File No. 130381

Committee Item No. 2
Board Item No. 11

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance Sub-Committee **Date:** 05/15/2013

Board of Supervisors Meeting **Date:** MAY 21, 2013

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Completed by: Victor Young **Date** May 10, 2013
Completed by: Victor Young **Date** 5/16/13

[Road Repaving and Street Safety General Obligation Bonds, 2011, Series 2013C - Not to Exceed $133,275,000]

Resolution authorizing and directing the sale of not to exceed $133,275,000 aggregate principal amount of Road Repaving and Street Safety General Obligation Bonds, 2011, Series 2013C; prescribing the form and terms of said bonds; authorizing the execution, authentication, and registration of said bonds; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related to said bonds; providing for the manner of sale of said bonds by competitive sale; approving the forms of official notice of sale and notice of intention to sell bonds; directing the publication of the notice of intention to sell bonds; approving the form of the preliminary official statement and the form and execution of the official statement relating to the sale of said bonds; approving the form of the continuing disclosure certificate; authorizing and approving modifications to documents; declaring the City's intent to reimburse certain expenditures; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of said bonds.

WHEREAS, By Resolution No. 248-11 adopted by the Board of Supervisors (the "Board of Supervisors") of the City and County of San Francisco (the "City") on June 7, 2011 and signed by the Mayor of the City (the "Mayor") on June 13, 2011, it was determined and declared that public interest and necessity demand the repaving and reconstruction of roads, the rehabilitation and seismic improvement of street structures, the replacement of sidewalks

the installation and renovation of curb ramps, the redesign of streetscapes to include pedestrian and bicycle safety improvements, and the construction, rehabilitation and renovation of traffic infrastructure within the City (the "Project"); and

WHEREAS, By Ordinance No. 148-11, finally passed by the Board of Supervisors on July 26, 2011, and signed by the Mayor on July 26, 2011 (the "Bond Ordinance"), the Board of Supervisors duly called a special election to be held on November 8, 2011 (the "Bond Election"), for the purpose of submitting to the electors of the City a proposition to incur bonded indebtedness in the amount of $248,000,000 to finance the Project, and such proposition was approved by not less than a two-thirds vote of the qualified electors of the City voting on such proposition; and

WHEREAS, By Resolution No. 24-12 (the "Authorizing Resolution"), adopted by the Board of Supervisors on January 24, 2012, and signed by the Mayor on February 3, 2012, the City authorized the issuance of its General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2012C (the "Bonds") in an aggregate principal amount not to exceed $248,000,000; and

WHEREAS, By Resolution No. 25-12, adopted by the Board of Supervisors on January 24, 2012, and signed by the Mayor on February 3, 2012, the City authorized the issuance of said General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2012C in an amount not to exceed $76,500,000, which Series 2012C Bonds were subsequently issued in the principal amount of $74,295,000; and

WHEREAS, The City has issued and sold, to date, a total of $74,295,000 of the Bonds; and there remains $173,705,000 of authorized and unissued Bonds; and,

WHEREAS, It is necessary and desirable to issue an additional series of the Bonds in an aggregate principal amount of the Bonds not to exceed of $133,275,000 (the "Series

2013C Bonds"), to finance a portion of the costs of the Project (as defined in the Authorizing Resolution); and

WHEREAS, The Series 2013C Bonds are being issued pursuant to the Authorizing Resolution and Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the California Government Code, the Charter of the City (the "Charter"), the Bond Ordinance and the Bond Election; and

WHEREAS, The City has paid and expects to pay certain expenditures in connection with the Project to be financed by the Series 2013C Bonds prior to the issuance and sale of the Series 2013C Bonds, and the City intends to reimburse itself and to pay third parties for such prior expenditures from the proceeds of the Series 2013C Bonds; and

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

WHEREAS, The Reimbursement Regulations require that any reimbursement allocation of proceeds of the Series 2013C Bonds to be made with respect to expenditures incurred prior to the issuance of the Series 2013C Bonds will occur not later than eighteen (18) months after the later of (i) the date on which the expenditure is paid or (ii) the date on which the facilities are placed in service, but in no event later than three (3) years after the expenditure is paid; and

WHEREAS, The Citizens' General Obligation Bond Oversight Committee shall conduct an annual review of bond spending and shall provide an annual report on the management of the program to the Mayor and the Board, and, to the extent permitted by law, one-tenth of one percent (0.1%) of the gross proceeds of the Series 2013C Bonds shall be deposited in a fund established by the Controller's Office and appropriated by the Board at the direction of the

Citizens' General Obligation Bond Oversight Committee to cover the costs of such Committee and its review process; now, therefore, be it

RESOLVED by the Board of Supervisors of the City and County of San Francisco, as follows:

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

Section 2. Conditions Precedent. All conditions, things and acts required by law to exist, to happen and to be performed precedent to and in connection with the issuance of the Series 2013C Bonds exist, have happened and have been performed in due time, form and manner in accordance with applicable law, and the City is now authorized pursuant to the Bond Election, the Charter and applicable law to incur indebtedness in the manner and form provided in this Resolution.

Section 3. Documents. The documents presented to the Board and on file with the Clerk of the Board of Supervisors or designee thereof (the "Clerk of the Board of Supervisors") are contained in File No. 130381.

Section 4. Issuance and Sale of Series 2013C Bonds; Determination of Certain Terms; Designation. The Board authorizes the issuance and sale of not to exceed $133,275,000 in aggregate principal amount of Bonds to be designated as "City and County of San Francisco General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2013C," for the purposes set forth in the Bond Election Ordinance and Proposition B approved by the voters at the Bond Election.

The Director of Public Finance of the City or designee thereof (the "Director of Public Finance") is authorized to determine, for the Series 2013C Bonds, the sale date, the interest rates, the definitive principal amount, the maturity dates and the redemption dates, if any, and the terms of any optional or mandatory redemption, subject to the other specific provisions of this Resolution, including the following terms and conditions: (i) the Series 2013C Bonds shall

not have a true interest cost in excess of 12% (as such term is defined in the Official Notice of Sale (as defined in Section 17)); and (ii) the Series 2013C Bonds shall not have a final maturity date after June 15, 2033. The Director of Public Finance is further authorized to give the Series 2013C Bonds such additional or other series designation, or to modify such series designation, as may be necessary or appropriate to distinguish the Series 2013C Bonds from every other series of Bonds and from other bonds issued by the City.

Section 5. Execution, Authentication and Registration of the Series 2013C Bonds. Each of the Series 2013C Bonds shall be in fully registered form without coupons in denominations of $5,000 or any integral multiple of that amount. The officers of the City are directed to cause the Series 2013C Bonds to be prepared in sufficient quantity for delivery to or for the account of their purchaser and the Controller or designee thereof (the "Controller") is directed to cause the blanks in the Series 2013C Bonds to be completed in accordance with the Authorizing Resolution and the Bond Award (as defined in Section 13), to procure their execution by the proper officers of the City (including by facsimile signature if necessary or convenient) and authentication as provided in this Section, and to deliver the Series 2013C Bonds when so executed and authenticated to said purchaser in exchange for their purchase price, all in accordance with the Authorizing Resolution.

The Series 2013C Bonds and the certificate of authentication and registration, to be manually executed by the Treasurer of the City or designee thereof (the "City Treasurer"), and the form of assignment to appear on the Series 2013C Bonds shall be substantially in the form attached as Exhibit A (a copy of which is on file with the Clerk of the Board of Supervisors and which is declared to be a part of this Resolution as if fully set forth in this Resolution), with necessary or appropriate variations, omissions and insertions as permitted or required by this Resolution.

Only Series 2013C Bonds bearing a certificate of authentication and registration executed by the City Treasurer shall be valid or obligatory for any purpose or entitled to the benefits of the Authorizing Resolution and this Resolution, and such certificate of the City Treasurer, executed as provided in this Resolution, shall be conclusive evidence that the Series 2013C Bonds so authenticated have been duly authenticated and delivered under, and are entitled to the benefits of, the Authorizing Resolution and this Resolution.

The Controller shall assign a distinctive letter, or number, or letter and number to each Series 2013C Bond authenticated and registered by the City Treasurer and shall maintain a record thereof which shall be available for inspection.

Section 6. Registration Books. The City Treasurer shall keep or cause to be kept, at the office of the City Treasurer or at the designated office of any registrar appointed by the City Treasurer, separate and sufficient books for the registration and transfer of Series 2013C Bonds, which books shall at all times be open to inspection, and upon presentation for such purpose, the City Treasurer shall, under such reasonable regulations as he or she may prescribe, register or transfer or cause to be registered or transferred, on said books, Series 2013C Bonds as provided in this Resolution. The City and the City Treasurer may treat the registered owner of each Series 2013C Bond as its absolute owner for all purposes, and the City and the City Treasurer shall not be affected by any notice to the contrary.

Section 7. Transfer or Exchange of Series 2013C Bonds. Any Series 2013C Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 6, by the person in whose name it is registered, in person or by the duly authorized attorney of such person in writing, upon surrender of such Series 2013C Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the City Treasurer.

Any Series 2013C Bond may be exchanged at the office of the City Treasurer for a like aggregate principal amount of other authorized denominations of the same interest rate and maturity.

Whenever any Series 2013C Bond shall be surrendered for transfer or exchange, the designated City officials shall execute (as provided in Section 5) and the City Treasurer shall authenticate and deliver a new Series 2013C Bond of the same interest rate and maturity in a like aggregate principal amount. The City Treasurer shall require the payment by any bond owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfer or exchange of Series of 2013A Bonds shall be required to be made by the City Treasurer during the period from the Record Date (as defined in Section 8(b)) next preceding each interest payment date to such interest payment date or after a notice of redemption shall have been mailed with respect to such Series 2013C Bonds.

Section 8. Terms of the Series 2013C Bonds; General Redemption Provisions.

(a) Date of the Series 2013C Bonds. The Series 2013C Bonds shall be dated the date of their delivery or such other date (the "Dated Date") as is specified in the Bond Award.

(b) Payment of the Series 2013C Bonds. The principal of the Series 2013C Bonds shall be payable in lawful money of the United States of America to their owners, upon surrender at maturity or earlier redemption at the office of the City Treasurer. The interest on the Series 2013C Bonds shall be payable in like lawful money to the person whose name appears on the bond registration books of the City Treasurer as the owner as of the close of business on the last day of the month immediately preceding an interest payment date (the "Record Date"), whether or not such day is a Business Day (as defined below).

Except as may be otherwise provided in connection with any book-entry only system applicable to the Series 2013C Bonds, payment of the interest on any Series 2013C Bond

shall be made by check mailed on the interest payment date to such owner at such owner's address as it appears on the registration books as of the Record Date; provided, that if any interest payment date occurs on a day that banks in California or New York are closed for business or the New York Stock Exchange is closed for business, then such payment shall be made on the next succeeding day that banks in both California and New York are open for business and the New York Stock Exchange is open for business (each, a "Business Day"); and provided, further, that the registered owner of an aggregate principal amount of at least $1,000,000 of Series 2013C Bonds may submit a written request to the City Treasurer on or before a Record Date preceding an interest payment date for payment of interest on the next succeeding interest payment date and thereafter by wire transfer to a commercial bank located within the United States of America.

For so long as any Series 2013C Bonds are held in book-entry form by a securities depository selected by the City pursuant to Section 11, payment shall be made to the registered owner of the Series 2013C Bonds designated by such securities depository by wire transfer of immediately available funds.

(c) Interest on the Series 2013C Bonds. The Series 2013C Bonds shall bear interest at rates to be determined upon the sale of the Series 2013C Bonds, calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on December 15, 2013 (or such other date as may be designated in the Bond Award), and semiannually thereafter on June 15 and December 15 of each year. Each Series 2013C Bond shall bear interest from the interest payment date next preceding the date of its authentication unless it is authenticated as of a day during the period from the Record Date next preceding any interest payment date to the interest payment date, inclusive, in which event it shall bear interest from such interest payment date, or unless it is authenticated on or before the first Record Date, in which event it shall bear interest from the Dated Date; provided, that if, at the time of authentication of any

Series 2013C Bond, interest is in default on the Series 2013C Bonds, such Series 2013C Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Series 2013C Bonds or from the Dated Date if the first interest payment is not made.

(d) Optional Redemption. The Series 2013C Bonds shall be subject to optional redemption prior to maturity as provided in the Official Notice of Sale or the Bond Award.

(e) Mandatory Redemption. The Series 2013C Bonds shall be subject to mandatory redemption at par, by lot, in any year in which the purchaser has designated that the principal amount payable with respect to that year shall constitute a mandatory sinking fund payment as permitted by the Official Notice of Sale. Any Series 2013C Bonds subject to mandatory redemption shall be designated as such in the Official Notice of Sale or the Bond Award.

The principal of and interest on the Series 2013C Bonds subject to mandatory redemption shall be paid from the Series 2013C Bond Account (as defined in Section 9), pursuant to Section 9. In lieu of any such mandatory redemption for Series 2013C Bonds, at any time prior to the selection of Series 2013C Bonds for mandatory redemption, the City may apply amounts on deposit in the Series 2013C Bond Account to make such payment to the purchase, at public or private sale, of Series 2013C Bonds subject to such mandatory redemption, and when and at such prices not in excess of the principal amount thereof (including sales commission and other charges but excluding accrued interest), as the City may determine.

(f) Selection of Series 2013C Bonds for Redemption. Whenever less than all of the outstanding Series 2013C Bonds are called for redemption on any date, the City Treasurer will select the maturities of the Series 2013C Bonds to be redeemed in the sole discretion of the City Treasurer. Whenever less than all of the outstanding Series 2013C Bonds maturing

on any one date are called for redemption on any one date, the City Treasurer will select the Series 2013C Bonds or portions thereof, in denominations of $5,000 or any integral multiple thereof, to be redeemed from the outstanding Series 2013C Bonds maturing on such date not previously selected for redemption, by lot, in any manner which the City Treasurer deems fair.

(g) Notice of Redemption. The date on which Series 2013C Bonds that are called for redemption are to be presented for redemption is called the "Redemption Date." The City Treasurer shall mail, or cause to be mailed, notice of any redemption of Series 2013C Bonds, postage prepaid, to the respective registered owners at the addresses appearing on the bond registration books not less than twenty (20) nor more than sixty (60) days prior to the Redemption Date. The notice of redemption shall (a) state the Redemption Date; (b) state the redemption price; (c) state the maturity dates of the Series 2013C Bonds to be redeemed and, if less than all of any such maturity is called for redemption, the distinctive numbers of the Series 2013C Bonds of such maturity to be redeemed, and in the case of any Series 2013C Bonds to be redeemed in part only, the respective portions of the principal amount to be redeemed; (d) state the CUSIP number, if any, of each Series 2013C Bond to be redeemed; (e) require that such Series 2013C Bonds be surrendered by the owners at the office of the City Treasurer or his or her agent; and (f) give notice that interest on such Series 2013C Bonds or portions of Series 2013C Bonds to be redeemed will cease to accrue after the Redemption Date. Notice of optional redemption may be conditional upon receipt of funds or other event specified in the notice of redemption as provided in subsection (j) of this Section 8.

The actual receipt by the owner of any Series 2013C Bond of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in such notice so mailed, shall not affect the validity of the proceedings

for the redemption of such Series 2013C Bonds or the cessation of accrual of interest on such Series 2013C Bonds on the Redemption Date.

Notice of redemption also shall be given, or caused to be given by the City Treasurer, by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile transmission, (iii) overnight delivery service, or (iv) to the extent acceptable to the intended recipient, email or similar electronic means, to (a) all organizations registered with the Securities and Exchange Commission as securities depositories and (b) such other services or organizations as may be required in accordance with the Continuing Disclosure Certificate described in Section 19.

The notice or notices required for redemption shall be given by the City Treasurer or any agent appointed by the City. A certificate of the City Treasurer or such other appointed agent of the City that notice of redemption has been given to the owner of any Series 2013C Bond to be redeemed in accordance with this Resolution shall be conclusive against all parties.

(h) Series 2013C Redemption Account. At the time the City Treasurer or the Controller of the City or his or her designee (the "Controller") determines to optionally call and redeem any of the Series 2013C Bonds, the City Treasurer or his or her agent shall establish a redemption account to be described or known as the "General Obligation Bonds, Series 2013C Redemption Account" (the "Series 2013C Redemption Account"), and prior to or on the Redemption Date there must be set aside in the Series 2013C Redemption Account moneys available for the purpose and sufficient to redeem, as provided in this Resolution, the Series 2013C Bonds designated in said notice of redemption, subject to the provisions of subsection (j) of this Section. Said moneys must be set aside in the Series 2013C Redemption Account solely for the purpose of, and shall be applied on or after the Redemption Date to, payment of the redemption price of the Series 2013C Bonds to be redeemed upon presentation and surrender of such Series 2013C Bonds. Any interest due on or prior to the Redemption Date

may be paid from the Series 2013C Bond Account as provided in Section 9 or from the Series 2013C Redemption Account. Moneys held from time to time in the Series 2013C Redemption Account shall be invested by the City Treasurer pursuant to the City's policies and guidelines for investment of moneys in the General Fund of the City. If, after all of the Series 2013C Bonds have been redeemed and canceled or paid and canceled, there are moneys remaining in the Series 2013C Redemption Account, said moneys shall be transferred to the General Fund of the City or to such other fund or account as required by applicable law; provided, that if said moneys are part of the proceeds of refunding bonds, said moneys shall be transferred pursuant to the resolution authorizing such refunding bonds.

(i) Effect of Redemption. When notice of optional redemption has been given substantially as provided in this Resolution, and when the amount necessary for the redemption of the Series 2013C Bonds called for redemption (principal, premium, if any, and accrued interest to such Redemption Date) is set aside for that purpose in the Series 2013C Redemption Account, the Series 2013C Bonds designated for redemption shall become due and payable on the Redemption Date, and upon presentation and surrender of said Series 2013C Bonds at the place specified in the notice of redemption, such Series 2013C Bonds shall be redeemed and paid at said redemption price out of said Series 2013C Redemption Account. No interest will accrue on such Series 2013C Bonds called for redemption after the Redemption Date and the registered owners of such Series 2013C Bonds shall look for payment of such Series 2013C Bonds only to the Series 2013C Redemption Account. All Series 2013C Bonds redeemed shall be canceled immediately by the City Treasurer and shall not be reissued.

(j) Conditional Notice of Redemption; Rescission of Redemption. Any notice of optional redemption given as provided in Section 8(g) may provide that such redemption is conditioned upon: (i) deposit in the Series 2013C Redemption Account of sufficient moneys to

redeem the Series 2013C Bonds called for optional redemption on the anticipated Redemption Date, or (ii) the occurrence of any other event specified in the notice of redemption. If conditional notice of redemption has been given substantially as provided in this subsection (j), and on the scheduled Redemption Date (i) sufficient moneys to redeem the Series 2013C Bonds called for optional redemption on the Redemption Date have not been deposited in the Series 2013C Redemption Account, or (ii) any other event specified in the notice of redemption as a condition to the redemption has not occurred, then (y) the Series 2013C Bonds for which conditional notice of redemption was given shall not be redeemed on the anticipated Redemption Date and shall remain Outstanding for all purposes of this Resolution, and (z) the redemption not occurring shall not constitute a default under this Resolution or the Authorizing Resolution.

The City may rescind any optional redemption and notice of it for any reason on any date prior to any Redemption Date by causing written notice of the rescission to be given to the owners of all Series 2013C Bonds so called for redemption. Notice of any such rescission of redemption shall be given in the same manner notice of redemption was originally given. The actual receipt by the owner of any Series 2013C Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice so mailed shall not affect the validity of the rescission.

Section 9. Series 2013C Bond Account. There is established with the City Treasurer a special subaccount in the General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011) Bond Account (the "Bond Account") created pursuant to the Authorizing Resolution to be designated the "General Obligation Bonds, Series 2013C Bond Subaccount" (the "Series 2013C Bond Account"), to be held separate and apart from all other accounts of the City. All interest earned on amounts on deposit in the Series 2013C Bond Account shall be retained in the Series 2013C Bond Account.

On or prior to the date on which any payment of principal of or interest on the Series 2013C Bonds is due, including any Series 2013C Bonds subject to mandatory redemption on said date, the City Treasurer shall allocate to and deposit in the Series 2013C Bond Account, from amounts held in the Bond Account, an amount which, when added to any available moneys contained in the Series 2013C Bond Account, is sufficient to pay principal of and interest on the Series 2013C Bonds on such date

On or prior to the date on which any Series 2013C Bonds are to be redeemed at the option of the City pursuant to this Resolution, the City Treasurer may allocate to and deposit in the Series 2013C Redemption Account, from amounts held in the Bond Account pursuant to Section 8 of the Authorizing Resolution, an amount which, when added to any available moneys contained in the Series 2013C Redemption Account, is sufficient to pay principal, interest and premium, if any, with respect to such Series 2013C Bonds on such date. The City Treasurer may make such other provision for the payment of principal of and interest and any redemption premium on the Series 2013C Bonds as is necessary or convenient to permit the optional redemption of the Series 2013C Bonds.

Amounts in the Series 2013C Bond Account may be invested in any investment of the City in which moneys in the General Fund of the City are invested. The City Treasurer may (i) commingle any of the moneys held in the Series 2013C Bond Account with other City moneys or (ii) deposit amounts credited to the Series 2013C Bond Account into a separate fund or funds for investment purposes only; provided, that all of the moneys held in the Series 2013C Bond Account shall be accounted for separately notwithstanding any such commingling or separate deposit by the City Treasurer.

Section 10. Series 2013C Project Account. There is established with the City Treasurer a special subaccount in the General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011) Project Account (the "Project Account") created pursuant to the

Authorizing Resolution to be designated the "General Obligation Bonds, Series 2013C Project Subaccount" (the "Series 2013C Project Account"), to be held separate and apart from all other accounts of the City. All interest earned on amounts on deposit in the Series 2013C Project Account shall be retained in the Series 2013C Project Account. Amounts in the Series 2013C Project Account shall be expended in accordance with the provisions of the Authorizing Resolution for the acquisition, construction or reconstruction of the Project (as defined in the Authorizing Resolution).

Amounts in the Series 2013C Project Account may be invested in any investment of the City in which moneys in the General Fund of the City are invested. The City Treasurer may (i) commingle any of the moneys held in the Series 2013C Project Account with other City moneys or (ii) deposit amounts credited to the Series 2013C Project Account into a separate fund or funds for investment purposes only; provided, that all of the moneys held in the Series 2013C Project Account (including interest earnings) shall be accounted for separately notwithstanding any such comingling or separate deposit by the City Treasurer.

The City Treasurer is authorized to pay or cause to be paid from the proceeds of the Series 2013C Bonds, on behalf of the City, the costs of issuance associated with the Series 2013C Bonds. Costs of issuance of the Series 2013C Bonds shall include, without limitation, bond and financial printing expenses, mailing and publication expenses, rating agency fees, the fees and expenses of paying agents, registrars, financial consultants, disclosure counsel and co-bond counsel, and the reimbursement of departmental expenses in connection with the issuance of the Series 2013C Bonds.

