Update: FY 2026-27 through FY 2029-30" (the "December 2025 Five-Year Update").

The December 2025 Five-Year Plan Update noted that these projections are similar in magnitude to those published in March 2025, which forecasted a two-year deficit for the fiscal year 2025-26 and fiscal year 2026-27 budget of $817.5 million and a cumulative deficit through fiscal year 2029-30 of $1.4 billion. As required by the City Charter, the fiscal year 2025-26 and fiscal year 2026-27 budget balanced the previous two-year shortfall; however, cost increases and projected losses of federal revenues due to H.R. 1 have resulted in a higher deficit than previously reported,

The Controller's June 2025 Revenue Letter highlighted the progress made in reducing the City's structural budget gap in the adopted fiscal year 2025-26 and fiscal year 2026-27 budget. Absent projected federal cuts enacted in 2025, this progress combined with growth in citywide revenues would have resulted in a two-year deficit of $630.3M for the fiscal year 2026-27 and fiscal year 2027-28 budgets—a significant improvement in the two-year deficit compared to prior year projections. However, after reflecting projected cuts to federal revenues, the two-year deficit for the fiscal year 2026-27 and fiscal year 2027-28 budgets has grown to $936.6 million.

The following table is excerpted from the December 2025 Five-Year Plan Update and sets forth projected shortfalls for fiscal years 2026-27 through 2029-30.

TABLE A-5(b)
December 2025 Five-Year Financial Plan Update
Fiscal Years 2026-27 through 2029-30
General Fund-Supported Projected Budgetary Surplus/(Shortfall)
Projections as of December 19, 2025
($ Millions)

	Projection 2026-27	Projection 2027-28	Projection 2028-29	Projection 2029-30
SOURCES Increase / (Decrease)	**252.4**	**697.7**	**803.0**	**822.0**
Uses				
Baselines & Reserves	(118.8)	(220.2)	(259.0)	(274.3)
Salaries & Benefits	(216.5)	(551.5)	(705.9)	(828.9)
Citywide Operating Budget Costs	(50.4)	(179.5)	(232.4)	(302.2)
Departmental Costs	(78.5)	(165.1)	(289.0)	(380.3)
USES Decrease / (Increase)	**(464.2)**	**(1,116.2)**	**(1,486.3)**	**(1,785.6)**
Subtotal Surplus / (Shortfall)	(211.8)	(418.5)	(683.3)	(963.7)
State & Federal Policy Impacts	(84.5)	(221.8)	(226.0)	(204.8)
Projected Surplus / (Shortfall)	**(296.3)**	**(640.3)**	**(909.3)**	**(1,168.5)**
Two-Year Deficit	**(936.6)**			

The December 2025 Five-Year Plan Update identified key assumptions made in connection with the preparation of the projections, including the following:

- Modest General Fund tax revenue growth, largely due to strength in business and real property transfer tax: Overall growth rates of General Fund taxes are projected each year, at 4.2% in fiscal year 2025- 26, 2.7% in fiscal year 2026-27, and an average of 3.4% in fiscal year 2027-28 through fiscal year 2029-30. This projection assumes business taxes will grow by $407.2 million, or 32.1%, over the five-year period, with real property transfer tax growing by $99.8 million, or 34.5%, over the same period. However, these two bright spots mask weakness in other areas. Growth in business taxes is largely due to businesses' worldwide sales rather than increased activity inside San Francisco. Strong transfer tax revenues are driven by a reset in post-pandemic commercial real estate values, but under Proposition 13 this reset will constrain property tax growth for years to come. For properties that have not changed hands, high levels of refunds stemming from appeals are projected to curb property tax revenue. Taxes that reflect local economic activity – sales, hotel, and parking taxes – are expected to experience extremely modest growth, at or below expected rates of inflation, through fiscal year 2029-30.

- No major changes to service levels and number of employees: The projection assumes no major changes to policies, service levels, or the number of employees from previously adopted fiscal year 2025-26 and fiscal year 2026-27 budgeted levels, unless specified below.

- Assumes previously negotiated wage increases and inflationary increases for open contracts in line with Consumer Price Index (CPI): This projection continues to assume previously negotiated wage increases in collective bargaining agreements. Police and Firefighters' unions have closed memoranda of understanding (MOUs) through fiscal year 2025-26. Miscellaneous unions have closed MOUs through fiscal year 2026-27. All open contracts assume the average inflation projection of the California Department of Finance SF Metropolitan Statistical Area CPI and Moody's SF Metropolitan Area CPI, equal to 3.30% for fiscal year 2026-27, 3.04% for fiscal year 2027-28, 2.34% for fiscal year 2028-29, and 2.26% for fiscal year 2029-30. Importantly, these

assumptions do not indicate a willingness or ability to negotiate wage increases at these levels but rather are used for projection purposes.

- Health insurance cost increases: The employer share of health insurance costs for active employees is projected to increase by 9.0% in each year of the projection period. Dental insurance costs are projected to increase by 8.1% in fiscal year 2026-27, then increase by 4.0% for each remaining year, an average of 5.0% for the projection period. Retiree health costs are assumed to grow by 7.7% in fiscal year 2026-27, 8.9% in fiscal year 2027-28, and 9.5% in fiscal year 2028-29 and fiscal year 2029-30, an average of 8.9% annually over the projection period.

- Ten-Year Capital Plan, Five-Year Information and Communications Technology (ICT) Plan, and Equipment: Capital spending as budgeted for fiscal year 2026-27 is $54.6 million and is assumed to increase by $30 million annually through fiscal year 2027-28 and $25 million thereafter, in line with the recommendations in the City's forthcoming fiscal year 2026-35 Ten-Year Capital Plan. The IT investment projection assumes a $4.2 million increase in fiscal year 2026-27 funding of projects in the City's Information and Communications Technology (ICT) Plan and annual 10% increases thereafter. This report assumes no centralized funding of equipment over the projection period.

- Reserve deposits and withdrawals: The projection assumes required deposits to the Budget Stabilization Reserve and General Reserve. Consistent with Administrative Code Section 10.60(b), the City will deposit annually to the General Reserve, increasing from 2.75% of General Fund revenues in fiscal year 2026-27 to 3.0% in fiscal year 2027-28. In fiscal year 2028-29 and fiscal year 2029-30, the projection assumes the City maintains a General Reserve balance equal to 3.0% of General Fund revenues. Consistent with Administrative Code Section 10.60(c), the projection assumes Budget Stabilization Reserve deposits of $15.4 million, $64.7 million, $60.8 million, and $52.5 million in fiscal year 2026-27 through fiscal year 2029-30, respectively. By fiscal year 2029-30, the balance of the City's economic stabilization reserves (combined Rainy Day and Budget Stabilization Reserves) is expected to be $698.9 million, which, at 9.4% of projected fiscal year 2029-30 General Fund revenue, will be just below the City's 10% reserve target. Annual deposits to the Budget Stabilization Reserve are driven by anticipated increases to real property transfer tax as changes in ownership of high-value properties accelerate. Each year, 75% of transfer tax revenue exceeding the prior five-year average is deposited to the Budget Stabilization Reserve.

- Implementation of new business tax structure: The General Fund projection reflects changes in business tax revenue resulting from voter approval of Proposition M in November 2024. The measure makes a series of reforms to the City's business taxes that are intended to reduce revenue volatility and administrative complexity. When approved by voters, the measure was expected to reduce revenue in 2025 and 2026; we now project revenue to increase in 2025 because of strong growth in gross receipts. The Controller will issue a report by September 1, 2026 that discusses the impact of the Proposition M tax system on revenues.

- Impact of Federal funding changes from 2025 H.R. 1 bill: The federal budget reconciliation bill known as H.R. 1 that was signed into law on July 4, 2025, includes, among other provisions, the largest set of cuts to Medicaid since inception. H.R. 1 attempts to: 1) reduce direct federal funding to hospitals, other health care providers, and State and local governments; and 2) create barriers to enrollment to reduce the number of individuals who receive health coverage through Medicaid and other social safety net programs, resulting in reduced reimbursement to service providers. Under the bill, local governments will lose Medicaid funding for adults who do not meet work requirements; enrollment periods will be shortened and eligibility determinations more frequent; and their ability to finance a portion of Medicaid spending through taxes collected from health care providers will be dramatically reduced. These changes will have significant impacts to both the City and other non- governmental healthcare and social service providers in San Francisco. The projection assumes both a loss of direct federal funding and a graduated disenrollment for individuals affected by ineligibility due to "unsatisfactory immigration status," updated work requirements, or more frequent redeterminations estimated at over $200 million annually by fiscal year 2027-28.

The December 2025 Five-Year Plan Update identified uncertainties regarding key factors that could affect the City's financial condition. These include:

- Additional revenue loss from H.R. 1: Significant uncertainty remains about the financial impact of H.R. 1, as decisions about how the law will be implemented remain at both the federal and state levels. The Mayor and Board of Supervisors established a Federal and State Revenue Risk Reserve in the fiscal year 2025-26 and fiscal year 2026-27 budget in anticipation of potential federal funding reductions, with a projected balance of $487.3 million. However, this reserve is a one-time source of funding, while the anticipated financial impacts of H.R. 1 are ongoing. The December 2025 Five-Year Plan Update does not assume use of the reserve, which would be a policy decision in the annual budget process.

- Labor negotiations: This projection assumes approved wage increases in collective bargaining agreements for miscellaneous employees through the end of fiscal year 2026-27, and as negotiated for public safety employees through fiscal year 2025-26. The December 2025 Five-Year Plan Update does not assume any contract changes due to active labor negotiations. Wage changes different from CPI or applied earlier or later than these assumptions would impact the projection.

- State and federal budget impacts: The December 2025 Five-Year Plan Update does not assume significant changes in revenues from the state or federal levels other than currently contemplated by the City.

- The December 2025 Five-Year Plan Update: This report does not assume discretionary General Fund contributions to the MTA beyond those required by the City's Charter. Reliable, affordable, and accessible public transit is foundational to the City's economy. The MTA's ability to provide these critical services is now at risk due to significant and growing financial pressures. Declining citywide parking revenues, coupled with the expiration of temporary federal support, projected to create a structural deficit of approximately $300 million beginning in fiscal year 2026-27. While a potential one-time bridge loan from the State may delay a portion of the shortfall to fiscal year 2027-28, the underlying gap will remain. This means the City will face a combination of pivotal policy decisions: make deep service cuts and eliminate routes, establish a new dedicated revenue source, or increase General Fund support to sustain MTA's essential operations.

- Business tax litigation and revenue risk: As of fiscal year 2024-25 year-end, the City faced a litigation risk of approximately $570 million in General Fund revenue and an additional $365 million in non-General Fund revenue. The risk to the Gross Receipts Tax alone was approximately $500 million, for which the City held $375 million in reserve at year-end to cover the risk. In the current fiscal year, the reserved amount will increase to match the full liability. The Gross Receipts Tax forecast is reduced by $85 million in each year to account for potential future claims. See "BUDGETARY RISKS -Business Tax Litigation."

- Ballot measures: Voters may approve measures on the November 2026 ballot that could materially affect the City's financial outlook. The December 2025 Five-Year Plan Update does not assume the adoption any measures.]

The December 2025 Five-Year Plan Update includes a discussion of the hypothetical impact through fiscal year 2029-30 of a recession scenario affecting the California and San Francisco economies beginning in fiscal year 2026-27. The scenario assumes rates of revenue loss in major local tax sources consistent with the average declines experienced during the last two asset-bubble-related economic downturns - from fiscal year 2001-02 through fiscal year 2003-04 (the dotcom bust) and fiscal year 2008-09 through fiscal year 2010-11 (the global financial crisis). In the recession scenario, revenue losses could be approximately $1.45 billion, a $292.2 million increase in employer retirement contributions. The revenue losses contemplated by the recession scenario analysis in the December 2025 Five-Year Plan Update would reduce required reserve deposits by $93.2 million, reduce required baseline transfers by $309.3 million, and allow the City to draw $520.8 million in reserves. Taken together, these changes in revenues and expenditures indicate that an economic downturn beginning in fiscal year 2026-27 would result in a net remaining deficit of approximately $820 million over the

plan period, assuming policymakers chose to completely deplete economic reserves. San Francisco's Charter requires that each year's budget be balanced.

BUDGETARY RISKS

In addition to the budgetary risks described below, see "CITY BUDGET – FY27 & FY28 Proposed Budget 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.