Section 11. Appointment of Depositories and Other Agents. The City Treasurer is authorized and directed to appoint one or more depositories as he or she may deem desirable and the procedures set forth in Section 6, Section 7 and Section 8 relating to registration of ownership of the Series 2013C Bonds and payments and redemption notices to owners of the

Series 2013C Bonds may be modified to comply with the policies and procedures of such depository. The City will not have any responsibility or obligation to any purchaser of a beneficial ownership interest in any Series 2013C Bonds or to any participants in such a depository with respect to (i) the accuracy of any records maintained by such securities depository or any participant therein; (ii) any notice that is permitted or required to be given to the owners of Series 2013C Bonds under this Resolution; (iii) the selection by such securities depository or any participant therein of any person to receive payment in the event of a partial redemption of Series 2013C Bonds; (iv) the payment by such securities depository or any participant therein of any amount with respect to the principal or redemption premium, if any, or interest due with respect to Series 2013C Bonds; (v) any consent given or other action taken by such securities depository as the owner of Series 2013C Bonds; or (vi) any other matter.

The Depository Trust Company ("DTC") is appointed as depository for the Series 2013C Bonds. The Series 2013C Bonds shall be initially issued in book-entry form. Upon initial issuance, the ownership of each Series 2013C Bond shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. So long as each Series 2013C Bond is registered in book-entry form, each Series 2013C Bond shall be registered in the name of Cede & Co. or in the name of such successor nominee as may be designated from time to time by DTC or any successor as depository.

The City Treasurer is also authorized and directed to appoint one or more agents as he or she may deem necessary or desirable. To the extent permitted by applicable law and under the supervision of the City Treasurer, such agents may serve as paying agent, fiscal agent, rebate calculation agent, escrow agent or registrar for the Series 2013C Bonds or may assist the City Treasurer in performing any or all of such functions and such other duties as the City Treasurer shall determine. Such agents shall serve under such terms and conditions

as the City Treasurer shall determine. The City Treasurer may remove or replace agents appointed pursuant to this paragraph at any time.

Section 12. Defeasance Provisions. Payment of all or any portion of the Series 2013C Bonds may be provided for prior to such Series 2013C Bonds' respective stated maturities by irrevocably depositing with the City Treasurer (or any commercial bank or trust company designated by the City Treasurer to act as escrow agent):

(a) An amount of cash equal to the principal amount of all of the Series 2013C Bonds or portion thereof to be defeased, and all unpaid interest thereon to maturity, except that in the case of any portion of the Series 2013C Bonds that is to be redeemed prior to such Series 2013C Bonds' respective stated maturities and in respect of which notice of such redemption shall have been given as provided in Section 8 or an irrevocable election to give such notice shall have been made by the City, the amount to be deposited shall be the principal amount thereof, all unpaid interest thereon to the Redemption Date, and premium, if any, due on such Redemption Date; or

(b) Defeasance Securities (as defined below) not subject to call, except as provided below in the definition of that term, maturing and paying interest at such times and in such amounts, together with interest earnings and cash, if required, as will, without reinvestment, as certified by an independent certified public accountant, be fully sufficient to pay the principal and all unpaid interest to maturity, or to the Redemption Date, as the case may be, and premium, if any, due on the portion of the Series 2013C Bonds to be redeemed, as such principal and interest come due; provided, that, in the case of Series 2013C Bonds that are to be redeemed prior to maturity, notice of such redemption shall be given as provided in Section 8 or an irrevocable election to give such notice shall have been made by the City; then, all obligations of the City with respect to said outstanding Series 2013C Bonds shall cease and terminate, except only the obligation of the City to pay or cause to be paid from the funds

deposited pursuant to paragraphs (a) or (b) of this Section 12 to the owners of such Series 2013C Bonds all sums due with respect thereto and the obligations of the City pursuant to Section 18; and provided further, that the City shall have received an opinion of nationally recognized bond counsel that provision for the payment of such Series 2013C Bonds has been made in accordance with this Section 12.

For purposes of this Section 12, "Defeasance Securities" shall mean any of the following that at the time are legal investments under the laws of the State of California for the moneys proposed to be invested:

(1) United States Obligations (as defined below); and

(2) Pre-refunded fixed interest rate municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee or paying agent has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash or United States Obligations; (c) the principal of and interest on the United States Obligations (plus any cash in the escrow fund or the Series 2013C Redemption Account) are sufficient to meet the liabilities of the municipal obligations; (d) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (f) the municipal obligations are rated, without regard to any numerical modifier, plus or minus sign or other modifier, at the time of original deposit to the escrow fund, by any two Rating Agencies (as defined below) not lower than the rating then maintained by such Rating Agencies on such United States Obligations.

For purposes of this Section 12, "United States Obligations" means (i) direct and general obligations of the United States of America, or obligations that are unconditionally

guaranteed as to principal and interest by the United States of America, including without limitation, the interest component of Resolution Funding Corporation (REFCORP) bonds that have been stripped by request to the Federal Reserve Bank of New York in book-entry form or (ii) any security issued by an agency or instrumentality of the United States of America that is selected by the Director of Public Finance that results in the escrow fund being rated by any two Rating Agencies at the time of the initial deposit to the escrow fund and upon any substitution or subsequent deposit to the escrow fund, not lower than the rating then maintained by such Rating Agencies on United States Obligations described in clause (i) above.

For purposes of this Section 12, "Rating Agencies" means Moody's Investors Service, Inc., Fitch Ratings, and Standard and Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., or any other nationally recognized bond rating agency that is the successor to any of the foregoing rating agencies or that is otherwise established after the date hereof.

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

(a) Official Notice of Sale. The form of proposed Official Notice of Sale inviting bids for the Series 2013C Bonds (the "Official Notice of Sale") submitted to the Board is approved and adopted as the Official Notice of Sale inviting bids for the Series 2013C Bonds, with such changes, additions and modifications as may be made in accordance with Section 20. The Director of Public Finance is authorized and directed to cause to be mailed or otherwise circulated to prospective bidders for the Series 2013C Bonds copies of the Official Notice of Sale, subject to such corrections, revisions or additions as may be acceptable to the Director of Public Finance.

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

(c) Bond Award. As provided in the Official Notice of Sale, the City may reject any and all bids received for any reason. The Controller is authorized to award the Series 2013C Bonds to the responsible bidder whose bid (a) is timely received and conforms to the Official Notice of Sale, except to the extent informalities and irregularities are waived by the City as permitted by the Official Notice of Sale, and (b) represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale. The award, if made, shall be set forth in a certificate signed by the Controller setting forth the terms of the Series 2013C Bonds and the original purchasers (the "Bond Award"). The Controller shall provide a copy of the Bond Award as soon as practicable to the Clerk of the Board of Supervisors and the Director of Public Finance; provided, that failure to provide such copy shall not affect the validity of the Bond Award.

Section 14. Publication of Notice of Intention to Sell Bonds. The form of proposed Notice of Intention to Sell the Series 2013C Bonds (the "Notice of Intention to Sell Bonds") submitted to the Board is approved and adopted as the Notice of Intention to Sell the Series 2013C Bonds, and the Director of Public Finance is authorized and directed to cause the Notice of Intention to Sell Bonds, subject to such corrections, revisions or additions as may be made in accordance with Section 20, to be published once in The Bond Buyer or another financial publication generally circulated throughout the State of California.

Section 15. Sale of Series 2013C Bonds; Solicitation of Competitive Bids. The Board authorizes the sale of the Series 2013C Bonds by solicitation of competitive bids for the purchase of the Series 2013C Bonds on the date and at the place determined in accordance with the Official Notice of Sale and Section 4.

Section 16. Disposition of Proceeds of Sale. The proceeds of sale of the Series 2013C Bonds shall be applied by the City Treasurer as follows: (a) accrued interest, if any, shall be deposited into the Series 2013C Bond Account; (b) premium, if any, shall be

deposited into the Series 2013C Bond Account; and (iii) remaining proceeds of sale shall be deposited into the Series 2013C Project Account.

Section 17. Official Statement. The form of proposed Preliminary Official Statement describing the Series 2013C Bonds (the "Preliminary Official Statement") submitted to the Board is approved and adopted as the Preliminary Official Statement describing the Series 2013C Bonds, with such additions, corrections and revisions as may be determined to be necessary or desirable made in accordance with Section 20. The Controller is authorized to cause the distribution of a Preliminary Official Statement deemed final for purposes of Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), and to sign a certificate to that effect. The Director of Public Finance is authorized and directed to cause to be printed and mailed or electronically distributed to prospective bidders for the Series 2013C Bonds the Preliminary Official Statement in substantially the form of the Preliminary Official Statement approved and adopted by this Resolution, as completed, supplemented, corrected or revised. The Controller is authorized and directed to approve, execute, and deliver the final Official Statement with respect to the Series 2013C Bonds, which final Official Statement shall be in the form of the Preliminary Official Statement, with such additions, corrections and revisions as may be determined to be necessary or desirable made in accordance with Section 20 and as are permitted under the Rule. The Director of Public Finance is authorized and directed to cause to be printed and mailed or electronically distributed the final Official Statement to all actual initial purchasers of the Series 2013C Bonds.

Section 18. Tax Covenants.

(a) General. The City covenants with the holders of the Series 2013C Bonds that, notwithstanding any other provisions of this Resolution, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the

exclusion from gross income of interest on the Series 2013C Bonds under Section 103 of the Code, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section. The City shall not, directly or indirectly, use or permit the use of proceeds of the Series 2013C Bonds or any of the property financed or refinanced with proceeds of the Series 2013C Bonds, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion of interest on the Series 2013C Bonds from gross income for federal income tax purposes.

(b) Use of Proceeds. The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Series 2013C Bonds to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the Series 2013C Bonds or any of the property financed or refinanced with proceeds of the Series 2013C Bonds, or any portion thereof, or any other funds of the City, that would cause the Series 2013C Bonds to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any Series 2013C Bonds are outstanding, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder, to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Series 2013C Bonds as "governmental bonds."

(c) Arbitrage. The City shall not, directly or indirectly, use or permit the use of any proceeds of the Series 2013C Bonds, or of any property financed or refinanced by the Series 2013C Bonds, or other funds of the City, or take or omit to take any action, that would cause

the Series 2013C Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Series 2013C Bonds.

(d) Federal Guarantee. The City shall not make any use of the proceeds of the Series 2013C Bonds or any other funds of the City, or take or omit to take any other action, that would cause the Series 2013C Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(e) Information Reporting. The City shall take or cause to be taken all necessary action to comply with the information reporting requirement of Section 149(e) of the Code with respect to the Series 2013C Bonds.

(f) Hedge Bonds. The City shall not make any use of the proceeds of the Series 2013C Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Series 2013C Bonds to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the City takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code.

(g) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants of this Section 18, the City covenants that it will comply with the provisions of the Tax Certificate to be executed by the City with respect to the Series 2013C Bonds, dated the date of issuance of the Series 2013C Bonds, as such Tax Certificate may be amended from time to time. This covenant shall survive payment in full or defeasance of the Series 2013C Bonds.

Section 19. Continuing Disclosure Certificate. The form of Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), to be signed by the City to permit the original purchasers of the Series 2013C Bonds to comply with the Rule, submitted to the Board is approved and adopted as the Continuing Disclosure Certificate, with such additions,

corrections and revisions as may be determined to be necessary or desirable made in accordance with Section 20. The Controller is authorized and directed to execute the Continuing Disclosure Certificate on behalf of the City and deliver the Continuing Disclosure Certificate to the original purchasers of the Series 2013C Bonds.

Section 20. Modification to Documents. Any City official authorized by this Resolution to execute any document is further authorized, in consultation with the City Attorney and co-bond counsel, to approve and make such changes, additions, amendments or modifications to the document or documents such official is authorized to execute as may be necessary or advisable (provided, that such changes, additions, amendments or modifications shall not authorize an aggregate principal amount of Series 2013C Bonds in excess of $133,275,000 or conflict with the provisions of Section 4). The approval of any change, addition, amendment or modification to any of the aforementioned documents shall be evidenced conclusively by the execution and delivery of the document in question.

Section 21. Ratification. All actions previously taken by officials, employees and agents of the City with respect to the sale and issuance of the Series 2013C Bonds are approved, confirmed and ratified.

Section 22. Relationship to Authorizing Resolution. In the event of any conflict between this Resolution and the Authorizing Resolution, the terms of this Resolution shall control. Without limiting the foregoing and notwithstanding the provisions of the Authorizing Resolution, the City is not obligated to transfer money from the General Fund of the City to the Bond Account to pay the principal of or interest on the Series 2013C Bonds.

Section 23. Reimbursement. The City declares its official intent to reimburse prior expenditures of the City incurred prior to the issuance and sale of the Series 2013C Bonds in connection with the Project or portions thereof to be financed by the Series 2013C Bonds. The Board declares the City's intent to reimburse the City with the proceeds of the Series

2013C Bonds for the expenditures with respect to the Project (the "Expenditures" and each, an "Expenditure") made on and after that date that is no more than 60 days prior to adoption of this Resolution. The City reasonably expects on the date of adoption of this Resolution that it will reimburse the Expenditures with the proceeds of the Series 2013C Bonds.

Each Expenditure was and will be either (a) of a type properly chargeable to a capital account under general federal income tax principles (determined in each case as of the date of the Expenditure), (b) a cost of issuance with respect to the Series 2013C Bonds, (c) a nonrecurring item that is not customarily payable from current revenues, or (d) a grant to a party that is not related to or an agent of the City so long as such grant does not impose any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the City. The maximum aggregate principal amount of the Series 2013C Bonds expected to be issued for the Project is $133,275,000. The City shall make a reimbursement allocation, which is a written allocation by the City that evidences the City's use of proceeds of the Series 2013C Bonds to reimburse an Expenditure, no later than 18 months after the later of the date on which the Expenditure is paid or the Project is placed in service or abandoned, but in no event more than three years after the date on which the Expenditure is paid. The City recognizes that exceptions are available for certain "preliminary expenditures," costs of issuance, certain *de minimis* amounts, expenditures by "small issuers" (based on the year of issuance and not the year of expenditure) and expenditures for construction projects of at least 5 years.

Section 24. Accountability Reports. The accountability requirements under the City's Administrative Code and the Bond Election Ordinance for the Series 2013C Bonds are hereby waived. Accountability report(s) with respect to the Series 2013C Bonds shall be submitted within 60 days (or as soon thereafter as possible) of any supplemental budgetary appropriation approval.

Section 25. Citizens' Oversight Committee. The Series 2013C Bonds are subject to, and incorporate by reference, the applicable provisions of the San Francisco Administrative Code Sections 5.30-5.36 (the "Citizens' General Obligation Bond Oversight Committee"), and, to the extent permitted by law, one tenth of one percent (0.1%) of the gross proceeds of the Series 2013C Bonds shall be deposited into a fund established by the Controller's Office and appropriated by the Board at the direction of the Citizens' General Obligation Bond Oversight Committee to cover the costs of such committee.

Section 26. CEQA Determination. The Board hereby reaffirms and incorporates by reference the CEQA findings and determinations set forth in Ordinance 148-11 as if set forth in full herein. The use of bond proceeds to finance any identified project or portion of any identified project will be subject, as necessary, to approval of the Board upon completion of planning and any further required environmental review under CEQA for the individual facilities and projects.

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Section 27. General Authority. The Clerk of the Board of Supervisors, the Mayor, the City Treasurer, the Director of Public Finance, the City Attorney and the Controller are each authorized and directed in the name and on behalf of the City to take any and all steps and to issue, deliver or enter into any and all certificates, requisitions, agreements, notices, consents, and other documents as may be necessary to give effect to the provisions of this Resolution, including but not limited to letters of representations to any depository or depositories, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Series 2013C Bonds.

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Mark D. Blake
Deputy City Attorney

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Exhibit A

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

Number R-__ UNITED STATES OF AMERICA Amount

STATE OF CALIFORNIA

CITY AND COUNTY OF SAN FRANCISCO

GENERAL OBLIGATION BONDS (ROAD REPAVING AND STREET SAFETY BONDS, 2011), SERIES 2013C

Interest Rate	Maturity Date	Dated	CUSIP Number
____%	June 15, 20__	_____ __, 2013	_____

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: _____ Dollars

The City and County of San Francisco, State of California (the "**City**"), acknowledges itself indebted to and promises to pay to the Registered Owner specified above or registered assigns, on the Maturity Date specified above, the Principal Amount of this bond specified above in lawful money of the United States of America, and to pay interest on the Principal Amount in like lawful money from the interest payment date next preceding the date of authentication of this bond (unless this bond is authenticated as of the day during the period from the last day of the month next preceding any interest payment date (the "**Record Date**") to such interest payment date, inclusive, in which event it shall bear from such interest payment date, or unless this bond is authenticated on or before November 30, 2013, in which event it shall bear interest from its dated date) until payment of such Principal Amount, at the Interest Rate per year specified above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on December 15, 2013 and semiannually thereafter on June 15 and December 15 in each year; *provided*, that if any interest payment date occurs on a day that banks in California or New York are closed for business or the New York Stock Exchange is closed for business, then such payment shall be made on the next succeeding day that banks in both California and New York are open for business and the New York Stock Exchange is open for business (a "**Business Day**"). The principal of this bond is payable to the Registered Owner of this bond upon the surrender of this bond at the office of the Treasurer of the City (the "**City Treasurer**"). The interest on this bond is payable to the person whose name appears on the bond registration books of the City Treasurer as the Registered Owner of this bond as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check mailed on the interest payment date to such Registered Owner at the owner's address as it appears on such registration books; *provided*, that the Registered Owner of bonds in an aggregate principal amount of at least $1,000,000 may submit a written request to the City

Treasurer on or before the Record Date preceding any interest payment date for payment of interest by wire transfer to a commercial bank located in the United States of America.

This bond is one of a duly authorized issue of bonds (the "**Bonds**") of like tenor (except for such variations, if any, as may be required to designate varying numbers, denominations, interest rates and maturities), in the aggregate principal amount of $133,275,000, which is part of a bond authorization in the aggregate original principal amount of $248,000,000 authorized by the affirmative votes of more than two-thirds of the voters voting at a special election duly and legally called, held and conducted in the City on November 8, 2011 and is issued and sold by the City pursuant to and in strict conformity with the provisions of the Constitution and laws of the State of California, the Charter of the City and resolutions adopted by the Board of Supervisors of the City (the "**Board of Supervisors**") on January 24, 2012 and _____ __, 2013 (collectively, together with the related Certificate of Award, the "**Resolutions**").

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

This bond is transferable by its registered owner, in person or by its attorney duly authorized in writing, at the office of the City Treasurer, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolutions, and upon surrender and cancellation of this bond. Upon such transfer, a new bond or bonds of authorized denomination or denominations for the same interest rate and same aggregate principal amount will be issued to the transferee in exchange for this bond.

The City Treasurer will not be required to exchange or register the transfer of this bond during the period (a) from the Record Date for an interest payment date to the opening of business on such interest payment date or (b) after notice of redemption of this bond or any portion of this bond has been mailed.

Bonds maturing on and before June 15, 20__, are not redeemable prior to their maturity.

Bonds maturing on and after June 15, 20__, are subject to optional redemption from any available funds, in whole or in part, on any date on or after June 15, 20__, at a price equal to their principal amount plus in each case accrued interest to the date of redemption, without redemption premium. If less than all of the outstanding Bonds are to be redeemed, they may be redeemed in any order of maturity as determined by the City. If less than all of the outstanding Bonds of a maturity are to be redeemed, the Bonds or portions of Bonds of such maturity to be redeemed shall be selected by the City Treasurer, in authorized denominations of $5,000 or integral multiples of that amount, from among Bonds of that maturity not previously called for redemption, by lot, in any manner which the City Treasurer deems fair.

Bonds maturing on June 15, 20__, are subject to mandatory sinking fund redemption on June 15 of each of the years 20__ through 20__, inclusive, and at maturity in the respective amounts provided in the Resolutions.

Bonds maturing on June 15, 20__, are subject to mandatory sinking fund redemption on June 15 of each of the years 20__ through 20__, inclusive, and at maturity in the respective amounts provided in the Resolutions.

Notice of the redemption of Bonds which by their terms shall have become subject to redemption shall be given or caused to be given to the registered owner of each bond or portion of a bond called for redemption not less than 20 or more than 60 days before any date established for redemption of Bonds, by the City Treasurer on behalf of the City, first class

mail, postage prepaid, sent to the registered owner's last address, if any, appearing on the registration books kept by the City Treasurer. Official notices of redemption will contain the information specified in the Resolutions.

On or prior to any redemption date, the City is required to deposit an amount of money sufficient to pay the redemption price of all of the Bonds or portions of Bonds which are to be redeemed on that date or, in the case of optional redemptions only, the optional redemption and notice of it will be rescinded and the City's failure to deposit such amount will not be a default. In addition, the City may at its option rescind any optional redemption and notice of it for any reason on any date prior to the applicable redemption date. Notice of rescission of an optional redemption shall be given in the same manner as notice of redemption was originally given,

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless such redemption and notice of it shall have been rescinded or unless the City shall default in the payment of the redemption price), such Bonds or portions of Bonds shall cease to bear interest. Neither the failure to mail such redemption notice, nor any defect in any notice so mailed, to any particular registered owner, shall affect the sufficiency of such notice with respect to other Bonds.

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

The City and the City Treasurer may treat the registered owner of this bond as the absolute owner of this bond for all purposes, and the City and the City Treasurer shall not be affected by any notice to the contrary.

The City Treasurer may appoint agents to serve as bond registrar or paying agent, as

provided in the Resolutions.

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

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

IN WITNESS WHEREOF the Board of Supervisors has caused this bond to be executed by the Mayor of the City and to be countersigned by the Clerk of the Board of Supervisors, all as of _____ __, 2013.

_____

Mayor of the City and
County of San Francisco

Countersigned:

_____

Clerk of the Board of Supervisors

CERTIFICATE OF REGISTRATION AND AUTHENTICATION

This is one of the bonds described in the within-mentioned Resolutions, which has been authenticated on the date set forth below.

Date of Authentication: _____

_____

Treasurer of the City and
County of San Francisco

ASSIGNMENT

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

Unif Gift Min Act - _____ Custodian _____

(Cust) (Minor)

under Uniform Gifts to Minors Act _____

(State)

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

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

_____

(Name and Address of Assignee)

the within Bond and does irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

/s/ _____

Dated:

Signature guaranteed:

Notice: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Notice: The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in approved Signature Guarantee Medallion Program).

Items 2 and 3 Files 13-0381 and 13-0363	Department: Department of Public Works Municipal Transportation Agency Controller's Office of Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- File 13-0381: Resolution authorizing and directing the sale of not-to-exceed $133,275,000 of Road Repaving and Street Safety General Obligation Bonds, 2011, Series 2013C.
- File 13-0363: Ordinance appropriating $133,275,000 of bond proceeds to fund resurfacing, sidewalk, curb ramp and street structure improvements, redesign of streetscapes for pedestrian and bicycle safety improvements and traffic signal improvements to support transit priority, including $122,058,097 for the Department of Public Works and $11,216,903 for the Municipal Transportation Agency and placing these funds on Controller's Reserve pending the sale of the bonds.

Key Points

- San Francisco voters approved $248,000,000 for Road Repaving and Street Safety General Obligation Bonds on November 8, 2011 to repave City streets and improve curbs, sidewalks, traffic signals and streetscapes. The City has sold $74,295,000 in a prior bond sale. The proposed resolution (File 13-0381) would authorize the second sale of not-to-exceed $133,275,000, resulting in total sale of Road Repaving and Street Safety Bonds of $207,570,000, and an unsold balance of $40,430,000.

Fiscal Impact

- The proposed resolution authorizing the sale of not-to-exceed $133,275,000 of Road Repaving and Street Safety Bonds are conservatively projected to have an annual interest rate of 6.0 percent over approximately 20 years, including estimated total debt service payments of $226,646,246, including $96,621,246 in interest and a par amount of $130,025,000 in principal, with estimated average annual debt service payments of $11,332,312. Debt service would be paid from increased Property Taxes, such that an owner of a residence with an assessed value of $500,000 would pay additional average Property Taxes of approximately $23.25 per year.
- The requested not-to-exceed $133,275,000 bonds are projected to be sold for a par amount of $130,025,000, including project funds totaling $128,510, issuance and related oversight costs of $1,514,568 and a Reserve Pending Sale of Bond of $3,250,000, which will allow for fluctuations in market conditions.

Policy Issues

- The proposed resolution authorizing the sale of the Series 2013C Bonds would allow the Department of Public Works and the Municipal Transportation Agency to waive the deadlines for submitting their Bond Accountability Reports. The Bond Accountability Report is anticipated to be submitted to the Clerk of the Board of Supervisors by June 1, 2013.

Recommendation

- Approve the proposed resolution and ordinance.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Charter Section 9.105 provides that the issuance and sale of General Obligation bonds is subject to approval of the Board of Supervisors. Charter Section 9.105 also provides that amendments to the appropriation ordinance, as finally adopted, are to be adopted in the same manner as other ordinances, subject to the Controller certifying the availability of funds.

Administrative Code Section 2.71 requires City departments to submit Bond Accountability Reports to the Clerk of the Board, Controller, Treasurer, Director of Public Finance and the Budget and Legislative Analyst 60 days prior to approval by the Board of Supervisors of the sale of any subsequent series of bonds.

Background

On November 8, 2011, San Francisco voters approved $248,000,000 of Road Repaving and Street Safety General Obligation Bonds, 2011 (Proposition B), to:

- Repair and repave City streets and remove potholes;
- Strengthen and seismically upgrade street structures;
- Redesign street corridors by adding or improving pedestrian signals, lighting, sidewalk extensions, bicycle lanes, trees and landscaping;
- Construct and renovate curb ramps and sidewalks to increase accessibility and safety; and
- Construct and renovate traffic signals to improve Muni service and traffic flow.

Table 1 below identifies the voter-approved total proposed $248 million of 2011 Road Repaving and Street Safety General Obligation Bonds.

Table 1: Road Repaving and Street Safety Bond Allocation

	Department of Public Works	San Francisco Municipal Transportation Agency	Bond Issuance and Audit Costs	Total
Street Resurfacing	$146,541,500			$146,541,500
Street Structures	6,884,500			6,884,500
Streetscape, Bike and Pedestrian	49,175,000			49,175,000
Curb Ramps	13,769,000			13,769,000
Sidewalks	7,868,000			7,868,000
Traffic Signal and Streets		19,670,000		19,670,000
Bond Issuance and Audit Costs			4,092,000	4,092,000
Total	**$224,238,000**	**$19,670,000**	**$4,092,000**	**$248,000,000**

On January 24, 2012, the Board of Supervisors approved two resolutions (Resolution Nos. 24-12 and 25-12) to (a) authorize the overall issuance of $248,000,000 for the 2011 Road Repaving and Street Safety General Obligation Bonds, and (b) authorize the initial sale of not-to-exceed $76,500,000 of Road Repaving and Street Safety Bonds, Series 2012C. On March 8, 2012, the

City sold $74,295,000 of the Road Repaving and Street Safety General Obligation Bonds, Series 2012C.

DETAILS OF PROPOSED LEGISLATION

File 13-0381: The proposed resolution would authorize and direct the sale of a not-to-exceed $133,275,000 aggregate principal amount of Road Repaving and Street Safety General Obligation Bonds, Series 2013C.

File 13-0363: The proposed ordinance would appropriate $133,275,000 bond proceeds to fund resurfacing, sidewalk, curb ramp and street structure improvements, redesign of streetscapes for pedestrian and bicycle safety improvements and traffic signal improvements to support transit priorities, including $122,058,097 for the Department of Public Works and $11,216,903 for the MTA and place these funds on Controller's Reserve pending the sale of the bonds.

The proposed resolution (File 13-0381) would:

- Authorize the execution, authentication and registration of the Series 2013C Road Repaving and Street Safety Bonds as well as transfers, exchanges and redemption of the bonds;
- Restrict use of the bond proceeds to the public purpose for which the bonds were intended;
- Authorize the Director of Public Finance to determine the sale date, interest rates, principal amount of the bonds, maturity and redemption dates, with the provision that interest rates cannot exceed 12 percent and the maturity date cannot extend after June 15, 2033;
- Require establishment of a Series 2013C Bond Account for payment of principal and interest; and a special Series 2013C Project Subaccount for acquisition, renovation, and construction of bond-funded projects;
- Approve the appointment of the Depository Trust Company as the securities depository, and authorize the Treasurer to appoint fiscal and other agents;
- Provide for defeasance of the bonds, other tax covenants and other terms and provisions;
- Approve the (a) Official Notice of Sale, which announces the date, time and terms of the competitive bond sale; and the (b) Notice of Intention to Sell Bonds;
- Approve the Preliminary Official Statement, describing the sources and uses of funds, security for the Bonds, risk factors, and tax and other legal matters and authorize the Controller or Director of Public Finance to revise the Preliminary Official Statement;
- Approve the Continuing Disclosure Certificate, which provides for City covenants to provide certain financial information and operating data relating to the City;
- Authorize City officials who have responsibility for executing documents related to the Series 2013C Bonds, including the Controller, Director of Public Finance, and Treasurer, to modify the documents as necessary, except that the Series 2013C Bond amount cannot exceed $133,275,000; and

- Subject the Series 2013C Bonds to deposit 0.1% of gross bond proceeds into the specified fund for compliance with the reporting requirements of the Citizens' General Obligation Bond Oversight Committee; and
- Authorize the Board of Supervisors to incorporate California Environmental Quality Act (CEQA) findings and determinations for individual projects, for approval of use of bond proceeds to finance each project.

Ms. Nadia Sesay, Director of Public Finance advises that the Office of Public Finance anticipates selling the subject not-to-exceed $133,275,000 Series 2013C Road Repaving and Street Safety General Obligation Bonds on June 5, 2013. The proposed ordinance (File 13-0363) would appropriate the entire $133,275,000 bond sale proceeds, as shown in Table 2 below, subject to technical adjustments pending the results of the completed sale.

Table 2: Road Repaving and Street Safety Bond Appropriation Sources and Uses

	Department of Public Works	San Francisco Municipal Transportation Agency	Total
Sources			
Bond Proceeds	$122,058,097	$11,216,903	$133,275,000
Uses			
Department of Public Works(DPW)			
Curb Ramps	4,933,673		
Sidewalks	2,831,596		
Street Resurfacing	73,645,231		
Street Improvement-Hope SF	4,916,500		
Street Structures	1,684,500		
Street, Bike & Pedestrian	29,683,033		
Municipal Transportation Agency			
Signal & Street Improvements		10,815,900	10,815,900
Subtotal Project Costs	**$117,694,533**	**$10,815,900**	**$128,510,433**
Related Issuance Costs			
Bond Issuance	4,009,095	368,428	4,377,523
City Services Auditor (0.2%)	235,388	21,632	257,020
Oversight Committee (0.1%)	119,081	10,943	130,024
Subtotal Issuance Costs	**4,363,564**	**401,003**	**4,764,567**
Total	**$122,058,097**	**$ 11,216,903**	**$133,275,000**

Source: File 13-0363

Table 3 below summarizes the total $248,000,000 Road Repaving and Street Safety General Obligation Bonds authorization, the $74,295,000 initial Road Repaving and Street Safety General Obligation Bonds sold to date, the proposed not-to-exceed $133,275,000 second issuance and the remaining $40,430,000 authorized and unsold bonds.

Table 3: Road Repaving and Street Safety Bond Allocation

	Department of Public Works	Municipal Transportation Agency	Bond Issuance and Oversight Costs	Total Bond Sale
Total Bond Authorization	**$224,228,000**	**$19,670,000**	**$4,092,000**	**$248,000,000**
Total Bond Sales To Date	68,780,556	4,720,000	794,444	74,295,000
Proposed Bond Sale June 2013	117,694,532	10,815,900	4,764,568	133,275,000
Total Bond Sales To Date and Proposed Bond Sale	**186,475,088**	**15,535,900**	**5,559,012**	**207,570,000**
Remaining Authorized and Unsold Bonds	**$37,752,912**	**$4,134,100**	**($1,467,012)**	**$40,430,000**

Although the Bond Issuance and Audit Costs in Table 3 above reflect a negative estimated balance of $1,467,012, Ms. Sesay advises that the total estimated $4,764,568 bond issuance and related oversight costs for the proposed bond sale includes $3,250,000 for a Reserve Pending Bond Sale, in order to allow sufficient flexibility for the Office of Public Finance depending on market conditions.

According to Mr. John Thomas, Project Manager at DPW the entire $248 million of 2011 Road Repaving and Street Safety General Obligation Bond funds are anticipated to be expended between April 2012 and the summer of 2017, with the subject requested not-to-exceed $133,275,000 to be expended between June 2013 and June 2016. According to the most recent Status Report presented by DPW to the Citizens General Obligation Bond Oversight Committee, as of March 21, 2013, $50,022,968 or 68% of the initial available $73,500,556 of project funds have already been expended or encumbered.

Mr. Thomas advises that of the 28 total street resurfacing projects, 3 are substantially completed, 13 are under construction and 12 projects are in various stages of contract bid and award. These 12 projects will be funded with the proceeds from the upcoming bond sale. Mr. Thomas notes that all construction contracts are based on a formal lowest responsive bid award process. Under the Curb Ramp Program, (a) over 500 curb ramps of the planned 1,500 curb ramps have been completed, (b) an additional 330 curb ramps are currently in design, and (c) over 800 additional curb ramps are currently being evaluated for upcoming design and construction. The Sidewalk Inspection & Repair Program has exceeded its goal of inspecting 200 square blocks per year. Under the Structures Program, DPW has completed five smaller projects, currently has two other projects under construction and DPW has begun repair on three bridges. Mr. Thomas advises that the Streetscape Program, which includes pedestrian and bicycle safety projects, has initiated

10 projects and plans to initiate an additional 14 Streetscape projects with the subject funding. In addition, Mr. Thomas reports that the SFMTA has replaced 57 of the planned 110 traffic signals and is more than 15% completed with the design of new traffic signals at various locations.

FISCAL IMPACTS

Not-to-Exceed versus Par Amount of Bonds

According to Ms. Nadia Sesay, Director of Public Finance in the Controller's Office, the requested not-to-exceed $133,275,000 bonds are projected to be sold for a par amount of $130,025,000, which would result in project funds totaling $128,510,432 as shown in Table 2 above and issuance and related oversight costs totaling $1,514,568 and Reserve Pending Sale of Bond amount of $3,250,000. The par amount of $130,025,000 is $3,250,000 less than the requested authorized not-to-exceed $133,275,000 in both the proposed resolution (File 13-0377) and ordinance (File 13-0371). Ms. Sesay advises that the additional $3,250,000 is to allow for fluctuations in market conditions from the time of approval until the actual time of the sale of the bonds. If the additional funds are not required, the Controller's Office will make the necessary technical adjustments based on the actual sale results.

Estimated Debt Service Payments

Ms. Sesay advises that the estimated $130,025,000 Road Repaving and Street Safety Bonds are conservatively projected to have an annual interest rate of 6.0 percent over 20 years, resulting in estimated total debt service payments of $226,646,246, including $96,621,246 in interest and a par amount of $130,025,000 in principal, with estimated average annual debt service payments of $11,332,312.

Repayment of such annual debt service will be recovered through increases to the annual Property Tax rate, which, according to the Controller's Office, would average $0.047 per $1,000 of assessed valuation over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of $500,000, assuming a homeowner's exemption of $7,000, would pay average annual additional Property Taxes to the City of $23.25 per year if the anticipated par amount of $130,025,000 of Road Repaving and Street Safety Bonds are sold.

Three General Obligation Bond Issuances on June 5, 2013

The requested not-to-exceed $133,275,000 of Road Repaving and Street Safety Bonds would be on Controller's Reserve pending the sale of the bonds, which as noted above is anticipated to occur on June 5, 2013. As shown in Table 2 below, the subject $133,275,000 Road Repaving and Street Safety Bonds Series 2013C would also be sold with the $74,030,000 Clean and Safe Neighborhood Parks General Obligation Bonds Series 2013A, and the $31,905,000 Earthquake Safety and Emergency Response General Obligation Bonds Series 2013B for a total not-to-exceed authorization of $239,210,000. As shown in Table 4 below, together, the anticipated par amount for these three General Obligation Bonds would be $233,385,000, which together are

anticipated to result in increased average annual Property Taxes of $41.74 for a $500,000 assessed value home.

Table 4: Summary of Three General Obligation Bonds to be Sold on June 5, 2013

General Obligation Bonds	Requested Not to exceed Amount	Anticipated Par Amount	Anticipated Average Annual Property Tax Impact on $500,000 Home
Clean and Safe Neighborhood Parks (Series 2013A)	$74,030,000	$72,230,000	$12.92
Earthquake Safety and Emergency Response (Series 2013B)	31,905,000	31,130,000	5.57
Road Repaving and Street Safety (Series 2013C)	133,275,000	130,025,000	23.25
Total	**$239,210,000**	**$233,385,000**	**$41.74**

POLICY ISSUES

The proposed resolution authorizing the sale of the Series 2013C Bonds would waive the deadline for submitting the Bond Accountability Report

Administrative Code Section 2.71 requires that a Bond Accountability Report be submitted by City departments to the Clerk of the Board, Controller, Treasurer, Director of Public Finance and the Budget and Legislative Analyst 60 days prior to approval by the Board of Supervisors of the sale of any subsequent series of bonds. In accordance with Administrative Code Section 2.72, the Bond Accountability Report includes: (a) certification from an authorized representative that the information in the report is correct; (b) cumulative amount of bond proceeds available and expended on the project; (c) brief description of each project line item for which bond proceeds have been expended; (d) the amount of bond proceeds expended on each project line item; (e) identification of completed and uncompleted project line items; (f) identification of any project line item not included in a proposed expenditure report; (g) certification that each project identified is in conformity with the voter authorization; and (h) identification of any project line time.

To date, neither DPW nor SFMTA has submitted a Bond Accountability Report. Mr. Thomas advises that the Bond Accountability Report is currently being prepared and is anticipated to be completed by June 1, 2013. Therefore, Section 24 of the proposed resolution requests that these provisions be waived, and instead, the proposed resolution states that these Bond Accountability

Reports for the subject Series 2013C bonds will "be submitted within 60 days (or as soon thereafter as possible) of any supplemental budgetary appropriation approval".

CEQA Findings

The proposed resolution (File 13-0381) states that the Board of Supervisors affirms and incorporates the California Environmental Quality Act (CEQA) findings and determinations, such that the use of the subject bond proceeds to finance the individual projects are subject to approval by the Board of Supervisors of any required environmental review under CEQA. Mr. Thomas advises that the street resurfacing program, traffic signal infrastructure, sidewalk and curb ramp programs have received Categorical Exemptions from CEQA requirements. In addition, Mr. Thomas advises that the streetscape projects are being reviewed individually with City Planning and a separate CEQA public process will be completed for these.

RECOMMENDATION

Approve the proposed resolution and ordinance.

NOTICE OF INTENTION TO SELL

$_____*

GENERAL OBLIGATION BONDS,

comprised of

$_____* (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2013A

$_____* (Earthquake Safety and Emergency Response Bonds, 2010), Series 2013B, and

$_____* (Road Repaving and Street Safety Bonds, 2011), Series 2013C

NOTICE IS HEREBY GIVEN that the City and County of San Francisco (the "**City**") intends to offer for public sale on:

Wednesday, June 5, 2013 at 8:30 a.m. (California time)*

by sealed bids at the Controller's Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, City Hall, Room 336, San Francisco, California 94102, and by electronic bids through Ipreo LLC's BIDCOMP™ /PARITY© System ("**Parity**"), $_____* aggregate principal amount of City and County of San Francisco General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012) , Series 2013A, $_____* aggregate principal amount of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010) , Series 2013B, and $_____* aggregate principal amount of City and County of San Francisco General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2013C (collectively, the "**Bonds**").

The City reserves the right to postpone or cancel the sale of the Bonds, or change the terms thereof, upon notice given through Bloomberg News ("**Bloomberg**") and/or Parity. If no bid is awarded for the Bonds, the City will reschedule the sale of the Bonds to another date or time by providing notification through Bloomberg and/or Parity.

The Bonds will be offered for public sale subject to the terms and conditions of the Official Notice of Sale dated May 28, 2013 relating to the Bonds. Further information regarding the proposed sale of the Bonds, including copies of the Preliminary Official Statement for the Bonds and the Official Notice of Sale, are available through Bloomberg or may be obtained from either of the City's Co-Financial Advisors: FirstSouthwest Company, 1620 26th Street, Suite 230-S, Santa Monica, California 90404; telephone: (310) 401-8052 (office), Attention: Michael D. Kremer (email: michael.kremer@firstsw.com); and Grigsby & Associates, Inc., One Embarcadero Center, Suite 500, San Francisco, California 94111; telephone: (415) 860-6446, Attention: Calvin Grigsby (email: cgrigsby@grigsbyinc.com.

The Preliminary Official Statement for the Bonds and the Official Notice of Sale for the Bonds will be posted electronically at Ipreo Prospectus at www.i-dealprospectus.com on or around Thursday, May 23, 2013. Failure of any bidder to receive either document shall not affect the legality of the sale.

Other than with respect to postponement or cancellation as described above, the City reserves the right to modify or amend the Official Notice of Sale relating to the Bonds in any respect, as more fully described in the Official Notice of Sale; *provided*, that any such modification or amendment will be communicated to potential bidders solely through Bloomberg and/or Parity not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment shall not affect the sufficiency of any such notice or the legality of the sale.

Date: May 28, 2013

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*Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

and

OFFICIAL BID FORM

$_____*

City and County of San Francisco

General Obligation Bonds

consisting of

$_____*	**$_____***	**$_____***
General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2013A	**General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2013B**	**General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2013C**

The City and County of San Francisco will receive sealed bids and electronic bids for the above-referenced bonds at the place and up to the time specified below:

SALE DATE:	Wednesday, June 5, 2013 (Subject to postponement or cancellation in accordance with this Official Notice of Sale)
TIME:	8:30 a.m. (California time)
PLACE:	Controller's Office of Public Finance 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102
DELIVERY DATE:	June 20, 2013*

* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

$_____*

CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

consisting of

$_____*	$_____*	$_____*
General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2013A	**General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2013B**	**General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2013C**

NOTICE IS HEREBY GIVEN that that electronic bids and sealed bids will be received in the manner described below, and in the case of electronic bids, through the Ipreo LLC's BiDCOMP™/PARITY® System ("**Parity**") by the City and County of San Francisco (the "**City**") for the purchase of $_____* aggregate principal amount of City and County of San Francisco General Obligation Bonds, consisting of (i) $_____* General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2013A (the "**Series 2013A Bonds**"), (ii) $_____* General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2013B (the "**Series 2013B Bonds**") and $_____* General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2013C (the "**Series 2013C Bonds,**" and, together with the Series 2013A Bonds and the Series 2013B Bonds, the "**Bonds**"), more particularly described hereinafter, at the Controller's Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102 on:

June 5, 2013, at 8:30 a.m. (California time)*
(subject to postponement or cancellation in accordance with this Official Notice of Sale)

See "TERMS OF SALE – Form of Bids; Delivery of Bids" hereinafter for information regarding the terms and conditions under which bids will be received through electronic transmission.

THE RECEIPT OF BIDS ON WEDNESDAY, JUNE 5, 2013,* MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY THE CITY THROUGH BLOOMBERG BUSINESS NEWS ("BLOOMBERG") AND PARITY AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION. Notice of the new date and time for receipt of bids will be given through Bloomberg and Parity as soon as practicable following a postponement and no later than 1:00 p.m. (California time) on the business day preceding the new date for receiving bids.

* Preliminary, subject to change.

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice from the co-financial advisors to the City: (i) FirstSouthwest Company, 1620 26th Street, Suite 230-S, Santa Monica, California 90404; telephone (310) 410-8052 (office), Attention: Michael D. Kremer (email: michael.kremer@firstsw.com); and (ii) Grigsby & Associates, Inc., One Embarcadero Center, Suite 500, San Francisco, California, 94111; telephone (415) 860-6446 (office), Attention: Calvin Grigsby (email: cgrigsby@grigsbyinc.com) (collectively, "**Co-Financial Advisors**"), *provided*, that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE – Postponement or Cancellation of Sale."

The City reserves the right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the payments of principal of the Bonds scheduled to be paid in any of the years from 2014 through and including 2038 as shown under "TERMS RELATING TO THE BONDS – Principal Payments; *provided*, that any such modification or amendment will be communicated to potential bidders through Bloomberg and Parity not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE – Right to Modify or Amend."

Bidders are referred to the Preliminary Official Statement, dated May [29], 2013, of the City with respect to the Bonds (the "**Preliminary Official Statement**") for additional information regarding the City, the Bonds, the security for the Bonds and other matters. See "CLOSING PROCEDURES AND DOCUMENTS – Official Statement." Capitalized terms used and not defined in this Official Notice of Sale shall have the meanings ascribed to them in the Preliminary Official Statement.

This Official Notice of Sale will be submitted for posting to the Parity bid delivery system. If the summary of the terms of sale of the Bonds posted by Parity conflicts with this Official Notice of Sale in any respect, the terms of this Official Notice of Sale will control, unless a notice of an amendment is given as described herein.

TERMS RELATING TO THE BONDS

THE AUTHORITY FOR ISSUANCE, PURPOSE, PRINCIPAL AND INTEREST REPAYMENT, SECURITY AND SOURCES OF PAYMENT, THE LEGAL OPINION, AND ALL OTHER INFORMATION REGARDING THE BONDS ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE BONDS. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE BONDS. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

Subject to the foregoing, the Bonds are generally described as follows:

Issue. The Bonds will be issued as fully registered bonds without coupons in book-entry form in denominations of $5,000 or any integral multiple of that amount, as designated by the successful bidder (the "**Purchaser**"), all dated the date of delivery, which is expected to be June 20,

2013*. If the sale is postponed, notice of the new date of the sale will also set forth the new expected date of delivery of the Bonds.

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

Interest Rates. Interest on the Bonds will be payable on December 15, 2013, and semiannually thereafter on June 15 and December 15 of each year (each an "**Interest Payment Date**"). Interest will be calculated on the basis of a 30-day month, 360-day year from the dated date of the Bonds.

Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided:

(i) each interest rate specified in any bid must be a multiple of one-eighth or one-twentieth of one percent (1/8 or 1/20 of 1%) per annum;

(ii) the maximum interest rate bid for any maturity may not exceed twelve percent (12%) per annum;

(iii) no Bond may bear a zero rate of interest;

(iv) each Bond must bear interest from its dated date to its stated maturity date at the single rate of interest specified in the bid; and

(v) all Bonds maturing at any one time must bear the same rate of interest.

Principal Payments. The Bonds will be serial and/or term Bonds, as specified by each bidder, and principal will be payable on June 15 of each year, commencing on June 15, 2014 as shown below. The final maturity of the Series 2013A Bonds and the Series 2013C Bonds will be June 15, 2033 and the final maturity of the Series 2013B Bonds will be June 15, 2038. The principal amount of the Bonds maturing or subject to mandatory sinking fund redemption in any year must be in integral multiples of $5,000. For any term Bonds specified, the principal amount for a given year may be allocated only to a single term Bond and must be part of an uninterrupted annual sequence from the first mandatory sinking fund payment to the term Bond maturity. The aggregate amount of the principal amount of the serial maturity or mandatory sinking fund payment for the individual series of Bonds is shown below for information purposes only. **Bidders will provide bids on the Total Principal Amount only.** Subject to adjustment as hereinafter provided, the aggregate principal

* Preliminary, subject to change.

amount of the serial maturity or mandatory sinking fund payment for the Bonds in each year is as follows:

Principal Payment Date (June 15)	Series 2013A Bonds Principal Amount*	Series 2013B Bonds Principal Amount*	Series 2013C Bonds Principal Amount*	Total Principal Amount*
2014	$	$	$	$
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2033				
2034	-------		-------	
2035	-------		-------	
2036	-------		-------	
2037	-------		-------	
2038	-------		-------	
TOTAL	$_____	$_____	$_____	$_____

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the City with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. **The City reserves the right to change the principal payment schedule set forth above after the determination of the winning bidder, by adjusting one or more of the principal payments of the Bonds in increments of $5,000, as determined in the sole discretion of the City. Any such adjustment of principal payments on the**

* Preliminary, subject to change.

Bonds will be based on the schedule of principal payments provided by the City to be used as the basis of bids for the Bonds. Any such adjustment will not change the average per Bond dollar amount of underwriter's discount. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no successful bid may be withdrawn.

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

Redemption. (a) Optional Redemption. The Bonds maturing on or before June 15, 2023, will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after June 15, 2024, are subject to optional redemption prior to their respective stated maturity dates, at the option of the City, from any source of available funds (other than mandatory sinking fund payments), as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and by lot within a maturity), on or after June 15, 2023, at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption, without premium.

(b) Mandatory Redemption. Term Bonds, if any, are also subject to redemption prior to their respective stated maturity dates, in part, by lot, from mandatory sinking fund payments, on each June 15 on or after June 15, 2024, designated by the successful bidder as a date upon which a mandatory sinking fund payment is to be made, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. No term Bonds may be redeemed from mandatory sinking fund payments until all term Bonds maturing on preceding term maturity dates, if any, have been retired.

TERMS OF SALE

Par and Premium Bids. All bids must be for par or better; no net discount bids will be accepted. Individual maturities of the Bonds may be reoffered at a premium or discount.

Form of Bids; Delivery of Bids. Each bid for the Bonds must be: (1) for not less than all of the Bonds, (2) unconditional, and (3) either (i) submitted on the Official Bid Form attached as ***Exhibit A*** and signed by the bidder, or (ii) submitted via Parity. Electronic bids must conform to the procedures established by Parity. Sealed bids must be enclosed in a sealed envelope, delivered to the City and County of San Francisco c/o Nadia Sesay at the address set forth on the cover and clearly marked "Bid for the City and County of San Francisco General Obligation Bonds" or words of similar import, as hereinafter described, and received by 8:30 a.m. California time, at the Controller's Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102; phone: (415) 554-5956. No bid submitted to the City may be withdrawn or modified by the bidder.

All bids will be deemed to incorporate all of the terms of this Official Notice of Sale. If the sale of the Bonds is canceled or postponed, all bids will be rejected. No bid submitted to the City may be withdrawn or modified by the bidder. No bid will be accepted

after the time for receiving bids. The City retains absolute discretion to determine whether any bidder is a responsible bidder and whether any bid is timely, legible and complete and conforms to this Official Notice of Sale. The City takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete, illegible or nonconforming with this Official Notice of Sale or has not been received.

Solely as an accommodation to bidders, electronic bids will be received exclusively through Parity in accordance with this Official Notice of Sale. For further information about Parity, potential bidders may contact either of the Co-Financial Advisors or Parity, phone: (212) 404-8107.

Warnings Regarding Electronic Bids. Bids for the Bonds may be submitted electronically via Parity. The City will attempt to accommodate bids submitted electronically via Parity. None of the City, the City Attorney, the Co-Financial Advisors or Co-Bond Counsel (defined below) assumes any responsibility for any error contained in any bid submitted electronically or for the failure of any bid to be transmitted, received or opened by the time for receiving bids, and each bidder expressly assumes the risk of any incomplete, illegible, untimely or nonconforming bid submitted by electronic transmission by such bidder including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause arising from submission by electronic transmission. The time for receiving bids will be determined by the City at the place of bid opening, and the City will not be required to accept the time kept by Parity.

If a bidder submits an electronic bid for the Bonds through Parity, such bidder thereby agrees to the following terms and conditions: (1) if any provision in this Official Notice of Sale with respect to the Bonds conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through Parity, will control; (2) each bidder will be solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale; (3) the City will not have any duty or obligation to provide or assure access to Parity to any bidder, and the City will not be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or untimely bid submitted by any bidder through Parity; (4) the City is permitting use of Parity as a communication mechanism, and not as an agent of the City, to facilitate the submission of electronic bids for the Bonds; Parity is acting as an independent contractor, and is not acting for or on behalf of the City; (5) the City is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity; (6) the City may regard the electronic transmission of a bid through Parity (including information regarding the purchase price for the Bonds or the interest rates for any maturity of the Bonds) as though the information were submitted on the Official Bid Form and executed on the bidder's behalf by a duly authorized signatory; (7) if the bidder's bid is accepted by the City, the signed, completed and conforming Official Bid Form submitted by the bidder by facsimile transmission after the verbal award, this Official Notice of Sale and the information that is transmitted electronically through Parity will form a contract, and the bidder will be bound by the terms of such contract; and (8) information provided by Parity to bidders will form no part of any bid or of any contract between the Purchaser and the City unless that information is included in this Official Notice of Sale or the Official Bid Form.

Basis of Award. Unless all bids are rejected, the Bonds will be awarded to the responsible bidder which timely submits a conforming bid that represents the lowest true interest cost ("**TIC**") to the City and which timely provides the Good Faith Deposit as described under "—Good Faith Deposit" below. The TIC will be that nominal interest rate that, when compounded semiannually and applied to discount all payments of principal and interest payable on the Bonds to the dated date of the Bonds, results in an amount equal to the principal amount of the Bonds plus the amount of any net premium. For the purpose of calculating the TIC, mandatory sinking fund payments for any term Bonds specified by each bidder will be treated as Bonds maturing on the dates of such mandatory sinking fund payments. If two or more bidders offer bids for the Bonds at the same lowest TIC, the City will determine by lot which bidder will be awarded the Bonds. Bid evaluations or rankings made by Parity are not binding on the City.

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

Multiple Bids. If multiple bids are received from a single bidder by any means or combination of means, the City will accept the bid representing the lowest TIC to the City. Each bidder agrees by submitting multiple bids to be bound by the bid representing the lowest TIC to the City.

Good Faith Deposit. Except as otherwise provided below, a good faith deposit (the "**Good Faith Deposit**") in the form of a certified, treasurer's or cashier's check drawn on a solvent commercial bank or trust company in the United States of America or a financial surety bond (the "**Financial Surety Bond**") issued by an insurance company licensed to issue such surety bond in the State of California, in the amount of $_____ and made payable to the order of the City and County of San Francisco, to secure the City from any loss resulting from the failure of the bidder to comply with the terms of its bid, is required for any bid to be accepted. If a check is used, it must accompany each bid. If a Financial Surety Bond is used, such surety bond must be submitted to the City or its Co-Financial Advisors prior to the opening of the bids. The Financial Surety Bond must identify each bidder whose Good Faith Deposit is guaranteed by such Financial Surety Bond. If the winning bidder on the Bonds is determined to be a bidder utilizing a Financial Surety Bond, then that bidder is required to submit its Good Faith Deposit to the City in the form of a cashier's check (or to wire transfer such amount as instructed by the City or its Co-Financial Advisors) not later than 10:00 a.m. (California time) on the next business day following the bid opening. If such Good Faith Deposit is not received by that time, the Financial Surety Bond may be drawn by the City to satisfy the Good Faith Deposit requirement. If the apparent winning bidder on the Bonds is determined to be a bidder which has not submitted a Good Faith Deposit in the form of a Financial Surety Bond or check, as provided above, the Co-Financial Advisors will request the apparent winning bidder to immediately wire the Good Faith Deposit to the City and the winning bidder will provide the Federal wire reference number of such Good Faith Deposit to the Co-Financial Advisors within 60 minutes of such request by the Co-Financial Advisors. The Bonds will not be officially awarded to a bidder which has not submitted a Good Faith Deposit in the form of a Financial Surety Bond or check, as provided above, until such time as the bidder has provided a Federal wire reference number for the Good Faith Deposit to the Co-Financial Advisors.

No interest on the Good Faith Deposit will accrue to any bidder. The City will deposit the Good Faith Deposit of the Purchaser. The Good Faith Deposit (without accruing interest) of the Purchaser will be applied to the purchase price of the Bonds. In the event the Purchaser fails to honor its accepted bid, the Good Faith Deposit plus any interest accrued on the Good Faith Deposit will be retained by the City. Any investment income earned on the Good Faith Deposit will be paid to the successful bidder in the event the City is unable to deliver the Bonds. Good Faith Deposits accompanying bids other than the bid which is accepted will be returned promptly upon the determination of the best bidder.

Electronic Bids; Delivery of Form of Bids. If the City accepts a bidder's bid that was submitted through Parity, the successful bidder must submit a signed, completed and conforming Official Bid Form by facsimile transmission to Anthony Ababon, fax: (415) 554-4864, as soon as practicable, but not later than one hour after the verbal award of the Bonds.

Reoffering Prices and Certificate. The successful bidder for the Bonds must actually reoffer all of the Bonds to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers).

As soon as is practicable, but not later than one hour after the award of the Bonds, the successful bidder must provide to the City the initial offering prices at which it has offered all of the Bonds of each maturity of each series to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers), in a *bona fide* public offering. Prior to delivery of the Bonds, the successful bidder must provide to the City, Schiff Hardin LLP, One Market, Spear Street Tower, 32nd Floor, San Francisco, California 94105; fax: (312) 258-5700; Attention: Bruce P. Weisenthal; email: bweisenthal@schiffhardin.com, and Lofton & Jennings, 225 Bush Street, 16th Floor, San Francisco, California 94104; fax: (415) 394-8296; Attention: William Lofton: e-mail: blofton@loftonjennings.com, a reoffering price certificate in the form attached as ***Exhibit B*** dated the date of delivery of the Bonds. In addition, at the request of Co-Bond Counsel, the successful bidder will provide information regarding its sales of the Bonds. For the purposes of this paragraph, sales of the Bonds to other securities brokers or dealers will not be considered sales to the general public.

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

Right to Modify or Amend. The City reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for either or both series of Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto, for any years from 2014 through and including 2038; *provided*, that any such modification or amendment will he communicated to potential bidders through Parity and Bloomberg not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of a potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale.

Postponement or Cancellation of Sale. The City may postpone or cancel the sale of the Bonds at or prior to the time for receiving bids. Notice of such postponement or cancellation will

be given through Parity and Bloomberg as soon as practicable following such postponement or cancellation. If the sale is postponed, notice of a new sale date will be given through Parity and Bloomberg as soon as practicable following a postponement and no later than 1:00 p.m. (California time) on the business day preceding the new date for receiving bids. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice.

Time for Award. The Controller of the City (the "**Controller**") will take official action awarding the Bonds or rejecting all bids not later than thirty (30) hours after the time for receipt of bids, unless such time period is waived by the Purchaser.

Legal Opinion and Tax Matters. Upon delivery of the Bonds, Co-Bond Counsel, Schiff Hardin LLP and Lofton & Jennings (collectively, "**Co-Bond Counsel**"), will each deliver an opinion to the effect that in the opinion of such Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and judicial decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants and requirements, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Co-Bond Counsel, interest on the Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes but will be included in adjusted current earnings in calculating federal corporate alternative minimum taxable income for certain corporations. In the further opinion of Co-Bond Counsel, under present California law, interest on the Bonds is exempt from State of California personal income taxes. See "TAX MATTERS" in the Preliminary Official Statement.

A copy of the proposed forms of the opinions of Co-Bond Counsel is set forth in Appendix F to the Preliminary Official Statement. The approving legal opinions of Co-Bond Counsel will be furnished to the Purchaser upon delivery of the Bonds. Copies of the opinions will be filed with the Controller.

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

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. **Delivery of the Bonds will be made through the facilities of DTC in New York, New York, and is presently expected to take place on or about June 20, 2013.*** Payment for the Bonds (including any premium) must be made to the Treasurer of the City at the time of delivery in immediately available funds. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The City will deliver to the Purchaser, dated as of the delivery date, the legal opinions with respect to the Bonds described in APPENDIX F – "PROPOSED FORMS OF OPINION OF CO-BOND COUNSEL" to the Official Statement.

* Preliminary, subject to change.

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

No Litigation. The City will deliver a certificate stating that no litigation is pending with service of process having been accomplished or, to the knowledge of the officer of the City executing such certificate, threatened, concerning the validity of the Bonds, the ability of the City to levy the *ad valorem* tax required to pay debt service on the Bonds, the corporate existence of the City, or the title to their respective offices of the officers of the City who will execute the Bonds.

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

CUSIP Numbers. It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this contract. The Purchaser, at its sole cost, will obtain separate CUSIP numbers for each maturity of each series of the Bonds. CUSIP data is provided by Standard and Poor's Financial Services LLC. CUSIP numbers will he provided for convenience of reference only. The City will take no responsibility for the accuracy of such numbers.

California Debt and Investment Advisory Commission Fee. Pursuant to Section 8856 of the California Government Code, the Purchaser must pay to the California Debt and Investment Advisory Commission within sixty (60) days from the sale date the statutory fee for the Bonds purchased.

Official Statement. Copies of the Preliminary Official Statement with respect to the Bonds will be furnished or electronically transmitted to any potential bidder upon request to the Office of Public Finance or to either of the Co-Financial Advisors. In accordance with Rule 15c2-12 of the Securities and Exchange Commission (**"Rule 15c2-12"**), the City deems such Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. The contact information for the Co-Financial Advisors is set forth on the first page of this Official Notice of Sale. Within seven business days after the date of award of the Bonds, the Purchaser will be furnished with a reasonable number of copies (not to exceed 200) of the final Official Statement, without charge, for distribution in connection with the resale of the Bonds. The Purchaser must notify the City in writing within two days of the sale of the Bonds if the Purchaser

requires additional copies of the Official Statement to comply with applicable regulations. The cost for such additional copies will be paid by the Purchaser requesting such copies.

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

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

Certificate Regarding Official Statement. At the time of delivery of the Bonds, the Purchaser will receive a certificate, signed by an authorized representative of the City, confirming to the Purchaser that, to the best of the knowledge of such authorized representative, the Official Statement (except for information regarding DTC and its book-entry system and reoffering information, as to which no view will be expressed), as of the date of sale of the Bonds and as of the date of their delivery, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

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

Dated: May 28, 2013

EXHIBIT A

BID TIME: 8:30 A.M. (California time) Wednesday, June 5, 2013

OFFICIAL BID FORM FOR THE PURCHASE OF

$_____*

CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

consisting of

$_____*	**$_____***	**$_____***
General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2013A	**General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2013B**	**General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2013C**

Controller
City and County of San Francisco
c/o Office of Public Finance
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, California 94102
Confirm Number: (415) 554-6643

BIDDING FIRM'S NAME:

_____

Subject to the provisions and in accordance with the terms of the Official Notice of Sale dated May 28, 2013, which is incorporated herein and made a part of this proposal, we have reviewed the Preliminary Official Statement relating to the above-referenced Bonds (the "**Bonds**") and hereby offer to purchase all of the $_____ aggregate principal amount of the Bonds dated the date of their delivery on the following terms, including the submission of the required Good Faith Deposit in the amount of $_____ within the time and in the manner specified in the Official Notice of Sale; and to pay therefor the price of $_____, which is equal to the aggregate principal amount of the Bonds plus a net premium of $_____ (such amount being the "**Purchase Price**"). The Bonds will mature and will be subject to mandatory sinking fund redemption commencing no earlier than June 15, 2024 (if term bonds are specified below) in the amounts and years, and bear interest at the rates per annum (in multiples of 1/8 or 1/20 of 1%), as set forth in the schedules below.

Combined Maturity Schedule

Principal Payment Date (June 15)	Annual Principal Payment*	(Check one)[1] Serial Maturity	Mandatory Sinking Fund Redemption[2]	Interest Rate	Principal Payment Date (June 15)	Annual Principal Payment*	(Check one)[1] Serial Maturity	Mandatory Sinking Fund Redemption[2]	Interest Rate
2014	$				2027	$			
2015					2028				
2016					2029				
2017					2030				
2018					2031				
2019					2032				
2020					2033				
2021					2034				
2022					2035				
2023					2036				
2024					2037				
2025					2038				
2026									

* Subject to adjustment in accordance with the Official Notice of Sale.
(1) Circle the final maturity of each term bond specified.
(2) There may not be serial maturities for dates after the first mandatory sinking fund redemption payment.

_____
Authorized Signatory

Title:_____
Phone Number:_____
Fax Number:_____

TIC (optional and not binding):_____

THE BIDDER EXPRESSLY ASSUMES THE RISK OF ANY INCOMPLETE, ILLEGIBLE, UNTIMELY OR OTHERWISE NONCONFORMING BID. THE CITY RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID IS TIMELY, LEGIBLE, COMPLETE AND CONFORMING. NO BID SUBMITTED WILL BE CONSIDERED TIMELY UNLESS, BY THE TIME FOR RECEIVING BIDS, THE ENTIRE BID FORM HAS BEEN RECEIVED BY DELIVERY METHOD PROVIDED IN THE NOTICE OF SALE.

EXHIBIT B

$_____*

CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

consisting of

$_____*	**$_____***	**$_____***
General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2013A	**General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2013**	**General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2013C**

PURCHASER'S CLOSING CERTIFICATE

This certificate is being delivered by _____, the Purchaser (the "**Purchaser**"), in connection with the issuance today by the City and County of San Francisco (the "**City**") of (i) the City and County of San Francisco General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2013A (the "**Series 2013A Bonds**"), (ii) the City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2013B (the "**Series 2013B Bonds**"), and (iii) the City and County of San Francisco General Obligations Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2013C (the "**Series 2013C Bonds**" and, together with the Series 2013A Bonds and the Series 2013B Bonds, the "**Bonds**"). In connection with the purchase today by the Purchaser of the Bonds, the Purchaser certifies and represents that:

A. Issue Price

1. All Bonds of all maturities have been the subject of an initial offering to the public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) at prices not higher than, or, in the case of obligations sold on a yield basis, at yields not lower than, those set forth in ***Schedule A*** attached to this Certificate.

2. On the date of the sale of the Series 2013A Bonds, to the best of our knowledge based on our records, the first price or yield at which at least ten percent (10%) of each maturity [***if less than 10% of some maturities were sold to the public, add:*** , except the Series 2013A Bonds maturing in the years 20__, 20__ and 20__] was sold to the public (excluding such bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) was not greater than the respective price, or was not lower than

* Preliminary, subject to change.

the respective yield, set forth in ***Schedule A***. On the date of the sale of the Series 2013B Bonds, to the best of our knowledge based on our records, the first price or yield at which at least ten percent (10%) of each maturity [***if less than 10% of some maturities were sold to the public, add:*** , except the Series 2013B Bonds maturing in the years 20__, 20__ and 20__] was sold to the public (excluding such bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) was not greater than the respective price, or was not lower than the respective yield, set forth in ***Schedule A***. On the date of the sale of the Series 2013C Bonds, to the best of our knowledge based on our records, the first price or yield at which at least ten percent (10%) of each maturity [***if less than 10% of some maturities were sold to the public, add:*** , except the Series 2013C Bonds maturing in the years 20__, 20__ and 20__] was sold to the public (excluding such bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) was not greater than the respective price, or was not lower than the respective yield, set forth in ***Schedule A***. At the time we agreed to purchase the Bonds, based on our assessment of the then prevailing market conditions, we had no reason to believe that any of the Bonds would be initially sold to the public (excluding such bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices, or yields lower than the yields, than those set forth in ***Schedule A***, and such prices and yields, maturity-by-maturity, represented our best judgment of the fair market value of the Bonds.

If less than 10% of some maturities of the Bonds were sold to the public add the following paragraph:

3. The unsold Bonds were bought by the Purchaser. Even though, on the date of the sale of the Bonds, it was reasonably expected that such unsold Bonds would be held as inventory until sold to the public (as opposed to being held for the bond houses' own accounts), and even though it could then be reasonably expected that such sale to the public might be at prices higher than the prices, or yields lower than the yields, set forth in ***Schedule A***, our reasonable expectations regarding the fair market value of such Bonds, as of the date of the sale of the Bonds, were those reflected as the public offering prices or yields of such Bonds set forth in ***Schedule A***.

[4.] As of the date of this Certificate, neither the Purchaser nor any affiliate of the Purchaser has participated in offering the City any derivative product with respect to the Series 2013A Bonds, the Series 2013B Bonds or the Series 2013C Bonds.

B. Compensation

All compensation received for underwriting services (which includes certain expenses) in connection with the sale and delivery of the Bonds is being paid on the date of this Certificate in the form of a purchase discount in the amount of $_____, and no part of such compensation includes any payment for any property or services other than underwriting services relating to sale and delivery of the Bonds.

We understand that the representations contained in this Certificate will be relied upon by the City in making certain of the representations contained in the Tax Certificate, and we further understand that Co-Bond Counsel to the City may rely upon this Certificate, among

other things, in providing an opinion with respect to the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended. Capitalized terms used but not defined in this Certificate shall have the meanings ascribed to them in the Tax Certificate relating to the Bonds to which this certificate is attached as an exhibit.