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

Economic activity levels in San Francisco continue to strengthen as more workers and visitors return to the City. Transit usage reached new post-pandemic highs, with average weekday Muni Metro boardings rising 14.6% year-over-year to 121,600 in April 2026, representing 73.9% of April 2019 ridership. Downtown BART stations also recorded their highest post-pandemic activity, with average weekday exits increasing by 12% between April 2025 and April 2026 to 62,404, or 43.2% of April 2019 ridership. Office attendance across the Bay Area continued to improve, averaging 44.8% of pre-pandemic levels through May 2026, according to Kastle Systems. Similarly, Placer.ai data indicate continued gains in downtown activity, with visitor foot traffic increasing from 50.9% of pre-pandemic levels in April 2025 to 57.1% in April 2026, while employee foot traffic edged up from 64.6% to 64.9%. Together, these indicators point to continued momentum in the recovery of downtown economic activity.

San Francisco's office market showed further signs of stabilization in early 2026. According to Jones Lang LaSalle ("JLL"), the overall office vacancy rate declined from 34.4% in Q4 2025 to 32.6% in Q1 2026, marking the third consecutive quarterly decrease since peaking at 35.7% in Q2 2025. The improvement has been driven in large part by strong demand from AI-related firms. According to JLL office vacancy remains well above the pre-pandemic level of 5.2% in 2019. Asking rents have remained relatively stable despite elevated vacancies, averaging $72.30 per square foot in Q1 2026. At the same time, ongoing uncertainty surrounding long-term office demand and return-to-office policies continues to weigh on investment activity and asset valuations. CoStar data indicate that office sales across the city have averaged only 28 transactions per quarter since 2020, less than half the 61 transactions on average in 2019. Property values also remain under pressure, with the average office sale price falling to $538 per square foot in Q1 2026—30.4% below the pre-pandemic level of $773 per square foot recorded in Q4 2019.

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"). As of June 30, 2025, the City held $325.8 million in AAB reserves for the General Fund's portion of refunds on approximately $53.1 billion in prior years' assessed value reductions, plus interest. As of the May 2026 Nine-Month Report, the Controller's Office projected a current year General Fund AAB reserve deposit of $50.4 million, bringing the total reserve to $376.2 million. Reserve balances are projected to grow given the capacity for hearings and requests for delays from commercial property owners' agents. General Fund property tax revenue in the Proposed Budget is net of AAB reserve deposits of $215.0 million for fiscal 2026-27 and $191.0 million for fiscal year 2027-28.

The City cannot predict the actual level of revenue losses, however the City will continue to account for these trends in its periodic reports.

Business Tax Litigation

As of April 2026, the total business tax reserves for litigation risk were approximately $660 million. 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 15,000 businesses pay the gross receipts tax that accrues to the General Fund, the top ten payers accounted for 28.8% of the revenue in tax year 2024. The top ten payers accounted for 35.1% of all business taxes – including gross receipts, homelessness gross receipts, commercial rents, and overpaid executive gross receipts taxes – in tax year 2023. The legal issues raised vary by claimant and are at various 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.

Pending Local Initiatives

San Franciscans and Californians will vote on various proposals that would change local and state revenue streams in the November 2026 elections. Additionally, the City and state legislature are considering proposals that would change local tax revenue. The only revenue proposals assumed in the FY27 & FY28 Proposed Budget are the local parcel tax and regional sales tax measures on the November 2026 ballot that would generate operating funds for the MTA. However, there are various proposals which could significantly impact the City's General Fund.

Transit Tax Measures. The FY27 & FY28 Proposed Budget assumes that two revenue measures on the November 2026 ballot supporting the MTA will pass. The FY27 & FY28 Proposed Budget includes $166.0

million in local parcel tax revenue in fiscal year 2027-28 and revenue from a regional sales tax measure of $17.0 million in fiscal year 2026-27 and $155.0 million in fiscal year 2027-28. Should these measures fail, there will be significant pressure to use the General Fund to backfill some portion of the resulting $338 million shortfall to avoid drastic service cuts. The fiscal year 2026-27 MTA budget assumes $200 million in state loan proceeds from a total of $590 million approved for Bay Area transit systems in SB117. Additional state funding beyond this loan appears unlikely.

Deep transit service cuts would significantly impact San Francisco, especially the downtown core that drives the City's economy. The City historically achieved its economic vitality by connecting skilled labor across the Bay Area to businesses concentrated in the City's central business district via mass transit. Full occupancy of this area is not possible without the Bay Area's network of light and heavy rail trains, buses, and streetcars. Potential reductions in transit operations could weaken the city's access to regional talent, pushing existing businesses to relocate and prospective businesses to expand in other cities instead of San Francisco. Combined, these factors could drive down office attendance and economic activity and reduce the tax revenues that depend on them, including sales, commercial rent, gross receipts, transfer, and other taxes.

Housing Trust Fund. The FY27 & FY28 Proposed Budget does not assume a proposed Charter amendment to extend and increase the annual contribution to the Housing Trust Fund from approximately $50.0 million in fiscal year 2026-27 to $125.0 million over the next ten fiscal years. The additional funding would support the creation, acquisition, and rehabilitation of affordable rental and ownership housing and other housing stabilization activities outlined in Charter Section 16.110. Should voters adopt the measure in November 2026, the General Fund impact would be $6.1 million in fiscal year 2028-29, $13.6 million in fiscal year 2029-30, and thereafter grow by an additional $9.0 million each year until reaching nearly $60 million by fiscal year 2034-35, assuming no temporary freezes or reductions.

Real Property Transfer Tax Proposals. The FY27 & FY28 Proposed Budget does not assume any changes to the City's real property transfer tax. Currently proposed measures that could potentially be adopted or submitted to voters include a local ordinance, Real Property Transfer Tax Rates and Penalties (File 260178), and a local ballot initiative, the Affordable Housing Guarantee Act. Taken individually (not contemplating interaction effects if multiple measures are approved), we estimate the impact as follows:

- Real Property Transfer Tax Rates and Penalties (File 260178) (also known as the BUILD Act) – The FY27 & FY28 Proposed Budget does not assume approval of this ordinance, which is currently pending at the Board of Supervisors and would decrease revenue by an estimated $93.8 million in fiscal year 2026-27, $96.4 million in fiscal year 2027-28, $98.8 million in fiscal year 2028-29, and $101.2 million in fiscal year 2029-30. The FY27 & FY28 Proposed Budget also does not assume any changes to the way the City taxes trustee deeds and deeds in lieu of foreclosure transactions, although we are aware that a proposal may be put forward to voters on the November 2026 ballot to tax these transactions.

- Affordable Housing Guarantee Act – The current text of this potential November 2026 ballot initiative would not reduce total City revenue, but it would redirect the entirety of the revenue generated by the rate increases approved in November 2020 Proposition I from the General Fund to a special revenue fund for affordable housing, reducing fiscal flexibility and increasing the General Fund deficit. Revenue generated by Proposition I, which doubled the tax rate on transactions over $10 million, is estimated to be $114.1 million in fiscal year 2026-27 and $117.3 million in fiscal year 2027-28.

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 13% of the General Fund revenues appropriated in the FY27 & FY28 Proposed Budget, 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 funding increases for K-12 education would reduce the City's excess ERAF revenue by approximately $30 million annually, which has been partially addressed in the FY27 & FY28 Proposed Budget as the Mayor introduced technical adjustments to reduce excess ERAF by approximately $20 million in fiscal year 2027-28. Education funding changes include a 34% increase in special education funding, from $999 to $1,341 per unit of average daily attendance in fiscal year 2026-27, adjusted by an inflator thereafter, which would reduce excess ERAF revenue by $14 million annually because special education funding, or SELPA, which totals approximately $42.6 million in fiscal year 2025-26, is deducted from excess ERAF, with the remainder flowing to the City. The State Budget includes a statutory cost of living adjustment to the Local Control Funding Formula (LCFF) of 2.87% and a discretionary "super COLA" that results in a total COLA of 4.31% to help offset funding reductions related to declining enrollment. The FY27 & FY28 Proposed Budget assumes 2% annual growth in the LCFF. As educational entities' revenue limit increases, their draws from ERAF increase, reducing the amount of excess available to return to the City's General Fund by approximately $15 million annually.

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 in excess 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 San Francisco Planning Department issued a Draft Environmental Impact Report ("DEIR") for the acquisition in March 2025, and interested parties submitted comments on the DEIR. The Planning Department is finalizing the EIR and response to comments and expects to issue a final EIR soon.

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. No revenues or funds of the City's General Fund would be available to pay for system operations, or would any City General Fund secured bonds issued to acquire the Target Assets.

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 also cannot predict the impact of a future impasse in the U.S. Congress and future shutdown of the federal government. 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. In addition, tens of thousands of San Franciscans receive federal subsidies to purchase private insurance on the State's health care exchange, Covered California. Changing these subsidies and altering provisions of the Affordable Care Act are expected to have significant effects on future health care costs.

There can be no assurances that the current Presidential administration will not adopt new federal policies, or revise existing policies, or otherwise takes action, in a manner that materially adversely impacts the City's finances. Projections assume no changes to federal revenue related to the new federal administration's proposed funding freezes or rescission of funds, but this remains a source of budgetary uncertainty. Since January 20, 2025, the new federal administration has issued a number of Executive Orders and agency directives to eliminate, reduce, or condition federal funding based on the President's immigration, LGBTQ+, energy, and DEI/DEIA program policy preferences. Litigation has been brought challenging certain actions by the federal administration. Notwithstanding, the threat to the City's federal funding remains ongoing.

On February 19, 2025, the President issued Executive Order 14159, Protecting the American People from Invasion, targeting sanctuary cities and purporting to prohibit use of federal funds by such cities in certain ways related to undocumented immigrants. The City, along with other jurisdictions across the country, has filed litigation challenging the legality of the Executive Order. This matter is pending, and the potential adverse impact of enforcement of the Executive Order on City finances, if any, cannot be predicted at this time.

The expansive scope of H.R. 1 reshapes federal policy across every sector of the American economy, and the ultimate effect of its funding shifts and tax policy changes will take years to become known. The single largest and most direct effect on City finances will be changes to funding and access to healthcare coverage, which will significantly increase the number of uninsured and reduce federal support for providing uncompensated and emergency care.

Under the bill, states would lose Medicaid funding for adults who do not meet work requirements; enrollment periods would be shortened and eligibility determinations more frequent; and their ability to finance a portion of Medicaid spending through taxes collected from health care providers would be cut nearly in half. The Congressional Budget Office estimated these changes will increase the number of uninsured people by over ten million in 2034, and that, while federal costs would decrease, state costs to implement and administer the new requirements would increase substantially. Depending on the degree of state cost sharing, local administrative cost increases could be in the tens of millions per year. Reduced funding for Affordable Care Act (ACA) expansion and changes to ACA Health Insurance Marketplaces would add to the uninsured population. This bill represents the largest set of cuts to Medicaid since inception and could result in thousands of San Francisco residents disenrolling from the Medi-Cal program and reduced funding for the Department of Public Health.

The FY27 & FY28 Proposed Budget assumes major revenue losses related to the 2025 federal budget, which was signed into law on July 4, 2025, as H.R. 1. The overall fiscal impact to the Proposed Budget is a loss of $89.2 million in fiscal year 2026-27 and $200.9 million in FY 2027-28. The March 2026 Update to the Five-Year Financial Plan assumed revenue losses at DPH and the Human Services Agency (HSA) from H.R. 1 and related state policy changes of $84.5 million in fiscal year 2026-27 and $221.8 million in fiscal year 2027-28. Effective January 2027, over 100,000 HSA clients currently enrolled in Medi-Cal will be required to undergo semiannual, rather than annual, eligibility review, including income verification, work requirements, and documentation updates. The FY27 & FY28 Proposed Budget includes one-time spending of $22.5 million in fiscal year 2026-27 and $29.2 million in fiscal year 2027-28 for HSA staffing, non-personnel, and grants to address this significant increase in workload, with the goal of maintaining eligibility for as many Medi-Cal and CalFresh clients as possible. The FY27 & FY28 Proposed Budget assumes this new spending will maintain enrollment for 70 percent of affected clients, which will improve public health revenue by $34.2 million over the two budget years compared to the March 2026 deficit assumptions, which did not assume any new spending to maintain eligibility.

Taking into account new spending in the FY27 & FY28 Proposed Budget, the estimated revenue impact of federal H.R. 1 and state policy changes is $66.7 million in fiscal year 2026-27 and $171.7 million in fiscal year 2027-28, which is an improvement of $67.9 million over the two years compared to the March 2026 financial forecast. The FY27 & FY28 Proposed Budget assumes no impact in fiscal year 2026-27 from State Medi-Cal payment reductions but reduces revenue by $9.7 million in fiscal year 2027-28. Supplemental payment program revenue losses of $80.4 million in fiscal year 2026-27 and $158.2 million in fiscal year 2027-28 represent the single largest contributor to the total revenue loss. Medi-Cal disenrollment adds a further loss of $16.9 million in fiscal year 2026-27 and $98.4 million in fiscal year 2027-28, reflecting reduced reimbursement as current Medi-Cal clients lose coverage. These losses are partially offset by uncompensated care claiming, a federal Disproportionate Share Hospital (DSH) reimbursement DPH can claim for care provided to uninsured individuals, which provides estimated offsetting revenue of $35.6 million in fiscal year 2026-27 and $101.2 million in fiscal year 2027-28. Uncompensated care claiming is subject to a cap, which limits the extent to which costs for uncompensated care can be recovered. Higher levels of Medi-Cal disenrollment will increase unreimbursed uncompensated care costs. Additionally, H.R. 1 reduces the federal share of CalFresh administrative costs, which are shared across federal, state, and county governments, from 50 percent to 25 percent. The Governor's proposed budget partially backfills this shift, resulting in estimated revenue losses of $5.1 million in fiscal year 2026-27 and $6.7 million in fiscal year 2027-28, a $33.7 million improvement from the March 2026 deficit assumption.

Revenue projections in the budget are subject to significant implementation risk. The FY27 & FY28 Proposed Budget assumes increased eligibility workers and employment services staffing in HSA will maintain benefits for 70 percent of affected clients enrolled, but the actual impact will depend on H.R. 1 implementation, which remains uncertain. Further, the FY27 & FY28 Proposed Budget does not assume increased costs in other parts of the healthcare system, such as higher emergency services utilization by individuals who lose Medi-Cal coverage. The net fiscal impact could be greater than assumed in the FY27 & FY28 Proposed Budget and will require ongoing reporting and adjustments.

The FY27 & FY28 Proposed Budget assumes no more FEMA reimbursements for COVID-19. While the FY27 & FY28 Proposed Budget assumes no revenue from the reimbursement of disaster response cost claims made to the Federal Emergency Management Agency (FEMA), the Agency has disallowed over $400 million of costs for shelter during the COVID-19 pandemic, of which $148.0 million were already reimbursed in prior years. The City has filed appeals of some disallowed costs and is proceeding with an arbitration process to protect this funding. Going forward, the FEMA Review Council's Final Report issued in May 2026 recommends reducing the federal Public Assistance cost share from 75% to 50%, with the remaining 50% split among state and local governments, representing a significant increase in local costs for disaster response. See "PERIODIC FINANCIAL REPORTING; RECENT REPORTS."

GENERAL FUND REVENUES

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

Assessed Valuations, Tax Rates, and Tax Delinquencies

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

The total tax rate shown in Table A-6 includes taxes assessed on behalf of the City as well as the SFUSD, County Office of Education ("SFCOE"), SFCCD, Bay Area Air Quality Management District ("BAAQMD"), and San Francisco Bay Area Rapid Transit District ("BART"), all of which are legal entities separate from the City. See also, Table A-32: "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 and recently formed infrastructure financing districts 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, such as SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. OCII received $125.8 million of property tax

increment in fiscal year 2024-25 for recognized obligations, diverting about $69.9 million that would have otherwise been apportioned to the City's General Fund.

TABLE A-6
Assessed Valuation of Taxable Property
Fiscal Years 2016-17 through 2025-26
($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
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	348,713,889	0.7%	1.171	4,083,810	4,025,051	98.6%
2025-26	357,842,539[4]	2.6%	1.183	4,225,180[4]	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 collections, excluding supplemental assessments, as included in the statistical report received from the Office of the Treasurer and Tax Collector. Beginning with fiscal year 2024-25, the amounts are prepared by the Office of the Controller and also exclude direct charge levies as they do not correlate to the assessed valuations of properties.

(4) Based on initial assessed valuations for fiscal year 2025-26.

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

At the start of fiscal year 2025-26, the total net assessed valuation of taxable property within the City was approximately $357.8 billion. Of this total, $341.8 billion (95.5%) represents secured valuations and $16.0 billion (4.5%) represents unsecured valuations. See "Tax Levy and Collection" below for a further discussion of secured and unsecured property valuations.

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

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

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. During the severe economic downturn of fiscal years 2009-10 and 2010-11, reductions of up to approximately 30% of the assessed valuations appealed were granted.

Successful assessment appeals result in property tax refunds and so as with appeals activity the total value of refunds typically increases as a result of economic downturns. 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.

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 2024-25 are listed in Table A-7 below.

TABLE A-7
Refunds of Prior Years' Property Tax Revenues
General Fund
Fiscal Years 2014-15 through 2024-25
($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
2024-25	78,409

Source: Office of the Controller, City and County of San Francisco.
*Amount reduced in fiscal year 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 is assessed 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 simply as a "decline in value" reduction. If a property receives such a temporary reduction, as long as the market value remains below the original factored base year value, the assessor must continually review and adjust the assessment annually. When market value again exceeds the property's factored base year value, the Assessor reinstates 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 2025 Assessment Roll, the total count and value of approved Proposition 8 reductions for the were 9,375 and $4.84 billion, respectively, for 2025. There are no projections for 2026 Assessment Roll; however, for the January 1, 2026 lien date, the Assessor's Office projects completing 11,247 "decline-in-value" reviews, up slightly from 10,739 for 2025.

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 2025 Assessment Roll, the Assessor reviewed and applied Proposition 8 assessed value reductions for 25 hotel properties, totaling $1.29 billion and expects 2026 to be similar. 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, but declining as a percentage of the total value of temporary reductions (excluding hotels) each year since, now accounting for just over half (51%) of the total value of temporary reductions (excluding hotels).

In order to more efficiently address a subset of regular open appeals on certain classes of residential property with an assessed value below $5 million, in December 2023, the Assessor's Office applied the same regression model it uses for confirming sales prices to determine Proposition 8 reductions to condominiums with open appeals. In December 2024 the project expanded from solely condominiums to also include e dwellings (single-family residences) which practice was repeated again in December 2025. On this basis, stipulation letters were then sent in February 2026 to 617 condos and 205 dwellings containing a recommended value and instructions about how to withdraw their open appeal if they accepted said value. Taxpayers were given roughly a month to withdraw their appeals and accept the recommended value, which 407 condos and 139 dwellings did according to Assessor records. Taken together, the result of these 546 withdrawals is a temporary downward adjustment of the enrolled value for these properties totaling approximately $106 million.

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 the Assessor's 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 (typically 70 plus percent) 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 temporary 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 of all assessment appeals are withdrawn and these withdrawn appeals may or may not receive a reduction. Similarly, not all assessment appeals heard result in a reduction. City revenue estimates take into account projected property tax losses from pending and future assessment appeals that are based on historical results as to appeals.

Appeals have increased considerably since fiscal year 2019-20 as a result of the impacts of the COVID pandemic and its aftermath as described herein. As of March 31, 2026 the total number of open appeals before the AAB was approximately 12,638. This reflects approximately 8,846 applications the AAB has received during the fiscal year 2025-26 so far . The City expects newly filed appeals during the fiscal year 2026-27 filing period to modestly decline from fiscal year 2025-26.

As of March 31, 2026 the difference between assessed values and the taxpayer's opinions of value for all the open applications was approximately $134.9 billion. If the City were not to contest any of these appeals and the AAB upheld all taxpayer requested reductions, the resulting property tax revenue loss would be roughly $1.59 billion. The General Fund's portion of that hypothetical loss of $1.59 billion in property tax revenues would be approximately $747.0 million. In practice, the City has contested virtually all taxpayer appeals resulting in substantially lower impacts to the City's property tax revenues resulting from assessment appeals.

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 2025-26 was $4.2 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of total property tax revenues on an Actual Budgetary Basis allocated in fiscal year 2024-25 (including supplemental and escape property taxes), the City received $2.5 billion in the General Fund and $278.7 million in special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD received approximately $258.6 million and $48.5 million, respectively, and the local ERAF received $450.1 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency received $125.8 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 47.5% 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 Tax Loss Reserve has grown in recent years as the assessed values on the secured roll have grown.

TABLE A-8
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2014-15 through 2024-25
($000s)

Year Ended	Amount Funded
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
2024-25	40,532

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, 2025 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
Top 10 Parcels Total Assessed Value
July 1, 2025

Assessee[1]	Location	Type	Total Assessed Value[2]
Sutter Bay Hospitals[3]	1101 Van Ness Ave	Hospital	$ 2,754,970,876
Transbay Tower LLC	415 Mission St	Office	1,951,770,071
GSW Arena LLC	1 Warriors Way A	Entertainment Comp	1,544,077,883
Park Tower Owner LLC	250 Howard St	Office	1,186,471,863
KRE Exchange Owner LLC	1800 Owens St	Office	1,181,992,820
Hwa 555 Owners LLC	555 California St	Office	1,159,518,020
Elm Property Venture LLC	101 California St	Office	1,123,892,319
PPF Paramount One Market Plaza Owner LP	55 Spear St	Office	949,697,266
SFDC 50 Fremont LLC	50 Fremont St	Office	784,545,353
Sutter Bay Hospitals Dba Ca Pacific Med[3]	3555 Cesar Chavez St/555 San Jose	Hospital	761,393,708
			$13,398,330,179

(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, 2025, lien date.

(3) Nonprofit organization; parcel is largely exempt from property taxes.

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

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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. Tax revenues are 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 2025-26 valuation of property assessed by the State Board of Equalization in the City is approximately $4.9 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 FY27 & FY28 Proposed Budget.

TABLE A-10
General Fund Revenue Overview
Fiscal Year 2026-27
($000s)

Revenues	**Fiscal Year 2026-27 Proposed Budget**	
	Revenues	**Percentage of Total**
Property Taxes	$ 2,407,000	33.7%
Business Taxes	1,572,180	22.0
Other Local Taxes[(1)]	1,139,550	16.0
Licenses, Permits and Franchises	24,071	0.3
Fines, Forfeitures and Penalties	3,608	0.1
Interest and Investment Income	164,804	2.3
Rents and Concessions	25,886	0.4
Intergovernmental	1,298,827	18.2
Charges for Services	487,090	6.8
Other	17,344	0.2
Total Revenues	$ 7,140,360	100.0%

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

In November 2024, voters in the City approved Proposition M. In connection with Proposition M, the Controller prepared an analysis of the projected impacts of Proposition M on business tax revenue. The Controller projected that, over the first three fiscal years, between fiscal years 2024-25 and 2026-27, Proposition M would reduce revenues by approximately $40 million annually. The Controller noted that, while uncertain this projected loss may be smaller if Proposition M enabled the City to reduce reserves for disputed taxes in the future. Beginning in 2027, scheduled rate increases were projected to generate positive revenues of approximately $50 million annually in fiscal year 2028-29 and thereafter. By fiscal year 2029-30, the total positive revenue resulting from the rate increases was projected to offset the reduced revenue in the first three years, making the total amount of business tax revenue over that period comparable to law prior to the enactment of Proposition M. After fiscal year 2029-30, the Controller projected that Proposition M would generate additional revenue of approximately $50 million annually. Projected revenue impacts above assume a reduction in business license fees of $10 million annually, which is the subject of recently introduced legislation.

Proposition M amended the City's existing Business and Tax Regulations Code in several key areas:

• Increased the small business exemption from the gross receipts tax from $2.25 million to $5.0 million,

• Consolidated the number of tax schedules from 14 business activity categories to 7 business activity categories for the gross receipts and homelessness gross receipts taxes,

• Adjusted tax rates for gross receipts, homelessness gross receipts, administrative office, and overpaid executive gross receipts taxes in 2025, and increased tax rates on gross receipts, administrative office, and overpaid executive gross receipts taxes in 2027 and 2028; scheduled tax rate increases after 2024 would not occur,

• Shifted the City's calculation of San Francisco gross receipts for most business activities away from payroll expenses and towards sales; the only exceptions are business activities whose San Francisco gross receipts calculation is already entirely based on sales,

• Required the Office of the Treasurer and Tax Collector to establish an advance determination process to provide written guidance to taxpayers, and makes other implementation changes,

• Created new tax credits for businesses paying stadium operator admission taxes, grocery retailers, and new lessees in certain newly constructed buildings, and

• Made changes to business registration fees.