Dated: [Closing Date], 2013

[NAME OF PURCHASER]

By:_____
Name:_____
Title:_____

Schedule A to Exhibit A

Series 2013A Bonds

Maturity Date (June 15)	Principal Amount	Coupon Rate	Reoffering Yield	Price
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				

Series 2013B Bonds

Maturity Date (June 15)	Principal Amount	Coupon Rate	Reoffering Yield	Price
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				

Series 2013C Bonds

Maturity Date (June 15)	Principal Amount	Coupon Rate	Reoffering Yield	Price
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				

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Preliminary Official Statement and the information contained herein are subject. ompletion or amendment without notice. Under no circumstances shall this P. inary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2013

NEW ISSUE – BOOK-ENTRY ONLY

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

Subject to compliance by the City and County of San Francisco with certain covenants, in the separate opinions of Schiff Hardin LLP and Lofton & Jennings, Co-Bond Counsel, under present law, interest on the Bonds is excludable from the gross income of their owners for federal income tax purposes and thus will be exempt from present federal income taxes based upon gross income. Such interest is not included as an item of tax preference in computing the federal alternative minimum tax on individuals and corporations, but will be taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Co-Bond Counsel are further of the opinion that interest on the Bonds is exempt from present California personal income taxes under present California law. See "TAX MATTERS" in this Official Statement for a more complete discussion of these matters.

$[2013A Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(CLEAN AND SAFE NEIGHBORHOOD PARKS BONDS, 2012),
SERIES 2013A

$[2013B Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2010),
SERIES 2013B

$[2013C Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(ROAD REPAVING AND STREET SAFETY BONDS, 2011),
SERIES 2013C

Dated: Date of Delivery **Due: June 15, as shown in the inside cover**

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

The City and County of San Francisco General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2013A (the "2013A Bonds"), the City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2013B (the "2013B Bonds") and the City and County of San Francisco General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2013C (the "2013C Bonds," and together with the 2013A Bonds and the 2013B Bonds, the "Bonds"), are being issued under the Government Code of the State of California and the Charter of the City and County of San Francisco (the "City"). The issuance of the 2013A Bonds has been authorized by Resolution No. ___-13 and Resolution No. ___-13, each adopted by the Board of Supervisors of the City on May ___, 2013, and duly approved by the Mayor of the City on May ___, 2013. The issuance of the 2013B Bonds has been authorized by Resolution No. 516-10 and Resolution No. ___-13, adopted by the Board of Supervisors of the City on November 2, 2010 and May ___, 2013, respectively, and duly approved by the Mayor of the City on November 5, 2010 and May ___, 2013, respectively. The issuance of the 2013C Bonds has been authorized by Resolution No. 24-12 and Resolution No. ___-13, adopted by the Board of Supervisors of the City on January 24, 2012 and May ___, 2013, respectively, and duly approved by the Mayor of the City on February 3, 2012 and May ___, 2013, respectively. See "THE BONDS – Authority for Issuance; Purposes."

The Board of Supervisors has the power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property subject to taxation by the City (except certain property which is taxable at limited rates) for the payment of the Bonds and the interest thereon when due. See "SECURITY FOR THE BONDS."

The proceeds of the 2013A Bonds will be used to finance improvements to park, open space and recreational facilities as described herein, and to pay certain costs related to the issuance of the 2013A Bonds. The proceeds of the 2013B Bonds will be used to finance improvements to earthquake safety and emergency responsiveness facilities and infrastructure as described herein, and to pay certain costs related to the issuance of the 2013B Bonds. The proceeds of the 2013C Bonds will be used for improvements to various streets, stairways, bridges, overpasses and other traffic infrastructure within the City as described herein, and to pay certain costs related to the issuance of the 2013C Bonds. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS."

The Bonds will be issued only in fully registered form without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds will be made in book-entry

* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2013

form only, in denominations of $5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by the City Treasurer, as paying agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Form and Registration." The Bonds will be dated and bear interest from their date of delivery until paid in full at the rates shown in the maturity schedule on the inside cover hereof. Interest on the Bonds will be payable on June 15 and December 15 of each year, commencing December 15, 2013. Principal will be paid at maturity as shown on the inside cover. See "THE BONDS – Payment of Interest and Principal."

The Bonds will be subject to redemption prior to maturity, as described herein. See "THE BONDS – Redemption."

MATURITY SCHEDULES
(See Inside Cover)

The Bonds are offered when, as and if issued by the City and accepted by the initial purchaser, subject to the approval of legality by Schiff Hardin LLP, San Francisco, California, and Lofton & Jennings, San Francisco, California, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by its City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about June __, 2013.

Dated: June __, 2013.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULES
(Base CUSIP Number: _____[1])

$[2013A Par Amount]*
2013A Serial Bonds

Maturity Date (June 15)	Principal Amount	Interest Rate	Price/Yield	CUSIP Suffix[1]	Maturity Date (June 15)	Principal Amount	Interest Rate	Price/Yield	CUSIP Suffix[1]

$[2013B Par Amount]*
2013B Serial Bonds

Maturity Date (June 15)	Principal Amount	Interest Rate	Price/Yield	CUSIP Suffix[1]	Maturity Date (June 15)	Principal Amount	Interest Rate	Price/Yield	CUSIP Suffix[1]

$[2013C Par Amount]*
2013C Serial Bonds

Maturity Date (June 15)	Principal Amount	Interest Rate	Price/Yield	CUSIP Suffix[1]	Maturity Date (June 15)	Principal Amount	Interest Rate	Price/Yield	CUSIP Suffix[1]

[1] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. Neither the City nor the initial purchaser take any responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

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

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

The City maintains a website. The information presented on such website is ***not*** incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds. Various other websites referred to in this Official Statement also are not incorporated herein by such references.

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

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder by Section 3(a)(2) for the issuance and sale of municipal securities.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

Edwin M. Lee

BOARD OF SUPERVISORS

David Chiu, *Board President, District 3*

Eric Mar, *District 1*
Mark Farrell, *District 2*
Katy Tang, *District 4*
London Breed, *District 5*
Jane Kim, *District 6*
Norman Yee, *District 7*
Scott Wiener, *District 8*
David Campos, *District 9*
Malia Cohen, *District 10*
John Avalos, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Naomi M. Kelly, *City Administrator*
Benjamin Rosenfield, *Controller*

PROFESSIONAL SERVICES

Paying Agent and Registrar

Treasurer of the City and County of San Francisco

Co-Bond Counsel

Schiff Hardin LLP
San Francisco, California

Lofton & Jennings
San Francisco, California

Co-Financial Advisors

First Southwest Company
Santa Monica, California

Grigsby & Associates, Inc.
San Francisco, California

Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

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OFFICIAL STATEMENT

$[2013A Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(CLEAN AND SAFE NEIGHBORHOOD PARKS BONDS, 2012),
SERIES 2013A

$[2013B Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2010),
SERIES 2013B

$[2013C Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(ROAD REPAVING AND STREET SAFETY BONDS, 2011),
SERIES 2013C

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the public offering by the City and County of San Francisco (the "City") of its City and County of San Francisco General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2013A (the "2013A Bonds"), the City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2013B (the "2013B Bonds") and the City and County of San Francisco General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2013C (the "2013C Bonds," and together with the 2013A Bonds and the 2013B Bonds, the "Bonds"). The Board of Supervisors of the City has the power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property subject to taxation by the City (except certain property which is taxable at limited rates) for the payment of the principal of and interest on the Bonds when due. See "SECURITY FOR THE BONDS" herein.

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

Quotations from and summaries and explanations of the Bonds, the resolutions providing for the issuance and payment of the Bonds, and provisions of the constitution and statutes of the State of California (the "State"), the charter of the City (the "Charter") and City ordinances, and other documents described herein, do not purport to be complete, and reference is made to said laws and documents for the complete provisions thereof. Copies of those documents and information concerning the Bonds are available from the City through the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102-4682. Reference is made herein to various other documents, reports, websites, etc., which were either prepared by parties other than the City, or were not prepared, reviewed and approved by the City with a view towards making an offering of public securities, and such materials are therefore not incorporated herein by such references nor deemed a part of this Official Statement.

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* Preliminary, subject to change.

THE CITY AND COUNTY OF SAN FRANCISCO

The City is the economic and cultural center of the San Francisco Bay Area and northern California. The corporate limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour's drive to the north. The City's most recently completed and adopted Comprehensive Annual Financial Report (the "CAFR") for fiscal year 2011-12 estimated the City's fiscal year 2011-12 population at 820,466.

The San Francisco Bay Area consists of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (collectively, the "Bay Area"). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising, biotechnology and higher education.

The City is a major convention and tourist destination. According to the San Francisco Travel Association, a nonprofit membership organization, during the calendar year 2011, approximately 16.35 million people visited the City and spent an estimated $8.46 billion during their stay. The City is also a leading center for financial activity in the State and is the headquarters of the Twelfth Federal Reserve District, the Eleventh District Federal Home Loan Bank, and the San Francisco regional Office of Thrift Supervision.

The City benefits from a highly skilled, educated and professional labor force. The CAFR estimates that per-capita personal income of the City for fiscal year 2011-12 was $74,040. The San Francisco Unified School District operates 71 elementary and K-8 school sites, 13 middle schools, 17 senior high schools (including two continuation schools and an independent study school), and 36 state-funded preschool sites, and sponsors 9 independent charter schools. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, the California Culinary Academy, and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County and owned and operated by the City, is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific traffic. In fiscal year 2011-12, SFO serviced approximately 43.1 million passengers and handled 385,113 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District (electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway, operated by the City, provides bus and streetcar service within the City. The Port of San Francisco (the "Port"), which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities and natural resource protection.

The City is governed by a Board of Supervisors elected from eleven districts to serve four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. Edwin M. Lee is the 43rd and current Mayor of the City, having been elected by the voters of the City in November 2011. The

City's fiscal year 2012-13 adopted budget includes $7.35 billion of expenditures and reserves, of which $3.49 billion was allocated to the General Fund of the City and $3.86 billion was allocated to all other funds, including enterprise fund departments, such as SFO, the San Francisco Municipal Transportation Agency, and the San Francisco Public Utilities Commission. The CAFR estimates that the City employed 28,073 full-time-equivalent employees at the end of fiscal year 2011-12. According to the Controller of the City (the "Controller"), fiscal year 2012-13 total net assessed valuation of taxable property in the City is approximately $165.04 billion.

More detailed information about the City's governance, organization and finances may be found in APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

RECENT DEVELOPMENTS

[The information contained in APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" was prepared by the City for inclusion in official statements relating to debt obligations of the City and updated as of March 5, 2013. The following information supplements and amends the information set forth in such Appendix as of the date of this Official Statement:]

[To be updated if necessary.]

THE BONDS

Authority for Issuance; Purposes

The Bonds will be issued under the Government Code of the State and the Charter. The City authorized the issuance of the 2013A Bonds by its Resolution No. ___-13 and Resolution No. ___-13, each adopted by the Board of Supervisors of the City on May ___, 2013, and duly approved by the Mayor of the City on May ___, 2013 (together, the "2013A Resolution"). The City authorized the issuance of the 2013B Bonds by Resolution No. 516-10 and Resolution No. ___-13, adopted by the Board of Supervisors of the City on November 2, 2010 and May ___, 2013, respectively, and duly approved by the Mayor of the City on November 5, 2010 and May ___, 2013, respectively (together, the "2013B Resolution"). The City authorized the issuance of the 2013C Bonds by Resolution No. 24-12 and Resolution No. ___-13, adopted by the Board of Supervisors of the City on January 24, 2012 and May ___, 2013, respectively, and duly approved by the Mayor of the City on February 3, 2012 and May ___, 2013, respectively (together, the "2013C Resolution," and with the 2013A Resolution and the 2013B Resolution, the "Resolutions").

The 2013A Bonds will constitute the first series of bonds to be issued from an aggregate authorized amount of $195,000,000 of City and County of San Francisco General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), duly approved by at least two-thirds of the voters voting on Proposition B at an election held on November 6, 2012 ("Proposition B (2012)"), to provide funds for the purposes authorized in Proposition B (2012), which are summarized as follows: to improve the safety and quality of neighborhood parks across the City and waterfront open spaces, enhancing water quality and cleaning up environmental contamination along the Bay, replacing unsafe playgrounds, fixing restrooms, improving access for the disabled, and ensuring the seismic safety of park and recreation facilities under the jurisdiction of, or maintained by, the Recreation and Park Commission or the jurisdiction of the Port Commission, and all other structures, improvements and related costs necessary and convenient for these purposes.

The 2013B Bonds will constitute the third series of bonds to be issued from an aggregate authorized amount of $412,300,000 of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), duly approved by at least two-thirds of the voters voting on Proposition B at an election held on June 8, 2010 ("Proposition B (2010)"), to provide funds for the purposes

authorized in Proposition B (2010), which are summarized as follows: to improve fire, earthquake and emergency response and ensure firefighters a reliable water supply for fires and disasters, through projects including: improving deteriorating pipes, hydrants, reservoirs, water cisterns and pumps built after the 1906 earthquake; improving neighborhood fire stations; replacing the seismically unsafe emergency command center with an earthquake-safe building; and to pay related costs necessary or convenient for these purposes. The City previously issued $79,520,000 of the bonds authorized by Proposition B (2010) on December 15, 2010 and $183,330,000 of the bonds authorized by Proposition B (2010) on March 8, 2012.

The 2013C Bonds will constitute the second series of bonds to be issued from an aggregate authorized amount of $248,000,000 of City and County of San Francisco General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), duly approved by at least two-thirds of the voters voting on Proposition B at an election held on November 8, 2011 ("Proposition B (2011)"), to provide funds for the purposes authorized in Proposition B (2011), which are summarized as follows: to fix potholes and repave deteriorating streets in neighborhoods throughout the City, repair and strengthen deteriorating stairways, bridges and overpasses, improve safety for pedestrians and bicyclists, improve disabled access to sidewalks, and construct and renovate traffic infrastructure to improve the San Francisco Municipal Transportation Agency transit reliability and traffic flow on local streets. The City previously issued $74,295,000 of the bonds authorized by Proposition B (2011) on March 8, 2012.

The Administrative Code of the City (the "Administrative Code") and Proposition B (2012), Proposition B (2010) and Proposition B (2011) provide that, to the extent permitted by law, 0.1% of the gross proceeds of all proposed bonds, including the Bonds, be deposited by the Controller and used to fund the costs of the City's independent citizens' general obligation bond oversight committee. The committee was created by the Administrative Code and is appointed by the Board of Supervisors of the City to inform the public concerning the expenditure of general obligation bond proceeds in accordance with the voter authorization.

Form and Registration

The Bonds will be issued in the principal amounts set forth on the inside cover hereof, in the denomination of $5,000 each or any integral multiple thereof, and will be dated their date of delivery. The Bonds will be issued in fully registered form, without coupons. The Bonds will be initially registered in the name of Cede & Co. as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, which is required to remit payments of principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See APPENDIX E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payment of Interest and Principal

The City Treasurer will act as paying agent and registrar with respect to the Bonds. Interest on the Bonds will be payable on each June 15 and December 15 to maturity or prior redemption, commencing December 15, 2013, at the interest rates shown on the inside cover hereof. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The interest on the Bonds will be payable in lawful money of the United States to the person whose name appears on the Bond registration books of the City Treasurer as the owner thereof as of the close of business on the last day of the month immediately preceding an interest payment date (the "Record Date"), whether or not such day is a business day. Each Bond authenticated on or before November 30, 2013 will bear interest from the date of delivery. Every other Bond will bear interest from the interest payment date next preceding its date of authentication unless it is authenticated as of a day during the period from the Record Date next preceding any interest payment date to the interest payment date, inclusive, in which event it will bear interest from such interest payment date; provided, that if, at the time of authentication of any Bond, interest is then in default on the Bonds, such Bond will bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Bonds.

The Bonds will mature on the dates shown on the inside cover page hereof. The Bonds will be subject to redemption prior to maturity, as described below. See "– Redemption" below. The principal of the Bonds will be payable in lawful money of the United States to the owner thereof upon the surrender thereof at maturity or earlier redemption at the office of the City Treasurer.

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

Redemption

Optional Redemption of the Bonds

The Bonds maturing on or before June 15, 2023 will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after June 15, 2024 will be subject to optional redemption prior to their respective stated maturity dates, at the option of the City, from any source of available funds, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and by lot within a maturity), on or after June 15, 2023, at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption (the "Redemption Date"), without premium.

Selection of Bonds for Redemption

Whenever less than all of the outstanding Bonds are called for redemption on any one date, the City Treasurer will select the maturities of Bonds to be redeemed in the sole discretion of the City Treasurer, and whenever less than all the outstanding Bonds maturing on any one date are called for redemption on any date, the City Treasurer will select the Bonds or portions thereof by lot, in any manner which the City Treasurer deems fair. The Bonds may be redeemed in denominations of $5,000 or any integral multiple thereof.

Notice of Redemption

The City Treasurer will mail, or cause to be mailed, notice of any redemption of the Bonds, postage prepaid, to the respective registered owners thereof at the addresses appearing on the Bond registration books not less than 20 days and not more than 60 days prior to the Redemption Date.

Notice of redemption also will be given, or caused to be given, by the City Treasurer, by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile transmission, (iii) overnight delivery service, or (iv) to the extent applicable to the intended recipient, email or similar electronic means, to (a) all organizations registered with the Securities and Exchange Commission as securities depositories and (b) such other services or organizations as may be required in accordance with the Continuing Disclosure Certificate. See "CONTINUING DISCLOSURE" and APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

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

redemption may be conditioned on the receipt of funds or any other event specified in the notice. See "– Conditional Notice; Right to Rescind Notice of Optional Redemption" below.

The actual receipt by the owner of any Bond of such notice of redemption will not be a condition precedent to redemption of such Bond, and failure to receive such notice, or any defect in such notice, will not affect the validity of the proceedings for the redemption of such Bond or the cessation of the accrual of interest on such Bond on the Redemption Date.

Effect of Notice of Redemption

When notice of optional redemption has been given as described above, and when the amount necessary for the redemption of the Bonds called for redemption (principal, premium, if any and accrued interest to the Redemption Date) is set aside for that purpose in the redemption account for the applicable series of Bonds (for each series of Bonds, a "Redemption Account") established under the 2013A Resolution, the 2013B Resolution and the 2013C Resolution, as applicable, the Bonds designated for redemption will become due and payable on the Redemption Date, and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, those Bonds will be redeemed and paid at said redemption price out of the applicable Redemption Account. No interest will accrue on such Bonds called for redemption after the Redemption Date and the registered owners of such Bonds will look for payment of such Bonds only to the respective Redemption Account. Moneys held in a Redemption Account will be invested by the City Treasurer pursuant to the City's policies and guidelines for investment of moneys in the General Fund of the City. See APPENDIX C – "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY."

Conditional Notice; Right to Rescind Notice of Optional Redemption

Any notice of optional redemption may provide that such redemption is conditioned upon: (i) deposit of sufficient moneys to redeem the applicable Bonds called for redemption on the anticipated Redemption Date, or (ii) the occurrence of any other event specified in the notice of redemption. In the event that such conditional notice of optional redemption has been given and on the scheduled Redemption Date (i) sufficient moneys to redeem the applicable Bonds have not been deposited or (ii) any other event specified in the notice of redemption did not occur, such Bonds for which notice of conditional optional redemption was given will not be redeemed and will remain Outstanding for all purposes and the redemption not occurring will not constitute a default under the Resolutions.

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

Defeasance

Payment of all or any portion of the Bonds may be provided for prior to such Bonds' respective stated maturities by irrevocably depositing with the City Treasurer (or any commercial bank or trust company designated by the City Treasurer to act as escrow agent with respect thereto): (a) an amount of cash equal to the principal amount of all of such Bonds or a portion thereof, and all unpaid interest thereon to maturity, except that in the case of Bonds which are to be redeemed prior to such Bonds' respective stated maturities and in respect of which notice of such redemption will have been given as described above or an irrevocable election to give such notice will have been made by the City, the amount to be deposited will be the principal amount thereof, all unpaid interest thereon to the Redemption Date, and premium, if any, due on such Redemption Date; or (b) Defeasance Securities (as defined below) not subject to call, except as described in

the definition below, maturing and paying interest at such times and in such amounts, together with interest earnings and cash, if required, as will, without reinvestment, as certified by an independent certified public accountant, be fully sufficient to pay the principal and all unpaid interest to maturity, or to the Redemption Date, as the case may be, and any premium due on the Bonds to be paid or redeemed, as such principal and interest come due; provided, that, in the case of the Bonds which are to be redeemed prior to maturity, notice of such redemption will be given as described above or an irrevocable election to give such notice will have been made by the City; then, all obligations of the City with respect to said outstanding Bonds will cease and terminate, except only the obligation of the City to pay or cause to be paid from the funds deposited as described in this paragraph, to the owners of said Bonds all sums due with respect thereto, and the tax covenant obligations of the City with respect to such Bonds; provided, that the City will have received an opinion of nationally recognized bond counsel that provision for the payment of said Bonds has been made as required by the Resolutions.

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

"Defeasance Securities" means any of the following which at the time are legal investments under the laws of the State of California for the moneys proposed to be invested therein: (1) United States Obligations (as defined below); and (2) Pre-refunded fixed interest rate municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee or paying agent has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash or United States Obligations (as defined below); (c) the principal of and interest on the United States Obligations (plus any cash in the escrow fund or the applicable Redemption Account) are sufficient to meet the liabilities of the municipal obligations; (d) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (f) the municipal obligations are rated (without regard to any numerical modifier, plus or minus sign or other modifier), at the time of original deposit to the escrow fund, by any two Rating Agencies (as defined below) not lower than the rating then maintained by the respective Rating Agency on such United States Obligations.

"United States Obligations" means (i) direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including without limitation, the interest component of Resolution Funding Corporation (REFCORP) bonds that have been stripped by request to the Federal Reserve Bank of New York in book-entry form, or (ii) any security issued by an agency or instrumentality of the United States of America that is selected by the Director of Public Finance that results in the escrow fund being rated by any two Rating Agencies (as defined below) at the time of the initial deposit to the escrow fund and upon any substitution or subsequent deposit to the escrow fund, no lower than the rating then maintained by the respective Rating Agency on United States Obligations described in (i) herein.

"Rating Agencies" means Moody's Investors Service, Inc., Fitch Ratings, and Standard and Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., or any other nationally-recognized bond rating agency that is the successor to any of the foregoing rating agencies or that is otherwise established after the date of adoption of the related Resolution.

SOURCES AND USES OF FUNDS

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

Sources	2013A Bonds	2013B Bonds	2013C Bonds	Total
Principal Amount of Bonds				
Net Original Issue Premium				
Total Sources of Funds				
Uses				
Deposit to Project Subaccount				
Deposit to Bond Subaccount				
Oversight Committee				
Underwriter's Discount				
Costs of Issuance*				
Total Uses of Funds				

* Includes fees for services of rating agencies, Co-Financial Advisors, Co-Bond Counsel, Disclosure Counsel, costs to the City, printing costs, and other miscellaneous costs associated with the issuance of the Bonds.

Deposit and Investment of Bond Proceeds

2013A Bond Proceeds

Any bid premium received upon the delivery of the 2013A Bonds, and all taxes collected for payment of the 2013A Bonds, will be deposited into a special subaccount established for the payment of the 2013A Bonds. The subaccount was created by the 2013A Resolution specifically for payment of the 2013A Bonds (the "2013A Bond Subaccount").

All remaining proceeds of the sale of the 2013A Bonds are required to be deposited by the City Treasurer into a special subaccount within the project account created by the City to hold proceeds of sale of all of the Proposition B (2012) bonds, which proceeds are required to be applied exclusively to the purposes approved by the voters in Proposition B (2012), and to pay costs of issuance of such bonds. See "THE BONDS – Authority for Issuance; Purposes." The subaccount was created by the 2013A Resolution specifically to hold the proceeds of the 2013A Bonds (the "2013A Project Subaccount").