Additionally, Proposition M requires that the Controller report on the impact of the various changes made by the initiative in September 2026 and September 2027.

TABLE A-11
Business Tax Revenues - All Funds[1]
Fiscal Years 2023-24 through 2027-28
($000s)

Fiscal Year[2]	Revenue	Change	Change %
2023-24	$996,247	(62,947)	-5.9%
2024-25	1,122,458	126,211	12.7
2025-26 Estimated[3]	1,341,600	219,142	19.5
2026-27 Proposed Budget[4]	1,576,480	234,880	17.5
2027-28 Proposed Budget[4]	1,482,040	(94,440)	-6.0

(1) Figures exclude Homelessness Gross Receipts and Commercial Rent taxes.
(2) Figures for fiscal years 2023-24 and 2024-25 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) Based on May 2026 Nine-Month Report.
(4) Based on FY27 & FY28 Proposed Budget.
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. 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 per November 2018 Proposition E.

The FY27 & FY28 Proposed Budget assumes General Fund hotel tax revenues of $289.4 million in FY 2026-27 and $291.6 million in fiscal year 2027-28. Proposition E arts and culture allocations are budgeted at an additional $36.0 million in fiscal year 2026-27 and $36.3 million in fiscal year 2027-28, meeting Proposition E requirements. Hotel tax revenues are projected to improve year over year but will not reach pre-pandemic levels until after fiscal year 2029-30.

The $24.2 million increase in budgeted General Fund hotel tax revenue for fiscal year 2026-27 as compared to fiscal year 2025-26 reflects the recent rebound in Moscone Center event attendance and optimism about domestic tourism trends. Strong Moscone Center event attendance drives tax revenue up through compression pricing, and the return of major conferences to San Francisco, in addition to World Cup games held near the first week of fiscal year 2026-27, is expected to boost hotel tax performance. The second budget year assumes more modest growth to reflect a weaker Moscone Center event calendar and uncertainty about trends in international tourism.

Hotel tax is highly correlated with the hotel industry indicator revenue per available room (RevPAR), which is the combined effect of occupancy and average daily room rates. RevPAR in the first three quarters of FY 2025- 26 averaged $183.86, an increase of 25.7 percent versus the same period in FY 2024-25. This increase reflects strong Moscone Center event attendance, including Super Bowl LX events that drew over 100,000 attendees to Moscone Center events during the first week of February 2026. RevPAR is projected to grow modestly in fiscal year 2026-27 and fiscal year 2027-28, up to 5 percent. This is slower than fiscal year 2025-26 growth, reflecting the drop in large one-time events like the Super Bowl and less certainty in future Moscone Center event calendars.

TABLE A-12
Transient Occupancy Tax Revenues - All Funds[1]
Fiscal Years 2023-24 through 2027-28
($000s)

Fiscal Year[2]	Tax Rate	Revenue	Change	
2023-24	14.0	287,553	4,100	1.4%
2024-25	14.0	289,347	1,794	0.6
2025-26 Estimated[3]	14.0	323,300	33,953	11.7
2026-27 Proposed Budget[4]	14.0	325,400	2,100	0.6
2027-28 Proposed Budget[4]	14.0	327,900	2,500	0.8

(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 years 2023-24 and 2024-25 are actuals.

(3) Based on May 2026 Nine-Month Report.

(4) Based on FY27 & FY28 Proposed Budget.

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

Real Property Transfer Tax

RPTT is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more sensitive 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 from more than $250,000 to $999,999; $7.50 per $1,000 for properties valued from $1.0 million to less than $5.0 million; $22.50 per $1,000 for properties valued from $5.0 million to less than $10.0 million; $55.00 per $1,000 for properties valued from $10.0 million to less than $25.0 million and $60.00 per $1,000 for properties valued at $25.0 million or more.

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 35.7% in the second quarter of 2025. The high vacancy rate, along with continuing uncertainty regarding the return-to-office plans of major office tenants, has reduced both the volume of office transactions, and the per-square foot value of these sales. According to CoStar, downtown office sales transactions have averaged nine per quarter since 2020, down from an average of 22 per quarter before the pandemic. The average market sale price across the city stood at $459 per square foot in Q2 2025, a 42% decline from the peak of $790 in Q4 2019.

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. Based on data through the end of May 2026, the estimated number of transactions over $10 million will increase to 115 in fiscal year 2025-26. The number of transactions under $10 million similarly declined from 10,086 transfers in fiscal year 2021-22 to 64,916,714 transfers in fiscal year 2023-24, and further declining to 6,487 transfers in fiscal year 2023-24. Based on data through the end of May 2026, the estimated number of transactions under $10 million in fiscal year 2025-26 will end at approximately 8,300.

The FY27 & FY28 Proposed Budget projects increases from the fiscal year 2024-25 and fiscal year 2025-26 budget, anticipating increases in transfers as buyers and sellers find agreement about market prices of large real estate transactions in an office market reset.

TABLE A-13
Real Property Transfer Tax Receipts - All Funds
Fiscal Years 2023-24 through 2027-28
($000s)

Fiscal Year[1]	Revenue	Change	
2023-24	$ 177,700	$ (8,547)	-4.6%
2024-25	294,366	116,666	65.7
2025-26 Estimated[2]	376,299	81,863	27.8
2026-27 Proposed Budget[3]	358,770	(17,459)	-4.6
2027-28 Proposed Budget[3]	370,410	11,640	3.2

(1) Figures for fiscal years 2023-24 and 2024-25 are actuals.
(2) Based on May 2026 Nine-Month Report.
(3) Based on FY27 & FY28 Proposed Budget.
Source: Office of the Controller, City and County of San Francisco.

As described in "BUDGET RISKS – Pending Initiatives" a Statewide ballot initiative has qualified for the November 3, 2026 ballot which, if approved, would limit property transfer tax rates to approximately 0.11% and repeal existing property transfer taxes whose rate exceeds 0.11%, effective December 31, 2028. This could reduce City's real Property Transfer Tax Receipts by approximately $350 million annually.

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 (i.e. transfers) 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.

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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* (to counties for health & welfare)	0.50
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.

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
Sales and Use Tax Revenues
Fiscal Years 2023-24 through 2027-28
General Fund
($000s)

Fiscal Year[(1)]	Tax Rate	City Share	Revenue	Change	
2023-24	8.625%	1.00%	$ 190,528	$ (7,383)	-3.7%
2024-25	8.625	1.00	188,348	(2,180)	-1.1
2025-26 Estimated[(2)]	8.625	1.00	200,952	12,604	6.7
2026-27 Proposed Budget[(3)]	8.625	1.00	201,820	868	0.4
2027-28 Proposed Budget[(3)]	8.625	1.00	207,770	5,950	2.9

(1) Figures for fiscal years 2023-24 and 2024-25 are actuals.
(2) Based on May 2026 Nine-Month Report.
(3) Based on FY27 & FY28 Proposed Budget.
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, 2025, a charge of $4.36 on every telecommunications line, $32.82 on every trunk line, and $590.99 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, 2036.

- Franchise Tax – A tax for the use of City streets and rights-of-way on cable TV, electric, natural gas, and steam franchises.

Table A-16 reflects the City's actual tax receipts for fiscal years 2022-23 through 2023-24, estimated amounts for fiscal year 2025-26 and the FY27 & FY28 Proposed Budgets for fiscal year 2026-27, respectively.

As with the larger tax revenues described above, the City anticipates these sources will be impacted by the pace of economic recovery. See "See "PERIODIC FINANCIAL REPORTING; RECENT REPORTS" for recent financial reports and projections.

TABLE A-16
Other Local Taxes
Fiscal Years 2023-24 through 2027-28
General Fund
($000s)

Tax	2023-24 Actuals[1]	2024-25 Actuals[1]	2025-26 Estimated[2]	2026-27 Proposed Budget[3]	2027-28 Proposed Budget[3]
Utility Users Tax	$121,931	$111,811	$120,058	124,080	127,950
Access Line Tax	64,609	58,093	80,000	60,700	61,100
Parking Tax	86,178	81,285	83,500	83,500	83,500
Sugar Sweetened Beverage Tax	11,625	11,372	11,372	11,370	11,370
Stadium Admissions Tax	8,567	8,864	9,921	9,920	9,920

(1) Figures for fiscal years 2023-24 and 2024-25 are actuals.
(2) Based on May 2026 Nine-Month Report.
(3) Based on FY27 & FY28 Proposed Budget.
Source: Office of the Controller, City and County of San Francisco.

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CITY GENERAL FUND PROGRAMS AND EXPENDITURES

General Fund Expenditures by Major Service Area

As a consolidated city and county, the City budgets General Fund expenditures in seven major service areas as described in Table A-17 below:

TABLE A-17
Expenditures by Major Service Area
Fiscal Years 2023-24 through 2027-28
($000s)

Major Service Areas	2023-24 Final Budget[1]	2024-25 Final Budget[1]	2025-26 Final Estimated[2]	2026-27 Proposed Budget[3]	2027-28 Proposed Budget[3]
Public Protection	$ 1,747,925	$ 1,860,865	$ 1,923,582	$ 2,019,924	$ 2,067,957
Human Welfare & Neighborhood Development	1,686,647	1,654,758	1,670,511	1,733,488	1,813,647
Community Health	1,099,022	1,203,239	1,223,759	1,313,062	1,327,717
General Administration & Finance	346,074	357,895	342,691	368,729	381,158
Culture & Recreation	198,594	186,330	204,503	216,575	222,982
General City Responsibilities	213,493	180,453	201,002	262,247	316,128
Public Works, Transportation & Commerce	254,637	230,938	177,859	217,219	248,030
Total[2]	$ 5,546,392	$ 5,674,478	$ 5,743,907	$ 6,131,244	$ 6,377,620

(1) Figures for fiscal years 2023-24 and 2024-25 are as reflected in ACFR.
(2) Fiscal year 2025-26 amounts are from the Original Budget, adopted July 25, 2025.
(3) Based on FY27 & FY28 Proposed Budget.
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.

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. Although the disputes were generally resolved, and 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. There can be no assurances that federal funding will continue to be available in the amounts projected by the City. See "BUDGETARY RISKS - Impact of Federal Government on Local Finances."

The General Fund is required to provide significant funding to the MTA. A financially stable MTA is considered vital to the City's economy, specifically the downtown corridor. The FY26 & FY27 Original Budget provides approximately $600 million of such funding in each fiscal year, which constitutes approximately 37% of MTA's total budget. In July 2025, the Office of the Controller released a report entitled "Muni Funding Working Group - Solving for Muni's Funding Needs," which described potential policy options identified by

MTA staff and discussed by the Muni Funding Working Group to address MTA's projected deficit. The fiscal year 2026-27 deficit was projected to $320 million at that time, but was closed during the fiscal year 2026-27 budget process with revenue growth, expenditure reductions, and a $200 million loan from the State. The MTA funding deficit is due in large measure to the exhaustion of COVID-19 pandemic relief, lower than pre-pandemic transit and parking revenues stemming from the shift to remote work, and slower growth of General Fund support.

As described in "BUDGETARY RISKS - Pending Local Initatives," The FY27 & FY28 Proposed Budget assumes that two revenue measures on the November 2026 ballot supporting the MTA will pass. The FY27 & FY28 Proposed Budget includes $166.0 million in local parcel tax revenue in fiscal year 2027-28 and revenue from a regional sales tax measure of $17.0 million in fiscal year 2026-27 and $155.0 million in fiscal year 2027-28. Should these measures fail, there will be significant pressure to use the General Fund to backfill some portion of the resulting $338 million shortfall to avoid drastic service cuts.

Assembly Bill 117 requires that the State Transportation Agency provide a loan to the Metropolitan Transportation Commission of up to $590 million, on or before July 1, 2026. Subsequently, the Metropolitan Transportation Commission must offer loans for public transit operating purposes to The San Francisco Municipal Transportation Agency, The Bay Area Rapid Transit District, The Peninsula Corridor Joint Powers Board, and The Alameda-Contra Costa Transit District. The SFMTA's portion of the loan is $200 million . The loan has a 12-year term, with two years of interest-only payments and 10-year repayment term including both interest and principal payments and a variable interest rate tied to California State Surplus Money Investment Fund Apportionment Rates (SMIF).

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, MTA, 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 including special taxes and dedications of taxes. 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-18 reflects fiscal year 2025-26 through 2027-28 spending requirements. These mandates are generally budgeted as transfers out of the General Fund or allocations of revenue.

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TABLE A-18
Baselines & Set-Asides
FY 2025-26 through FY 2027-28
($ millions)

	2025-26 Original Budget[1]	2026-27 Proposed Budget[2]	2027-28 Proposed Budget[2]
General Fund Aggregate Discretionary Revenue (ADR)	**4,660.00**	**5,280.60**	**5,230.30**
MUNICIPAL TRANSPORTATION AGENCY			
Municipal Railway Baseline - 7.0675% ADR - GF Transfer	329.4	373.2	369.7
Parking & Traffic Baseline - 2.5070% ADR - GF Transfer	116.8	132.4	131.1
Population Adjustment - GF Transfer	90.5	89.8	90.2
Parking Tax In-Lieu - 80% Parking Tax - GF Transfer	71	66.8	66.8
Traffic Congestion Mitigation Fund - Special Tax (50%)	9.9	9.9	9.9
Subtotal Municipal Transportation Agency	**617.6**	**672.1**	**667.6**
LIBRARY PRESERVATION FUND			
Library Preservation Fund Baseline - 2.2858% ADR - GF Transfer	106.5	120.7	119.6
Library Preservation Fund Property Tax - $0.025 per $100 NAV	79.3	76.6	77.6
Subtotal Library	**185.9**	**197.3**	**197.1**
RECREATION & PARKS			
Open Space Property Tax - $0.025 per $100 NAV	79.3	76.6	77.6
Recreation & Parks Baseline MOE Required GF Support	90.1	91.5	89.8
Recreation & Support GF Support Budgeted	88.2	90.6	89.3
Subtotal Recreation and Park	**169.4**	**168.1**	**167.4**
CHILDREN'S SERVICES			
Children & Youth Fund			
Property Tax - $0.4 per $100 NAV	126.9	122.5	124.1
Children's Services Baseline Requirement - 4.8296% ADR	275.2	293.6	299.2
Children's Services Baseline Expenditures Budgeted	225.1	260.4	253.2
Transitional Aged Youth Baseline Requirement - 0.5800% ADR	52.5	60.3	66
Transitional Aged Youth Baseline Expenditures Budgeted	27	30.6	30.3
Babies & Families First Fund			
Commercial Rents Tax (85%)	156.7	147.5	143.3
Early Care and Education Baseline Requirement	77.5	87	86.8
Early Care and Education Expenditures Budgeted	76.9	79.5	78.8
Public Education Enrichment Fund - 3.0567% ADR			
Public Education Enrichment Fund Total - GF Transfer	142.5	161.4	159.9
1/3 Annual Contribution to Preschool for All	47.5	53.8	53.3
2/3 Annual Contribution to SFUSD	95	107.6	106.6
Public Education Services Baseline - 0.2898% ADR - GF (50%) and CYF (50%) Transfer	13.5	15.3	15.2
Student Success Fund (SFUSD) - GF Transfer	35	45	60
Fair Wages for Educators Fund (SFUSD) - Parcel Tax	54	57.3	59
Subtotal Children and Youth Services	**933.8**	**989.9**	**1,013.50**
HOMELESSNESS & HOUSING			
Our City, Our Home Fund			
Homelessness Gross Receipts Tax	335.9	465.2	444.9
Our City, Our Home Baseline Requirement	365.4	374.6	397.7
Our City, Our Home Baseline Expenditures Budgeted	200.8	200.8	200.8
Housing Trust Fund - GF Transfer	48.8	53.8	53.3
Affordable Housing Opportunity Fund - GF Transfer	-		
Housing Activation Fund - Empty Homes Tax	-		
Subtotal Homelessness and Housing	**750.1**	**901.9**	**904.1**
ARTS			
Hotel Tax for Arts Fund - Hotel Tax	33	36	36.3
Property Tax - Municipal Symphony - $0.00125 per $100 NAV	4.5	4.6	4.6
Subtotal Arts	**37.5**	**40.6**	**40.9**
OTHER			
Small Business Assistance Fund - Commercial Vacancy Tax	2	1.4	1.4
Dignity Fund - GF Transfer	59.1	62.1	61.5
Street Tree Maintenance Fund - GF Transfer	23	23.6	23.4
City Services Auditor - 0.2% of Citywide Budget - Work Order	27.6	28.8	29.2
Subtotal Other	**111.6**	**116**	**115.5**
Total Baselines, Set Asides and Special Taxes	**2,806.00**	**3,085.80**	**3,106.10**

(1) Fiscal year 2025-26 amounts based on May 2026 Nine-Month Report.

(2) Based on FY27 & FY28 Proposed Budget.

In November 2024, voters in the City approved two initiatives (Proposition G and Proposition J) which impose additional mandatory spending requirements. In connection with the propositions, the Controller prepared an analysis of the projected impacts of the propositions on City finances.

Proposition G creates the Affordable Housing Opportunity Fund for Seniors, Families, and People with Disabilities for the Mayor's Office of Housing and Community Development to provide rental subsidies to extremely low-income households. The FY26 & FY27 Original Budget made the required deposit of $8.25 million in FY 2026-27. Thereafter, the City's annual deposits to the fund will increase by the annual percentage change in ADR or 3.0%, whichever is smaller. However, the City may temporarily suspend increases in any year in which a General Fund deficit of $250 million is forecasted.

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 $7.7 billion and $8.0 billion in fiscal years 2026-27 and 2027-28 in the FY27 & FY28 Proposed Budget. For the General Fund, the combined salary and benefits in the FY27 & FY28 Proposed Budget is $3.6 billion in fiscal year 2026-27 and $3.7 billion in fiscal year 2027-28.

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 FY27 & FY28 Proposed Budget includes approximately 39,200 full-time and part-time positions, of which approximately 32,800 are funded 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. 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 filed a notice of appeal to the California Court of Appeal with respect to the PERB decision. On May 23, 2025, the California Court of Appeal denied the City's writ of extraordinary relief, leaving the PERB decision invalidating Charter prohibition on strikes for non-sworn employees. However, every Memoranda of Understanding ("MOUs") with every union representing non-sworn employees contain no-strike provisions and are currently in effect.

In May 2026, the City negotiated four-year agreements (for fiscal years 2026-27 through 2029-30) with labor organizations representing sworn members of the Police and Fire departments. The City negotiated a 2.00% base wage increase effective on July 1, 2026, and 1.00% on January 2, 2027. For fiscal year 2027-28, the parties agreed to a base wage increase of 2.00% on July 1, 2027, 1.00% on January 1, 2028. For fiscal year 2028-29, the parties agreed to a base wage increase of 2.00% on July 1, 2028, and 1.00% effective December 30, 2028. For fiscal year 2029-30, the parties agreed to a base wage increase of 2.00% on July 1, 2029 and 1.00% effective December 29, 2029, with an additional 2.00% effective close of business June 30, 2030. For fiscal year 2026-27, the Unrepresented Employee Ordinance, upon approval by June 30, 2026 will provide a wage increase of 2.00% on January 2, 2027, and 2.50% effective at the close of business on June 30, 2027.

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.

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.

The City will commence bargaining with 27 Citywide and MTA Labor Unions in the fall of 2026 with any negotiated wage increases predicted to come into effect on or after July 1, 2027.

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TABLE A-19
Employee Organizations as of May 19, 2026

CITY AND COUNTY OF SAN FRANCISCO (All Funds)

Organization	City Budgeted Positions FY 2025-26	Expiration Date of MOU
Automotive Machinists, Local 1414	520	30-Jun-27
Bricklayers, Local 3	4	30-Jun-27
Building Inspectors' Association	85	30-Jun-27
Carpenters, Local 22	114	30-Jun-27
Carpet, Linoleum & Soft Tile	4	30-Jun-27
Cement Masons, Local 300	39	30-Jun-27
Deputy Probation Officers' Association (DPOA)	107	30-Jun-27
Deputy Sheriffs' Association (DSA)	798	30-Jun-27
Electrical Workers, Local 6	938	30-Jun-27
Firefighters' Association, Local 798	1,993	30-Jun-30
Glaziers, Local 718	14	30-Jun-27
Hod Carriers, Local 36	2	30-Jun-27
Ironworkers, Local 377	14	30-Jun-27
Laborers, Local 261	1,186	30-Jun-27
Municipal Attorneys' Association (MAA)	525	30-Jun-27
Municipal Executives' Association (MEA) Fire	12	30-Jun-30
Municipal Executives' Association (MEA) Miscellaneous	1,755	30-Jun-27
Municipal Executives' Association (MEA) Police	14	30-Jun-30
Operating Engineers, Local 3 Miscellaneous	63	30-Jun-27
Operating Engineers, Local 3 Supervising Probation	27	30-Jun-27
Pile Drivers, Local 34	23	30-Jun-27
Plumbers, Local 38	370	30-Jun-27
Police Officers' Association (POA)	2,364	30-Jun-30
Professional and Technical Engineers, Local 21	7,370	30-Jun-27
Roofers, Local 40	12	30-Jun-27
SEIU, Local 1021 Misc	13,081	30-Jun-27
SEIU, Local 1021 Nurses	1,954	30-Jun-27
SF City Workers United	139	30-Jun-27
SFDA Investigators Association	46	30-Jun-27
Sheet Metal Workers, Local 104	38	30-Jun-27
Sheriffs' Supervisory and Management Association (MSA)	119	30-Jun-27
Stationary Engineers, Local 39	703	30-Jun-27
Teamsters, Local 853	185	30-Jun-27
Teamsters, Local 856, Multi	97	30-Jun-27
Teamsters, Local 856, Supervising Nurses	131	30-Jun-27
Theatrical Stage Emp, Local 16	33	30-Jun-27
TWU, Local 200	422	30-Jun-27
TWU, Local 250-A, Auto Service Work	123	30-Jun-27
TWU, Local 250-A, Miscellaneous	112	30-Jun-27
TWU, Local 250-A, Transit Fare Inspectors	76	30-Jun-27
TWU, Local 250-A, Transit Operator	2,522	30-Jun-27
Union of American Physicians and Dentists (UAPD)	207	30-Jun-27
Unrepresented Employees	91	30-Jun-27
Other	950	
	39,381	

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 majority 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 non-retired membership as of July 1, 2025 was 49,832, compared to 48,521 as of July 1, 2024. Total non-retired membership as of July 1, 2025 included 12,632 terminated vested members and 1,210 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 33,329 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-20 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, 2021 through July 1, 2025. 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. 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 over the last five years is about 7% higher than it had been in the previous five years due to the increasing number of retired members.

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TABLE A-20
Employees' Retirement System
July 1, 2021 through July 1, 2025

As of July 1st	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees & Continuants	Retiree to Active Ratio
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
2024	35,418	11,930	1,173	48,521	32,654	0.92
2025	35,990	12,632	1,210	49,832	33,329	0.93

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. The "Retiree to Active Ratio" compares the number of retirees collecting benefits to the active number of employees contributing to the retirement plan.

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 September 10, 2025 Retirement Board meeting based on the experience study dated September 2025. The current discount rate of 7.20% (the rate used to determine the present value of the retirement plan's future liability) was adopted at the November 10, 2021 Board meeting, effective for the July 1, 2021 actuarial valuation. The Board most recently voted to maintain these assumptions (for the July 1, 2025 actuarial valuation) at its November 12, 2025 meeting. In the long term, the true cost of a pension plan is determined by actual experience 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 could differ materially 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-21 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, 2025. Information is shown for all employers in the Retirement System (City & County, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the sum of mandated employee and employer contributions received by the Retirement System in the fiscal year ended June 30 prior to the July 1 valuation date.

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TABLE A-21
Employees' Retirement System
July 1, 2021 through July 1, 2025

(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
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
2024	37,314,504	35,417,666	36,038,298	94.9	96.6	1,100,130	18.24
2025	39,446,082	37,450,095	38,185,053	94.9	96.8	1,127,318	16.91

(1) Employer contribution rates are shown prior to employer/employee cost-sharing provisions of 2011 Proposition C. Employer contribution rates for fiscal years 2025-26 and 2026-27 are 16.53% and 16.68%, 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.