2013B Bond Proceeds

Any bid premium received upon the delivery of the 2013B Bonds, and all taxes collected for payment of the 2013B Bonds, will be deposited into a special subaccount established for the payment of the 2013B Bonds. The subaccount was created by the 2013B Resolution specifically for payment of principal of and interest on the 2013B Bonds (the "2013B Bond Subaccount").

All remaining proceeds of the sale of the 2013B Bonds are required to be deposited by the City Treasurer into a special subaccount within the project account created by the City to hold proceeds of the sale of all of the Proposition B (2010) bonds, which proceeds are required to be applied exclusively to the purposes approved by the voters in Proposition B (2010), and to pay costs of issuance of such bonds. See "THE BONDS – Authority for Issuance; Purposes." The subaccount was created by the 2013B Resolution specifically to hold the proceeds of the 2013B Bonds (the "2013B Project Subaccount").

2013C Bond Proceeds

Any bid premium received upon the delivery of the 2013C Bonds, and all taxes collected for payment of the 2013C Bonds, will be deposited into a special subaccount established for the payment of the 2013C Bonds. The subaccount was created by the 2013C Resolution specifically for payment of principal of and interest on the 2013C Bonds (the "2013C Bond Subaccount").

All remaining proceeds of the sale of the 2013C Bonds are required to be deposited by the City Treasurer into a special subaccount within the project account created by the City to hold proceeds of the sale of all of the Proposition B (2011) bonds, which proceeds are required to be applied exclusively to the purposes approved by the voters in Proposition B (2011), and to pay costs of issuance of such bonds. See "THE BONDS – Authority for Issuance; Purposes." The subaccount was created by the 2013C Resolution specifically to hold the proceeds of the 2013C Bonds (the "2013C Project Subaccount").

Under the Resolutions, the 2013A Bond Subaccount, the 2013A Project Subaccount, the 2013B Bond Subaccount, the 2013B Project Subaccount, the 2013C Bond Subaccount and the 2013C Project Subaccount may each be invested in any investment of the City in which moneys in the General Fund of the City are invested. The City Treasurer may commingle any of the moneys held in any such account with other City moneys, or deposit amounts credited to such accounts into a separate fund or funds for investment purposes only. All interest earned on any such account will be retained in that account. See APPENDIX C – "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY."

A portion of the proceeds of the Bonds will be used to pay certain costs related to the issuance of the Bonds. Up to 0.1% of the proceeds of the Bonds are required to be appropriated to fund the Citizens' General Obligation Bond Oversight Committee, created to oversee various general obligation bond programs of the City. See "THE BONDS – Authority for Issuance; Purposes" herein.

DEBT SERVICE SCHEDULES

Scheduled debt service payable with respect to the 2013A Bonds is as follows:

City and County of San Francisco
General Obligation Bonds
Series 2013A[1]

Payment Date	Principal	Interest	Total Principal and Interest	Fiscal Year Total
December 15, 2013				
June 15, 2014				
December 15, 2014				
June 15, 2015				
December 15, 2015				
June 15, 2016				
December 15, 2016				
June 15, 2017				
December 15, 2017				
June 15, 2018				
December 15, 2018				
June 15, 2019				
December 15, 2019				
June 15, 2020				
December 15, 2020				
June 15, 2021				
December 15, 2021				
June 15, 2022				
December 15, 2022				
June 15, 2023				
December 15, 2023				
June 15, 2024				
December 15, 2024				
June 15, 2025				
December 15, 2025				
June 15, 2026				
December 15, 2026				
June 15, 2027				
December 15, 2027				
June 15, 2028				
December 15, 2028				
June 15, 2029				
December 15, 2029				
June 15, 2030				
December 15, 2030				
June 15, 2031				
December 15, 2031				
June 15, 2032				
December 15, 2032				
June 15, 2033				
Total				

[1] A portion of the debt service will be paid from original issue premium deposited in the 2013A Bond Subaccount. See "SOURCES AND USES OF FUNDS."

Scheduled debt service payable with respect to the 2013B Bonds is as follows:

City and County of San Francisco
General Obligation Bonds
Series 2013B[1]

Payment Date	Principal	Interest	Total Principal and Interest	Fiscal Year Total
December 15, 2013				
June 15, 2014				
December 15, 2014				
June 15, 2015				
December 15, 2015				
June 15, 2016				
December 15, 2016				
June 15, 2017				
December 15, 2017				
June 15, 2018				
December 15, 2018				
June 15, 2019				
December 15, 2019				
June 15, 2020				
December 15, 2020				
June 15, 2021				
December 15, 2021				
June 15, 2022				
December 15, 2022				
June 15, 2023				
December 15, 2023				
June 15, 2024				
December 15, 2024				
June 15, 2025				
December 15, 2025				
June 15, 2026				
December 15, 2026				
June 15, 2027				
December 15, 2027				
June 15, 2028				
December 15, 2028				
June 15, 2029				
December 15, 2029				
June 15, 2030				
December 15, 2030				
June 15, 2031				
December 15, 2031				
June 15, 2032				
December 15, 2032				
June 15, 2033				
December 15, 2033				
June 15, 2034				
December 15, 2034				
June 15, 2035				
December 15, 2035				

[1] A portion of the debt service will be paid from original issue premium deposited in the 2013B Bond Subaccount. See "SOURCES AND USES OF FUNDS."

June 15, 2036
December 15, 2036
June 15, 2037
December 15, 2037
June 15, 2038
Total

Scheduled debt service payable with respect to the 2013C Bonds is as follows:

City and County of San Francisco
General Obligation Bonds
Series 2013C[1]

Payment Date	Principal	Interest	Total Principal and Interest	Fiscal Year Total
December 15, 2013				
June 15, 2014				
December 15, 2014				
June 15, 2015				
December 15, 2015				
June 15, 2016				
December 15, 2016				
June 15, 2017				
December 15, 2017				
June 15, 2018				
December 15, 2018				
June 15, 2019				
December 15, 2019				
June 15, 2020				
December 15, 2020				
June 15, 2021				
December 15, 2021				
June 15, 2022				
December 15, 2022				
June 15, 2023				
December 15, 2023				
June 15, 2024				
December 15, 2024				
June 15, 2025				
December 15, 2025				
June 15, 2026				
December 15, 2026				
June 15, 2027				
December 15, 2027				
June 15, 2028				
December 15, 2028				
June 15, 2029				
December 15, 2029				
June 15, 2030				
December 15, 2030				
June 15, 2031				
December 15, 2031				
June 15, 2032				
December 15, 2032				
June 15, 2033				
Total				

[1] A portion of the debt service will be paid from original issue premium deposited in the 2013C Bond Subaccount. See "SOURCES AND USES OF FUNDS."

SECURITY FOR THE BONDS

General

The Board of Supervisors of the City has the power and is obligated, and under the Resolutions has covenanted, to levy *ad valorem* taxes without limitation as to rate or amount upon all property subject to taxation by the City (except certain property which is taxable at limited rates) for the payment of the principal of and interest on the Bonds when due.

At the option of the Board of Supervisors, other available funds of the City that are not restricted by law to specific uses may be used to pay debt service on the Bonds.

Factors Affecting Property Tax Security for the Bonds

The annual property tax rate for repayment of the Bonds will be based on the total assessed value of taxable property in the City and the scheduled debt service on the Bonds in each year, less any other lawfully available funds applied by the City for repayment of the Bonds. Fluctuations in the annual debt service on the Bonds, the assessed value of taxable property in the City, and the availability of such other funds in any year, may cause the annual property tax rate applicable to the Bonds to fluctuate. Issuance by the City of additional authorized bonds payable from ad valorem property taxes may cause the City's overall property tax rate to increase.

The principal factors that may affect the City's ability to levy and collect sufficient taxes to pay scheduled debt service on the Bonds each year are discussed in detail in APPENDIX A, as referred to below:

Total Assessed Value of Taxable Property in the City. The greater the assessed value of taxable property in the City, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on bonds. Total net assessed valuation of taxable property in the City in fiscal year 2012-13 is approximately $165.04 billion. In recent years, declining real estate values, increased foreclosures, and increases in requests submitted to the Assessor and the Assessment Appeals Board for reductions in assessed value have caused a reduction in the assessed value of some properties in the City. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PROPERTY TAXATION – Assessed Valuations, Tax Rates and Tax Delinquencies."

Natural and economic forces can affect the assessed value of taxable property in the City. The City is located in a seismically active region, and damage from an earthquake in or near the City could cause moderate to extensive or total damage to taxable property. See "Seismic Risks" below. Other natural or manmade disasters, such as flood, fire, toxic dumping or acts of terrorism, could also cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the Bay Area's economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Concentration of Taxable Property Ownership. The more property (by assessed value) owned by any single assessee, the more exposure of tax collections to weakness in that taxpayer's financial situation and ability or willingness to pay property taxes. For fiscal year 2012-13, no single assessee owns more than 0.56% of the total taxable property in the City. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PROPERTY TAXATION – Tax Levy and Collection."

Property Tax Rates. One factor in the ability of taxpayers to pay additional taxes for general obligation bonds is the cumulative rate of tax. The total tax rate per $100 of assessed value (including the basic countywide 1% rate required by statute) is discussed further in APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PROPERTY TAXATION – Assessed Valuations, Tax Rates and Tax Delinquencies."

Debt Burden on Owners of Taxable Property in the City. Another measure of the debt burden on local taxpayers is total debt as a percentage of taxable property value. Issuance of general obligation bonds by the City is limited under Section 9.106 of the Charter to 3.00% of the assessed value of all taxable real and personal property located within the City's boundaries. For purposes of this provision of the Charter, the City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's gross general obligation debt limit for fiscal year 2012-13 was approximately $4.95 billion, based on a net assessed valuation of approximately $165.04 billion. As of December 31, 2012, the City had outstanding approximately $1.8 billion in aggregate principal amount of general obligation bonds, which equals approximately [1.09]% of the net assessed valuation for fiscal year 2012-13. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS."

Additional Debt; Authorized but Unissued Bonds. Issuance of additional authorized bonds can cause the overall property tax rate to increase. As of _____, 2013, the City had voter approval to issue up to $_____ billion in additional aggregate principal amount of new bonds payable from ad valorem property taxes. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO – CAPITAL FINANCING AND BONDS – General Obligation Bonds Authorized but Unissued." In addition, the City expects that it will propose further bond measures to the voters from time to time to help meet its capital needs, quantified in the City's most recent ten-year Capital Plan at $25.1 billion. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Capital Plan."

Seismic Risks

The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes about three miles to the southeast of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. Significant recent seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and environs. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed.

In April 2008, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Society, and the Southern California Earthquake Center) reported that there is a 63% chance that one or more quakes of about magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2038. Such earthquakes may be very destructive. For example, the U.S.G.S. predicts a magnitude 7 earthquake occurring today on the Hayward Fault would likely cause hundreds of deaths and almost $100 billion of damage. In addition to the potential damage to City-owned buildings and facilities (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly longer-term harm to the City's economy, tax receipts, and residential and business real property values.

TAX MATTERS

Federal Income Tax

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed with them, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the City's compliance with the above-referenced covenants, under present law, in the separate opinions of Co-Bond Counsel, interest on the Bonds is excludable from the gross income of their owners for federal income tax purposes, and thus will be exempt from present Federal income taxes based on gross income. Interest on the Bonds is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

The Internal Revenue Code of 1986, as amended (the "**Code**"), includes provisions for an alternative minimum tax ("**AMT**") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("**AMTI**"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (excluding S Corporations, Regulated Investment Companies, Real Estate Investment Trusts, REMICS and FASITs) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Co-Bond Counsel will express no opinion with respect to any such collateral consequences with respect to the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding the collateral consequences arising with respect to the Bonds described in this paragraph.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond for a price in excess of its stated principal amount at maturity. (Such Bond is referred to as a "**Premium Bond**"). Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Premium Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a Premium Bond. The amortized bond premium is treated as a reduction in the amount of tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Premium Bond should consult

their own tax advisors regarding the amortization of bond premium and its effect on the Premium Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of such Premium Bond.

Owners of Bonds who dispose of Bonds prior to their stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from their issue price, or purchase Bonds subsequent to the initial public offering should consult their own tax advisors as to the federal, state or local tax consequences of such dispositions or purchases.

State and Local Taxes

In the separate opinions of Co-Bond Counsel, interest on the Bonds is exempt from present California personal income taxes under present California law. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Co-Bond Counsel will express no opinion with respect to any such state and local tax consequences with respect to the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding any state and local tax consequences arising with respect to the Bonds.

Basis of Co-Bond Counsel Opinions

The separate opinions of Co-Bond Counsel to be delivered concurrently with the delivery of the Bonds and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Bonds are issued. There can be no assurance that such law or those interpretations will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Bonds are outstanding in a manner that would adversely affect the market value or liquidity or the tax treatment of ownership of the Bonds. Co-Bond Counsel have not undertaken to provide advice with respect to any such future changes.

Each of the opinions of Co-Bond Counsel expresses the professional judgment of the attorneys rendering the opinion on the legal issues explicitly addressed in the opinion. By rendering a legal opinion, the opinion giver does not undertake to be an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Rendering an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

In rendering their opinions on tax exemption, Co-Bond Counsel will receive and rely upon certifications and representations of facts, calculations, estimates and expectations furnished by the City and others which Co-Bond Counsel will not have verified independently.

Risk of Audit

The Internal Revenue Service ("**IRS**") conducts a program of audits of issues of tax-exempt obligations to determine whether, in the view of the IRS, interest on such obligations is properly excluded from the gross income of the owners of such obligations for federal income tax purposes. Whether or not the IRS will decide to audit the Bonds cannot be predicted. If the IRS begins an audit of the Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer subject to the audit and the holders of the Bonds may not have the right to participate in the audit proceedings. The fact that an audit of the Bonds is pending could adversely affect the liquidity or market price of the Bonds until the audit is concluded even if the result of the audit is favorable.

Legislation

From time to time, there are legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to in this section or adversely affect the market

price or liquidity of obligations of the character of the Bonds. In some cases, these proposals have included provisions that had a retroactive effective date.

For example, in connection with federal deficit reduction and tax reform efforts, various proposals have been made recently in Congress and by the President which, if enacted in the forms proposed, would subject interest on bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the Bonds, to a tax payable by certain bondholders that are individuals, estates or trusts with adjusted gross income in excess of certain thresholds.

It cannot be predicted whether or in what form any such proposal might be introduced in Congress or enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation. Co-Bond Counsel will express no opinion regarding any pending or proposed federal tax legislation.

Backup Withholding

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in most cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any owner of Bonds who fails to provide an accurate Form W-9 Payers Request for Taxpayer Identification Number, or a substantially identical form, or to any such owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax status of the interest on the Bonds (see "TAX MATTERS" herein) are subject to the legal opinions of Schiff Hardin LLP, San Francisco, California, and Lofton & Jennings, San Francisco, California, Co-Bond Counsel to the City. The signed legal opinions of Co-Bond Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Bonds, will be delivered to the initial purchaser of the Bonds at the time of original delivery of the Bonds.

The proposed forms of the legal opinions of Co-Bond Counsel are set forth in APPENDIX F hereto. The legal opinions to be delivered may vary that text if necessary to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distributions of them by recirculation of this Official Statement or otherwise will create no implication that Co-Bond Counsel have reviewed or express any opinion concerning any of the matters referred to in the respective opinions subsequent to their date. In rendering their opinions, Co-Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings for the Bonds, which Co-Bond Counsel will not have independently verified.

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

Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel.

Hawkins Delafield & Wood LLP has served as disclosure counsel to the City and in such capacity has advised the City with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify

any of such statements or information. Rather, the City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the delivery of the Bonds, Disclosure Counsel will deliver a letter to the City which advises the City, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to attention of such firm which caused them to believe that this Official Statement as of its date and as of the date of delivery of the Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. No purchaser or holder of the Bonds, or other person or party other than the City, will be entitled to or may rely on such letter or Hawkins Delafield & Wood LLP's having acted in the role of disclosure counsel to the City.

PROFESSIONALS INVOLVED IN THE OFFERING

First Southwest Company, Santa Monica, California and Grigsby & Associates, Inc., San Francisco, California, have served as Co-Financial Advisors to the City with respect to the sale of the Bonds. The Co-Financial Advisors have assisted the City in the review of this Official Statement and in other matters relating to the planning, structuring, and sale of the Bonds. The Co-Financial Advisors have not independently verified any of the data contained herein nor conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Co-Financial Advisors, Co-Bond Counsel and Disclosure Counsel will all receive compensation from the City for services rendered in connection with the Bonds contingent upon the sale and delivery of the Bonds. The City Treasurer is acting as paying agent and registrar with respect to the Bonds.

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds, the ability of the City to levy the ad valorem tax required to pay debt service on the Bonds, the corporate existence of the City, or the entitlement to their respective offices of the officers of the City who will execute and deliver the Bonds and other documents and certificates in connection therewith. The City will furnish to the initial purchaser of the Bonds a certificate of the City as to the foregoing as of the time of the original delivery of the Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2012-13, which is due not later than March 27, 2014, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB"). The notices of enumerated events will be filed by the City with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events.

The City may, from time to time, but is not obligated to, post its Comprehensive Annual Financial Report and other financial information on the City Controller's web site at www. sfgov.org/ controller.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P"), and Fitch Ratings ("Fitch"), have assigned municipal bond ratings of "___," "___," and "___," respectively, to the Bonds. Certain information not included in this Official Statement was supplied by the City to the rating agencies to be considered in evaluating the Bonds. The ratings reflect only the views of each rating agency, and any explanation of the significance of any rating may be obtained only from the respective credit rating agencies: Moody's, at www.moodys.com; S&P, at www.sandp.com; and Fitch, at www.fitchratings.com. The information presented on the website of each rating agency is not incorporated by reference as part of this Official Statement. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. No assurance can be given that any rating issued by a rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained may have an adverse effect on the market price or marketability of the Bonds. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

SALE OF THE BONDS

The Bonds were sold at competitive bid on June ___, 2013. The Bonds were awarded to _____ (the "Purchaser"), which submitted the lowest true interest cost bid, at a purchase price of $_____. Under the terms of its bid, the Purchaser will be obligated to purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to the approval of certain legal matters by Co-Bond Counsel, and certain other conditions to be satisfied by the City.

The Purchaser has certified the reoffering prices or yields for the Bonds set forth on the inside cover of this Official Statement, and the City takes no responsibility for the accuracy of those prices or yields. Based on the reoffering prices, the original issue premium on the reoffering of the Bonds is $_____, and the Purchaser's gross compensation (or "spread") is $_____. The Purchaser may offer and sell Bonds to certain dealers and others at yields that differ from those stated on the inside cover. The offering prices or yields may be changed from time to time by the Purchaser.

MISCELLANEOUS

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

The preparation and distribution of this Official Statement have been duly authorized by the Board of Supervisors of the City.

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Benjamin Rosenfield
Controller

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2012*

* The Comprehensive Annual Financial Report may be viewed online or downloaded from the City Controller's website at http://www.sfgov.org/controller.

APPENDIX C

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$[2013A Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(CLEAN AND SAFE NEIGHBORHOOD PARKS BONDS, 2012),
SERIES 2013A

$[2013B Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2010),
SERIES 2013B

$[2013C Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(ROAD REPAVING AND STREET SAFETY BONDS, 2011),
SERIES 2013C

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") in connection with the issuance of the bonds captioned above (the "Bonds"). The 2013A Bonds are issued pursuant to Resolution No. ___-13 and Resolution No. ___-13, each adopted by the Board of Supervisors of the City on May ___, 2013, and duly approved by the Mayor of the City on May ___, 2013 (together, the "2013A Resolution"). The 2013B Bonds are issued pursuant to 516-10 and Resolution No. ___-13, adopted by the Board of Supervisors of the City on November 2, 2010 and May ___, 2013, respectively, and duly approved by the Mayor of the City on November 5, 2010 and May ___, 2013, respectively (together, the "2013B Resolution"). The 2013C Bonds are issued pursuant to Resolution No. 24-12 and Resolution No. ___-13, adopted by the Board of Supervisors of the City on January 24, 2012 and May ___, 2013, respectively, and duly approved by the Mayor of the City on February 3, 2012 and May ___, 2013, respectively (together, the "2013C Resolution," and with the 2013A Resolution and the 2013B Resolution, the "Resolutions"). The City covenants and agrees as follows:

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

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

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

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

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

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* Preliminary, subject to change.

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which is June 30), commencing with the report for the 2012-13 Fiscal Year (which is due not later than March 27, 2014), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities;

(b) a summary of budgeted general fund revenues and appropriations;

(c) a summary of the assessed valuation of taxable property in the City;

(d) a summary of the *ad valorem* property tax levy and delinquency rate;

(e) a schedule of aggregate annual debt service on tax-supported indebtedness of the City; and

(f) summary of outstanding and authorized but unissued tax-supported indebtedness of the City.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-9 with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 10-16 with respect to the Bonds not later than ten business days after the occurrence of the event, if material:

10. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
11. Modifications to rights of Bond holders;
12. Unscheduled or contingent Bond calls;
13. Release, substitution, or sale of property securing repayment of the Bonds;
14. Non-payment related defaults;

15. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

16. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The City shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(e) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(12) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolutions.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation

of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: June ____, 2013.

CITY AND COUNTY OF SAN FRANCISCO

_____
Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of City: CITY AND COUNTY OF SAN FRANCISCO

Name of Bond Issue: CITY AND COUNTY OF SAN FRANCISCO GENERAL OBLIGATION BONDS, SERIES 2013A, SERIES 2013B AND SERIES 2013C

Date of Issuance: June ___, 2013

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated June ___, 2013. The City anticipates that the Annual Report will be filed by _____.

Dated:_____

CITY AND COUNTY OF SAN FRANCISCO

By: [to be signed only if filed]
Title: _____

APPENDIX E

DTC AND THE BOOK ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-10 of this Appendix E, concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. As used in this appendix, "Securities" means the Bonds, "Issuer" means the City, and "Agent" means the Paying Agent.

Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial

Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.*

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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* By written notice of the Trustee, DTC will modify its practice and observe a pro rata reduction of principal with respect to the Bonds.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer and exchange of the Bonds.

Payment of the interest on any Bond shall be made by check mailed on the interest payment date to the owner at the owner's address at it appears on the registration books described below as of the Record Date (as defined herein).

The City Treasurer will keep or cause to be kept, at the office of the City Treasurer, or at the designated office of any registrar appointed by the City Treasurer, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection, and, upon presentation for such purpose, the City Treasurer shall, under such reasonable regulations as he or she may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

Any Bond may, in accordance with its terms, be transferred, upon the registration books described above, by the person in whose name it is registered, in person or by the duly authorized attorney of such person, upon surrender of such Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the City Treasurer.

Any Bonds may be exchanged at the office of the City Treasurer for a like aggregate principal amount of other authorized denominations of the same interest rate and maturity.

Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the designated City officials shall execute and the City Treasurer shall authenticate and deliver a new Bond or Bonds of the same series, interest rate and maturity, for a like aggregate principal amount. The City Treasurer shall require the payment by any Bond owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfer or exchange of Bonds shall be required to be made by the City Treasurer during the period from the Record Date (as defined in this Official Statement) next preceding each interest payment date to such interest payment date or after a notice of redemption shall have been mailed with respect to such Bond.

APPENDIX F

PROPOSED FORMS OF OPINIONS OF CO-BOND COUNSEL

[Closing Date]

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

[Purchaser Name]
[Purchaser Address]

We have acted as co-bond counsel in connection with the issuance and delivery by the City and County of San Francisco (the "**City**") of $_____ aggregate original principal amount of its General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2013A (the "**Series 2013A Bonds**").

In that regard, we examined a certified copy of the record of proceedings of the City, together with various accompanying certificates, pertaining to the authorization and issuance of the Series 2013A Bonds. The record of proceedings includes (i) proceedings relating to calling and holding a special election on November 6, 2012 to authorize $195,000,000 general obligation bonds of the City (the "**Bonds**") for the construction, reconstruction, renovation, demolition, environmental remediation and/or improvement of park, open space, and recreation facilities and all other structures, improvements, and related costs necessary or convenient for the foregoing purposes, including among other things Ordinance No. 161-12 duly adopted by the Board of Supervisors (the "**Board of Supervisors**") of the City on July 17, 2012 and approved by the Mayor on July 24, 2012 calling and providing for the November 6, 2012 special election on the Bonds and Resolution No. 433-12 duly adopted by the Board of Supervisors on December 4, 2012 and approved by the Mayor on December 7, 2012, declaring the results of the special election on the Bonds; (ii) Resolution No. ___-13 duly adopted by the Board of Supervisors on [May 14], 2013 and approved by the Mayor on [May 17], 2013 providing for the issuance of the Bonds from time to time; (iii) Resolution ___-13 duly adopted by the Board of Supervisors on [May 14], 2013 and approved by the Mayor on [May 17], 2013, providing for the sale of the Series 2013A Bonds (together with Resolution ___-13, the "**Resolutions**"); (iv) the Certificate Awarding the Bonds with respect to the Series 2013A Bonds executed by the Controller of the City on [June 5], 2013 pursuant to the Resolutions (the "**Certificate of Award**"); and (v) certificates of officers of the City, the City's co-financial advisors and the purchaser of the Series 2013A Bonds as to various factual matters.

The Series 2013A Bonds are dated the date of this opinion, mature on June 15 of each of the years 2014 to 2033, inclusive, in the amounts for each year provided in the Certificate of Award, and will bear interest from their date, payable semiannually on June 15th and December 15th of each year commencing on December 15, 2013, at the interest rate for each maturity provided in the Certificate of Award.

The Series 2013A Bonds are subject to optional redemption in advance of their maturity upon the terms provided in the Certificate of Award.

Based upon this examination, we are of the opinion that:

1. The proceedings described above show lawful authority for the issuance and sale of the Series 2013A Bonds pursuant to the Constitution and laws of the State of California and the City Charter, including a proposition approved by not less than a two-thirds vote of the qualified electors of the City voting at a special election held in the City on November 6, 2012, and the Resolutions.

2. The Series 2013A Bonds have been duly and validly authorized and issued in accordance with the Constitution and laws of the State of California, the City Charter and the Resolutions and are valid and legally binding general obligations of the City in accordance with their tenor and terms, payable from *ad valorem* taxes levied against all of the taxable property in the City without limitation as to rate or amount (except for certain personal property which is taxable at limited rates). The Board of Supervisors has the authority and is obligated to levy such taxes for payment of the principal of and interest on the Series 2013A Bonds.

3. Interest on the Series 2013A Bonds under present law is not included in "gross income" for federal income tax purposes and thus is exempt from federal income taxes based on gross income. This opinion is subject to compliance by the City with its covenant to comply with all requirements which must be met in order for interest on the Series 2013A Bonds not to be included in gross income for federal income tax purposes under present law. The City has the power to comply with its covenant. If the City were to fail to comply with these requirements, interest on the Series 2013A Bonds could be included in gross income for federal income tax purposes retroactive to the date the Series 2013A Bonds are issued. Interest on the Series 2013A Bonds is not an item of tax preference for calculation of an alternative minimum tax for individuals or corporations under present law. Interest on the Series 2013A Bonds will be taken into account, however, in computing an adjustment used in determining the alternative minimum tax for certain corporations. Ownership of the Series 2013A Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2013A Bonds.

4. Interest on the Series 2013A Bonds is exempt from present California personal income taxes under present California law. Ownership of the Series 2013A Bonds may result in other state and local tax consequences to certain taxpayers and we express no opinion with respect to any such state and local tax consequences with respect to the Series 2013A Bonds.

The rights of registered owners of the Series 2013A Bonds, the obligations of the City and the enforceability of the Series 2013A Bonds and the Resolutions may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the Series 2013A Bonds and the Resolutions by equitable or similar remedies may be subject to general principles of law or equity governing such remedies, including the exercise of judicial discretion whether to grant any particular form of relief. Enforcement of provisions of the Series 2013A Bonds and the Resolutions is also subject to statutes, public policy considerations and court decisions that may limit legal remedies imposed in actions against governmental entities in the State of California.

This opinion is based upon facts known or certified to us and laws in effect on its date and speaks as of that date. The opinions stated in this letter are expressions of professional judgment based upon such facts and law and are not a guaranty of a result if the validity or tax-exempt status of the Series 2013A Bonds are challenged. We have not undertaken any obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention after the date of this opinion or any changes in law that may occur after that date. In addition, we have not undertaken any obligation to assist the City in complying with those requirements described in paragraph 3 above which the City must meet after the date of this opinion in order for interest on the Series 2013A Bonds not to be included in gross income for federal income tax purposes under present law.

Respectfully submitted,

[Closing Date]

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

[Purchaser Name]
[Purchaser Address]

We have acted as co-bond counsel in connection with the issuance and delivery by the City and County of San Francisco (the "**City**") of $[_____] aggregate original principal amount of its General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2013B (the "**Series 2013B Bonds**").

In that regard, we examined a certified copy of the record of proceedings of the City, together with various accompanying certificates, pertaining to the authorization and issuance of the Series 2013B Bonds. The record of proceedings includes (i) proceedings relating to calling and holding a special election on June 8, 2010 to authorize $412,300,000 general obligation bonds of the City (the "**Bonds**") for the construction, acquisition, improvement, retrofitting, rehabilitation and completion of earthquake safety and emergency responsiveness facilities and infrastructure, including among other things Ordinance No. 40-10 duly adopted by the Board of Supervisors (the "**Board of Supervisors**") of the City on February 22, 2010 and approved by the Mayor on February 26, 2010 calling and providing for the June 8, 2010 special election on the Bonds and Resolution No. 286-10 duly adopted by the Board of Supervisors on June 29, 2010 and approved by the Mayor on July 1, 2010, declaring the results of the special election on the Bonds; (ii) Resolution No. 516-10 duly adopted by the Board of Supervisors on November 2, 2010 and approved by the Mayor on November 5, 2010 providing for the issuance of the Bonds from time to time; (iii) Resolution ___-13 duly adopted by the Board of Supervisors on [May 14], 2013 and approved by the Mayor on [May 17], 2013, providing for the sale of the Series 2013B Bonds (together with Resolution 516-10, the "**Resolutions**"); (iv) the Certificate Awarding the Bonds with respect to the Series 2013B Bonds executed by the Controller of the City on [June 5], 2013 pursuant to the Resolutions (the "**Certificate of Award**"); and (v) certificates of officers of the City, the City's co-financial advisors and the purchaser of the Series 2013B Bonds as to various factual matters.

The Series 2013B Bonds are dated the date of this opinion, mature on June 15 of each of the years 2014 to 2038, inclusive, in the amounts for each year provided in the Certificate of Award, and will bear interest from their date, payable semiannually on June 15th and December 15th of each year commencing on December 15, 2013, at the interest rate for each maturity provided in the Certificate of Award.

The Series 2013B Bonds are subject to optional redemption in advance of their maturity upon the terms provided in the Certificate of Award.

Based upon this examination, we are of the opinion that:

1. The proceedings described above show lawful authority for the issuance and sale of the Series 2013B Bonds pursuant to the Constitution and laws of the State of California and the City Charter, including a proposition approved by not less than a two-thirds vote of the qualified electors of the City voting at a special election held in the City on June 8, 2010, and the Resolutions.

2. The Series 2013B Bonds have been duly and validly authorized and issued in accordance with the Constitution and laws of the State of California, the City Charter and the Resolutions and are valid and legally binding general obligations of the City in accordance with their tenor and terms, payable from *ad valorem* taxes levied against all of the taxable property in the City without limitation as to rate or amount (except for certain personal property which is taxable at limited rates). The Board of Supervisors has the

authority and is obligated to levy such taxes for payment of the principal of and interest on the Series 2013B Bonds.

3. Interest on the Series 2013B Bonds under present law is not included in "gross income" for federal income tax purposes and thus is exempt from federal income taxes based on gross income. This opinion is subject to compliance by the City with its covenant to comply with all requirements which must be met in order for interest on the Series 2013B Bonds not to be included in gross income for federal income tax purposes under present law. The City has the power to comply with its covenant. If the City were to fail to comply with these requirements, interest on the Series 2013B Bonds could be included in gross income for federal income tax purposes retroactive to the date the Series 2013B Bonds are issued. Interest on the Series 2013B Bonds is not an item of tax preference for calculation of an alternative minimum tax for individuals or corporations under present law. Interest on the Series 2013B Bonds will be taken into account, however, in computing an adjustment used in determining the alternative minimum tax for certain corporations. Ownership of the Series 2013B Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2013B Bonds.

4. Interest on the Series 2013B Bonds is exempt from present California personal income taxes under present California law. Ownership of the Series 2013B Bonds may result in other state and local tax consequences to certain taxpayers and we express no opinion with respect to any such state and local tax consequences with respect to the Series 2013B Bonds.

The rights of registered owners of the Series 2013B Bonds, the obligations of the City and the enforceability of the Series 2013B Bonds and the Resolutions may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the Series 2013B Bonds and the Resolutions by equitable or similar remedies may be subject to general principles of law or equity governing such remedies, including the exercise of judicial discretion whether to grant any particular form of relief. Enforcement of provisions of the Series 2013B Bonds and the Resolutions is also subject to statutes, public policy considerations and court decisions that may limit legal remedies imposed in actions against governmental entities in the State of California.

This opinion is based upon facts known or certified to us and laws in effect on its date and speaks as of that date. The opinions stated in this letter are expressions of professional judgment based upon such facts and law and are not a guaranty of a result if the validity or tax-exempt status of the Series 2013B Bonds are challenged. We have not undertaken any obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention after the date of this opinion or any changes in law that may occur after that date. In addition, we have not undertaken any obligation to assist the City in complying with those requirements described in paragraph 3 above which the City must meet after the date of this opinion in order for interest on the Series 2013B Bonds not to be included in gross income for federal income tax purposes under present law.

Respectfully submitted,

[Closing Date]

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

[Purchaser Name]
[Purchaser Address]

We have acted as co-bond counsel in connection with the issuance and delivery by the City and County of San Francisco (the "**City**") of $[_____] aggregate original principal amount of its General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2013C (the "**Series 2013C Bonds**").

In that regard, we examined a certified copy of the record of proceedings of the City, together with various accompanying certificates, pertaining to the authorization and issuance of the Series 2013C Bonds. The record of proceedings includes (i) proceedings relating to calling and holding a special election on November 8, 2011 to authorize $248,000,000 general obligation bonds of the City (the "**Bonds**") for the repaving and reconstruction of roads, the rehabilitation and seismic improvement of street structures, the replacement of sidewalks, the installation and renovation of curb ramps, the redesign of streetscapes to include pedestrian and bicycle safety improvements, and the construction, rehabilitation and renovation of traffic infrastructure and related costs necessary or convenient for the foregoing purposes, including among other things Ordinance No. 148-11 duly adopted by the Board of Supervisors (the "**Board of Supervisors**") of the City on July 26, 2011, and approved by the Mayor on July 26, 2011, calling and providing for the November 8, 2011 special election on the Bonds and Resolution No. 508-11 duly adopted by the Board of Supervisors on December 6, 2011 and approved by the Mayor on December 7, 2011, declaring the results of the special election on the Bonds; (ii) Resolution No. 24-12 duly adopted by the Board of Supervisors on January 24, 2012 and approved by the Mayor on February 3, 2012 providing for the issuance of the Bonds from time to time; (iii) Resolution [____]-13 duly adopted by the Board of Supervisors on [May 14], 2013 and approved by the Mayor on [May 17], 2013, providing for the sale of the Series 2013C Bonds (together with Resolution 24-12, the "**Resolutions**"); (iv) the Certificate Awarding the Bonds with respect to the Series 2013C Bonds executed by the Controller of the City on [June 5], 2013 pursuant to the Resolutions (the "**Certificate of Award**"); and (v) certificates of officers of the City, the City's co-financial advisors and the purchaser of the Series 2013C Bonds as to various factual matters.

The Series 2013C Bonds are dated the date of this opinion, mature on June 15 of each of the years 2014 to 2033, inclusive, in the amounts for each year provided in the Certificate of Award, and will bear interest from their date, payable semiannually on June 15th and December 15th of each year commencing on December 15, 2013, at the interest rate for each maturity provided in the Certificate of Award.

The Series 2013C Bonds are subject to optional redemption in advance of their maturity upon the terms provided in the Certificate of Award.

Based upon this examination, we are of the opinion that:

1. The proceedings described above show lawful authority for the issuance and sale of the Series 2013C Bonds pursuant to the Constitution and laws of the State of California and the City Charter, including a proposition approved by not less than a two-thirds vote of the qualified electors of the City voting at a special election held in the City on November 8, 2011, and the Resolutions.

2. The Series 2013C Bonds have been duly and validly authorized and issued in accordance with the Constitution and laws of the State of California, the City Charter and the Resolutions and are valid and legally binding general obligations of the City in accordance with their tenor and terms, payable from *ad*

valorem taxes levied against all of the taxable property in the City without limitation as to rate or amount (except for certain personal property which is taxable at limited rates). The Board of Supervisors has the authority and is obligated to levy such taxes for payment of the principal of and interest on the Series 2013C Bonds.

3. Interest on the Series 2013C Bonds under present law is not included in "gross income" for federal income tax purposes and thus is exempt from federal income taxes based on gross income. This opinion is subject to compliance by the City with its covenant to comply with all requirements which must be met in order for interest on the Series 2013C Bonds not to be included in gross income for federal income tax purposes under present law. The City has the power to comply with its covenant. If the City were to fail to comply with these requirements, interest on the Series 2013C Bonds could be included in gross income for federal income tax purposes retroactive to the date the Series 2013C Bonds are issued. Interest on the Series 2013C Bonds is not an item of tax preference for calculation of an alternative minimum tax for individuals or corporations under present law. Interest on the Series 2013C Bonds will be taken into account, however, in computing an adjustment used in determining the alternative minimum tax for certain corporations. Ownership of the Series 2013C Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2013C Bonds.

4. Interest on the Series 2013C Bonds is exempt from present California personal income taxes under present California law. Ownership of the Series 2013C Bonds may result in other state and local tax consequences to certain taxpayers and we express no opinion with respect to any such state and local tax consequences with respect to the Series 2013C Bonds.

The rights of registered owners of the Series 2013C Bonds, the obligations of the City and the enforceability of the Series 2013C Bonds and the Resolutions may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the Series 2013C Bonds and the Resolutions by equitable or similar remedies may be subject to general principles of law or equity governing such remedies, including the exercise of judicial discretion whether to grant any particular form of relief. Enforcement of provisions of the Series 2013C Bonds and the Resolutions is also subject to statutes, public policy considerations and court decisions that may limit legal remedies imposed in actions against governmental entities in the State of California.

This opinion is based upon facts known or certified to us and laws in effect on its date and speaks as of that date. The opinions stated in this letter are expressions of professional judgment based upon such facts and law and are not a guaranty of a result if the validity or tax-exempt status of the Series 2013C Bonds are challenged. We have not undertaken any obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention after the date of this opinion or any changes in law that may occur after that date. In addition, we have not undertaken any obligation to assist the City in complying with those requirements described in paragraph 3 above which the City must meet after the date of this opinion in order for interest on the Series 2013C Bonds not to be included in gross income for federal income tax purposes under present law.

Respectfully submitted,

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

This Appendix contains information that is current as of March 5, 2013.

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

The various reports, documents, websites and other information referred to herein are not incorporated herein by such references. The City has referred to certain specified documents in this Appendix A which are hosted on the City's website. A wide variety of other information, including financial information, concerning the City is available from the City's publications, websites and its departments. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded and is not a part of or incorporated into this Appendix A. The information contained in this Official Statement, including this Appendix A, speaks only as of its date, and the information herein is subject to change. Prospective investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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CITY GOVERNMENT

City Charter

San Francisco is governed 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, the voters of the City approved the current charter, which went into effect in most respects on July 1, 1996 (the "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 K-12) ("SFUSD") and the San Francisco Community College District (post-secondary) ("SFCCD"). Each is a separate legal entity with a separately elected governing board.

Under its original charter, the City committed itself 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 Mill's 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 (the "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. The Airport, the Port, the Public Utilities Commission ("Public Utilities Commission") (which now includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency ("MTA") (which operates the San Francisco Municipal Railway or "Muni" and the Department of Parking and Traffic ("DPT"), including the Parking Authority and its five public parking garages), and the City-owned hospitals (San Francisco General and Laguna Honda), are collectively referred to herein as the "enterprise fund departments," as they are not integrated into the City's General Fund operating budget. However, certain of the enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital and the MTA receive significant General Fund transfers on an annual basis.

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. Compared to the governance of the City prior to 1995, the Charter concentrates relatively more power in the Mayor and Board of Supervisors. 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 and Board of Supervisors

Edwin M. Lee is the 43rd and current Mayor of the City. The Mayor is the chief executive officer of the City, with responsibility for general administration and oversight of all departments in the executive branch of the City. Mayor Lee was elected to his current four-year term as Mayor on November 8, 2011. Prior to being elected, Mayor Lee was appointed by the Board of Supervisors in January 2011 to fill the remaining year of former Mayor Gavin Newsom's term when Mayor Newsom was sworn in as the State's Lieutenant Governor. Mayor Lee served as the City Administrator from 2005 up until his appointment to Mayor. He also previously served in each of the

following positions: the City's Director of Public Works, the City's Director of Purchasing, the Director of the Human Rights Commission, the Deputy Director of the Employee Relations Division, and coordinator for the Mayor's Family Policy Task Force.

Table A-1 lists the current members of the Board of Supervisors

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO
Board of Supervisors

Name	First Elected or Appointed	Current Term Expires
David Chiu, *Board President, District 3*	2008	2017
Mark Farrell, *District 2*	2010	2015
John Avalos, *District 11*	2008	2013
David Campos; *District 9*	2008	2017
Katy Tang, *District 4*	2013	2013
Jane Kim, *District 6*	2010	2015
Scott Wiener, *District 8*	2010	2015
Norman Lee, *District 7*	2012	2017
Eric Mar, *District 1*	2008	2017
Malia Cohen, *District 10*	2010	2015
London Breed, *District 5*	2012	2017

Other Elected and Appointed City Officers

Dennis J. Herrera was re-elected to his third four-year term as City Attorney in November 2009. The City Attorney represents the City in legal proceedings in which the City has an interest. Mr. Herrera was first elected City Attorney in December 2001. Before becoming City Attorney, Mr. Herrera had been a partner in a private law firm and had served in the Clinton Administration as Chief of Staff of the U.S. Maritime Administration. He also served as president of the San Francisco Police Commission and was a member of the San Francisco Public Transportation Commission.

Carmen Chu was appointed Assessor-Recorder of the City by Mayor Lee in February 2013. The Assessor-Recorder administers the property tax assessment system of the City. Before becoming Assessor-Recorder, Ms. Chu was elected in November 2008 and November 2010 to serve as the City's representative on the Board of Supervisors to the Sunset/Parkside District 4 after being appointed by then-Mayor Newsom in September 2007.

José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2009. The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by then-Mayor Newsom. Prior to being appointed Treasurer, Mr. Cisneros served as Deputy General Manager, Capital Planning and External Affairs for the MTA.

Benjamin Rosenfield was appointed to a ten-year term as Controller of the City by then-Mayor Newsom in March 2008, and was confirmed by the Board of Supervisors in accordance with the Charter. 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. Before becoming Controller, Mr. Rosenfield served as the Deputy City Administrator under former City Administrator Edwin Lee from 2005 to 2008. He was responsible for the preparation and monitoring of the City's ten-year capital plan, oversight of a number of internal service offices under the City Administrator, and implementing the City's 311 non-emergency customer service center. From 2001 to 2005, Mr. Rosenfield worked as the Budget Director for then-Mayor Willie L. Brown, Jr. and then-Mayor Newsom. As Budget Director, Mr. Rosenfield prepared the City's proposed budget for each fiscal year and worked on behalf of the Mayor to manage City spending during the course of each year. From 1997 to 2001, Mr. Rosenfield worked as an analyst in the Mayor's Budget Office and a project manager in the Controller's Office.

Naomi M. Kelly was appointed to a five-year term as City Administrator by Mayor Lee on February 7,.2012. 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. In January 2012, Mrs. Kelly became Acting City Administrator. From January 2011, she served as Deputy City Administrator where she was responsible for the Office of Contract Administration, Purchasing, Fleet Management and Central Shops. Mrs. Kelly led the effort to successfully roll out the City's new Local Hire program last year by streamlining rules and regulations, eliminating duplication and creating administrative efficiencies. In 2004, Mrs. Kelly served as the City Purchaser and Director of the Office of Contract Administration. Mrs. Kelly has also served as Special Assistant in the Mayor's Office of Neighborhood Services, in the Mayor's Office of Policy and Legislative Affairs and served as the City's Executive Director of the Taxicab Commission.

CITY BUDGET

Overview

This section discusses the City's budget procedures, while following sections of this Appendix A describe the City's various sources of revenues and expenditure obligations.

The City manages the operations of its nearly 60 departments, commissions and authorities, including the enterprise fund departments, through its annual budget. For the first time in July 2012 the City adopted a full two-year budget. The City's fiscal year 2012-13 adopted budget appropriates annual revenues, fund balance, transfers, and reserves of approximately $7.35 billion, of which the City's General Fund accounts for approximately $3.49 billion. In fiscal year 2013-14 appropriated revenues, fund balance, transfers and reserves total approximately $7.57 billion and $3.60 billion of General Fund budget. For a further discussion of the fiscal years 2012-13 and 2013-14 adopted budgets, see "City Budget Adopted for fiscal years 2012-13 and 2013-14" herein.