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Note that at the July 1, 2025, 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 estimated investment portfolio return was -2.9% in fiscal year 2021-22, 4.3% in fiscal year 2022-23, 8.0% in fiscal year 2023-24, and 7.9% in fiscal year 2024-25. 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 August 2023.

The fiscal year 2024-25 employer contribution rate was 16.91% (estimated to be 15.31% after cost-sharing). The 2024-25 fiscal year City employer contributions to the Retirement System were $626.2 million, which includes $382.3 million from the General Fund. The fiscal year 2025-26 employer contribution rate was 16.53% (estimated to be 14.93% after cost-sharing), with a total budget of $630.4 million, which includes $384.9 million from the General Fund. The fiscal year 2026-27 employer contribution rate is 16.70% (expected to be 15.10% after cost-sharing), with an estimated total budget of $666.2 million. The declines in the contribution rate from 26.90% at fiscal year 2020-21 to 16.53% in fiscal year 2025-26 reflect the completion of prior amortization layers and the five-year phase-in of investment gains from fiscal year 2020-21. Declines were offset by the impacts of lower investment returns in fiscal year 2021-22 and 2022-23, the increase in retiree benefits due to supplemental COLAs at July 1, 2021, 2024 and 2025, and also recent Charter Amendments described further below. The increase in the contribution rate to 16.70% in fiscal year 2026-27 is largely due to merit and longevity salary increases as identified in the SFERS demographic study for 2019 to 2024. Employer contribution rates anticipate annual increases in pensionable payroll of 3.25%. As discussed under "CITY BUDGET–Five-Year Financial Plan Update: FY2025-26 through FY2029-30," increases in retirement costs are projected in the City's Five-Year Financial Plan.

Risks to City's Retirement Plan

In its July 2025 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.

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 the end of fiscal year 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-22 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-22
Employees' Retirement System
GASB 67/68 Disclosures
Fiscal Years 2020-2021 through 2024-25
(Dollar amounts in 000s)

As of July 1st	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
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
2024	39,404,561	7.20	35,417,666	89.9	3,986,895	3,775,718
2025	41,836,074	7.20	37,450,095	89.5	4,385,979	4,170,049

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

Net pension liability (NPL) can be quite volatile. The negative NPL at fiscal year-end 2021 reflects 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. The NPL increased by about $342 million as of July 1, 2024, primarily due to liability experience losses of $480 million, offset by an investment experience gain of $171 million. NPL at year-end 2025 increased due to $17 million in benefit changes and $694 million in liability experience losses offset by investment experience gains.

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, 2025 was 9.59%. For the ten-year and twenty-year periods ending June 30, 2025, annualized investment returns were 8.44% and 7.75% 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

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.

In 2011, voters approved Proposition C which aimed to reduce future pension costs. Proposition C introduced new lower-cost benefit tiers for all members hired on and after January 7, 2012 and also restricted the payment of any new supplemental COLAs to when SFERS is fully funded. Since 2011, the fully funded requirement for Supplemental COLAs has been removed from all members hired before January 7, 2012. First the October 2015 Superior Court judgement removed the fully funded requirement for pre-Proposition C members retired on and after November 6, 1996. Then in November 2022, voters approved Proposition A which removed the fully funded requirement for retirees who commenced benefits prior to November 6, 1996. However, for this older group of retirees only, the amount of supplemental COLA is capped at $200 per month for retirees with annual pensions exceeding $50,000 when SFERS is not fully funded.

The Proposition C fully funded restriction remains in effect for retirees hired on and after January 7, 2012. In addition, for these post-2011 hires, the supplemental COLA is temporary and reverts to zero in any year in which no supplemental COLA is paid.

In November 2024, voters again approved two expansions of benefits. Measure H restored pre-2012 retirement age factors to firefighters while retaining the three-year final average compensation requirement for these post-2011 hires. Measure I increased retirement benefits for 911 Operators by moving their future service to the Miscellaneous Safety benefit tier. Measure I also allows Registered Nurses to purchase previously ineligible service worked prior to becoming a member of SFERS.

Impact on the Retirement System from Changes in the Economic Environment

As of June 30, 2025, the audited market value of Retirement System assets was $37.5 billion. As of April 30, 2026, the estimated value of SFERS' investment portfolio was $40.0 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. 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.

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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 2024-25, based on the most recent audited financial statements, the San Francisco Health Service System received approximately $1,033 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately $889 million; approximately $249 million of this $889 million amount was for health care benefits for approximately 24,895 retired City employees and their eligible dependents, and approximately $640 million was for benefits for approximately 34,162 active City employees and their eligible dependents.

The 2025 aggregate (employee and employer) cost of medical benefits offered by SFHSS to the City increased by 9.9%. The increase is comparable to California 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 2023-24 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.

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TABLE A-23
Five-Year Trend
Fiscal Years 2020-21 to 2024-25
($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
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
2024-25	248,806	52,126	300,932	259,579	115.9	1,222,650	23.8	3,921,799

Source: Postretirement Health Plan GASB 74/75 Reports produced by Cheiron in December 2021, December 2023, October 2024, and October 2025.

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Total City Employee Benefits Costs

The table below 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.

The table below also provides a summary of the City's employee benefit actual costs for fiscal years 2023-24 through 2024-25, estimated costs for fiscal year 2025-26 and budgeted costs for fiscal years 2026-27 through 2027-28.

TABLE A-24
Employee Benefit Costs, All Funds
Fiscal Years 2023-24 through 2027-28
($000s)

	2023-24 Actual[1]	2024-25 Actual[1]	2025-26 Estimated[1]	2026-27 Budget[1]	2027-28 Budget[1]
SFERS and PERS Retirement Contributions	$ 679,959	$ 707,436	$ 706,232	$ 745,201	$ 787,190
Social Security & Medicare	281,694	302,224	321,602	335,034	348,678
Health - Medical + Dental, active employees[2]	633,720	731,818	743,408	805,862	869,812
Health - Retiree Medical[2]	230,515	249,249	265,500	286,182	312,454
Other Benefits[3]	14,362	15,265	14,732	20,747	30,289
Total Benefit Costs	$ 1,840,251	$2,005,992	$2,051,474	$2,193,026	$2,348,423

(1) Figures for fiscal years 2023-24 and 2024-25 are actuals. Figures for fiscal year 2025-26 are based on May 2026 Nine-Month Report. Figures for fiscal years 2026-27 and 2027-28 are based on FY27 & FY28 Proposed Budget. See "PERIODIC FINANCIAL REPORTING; RECENT REPORTS" for recent financial reports and projections.

(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.

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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, public utilities commission, 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 Pool participants 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 April 30, 2026, the City's surplus investment fund consisted of the investments classified in Table A-25 and had the investment maturity distribution presented in Table A-26.

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TABLE A-25
Investment Portfolio
Pooled Funds
As of April 30, 2026

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	$ 5,459,000,000	$ 5,456,527,931	$ 5,442,457,277
Federal Agencies	8,516,934,000	8,508,598,491	8,490,811,622
Negotiable Certificates of Deposit	2,170,000,000	2,170,000,000	2,170,586,836
Commercial Paper	990,900,000	981,733,239	981,652,986
Medium Term Notes	162,846,000	162,642,028	162,794,262
Money Market Funds	1,523,018,975	1,523,018,975	1,523,018,975
Supranationals	142,323,000	141,408,053	141,946,614
Secured Bank Deposit	166,653,899	166,653,899	166,653,899
Total	$ 19,131,675,874	$ 19,110,582,614	$ 19,079,922,470

April Earned Income Yield: 3.722%
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-26
Investment Maturity Distribution
Pooled Funds
As of April 30, 2026

Maturity in Months			Par Value	Percentage
0	to	1	$ 2,203,572,874	11.52%
1	to	2	1,777,230,000	9.29
2	to	3	903,615,000	4.72
3	to	4	549,900,000	2.87
4	to	5	810,816,000	4.24
5	to	6	664,385,000	3.47
6	to	12	2,576,023,000	13.46
12	to	24	3,107,154,000	16.24
24	to	36	2,206,666,000	11.53
36	to	48	2,370,285,000	12.39
48	to	60	1,962,029,000	10.26
			$ 19,131,675,874	100.00%

Weighted Average Maturity: 570 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 2026-2035 Capital Plan (the "Adopted Capital Plan") was approved by the CPC on February 24, 2025, and was adopted by the Board of Supervisors on April 15, 2025. The Adopted Capital Plan contains $52.1 billion in capital investments over the coming decade for all City departments, including $6.7 billion in projects for General Fund-supported departments. The Adopted Capital Plan proposes $2.7 billion for General Fund pay-as-you-go capital projects through fiscal year 2034-35. The next capital plan update is expected in Spring 2027. 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. $2.3 billion of the capital projects 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 $26.8 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 $13.5 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, approximately $7.6 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 by two-thirds approval of the voters. In addition to the City's general obligation bonds, BART, SFUSD and SFCCD also have outstanding general obligation bonds as shown in Table A-32.

Table A-27 shows the annual amount of debt service payable on the City's outstanding GO bonds.

TABLE A-27
General Obligation Bonds Debt Service
As of July 1, 2026[(1)(2)(3)]

Fiscal Year	Principal	Interest	Annual Debt Service
2026-27	$ 171,880,840	$ 102,566,492	$ 274,447,332
2027-28	174,249,035	94,678,173	268,927,208
2028-29	182,776,751	86,662,771	269,439,522
2029-30	191,745,095	78,120,219	269,865,313
2030-31	160,526,950	69,186,077	229,713,027
2031-32	167,290,000	62,115,816	229,405,816
2032-33	137,660,000	54,918,270	192,578,270
2033-34	121,295,000	49,105,610	170,400,610
2034-35	116,765,000	44,099,008	160,864,008
2035-36	83,560,000	39,336,381	122,896,381
2036-37	74,445,000	35,965,979	110,410,979
2037-38	77,415,000	32,990,236	110,405,236
2038-39	72,890,000	29,871,611	102,761,611
2039-40	74,190,000	26,908,871	101,098,871
2040-41	70,225,000	23,846,966	94,071,966
2041-42	73,320,000	20,753,292	94,073,292
2042-43	76,570,000	17,500,628	94,070,628
2043-44	79,975,000	14,094,644	94,069,644
2044-45	83,500,000	10,568,532	94,068,532
2045-46	47,390,000	6,904,213	54,294,213
2046-47	14,325,000	5,067,526	19,392,526
2047-48	14,945,000	4,445,465	19,390,465
2048-49	6,300,000	3,795,434	10,095,434
2049-50	6,535,000	3,563,172	10,098,172
2050-51	6,780,000	3,314,617	10,094,617
2051-52	7,050,000	3,048,588	10,098,588
2052-53	7,330,000	2,771,387	10,101,387
2053-54	7,615,000	2,482,708	10,097,708
2054-55	7,915,000	2,182,333	10,097,333
2055-56	8,225,000	1,869,512	10,094,512
2056-57	8,555,000	1,542,618	10,097,618
2057-58	8,895,000	1,201,979	10,096,979
2058-59	5,505,000	847,105	6,352,105
2059-60	5,705,000	639,238	6,344,238
2060-61	1,790,000	423,193	2,213,193
2061-62	1,885,000	325,638	2,210,638
2062-63	1,990,000	222,905	2,212,905
2063-64	2,100,000	114,450	2,214,450
TOTAL	**$ 2,361,113,671**	**$ 938,051,652**	**$ 3,299,165,323**

(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-32.

(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.

Sources: 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. Currently $47.5 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. Currently, $216.3 million remains 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. Currently, $107.5 million remains 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. Currently, $243.0 million remains 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. Currently, approximately $112.7 million remains 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. Currently, approximately $152.8 million remains authorized and unissued.

In November 2024, voters approved Proposition B ("2024 Healthy, Safe, and Vibrant SF Bond"), which authorized the issuance of up to $390.0 million in general obligation bonds to finance the acquisition or improvement of temporary shelters, particularly for families; facilities that deliver healthcare services, including preventive care and behavioral health services, such as the Chinatown Public Health Center; critical repairs, renovations, and seismic upgrades at Zuckerberg San Francisco General Hospital and Trauma Center and Laguna Honda Hospital; and pedestrian and street safety improvements, streetscape enhancements, and other public space improvements. Currently, approximately $306.4 million remains authorized and unissued.

In June 2026, voters approved Proposition A ("2026 Earthquake Safety and Emergency Response Bond"), which authorized the issuance of up to $535.0 million in general obligation bonds to improve fire, earthquake, and emergency response by retrofitting, improving, expanding, constructing, and/or replacing: deteriorating pipes, tunnels, and related facilities to ensure firefighters can access enough water to fight fires from a major disaster or emergency; unsafe or deteriorating emergency response facilities, including neighborhood fire stations, critical transportation facilities, and public safety facilities, and to pay related costs. Currently, $535.0 million remains authorized and unissued.

Table A-28 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.

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TABLE A-28
General Obligation Bonds
As of July 1, 2026[(1)(2)]

Bond Authorization Name	Election Date	Authorized Amount	Series	Bonds Issued	Bonds Outstanding	Authorized & Unissued
Seismic Safety Loan Program	11/3/92	$350,000,000	1994A	$35,000,000	$ -	
			2007A	30,315,450	6,418,671	
			2015A	24,000,000	-	
Reauthorization to Repurpose for Affordable Housing	11/8/16		2019A	72,420,000	65,640,000	
			2020C	102,580,000	88,550,000	
			2025E	38,220,000	35,025,000	$47,464,550
Clean & Safe Neighborhood Parks	2/5/08	185,000,000	2008B	42,520,000		
			2010B	24,785,000		
			2010D	35,645,000	14,565,000	
			2012B	73,355,000		
			2016A	8,695,000	4,475,000	
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	71,025,000	
			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	13,445,000	
Road Repaving & Street Safety	11/8/11	248,000,000	2012C	74,295,000		
			2013C	129,560,000		
			2016E	44,145,000	23,545,000	
Clean & Safe Neighborhood Parks	11/6/12	195,000,000	2013A	71,970,000		
			2016B	43,220,000	14,535,000	
			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	45,370,000	
			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	85,090,000	
			2021C-1	104,785,000	76,425,000	
			2021C-2	18,000,000		
Affordable Housing Bond	11/3/15	310,000,000	2016F	75,130,000	30,960,000	
			2018D	142,145,000	72,210,000	
			2019C	92,725,000	18,290,000	
Public Health and Safety Bond	6/7/16	350,000,000	2017A	173,120,000		
			2018E	49,955,000		
			2020D-1	111,925,000	70,575,000	
			2020D-2	15,000,000		
Embarcadero Seawall Earthquake Safety	11/6/18	425,000,000	2020A	49,675,000		
			2023B	39,020,000		
			2025A-1	15,085,000	15,085,000	
			2025A-2	104,910,000	98,735,000	$216,310,000
Affordable Housing Bond	11/5/19	600,000,000	2021A	254,585,000	150,340,000	
			2023C	170,780,000	99,600,000	
			2025C	67,095,000		$107,540,000
Earthquake Safety and Emergency Response Bond	3/3/20	628,500,000	2021B-1	69,215,000	59,075,000	
			2021B-2	11,500,000		
			2021E-1	74,090,000	54,655,000	
			2021E-2	13,000,000		
			2025B-1	197,030,000	188,355,000	
			2025B-2	20,680,000		$242,985,000
Health and Recovery Bond	11/4/20	487,500,000	2021D-1	194,255,000	150,955,000	
			2021D-2	64,250,000		
			2023A	28,785,000	24,580,000	
			2025G	87,515,000	1,410,000	112,695,000
Affordable Housing Bond	3/5/24	300,000,000	2025D	147,230,000	75,100,000	152,770,000
Health, Safe and Vibrant SF Bond	11/5/24	390,000,000	2025F	83,635,000	33,635,000	306,365,000
Earthquake Safety and Emergency Response Bond	6/2/26	535,000,000				535,000,000
SUBTOTAL		$7,203,700,000		$5,482,570,450	$1,687,668,671	$1,721,129,550

General Obligation Refunding Bonds	Dated Issued			Bonds Issued	Bonds Outstanding	
Series 2020-R1	5/7/20			$195,250,000	$109,605,000	
Series 2021-R1	5/6/21			91,230,000	53,835,000	
Series 2021-R2	9/16/21			86,905,000	7,680,000	
Series 2022-R1	5/18/22			327,300,000	224,490,000	
Series 2024-R1	5/22/24			340,615,000	277,835,000	
SUBTOTAL				$1,041,300,000	$673,445,000	
TOTALS		**$7,203,700,000**		**$6,523,870,450**	**$2,361,113,671**	**$1,721,129,550**

(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.

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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-29 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 July 1, 2026.

TABLE A-29
Debt Service on Lease Revenue Bonds and Certificates of Participation
As of July 1, 2026[1][2]

Fiscal Year	Principal	Interest[3]	Annual Payment Obligation
2026-27[4]	$ 82,443,731	$ 68,156,560	$ 150,600,292
2027-28	78,145,000	64,115,288	142,260,288
2028-29	81,835,000	60,217,007	142,052,007
2029-30	85,530,000	56,265,628	141,795,628
2030-31	79,415,000	52,290,652	131,705,652
2031-32	73,490,000	48,634,041	122,124,041
2032-33	75,630,000	45,177,154	120,807,154
2033-34	79,020,000	41,633,985	120,653,985
2034-35	73,020,000	37,993,109	111,013,109
2035-36	74,640,000	34,397,617	109,037,617
2036-37	75,500,000	30,684,420	106,184,420
2037-38	79,060,000	26,920,233	105,980,233
2038-39	83,215,000	22,972,190	106,187,190
2039-40	87,180,000	18,799,628	105,979,628
2040-41	91,270,000	14,486,525	105,756,525
2041-42	54,535,000	9,964,161	64,499,161
2042-43	46,820,000	7,683,631	54,503,631
2043-44	47,215,000	5,629,756	52,844,756
2044-45	24,765,000	3,993,400	28,758,400
2045-46	14,775,000	3,002,800	17,777,800
2046-47	15,370,000	2,411,800	17,781,800
2047-48	14,390,000	1,797,000	16,187,000
2048-49	14,970,000	1,221,400	16,191,400
2049-50	15,565,000	622,600	16,187,600
TOTAL[5]	**$ 1,447,798,731**	**$ 659,070,585**	**$ 2,106,869,317**

(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 the 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, and the City has issued the lease revenue bonds set forth in Table 31. There are approximately $114.1 million of authorized but unissued voter-approved lease revenue 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, 2024, the total authorized and unissued amount for such financings was $105 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.

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Table A-30 below lists the City's outstanding certificates of participation, lease purchase financings, and voter-authorized lease revenue bonds.

TABLE A-30
Outstanding Certificates of Participation and Lease Revenue Bonds[(1)]
As of July 1, 2026[(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	$ 115,245,000
Series 2016A (War Memorial Veterans Building)	2032	16,125,000	6,745,000
Series 2017A - Taxable (Hope SF)	2047	28,320,000	22,545,000
Series 2019A (49 South Van Ness Project)	2050	247,810,000	226,700,000
Refunding Series 2019-R1 (Multiple Capital Improvement Projects)	2035	116,460,000	59,245,000
Refunding Series 2020-R1 (Multiple Capital Improvement Projects)	2033	70,640,000	48,335,000
Series 2020 (Animal Care & Control Project)	2041	47,075,000	38,760,000
Series 2021A (Multiple Capital Improvement Projects)	2041	76,020,000	64,895,000
Series 2023A - Taxable (Affordable Housing and Community Facilities Projects)	2043	103,410,000	97,760,000
Series 2023B (Multiple Capital Improvement Projects)	2043	80,040,000	75,025,000
Refunding Series 2024-R1 (Multiple Capital Improvement Projects)	2033	214,585,000	195,705,000
Series 2024A (Multiple Capital Improvement Projects)	2044	123,345,000	112,585,000
Series 2025A (Music Concourse Garage Project)	2045	19,565,000	19,175,000
Series 2025B (Treasure Island – Stage 2 Infrastructure Projects)	2045	46,935,000	46,935,000
Refunding Series 2025-R1 (Multiple Capital Improvement Projects)	2041	270,910,000	256,770,000
Refunding Series 2025-R2 (Port Facilities Project) (Non-AMT)	2038	2,710,000	2,710,000
Refunding Series 2025-R3 (Port Facilities Project) (AMT)	2043	15,680,000	15,020,000
SUBTOTAL CERTIFICATES OF PARTICIPATION		**$ 1,609,180,000**	**$ 1,404,155,000**
LEASE PURCHASE FINANCINGS			
2016 Lease Purchase Financing (Public Safety Radio Replacement Project)	2026	34,184,136	1,848,731
SUBTOTAL LEASE PURCHASE FINANCINGS		**$ 34,184,136**	**$ 1,848,731**
FINANCE CORPORATION LEASE REVENUE BONDS			
Refunding Series 2008-1 (Moscone Center Expansion Project) - Variable	2030	$ 72,670,000	$ 13,100,000
Refunding Series 2008-2 (Moscone Center Expansion Project) - Variable	2030	72,670,000	13,100,000
Refunding Series 2018A (Open Space Fund - Various Park Projects)	2029	34,950,000	8,620,000
Refunding Series 2018B (Branch Library Improvement Program)	2028	13,355,000	3,135,000
SUBTOTAL LEASE REVENUE BONDS		**$ 193,645,000**	**$ 37,955,000**
TOTAL		**$ 1,837,009,136**	**$ 1,443,958,731**

(1) Excludes commercial paper and California HFA Revenue Bonds (San Francisco Supportive Housing - 833 Bryant Apartments) ($24,860,000)

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

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

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Board Authorized and Unissued Long-Term Certificates of Participation

Certain issuances 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, Series 2024-R1 and Series 2024A, 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.

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 COPs to finance the cost of additions and improvements to the utility infrastructure at Treasure Island. At this time, the City anticipates issuing the first tranche of COPs to fund this project in the future.

Housing Trust Fund ("HTF") Project: In April 2016, the Board authorized and the Mayor approved the issuance of not to exceed $95.0 million of COPs (Affordable Housing Projects) to fund the development, acquisition, construction or rehabilitation of affordable rental housing projects. The City previously issued commercial paper (which is no longer outstanding) for a portion of the authorized projects. The City anticipates issuing additional long-term COPs to fund HTF projects in the future.

HOPE SF Project: In December 2019, the Board authorized, and the Mayor approved the issuance of not to exceed $83.6 million of COPs to fund certain capital improvements, including but not limited to certain properties generally known as Hunters View, Sunnydale, and Potrero Terrace and Annex housing developments. The City has funded initial HOPE SF COP projects using commercial paper which are anticipated to be repaid with funds on hand in the first quarter of fiscal year 2026-27.

Treasure Island Stage 2. In May 2024, legislation amending the Development Agreement and Disposition and Development Agreement for the Treasure Island development project was approved by the Board. This amendment included authorizing of COP funding for $115 million of projects. To date, the City has issued COPs to fund $50 million of Project Costs as part of the first tranche issuance of COPs. The City expects to issue the second series of COPs in fiscal year 2026-27.

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 COPs to fund tenant improvements involving the construction, acquisition, improvement, renovation, and retrofitting of City-owned properties as needed for the Hall of Justice ("HOJ") 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 next series of long-term COPs in fiscal year 2026-27 or later.

Critical Repairs, Recovery Stimulus and Streets (FY2022-27): In July 2021, the Board authorized the issuance of not-to-exceed $67.5 million of COPs to finance $56.7 million in Critical Repairs and Economic Recovery Stimulus projects (the "FY22 COPs"). In July 2022, the Board authorized the issuance of not-to-exceed $140.0 million of COPs to finance $109.2 million in Critical Repairs, Streets, and Economy Recovery Stimulus projects (the "FY23 COPs"). In September 2023, the Board authorized the issuance of not-to-exceed $77.2 million of COPs to finance $58.4 million in Critical Repairs and Street Resurfacing projects (the "FY24 COPs"). In September 2024, the Board authorized the issuance of not-to exceed $61.4 million of COPs to finance $45.0 million in Critical Repairs and Street Resurfacing projects (the "FY25 COPs"). In September 2025, the Board authorized the issuance of not to exceed $65.0 million of COPs to finance $50 million of Street Resurfacing and Curb Ramps projects (the "FY26/FY27 COPs"). The City issued its first tranche of COPs related to the these authorizations in 2023, funding $80.3 million of project costs authorized under the FY22 COPs and FY23 COPs. The City expects to issue its next series of COPs under these authorizations in fiscal year 2026-27.

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 CCSF COPs, to fund 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 Series 2023A issuance. The City expects to issue the remainder of the long-term COPs in fiscal year 2026-27 or later

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 Original CP Program notes are secured by a $150.0 million letter of credit with TD Securities, which expires in March 2029. The Second CP Program notes are secured by a $100.0 million revolving letter of credit issued by BMO Bank, which expires in March 2029.

As of July 1, 2026, the outstanding principal amount of CP Notes is $70.3 million. The interest rate for the $52.7 million outstanding tax-exempt CP Notes is 2.48%. The interest rate for the $17.6 million outstanding taxable CP Notes is 3.79%. The projects with Board of Supervisors authorized and unissued Certificates of Participation currently utilizing the CP Program include HOPE SF, Critical Repairs & Recovery Stimulus, Affordable Housing & Community Development, Street Resurfacing & Reconstruction, and Hall of Justice Relocation Project - Tenant Improvements. Additionally, the acquisition of police vehicles was funded through the City's CP Program which is expected to be paid down over time. The following is a summary of the outstanding liability by project associated with the CP Notes.

TABLE A-31
Outstanding Commercial Paper
As of July 1, 2026

Project	CP Notes Outstanding as of 7/1/2026
HOPE SF	$4,504,475
Affordable Housing & Community Development	1,601,910
Critical Repairs & Recovery Stimulus	27,837,081
Police Vehicle Acquisition	1,389,051
HOJ Relocation – Tenant Improvements	3,303,535
Street Resurfacing & Reconstruction	31,663,948
TOTAL*	**70,300,000**

**** Projects may not sum to total due to rounding.***

Asian Art Museum Assurance Agreement

The Asian Art Museum of San Francisco ("Museum") is a charitable trust department of the City and houses the collection of the City's Asian art objects. The City owns the Museum and the art collection. Under the City Charter the City is required to provide sufficient funds each year to maintain, display and provide

security for the art collection. Based on the FY27 & FY28 Proposed Budget, the City is budgeting $13.05 million for the Museum in fiscal year 2026-27. The Asian Art Museum Foundation of San Francisco ("Foundation") is a non-profit public benefit corporation that serves as the fundraising arm of the Museum.

In connection with a Loan Agreement, dated February 1, 2011 ("Asian Art Museum CEDA Loan"), by and among the Foundation, the California Enterprise Development Authority ("CEDA") and JPMorgan Chase Bank, National Association ("Bank"), the City entered into an Assurance Agreement ("Assurance Agreement") with the Bank. (The Asian Art Museum CEDA Loan was a part of a restructuring of previous debt of the Foundation.) Under the terms of the Assurance Agreement, the City Controller is required under certain circumstances to seek a supplemental budgetary appropriation from the Board of Supervisors to pay scheduled debt service on the Asian Art Museum CEDA Loan. The Board of Supervisors and Mayor retain the sole discretion to approve any Controller request. The principal amount of the Asian Art Museum CEDA Loan outstanding as of July 6, 2026, is approximately $65.5 million and annual debt service is approximately $6.2 million through 2040.

Based on information provided to the Controller by the Foundation, the City is aware that fundraising and development for arts and cultural institutions, including the Museum, continues to be a challenging environment following the COVID pandemic. Currently, the City is engaged in discussions with the Foundation to understand the Foundation's financial position, its operations and outstanding obligations.

Overlapping Debt

Table A-32 shows bonded debt and long-term obligations as of July 1, 2026, sold in the public capital markets, except for those financings otherwise noted in the table, by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

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TABLE A-32
Statement of Direct and Overlapping Debt and Long-Term Obligations
As of June 30, 2026

2025-26 Assessed Valuation (includes unitary utility valuation):	$	358,424,092,463[1]
GENERAL OBLIGATION BONDED DEBT		
San Francisco City and County	**$**	**2,361,113,671**
San Francisco Unified School District		913,310,000
San Francisco Community College District		548,315,000
TOTAL GENERAL OBLIGATION BONDED DEBT	$	3,822,738,671
LEASE OBLIGATIONS BONDS		
San Francisco City and County	$	1,447,798,731
TOTAL LEASE OBLIGATION BONDED DEBT	$	1,447,798,731
TOTAL COMBINED DIRECT DEBT	$	5,270,537,402
OVERLAPPING TAX AND ASSESSMENT DEBT		
Bay Area Rapid Transit District General Obligation Bond (33.728%)	$	965,086,835
San Francisco Community Facilities District No. 6		112,070,000
San Francisco Community Facilities District No. 7		25,485,000
San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2		1,892,593
San Francisco Community Facilities District No. 2014-1 Transbay Transit Center		555,635,000
San Francisco Community Facilities District No. 2016-1 Treasure Island, Improvement Areas 1 and 2		98,420,000
San Francisco Special Tax District No. 2020-1 Mission Rock Facilities		149,980,000
ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements		7,415,000
ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill		4,055,000
ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza		2,385,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	$	1,922,424,428
OVERLAPPING TAX INCREMENT DEBT:		
Successor Agency to the San Francisco Redevelopment Agency	$	814,201,505
Transbay Joint Powers Authority		217,475,000
TOTAL OVERLAPPING INCREMENT DEBT	$	1,031,676,505
OVERLAPPING INCREMENT DEBT:		
San Francisco Infrastructure and Revitalization Financing District No. 1	$	63,980,000
TOTAL OVERLAPPING TAX INCREMENT REVENUE DEBT	$	63,980,000
TOTAL DIRECT AND OVERLAPPING BONDED DEBT	$	8,288,618,335[2]

Ratios to 2025-26 Assessed Valuation ($358,424,092,463)	**Actual Ratio**
Direct General Obligation Bonded Debt ($3,822,738,671)	1.07%[3]
Combined Direct Debt ($5,270,537,402)	1.47%
Total Direct and Overlapping Bonded Debt	2.31%
Ratio to 2025-26 Redevelopment Incremental Valuation ($45,743,416,351)	
Total Overlapping Tax Increment Debt	2.26%

(1) Includes $581,553,268 homeowner's exemption for FY25-26.

(2) Excludes tax and revenue anticipation notes, enterprise revenue bonds and airport improvement corporation bonds, as well as the issue to be sold

(3) 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 FY25-26 AV is 0.7%.

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

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), 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

In November 2024, Daniel Lurie was elected as the City's 46th Mayor. He took office on January 8, 2025, succeeding Mayor London Breed.

Board of Supervisors

Table A-33 lists current members of the Board of Supervisors. The Supervisors are elected for staggered four-year terms and are elected by district. The Mayor makes appointments for all Board vacancies.

TABLE A-33
Board of Supervisors

Name	First Elected or Appointed	Current Term Expires
Connie Chan, District 1	2021	2029
Stephen Sherill, District 2	2024	2027
Danny Sauter, District 3	2025	2029
Alan Wong, District 4	2025	2027
Bilal Mahmood, District 5	2025	2029
Matt Dorsey, District 6	2022	2027
Myrna Melgar, District 7	2021	2029
Rafael Mandelman, Board President, District 8	2018	2027
Jackie Felder, District 9	2025	2029
Shamann Walton, District 10	2019	2027
Chyanne Chen, District 11	2025	2029

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 November 4, 2024, David Chiu was re-elected to serve as the San Francisco City Attorney.

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

The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2024 for a term that extends through January 2029. 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.

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.

THE SUCCESSOR AGENCY

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-32: "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.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law which limit the ability of the City to impose and increase taxes and other revenue sources and to spend such revenues, and which, under certain circumstances, would permit existing revenue sources of the City to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if enacted, could potentially have an adverse impact on the City's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. However, *ad valorem* property taxes required to be levied to pay debt service on general obligation bonds were authorized and approved in accordance with all applicable constitutional limitations. A summary of the currently effective limitations is set forth below.

Article XIIIA of the California Constitution

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

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

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

Article XIIIB of the California Constitution

Article XIIIB was enacted by California voters as an initiative constitutional amendment in November 1979. Article XIIIB limits the annual appropriations from the proceeds of taxes of the State and any city, county,

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

Articles XIIIC and XIIID of the California Constitution

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

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

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

Article XIIID contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIIID) for local services and programs. The City has created a number of special assessment districts both for neighborhood business improvement purposes and community benefit purposes and has caused limited obligation bonds to be issued in 1996 to finance construction of a new public right of way. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

Proposition 1A

Proposition 1A, a constitutional amendment proposed by the State Legislature and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government

authority to levy a sales tax rate, or change the allocation of local sales tax revenues, subject to certain exceptions. As set forth under the laws in effect as of November 3, 2004, Proposition 1A generally prohibits the State from shifting any share of property tax revenues allocated to local governments for any fiscal year to schools or community colleges. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years. If the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

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

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

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increases a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies (but see "THE SUCCESSOR AGENCY" above). While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

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

Proposition 26

On November 2, 2010, the voters of the State approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIIIA and XIIIC of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by

local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption was repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

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

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

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

Future Initiatives and Changes in Law

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

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

LEGAL MATTERS AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City. Included among these are a number of actions which if successful would be payable from the City's General Fund. Except as otherwise described in this Appendix A as to certain litigation, in the opinion of the City Attorney, such suits and claims presently pending will not materially impair the ability of the City to pay debt service on its General Fund lease obligations or other debt obligations, nor have an adverse impact on City finances.

Ongoing Investigations

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 and City contractor, with 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. Specifically, the criminal charges allege that Mr. Jones wrote Ms. Henriquez multiple checks in 2017 and 2018 totaling $25,000 in exchange for Ms. Henriquez directing government grant exceeding $1.4 million to entities controlled by Mr. Jones. Mr. Jones and Ms. Henriquez pled not guilty and are awaiting trial.

The San Francisco City Attorney's Office suspended Mr. Jones and his affiliates a week after the criminal charges against him were made public, and City departments terminated all existing contracts with Mr. Jones and his affiliates.

In October 2023, the San Francisco Controller's Office issued findings with recommendations to the City Administrator's Office, including that it redo the Community Challenge Grant procurements for fiscal year 2023-2024. The City Administrator's Office hired a new director of the Community Challenge Grant Program and implemented all of the Controller's recommendations.

Human Rights Commission Investigation. On October 11, 2024, Sheryl Davis the Executive Director of Human Rights Commission ("HRC"), resigned her post amid allegations of the misuse of public funds. Mawuli Tugbenyoh was subsequently appointed Executive Director of the HRC in September 2025 after serving as acting director of the department. Following the allegations, the Mayor announced the imposition of tighter financial controls regarding spending for the Commission.

In September 2025, the Controller's Office issued a report with the results of a joint audit and investigation by the Controller's Office and City's Attorney's Office. The audit found that:

> "[U]nder the leadership of Ms. Davis, HRC demonstrated a pattern and practice of evading existing controls and avoiding scrutiny from city oversight agencies, raising serious concerns about transparency, accountability, and financial integrity. This created a workplace where misconduct went unchallenged and ethical norms were disregarded, even as the department worked to improve oversight. Under new leadership, the department has begun to implement some of our recommended changes, such as ensuring all purchasing and training staff been trained."

The audit includes nine recommendations for HRC to improve its internal controls and compliance with City purchasing rules and two recommendations for the Controller's Accounting Operations and Supplier Division and Office of Contract Administration to enhance their monitoring of city departments to ensure adherence to city policies.

On March 30, 2026, the San Francisco District Attorney criminally charged Sheryl Davis with misappropriating public funds and financial conflicts of interest in government contracts. Dr. Davis pled not guilty and is awaiting trial.

On March 30, 2026, the San Francisco District Attorney also criminally charged James Spingola, a City contractor who served as the Executive Director of the non-profit Collective Impact, with aiding and abetting a conflict of interest in a government contract. Mr. Spingola has not yet entered a formal plea.

Treasurer Tax Collector Investigation. In September 2025, the San Francisco Standard reported that the Chief Assistant Tax Collector had a conflict of interest in a contract awarded by the Tax Collector to Mechanical Orchard. The Chief Assistant Tax Collector resigned from City employment, and in June 2026 the Controller's Office and the City Attorney's Office released a joint audit. The audit found that the former Chief Assistant Tax Collector had violated City procurement laws and steered two contracts to her friend's company. The first contract was a pilot project for approximately $65,000. The second, much larger contract for approximately $10 million was never finalized, because Mechanical Orchard withdrew after public reporting on the alleged conflict.

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 Controller 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 certain coverages for the entire construction project. When a traditional insurance program is used, the City requires each contractor to provide its own insurance to satisfactorily cover the scope of work. 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., The City purchases Cyber Liability insurance for most 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.