Each year the Mayor prepares budget legislation for the City departments, which must be approved by the Board of Supervisors. Revenues consist largely of local property taxes, business taxes, sales taxes, other local taxes, and charges for services. A significant portion of the City's revenues comes in the form of intergovernmental transfers from the State and federal governments. Thus the City's fiscal situation is affected by the health of the local real estate market, the local business and tourist economy, and on budgetary decisions made by the State and Federal governments which depend, in turn, on the health of the larger State and national economies. All of these factors are almost wholly outside the control of the Mayor, the Board of Supervisors, and other City officials. In addition, the State Constitution strictly limits the City's ability to raise taxes and property-based fees without a two-thirds popular vote. Also, the fact that the City's annual budget must be adopted before the State and Federal budgets, adds uncertainty to the budget process, and necessitates flexibility so that spending decisions can be adjusted during the course of the fiscal year. See "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

Budget Process

The City's fiscal year commences on July 1. 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 the complete 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 accuracy of 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 City Controller's current Revenue Letter can be viewed online at www.sfcontroller.org. The Revenue Letter and other information from the said website are not incorporated herein by reference. The City's Capital Planning Committee 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 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 must approve the budget by adoption of the Annual Appropriation Ordinance (also referred to herein as the "Original Budget") by no later than August 1 of each year.

The Annual Appropriation Ordinance becomes effective with or without the Mayor's signature after ten 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 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 Annual 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 Annual 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 reflecting the year-end revenue and expenditure appropriations for that fiscal year.

November 2009 Charter Amendment Instituting Two-Year Budgetary Cycle

On November 3, 2009, voters approved Proposition A amending the Charter to make changes to the City's budget and financial processes which are intended to stabilize spending by requiring multi-year budgeting and financial planning.

Proposition A requires three significant changes:

- Specifies a two-year (biennial) budget, replacing the annual budget. Two-year budgets have been prepared for the following four pilot departments in fiscal year 2010-11: the Airport, the Port, the Public Utilities Commission, and MTA. MTA already implemented a two-year budgeting process as a result of the passage of a previous measure, also known as Proposition A, in November 2007. Two-year budgets were prepared for all departments beginning in fiscal year 2012-13.

- Requires a five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The first five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was adopted by the Board of Supervisors on June 7, 2011, and was updated on March 7, 2012. A new five-year financial plan, covering fiscal years 2013-14 through 2017-18 was introduced to the Board of Supervisors on March 5, 2013. See "Five Year Financial Plan" below.

- Standardizes the processes and deadlines for the City to submit labor agreements for all public employee unions by May 15. Charges the Controller's Office with proposing 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 requires the City 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 of any subsequent year.

On April 13, 2010, the Board of Supervisors unanimously adopted policies to 1) codify the City's current practice of maintaining an annual General Reserve for current year fiscal pressures not anticipated in the budget and roughly double the size of the General Reserve by fiscal year 2015-16, and 2) create a new Budget Stabilization Reserve funded by excess receipts from volatile revenue streams to augment the existing Rainy Day Reserve to help the City mitigate the impact of multi-year downturns. On November 8 and 22, 2011, the Board of Supervisors unanimously adopted additional financial policies limiting the future approval of Certificates of Participation and other long-term obligations to 3.25% of discretionary revenue, and specifying that selected nonrecurring revenues may only be spent

on nonrecurring expenditures. These policies are described in further detail below. The Controller's Office may propose additional financial policies by October 1 of any year.

Role of Controller; Budgetary Analysis and Projections

As Chief Fiscal Officer and City Services Auditor, the City Controller monitors spending for all officers, departments and employees charged with receipt, collection or disbursement of City funds. Under the Charter, no obligation to expend City funds can be incurred without a prior certification by the City 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 City 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 City 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 annual expenditures are often different from the estimated expenditures in the Annual Appropriation Ordinance due to supplemental appropriations, continuing appropriations of prior years, and unexpended current-year funds.

Charter Section 3.105 directs the City Controller to issue periodic or special financial reports during the fiscal year. Each year, the City Controller issues six-month and nine-month budget status reports to apprise the City's policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The City Controller issued the most recent of these reports, the fiscal year 2012-13 Six Month Budget Status Report (the "Six Month Report"), on February 12, 2013. In addition, under Proposition A of November 2009, the Mayor must submit a Five-Year Financial Plan every two years to the Board of Supervisors which forecasts revenues and expenditures for the next five fiscal years and proposes actions to balance them. The Board of Supervisors approved the City's first Five-Year Financial Plan on June 7, 2011. On March 7, 2012, an update to the Five-year Financial Plan was released by the Controller's Office, Mayor's Office and Board of Supervisors Budget Analyst. The next Five Year Financial Plan will be published in early March, 2013. See "Five Year Financial Plan" below. Finally, as discussed above, the City Charter directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's proposed budget. On June 14, 2012 the Controller released the Annual Revenue Letter (the "Annual Revenue Letter") reviewing the proposed fiscal year 2012-13 and 2013-14 Budget. All of these reports are available from the City Controller's website: www.sfcontroller.org. The information from the said website is not incorporated herein by reference.

General Fund Results; Audited Financial Statements

The General Fund portions of the fiscal year 2012-13 and fiscal year 2013-14 Original Budgets total $3.49 billion, and $3.60 billion respectively. This does not include expenditures of other governmental funds and enterprise fund departments such as the Airport, the MTA, the Public Utilities Commission, the Port, and the City-owned hospitals (San Francisco General and Laguna Honda). Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2009-10 through 2011-12 and the Original Budgets for fiscal years 2012-13 and 2013-14. See "PROPERTY TAXATION –Tax Levy and Collection," "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

The City's most recently completed Comprehensive Annual Financial Report (the "CAFR" which includes the City's audited financial statements) for fiscal year 2011-12 was issued on January 8, 2013. The fiscal year 20111-12 CAFR reported that as of June 30, 2012, the General Fund available for appropriation in subsequent years was $220.3 million (see Table A-4), of which $104.3 million was assumed in the fiscal year 2012-13 Original Budget and $103.6 million was assumed in the fiscal year 2013-14 Original Budget, and $11.7 million remains available for future appropriations. This represents a $51.8 million increase in available fund balance over the $168.5 million available as of June 30, 2011 and resulted primarily from savings and greater-than-budgeted additional tax revenue, particularly payroll and property transfer tax revenues, in fiscal year 2011-12. In addition to this available year-end General Fund balance, the City's Rainy Day Reserve Economic Stabilization Account totaled $31.1 million.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO

Budgeted General Fund Revenues and Appropriations for

Fiscal Years 2009-10 through 2013-14

(000s)

	FY 2009-10 Final Revised Budget	FY 2010-11 Final Revised Budget	FY 2011-12 Final Revised Budget	FY 2012-13 Original Budget [2]	FY 2013-14 Original Budget [2]
Prior-Year Budgetary Fund Balance & Reserves	$390,512	$312,040	$427,886	$120,654	$120,027
Budgeted Revenues					
Property Taxes	$1,021,015	$984,843	$1,028,677	$1,078,083	$1,109,675
Business Taxes	371,848	342,350	389,878	452,806	488,811
Other Local Taxes	456,140	528,470	602,455	733,295	748,852
Licenses, Permits and Franchises	25,138	23,242	24,337	25,332	25,665
Fines, Forfeitures and Penalties	11,662	3,794	7,710	7,174	7,133
Interest and Investment Earnings	10,984	9,547	6,050	6,776	5,798
Rents and Concessions	19,884	22,346	22,894	21,424	20,964
Grants and Subventions	686,058	681,090	679,486	700,184	721,213
Charges for Services	146,680	145,443	153,678	166,763	171,774
Other	21,713	30,929	19,232	17,640	19,866
Total Budgeted Revenues	$2,771,122	$2,772,054	$2,934,397	$3,209,477	$3,319,751
Bond Proceeds & Repayment of Loans	1,725	785	589	627	2,434
Expenditure Appropriations					
Public Protection	$954,816	$951,516	$991,840	$1,058,689	$1,087,646
Public Works, Transportation & Commerce	44,276	25,763	53,878	67,529	64,921
Human Welfare & Neighborhood Development	657,274	650,622	677,953	670,375	679,154
Community Health	481,805	513,625	573,970	609,892	620,199
Culture and Recreation	93,755	100,043	99,762	111,066	113,787
General Administration & Finance	174,907	178,709	190,014	197,994	207,196
General City Responsibilities[1]	96,336	88,755	99,274	103,613	111,085
Total Expenditure Appropriations	$2,503,169	$2,509,032	$2,686,691	$2,819,159	$2,883,988
Budgetary reserves and designations, net	$16,653	$6,213	$11,112	$51,756	$42,948
Transfers In	$94,678	$119,027	$160,187	$155,950	$155,782
Transfers Out	(564,945)	(504,740)	(567,706)	(615,793)	(671,058)
Net Transfers In/Out	($470,267)	($385,713)	($407,519)	($459,843)	($515,276)
Budgeted Excess (Deficiency) of Sources Over (Under) Uses	$173,270	$183,921	$257,550	$0	$0
Variance of Actual vs. Budget	138,770	243,965	299,547		
Total Actual Budgetary Fund Balance	$312,040	$427,886	$557,097	$0	$0

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

[2] FY 2012-13 and FY 2013-14 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget.

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

The City prepares its budget on a modified accrual basis. Accruals for incurred liabilities, such as claims and judgments, workers' compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. The audited General Fund balance as of June 30, 2012 was $455.7 million (as shown in Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of $3.2 billion. Audited General Fund balances are shown in Table A-3 on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2008 through June 30, 2012.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of
Audited General Fund Balances
Fiscal Year Ended June 30 [1]
(000s)

	2008	2009	2010	2011	2012	
Restricted for rainy day (Economic Stabilization account)	$117,556	$98,297	$39,582	$33,439	$31,099	2
Restricted for rainy day (One-time Spending account)	236	-	-	-	3,010	2
Committed for budget stabilization (citywide)	-	-	-	27,183	74,330	
Committed for Recreation & Parks expenditure savings reserve	3,266	6,575	4,677	6,248	4,946	2
Assigned, not available for appropriation						
Assigned for encumbrances	63,068	65,902	69,562	57,846	62,699	2
Assigned for appropriation carryforward	99,959	91,075	60,935	73,984	85,283	2
Assigned for baseline appropriation funding mandates	1,491	-	-	-	-	2
Assigned for budget savings incentive program (citywide)	16,181	-	-	8,684	22,410	2
Assigned for salaries and benefits (MOU)	12,777	316	4,198	7,151	7,100	2
Assigned for litigation	2,626	-	-	-	-	2
Total Fund Balance Not Available for Appropriation	$317,160	$262,165	$178,954	$214,535	$290,877	3
Assigned and unassigned, available for appropriation						
Assigned for litigation & contingencies	$38,969	$32,900	$27,758	$44,900	$23,637	4
Assigned for General reserve					$22,306	
Assigned for subsequent year's budget	105,064	95,447	105,328	159,390	104,284	5
Unassigned (available for future appropriation)	-	-	-	9,061	115,993	
Total Fund Balance Available for Appropriation	$144,033	$128,347	$133,086	$213,351	$266,220	6
Total Fund Balance, Budget Basis	$461,193	$390,512	$312,040	$427,886	$557,097	
Budget Basis to GAAP Basis Reconciliation						
Total Fund Balance - Budget Basis	$461,193	$390,512	$312,040	$427,886	$557,097	
Unrealized gain or loss on investments	(2,629)	(1,148)	1,851	1,610	6,838	
Nonspendable fund balance	11,358	11,307	14,874	20,501	19,598	7
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(34,629)	(56,426)	(71,967)	(43,072)	(46,140)	
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(26,071)	(37,940)	(55,938)	(63,898)	(62,241)	
Deferred Amounts on Loan Receivables	(3,587)	(4,630)	(9,082)	(13,561)	(16,551)	
Pre-paid lease revenue	-	-	-	(1,460)	(2,876)	
Total Fund Balance, GAAP Basis	$405,635	$301,675	$191,778	$328,006	$455,725	

[1] Summary of financial information derived from City CAFRs. GASB Statement 54, issued in March 2009, and implemented in the City's FY 2010-11 CAFR, establishes a new fund balance classification based primarily on the extent to which a government is bound to observe constraints imposed on the use of funds. Subsequent footnotes in this table provide the former descriptive titles for 2011 fund balance amounts.
[2] Prior to 2011, each line item was titled "reserved" for the purpose indicated
[3] Prior to 2011, titled "Total Reserved Fund Balance"
[4] Prior to 2011, titled "Designated for litigation and contingencies"
[5] Prior to 2011, titled "Unreserved, undesignated fund balance available for appropriation"
[6] Prior to 2011, titled "Total Unreserved Fund Balance"
[7] Prior to 2011, titled "Reserved for Assets Not Available for Appropriation"

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

Table A-4, entitled "Audited Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's CAFR for the five most recent fiscal years. Audited financial statements for the fiscal year ended June 30, 2012 are included herein as Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2012." Prior years' audited financial statements can be obtained from the City Controller's website. Information from the City Controller's website is not incorporated herein by reference. Excluded from this Statement

of General Fund Revenues and Expenditures in Table A-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements.

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TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
Audited Statement of Revenues, Expenditures and Changes in General Fund Balances
Fiscal Year Ended June 30 [1]
(000s)

	2008	2009	2010	2011	2012
Revenues:					
Property Taxes	$939,812	$999,528	$1,044,740	$1,090,776	$1,056,143
Business Taxes[2]	394,267	387,313	353,471	391,057	435,316
Other Local Taxes	519,867	479,194	520,733	608,197	751,301
Licenses, Permits and Franchises	23,212	24,750	24,249	25,252	25,022
Fines, Forfeitures and Penalties	8,398	5,618	17,279	6,868	8,444
Interest and Investment Income	15,779	9,193	7,900	5,910	10,262
Rents and Concessions	19,490	19,096	18,733	21,943	24,932
Intergovernmental	649,923	645,365	651,074	657,238	678,808
Charges for Services	135,473	135,926	138,615	146,631	145,797
Other	17,948	11,199	21,856	10,377	17,090
Total Revenues	$2,724,169	$2,717,182	$2,798,650	$2,964,249	$3,153,115
Expenditures:					
Public Protection	$881,009	$889,594	$948,772	$950,548	$991,275
Public Works, Transportation & Commerce	69,944	61,812	40,225	25,508	52,815
Human Welfare and Neighborhood Development	613,135	630,112	632,713	610,063	626,194
Community Health	454,935	487,638	473,280	493,939	545,962
Culture and Recreation	105,036	97,415	94,895	99,156	100,246
General Administration & Finance	196,430	170,109	169,980	175,381	182,898
General City Responsibilities	71,885	73,904	87,267	85,422	96,132
Total Expenditures	$2,392,374	$2,410,584	$2,447,132	$2,440,017	$2,595,522
Excess of Revenues over Expenditures	$331,795	$306,598	$351,518	$524,232	$557,593
Other Financing Sources (Uses):					
Transfers In	$70,969	$136,195	$94,115	$108,072	$120,449
Transfers Out	(543,640)	(550,910)	(559,263)	(502,378)	(553,190)
Other Financing Sources	5,050	4,157	3,733	6,302	3,682
Other Financing Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	($467,621)	($410,558)	($461,415)	($388,004)	($429,059)
Extraordinary gain/(loss) from dissolution of the Redevelopment Agency					(815)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	($135,826)	($103,960)	($109,897)	$136,228	$127,719
Total Fund Balance at Beginning of Year	$541,461	405,635	$301,675	$191,778	$328,006
Total Fund Balance at End of Year -- GAAP Basis	$405,635	$301,675	$191,778	$328,006	$455,725
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
-- GAAP Basis	$77,117	$28,203	($2,050)	$48,070	$133,794 [3]
-- Budget Basis	$105,064	$95,447	$105,328	$168,451	$220,277 [4]

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

[2] Does not include Business Taxes allocated to special revenue fund for the Community Challenge Grant program.

[3] Prior to adoption of GASB Statement 54 in 2011, titled "Unreserved & Undesignated Balance, Year End"

[4] Total for FY 2011-12 amount is comprised of $104.3 million in assigned balance subsequently appropriated for

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

Five-Year Financial Plan

The Five-Year Financial Plan is required under Proposition A, a Charter amendment approved by voters in November 2009. The Charter requires the plan to forecast expenditures and revenues for the next five-fiscal years, propose actions to balance revenues and expenditures during each year of the plan, and discuss strategic goals and corresponding resources for City departments. The first Five-Year Financial Plan, covering fiscal years 2011-12 through 2015-16, was prepared by the Mayor's Office and Controller's Office in collaboration with City departments and adopted by the Board of Supervisors on June 7, 2011. An update to the adopted Five-Year Financial Plan was prepared by the Controller's Office, Mayor's Office and Board of Supervisors Budget Analyst on March 7, 2012.

A new proposed Five-Year Financial Plan was introduced to the Board of Supervisors on March 5, 2013. For General Fund Supported Operations for fiscal year 2013-14 through fiscal year 2017-18, this proposed Plan projected budgetary shortfalls of $124 million, $256 million, $368 million, $423 million and $487 million over the next five fiscal years. The $487 million figure is a significant improvement from the first Five-Year Financial Plan which in 2011 projected a five-year shortfall of $829 million. This Plan projected continued recovery in local tax revenues. However, projected increases in employee salary and benefits, citywide operating expenses, and departmental costs are rising faster than projected revenue growth. To the extent budgets are balanced with ongoing savings or revenues, future shortfalls will decrease.
The Mayor will submit a balanced two-year budget for fiscal year 2013-14 and fiscal year 2014-15 to the Board of Supervisors by June 1, 2013, closing the $124 million and $256 million budget gaps identified in the proposed Five Year Financial Plan. Strategies used to balance the budget are discussed in the budget section below. To the extent that the Mayor's budget is balanced with ongoing savings or revenues, this will reduce the projected deficits for subsequent fiscal years.

The City currently projects revenue growth of $578 million over the five-year period of this Plan, and expenditure growth of $1.065 billion. Employee pension costs, wages and other benefit growth are the single largest driver of cost growth and the imbalance between revenues and expenditures, growing by $459 million, 43% of the total expenditure growth, during the five years of the plan. Other costs projected to increase include: Citywide Operating Costs ($298 million, 28% of expenditure growth), Department of Public Health specific cost increases ($133 million, 13%), Charter Mandated Baseline and Reserve Changes ($118 million, 11%), and Other Department Specific Cost Increases ($57 million, 5%).

The Plan proposes the following strategies to restore fiscal stability: controlling capital spending and debt restructuring; controlling wage and benefit costs; additional tax and fee revenues; adjustments to baselines and revenue allocations; limiting growth in contract and materials costs; reduced reliance on non-recurring revenues and savings; and ongoing departmental revenues and savings initiatives.

Fiscal Year 2012-13 Budget Update

On February 12, 2013, the Controller's Office issued a Six Month Budget Status report which projected the General Fund would end fiscal year 2012-13 with a balance of $174.0 million. The surplus is made up of $11.7 million in better than anticipated starting fund balance, $72.1 million in better than anticipated Citywide revenues, offset by a net departmental operating shortfall of $18.9 million. Of this fiscal year 2012-13 ending balance, $103.6 million has already been appropriated in the fiscal year 2013-14 budget, and $32.2 million will be required to bring the General Reserve to mandated levels, leaving a surplus of $38.3 million available for appropriation. The general revenue improvements are driven primarily by continued growth in local economic activity resulting in improved outlooks for real property transfer tax, payroll tax, hotel tax and interest income.

City Budget Adopted for Fiscal Years 2012-13 and 2013-14

On July 25, 2012, Mayor Lee signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for fiscal years ending June 30, 2013 and June 30, 2014. This is the first two-year budget for the entire City, as directed by the November 2009 voter-approved Charter amendment. The Controller's Office issued its required Controller's Discussion of the Mayor's fiscal year 2012-13 and fiscal year 2013-14 Proposed Budget on June 14, 2012. The Mayor's budget closed the $170 million and $312 million general fund shortfalls for fiscal year 2012-13 and fiscal year 2013-14 identified in the Five Year Financial Plan Update and accommodated $36 million of additional expenditure increases in each year through a combination of (a) increased sources totaling $90 million

and $104 million respectively, made up of improved general fund revenue projections ($44 million and $40 million), additional fiscal year 2010-11 available fund balance ($28 million each year), reallocating more hotel tax revenues to the General Fund ($4 million and $13 million), increased State realignment funds ($10 million each year), and one-time sources of $5 million and $12 million; plus (b) Citywide and departmental savings totaling $97 million and $206 million respectively, made up of negotiated wage and benefit cost control ($13 million and $55 million), reduced funding for growth in non-personnel expenditures ($22 million and $48 million), deferrals in education enrichment fund allocations to the San Francisco Unified School District and First Five Commission ($18 million each year), reduced State revenue loss allowance funding ($15 million and $30 million), use of budget savings incentive reserve funds derived from Departmental expenditure savings to pay for one-time expenditures ($8 million and $9 million), other citywide savings from reduced capital equipment and information technology spending and from debt restructuring ($21 million and $45 million respectively), and department-specific savings ($53 million and $69 million).

On June 29, 2012 the Board of Supervisors Budget and Finance Committee unanimously approved the Mayor's proposed budget with revisions totaling $17 million in fiscal year 2012-13 and $15 million in fiscal year 2013-14. The revisions were funded by $14 million in Committee reductions to the Mayor's budget and $18 million of additional sources identified by the Mayor, including $9 million in additional expenditure savings identified from fiscal year 2011-12, $6.1 million in additional fiscal year 2010-11 Property Transfer Tax revenue above the amount required to be deposited in the Budget Stabilization Reserve and to fund baseline transfers, $2.4 million in leftover funds in the budget's technical adjustment reserve and $1 million from a reduction in a Small Business Revolving Loan fund.

The Original Budget for fiscal years 2012-13 and 2013-14 totals $7.35 billion and $7.57 billion respectively, representing increases over prior year of $520 million and $220 million. The General Fund portion of each year's budget is $3.49 billion in fiscal year 2012-13 and $3.60 billion in fiscal year 2013-14 representing consecutive increases of $290 million and $110 million. There are 26,901 funded positions in the fiscal year 2012-13 Original Budget and 27,124 in the fiscal year 2013-14 Original Budget representing prior year increases of 719 and 223 respectively.

In addition to being the first two-year budget, the budget for fiscal years 2012-13 and 2013-14 was the first to adhere to the City's policy limiting the use of certain nonrecurring revenues to nonrecurring expenses proposed by the Controller's Office and approved unanimously by the Board of Supervisors on November 22, 2011. The policy was approved by the Mayor on December 1, 2011 and can only be suspended for a given fiscal year by a two-thirds vote of the Board. Specifically, this policy limited the Mayor and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance (defined as General Fund prior year unassigned fund balance before deposits to the Rainy Day Reserve or Budget Stabilization Reserve in excess of the average of the previous five years), 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.

Impact of the State of California Budget on Local Finances

The State continues its slow but steady economic recovery. Revenues from the State represent approximately 15% of the General Fund revenues appropriated in the fiscal year 2012-13 Original Budget, and thus changes in State revenues could have a significant impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

On June 27, 2012, Governor Brown signed the 2012-13 California State budget into law. The budget closed a $15.7 billion deficit and included a reserve of $948 million. The budget assumed, and voters approved, the Governor's

initiative on the November 2012 ballot, which contained five- and seven- year tax increases as well as constitutional guarantees of county funding for the fiscal year 2011-12 realignment of public safety and welfare program responsibilities and funding formulas.

The City's Original Budget for fiscal year 2012-13 budget included a $15 million allowance for State funding reductions that could be used to offset the impact of cuts in the State budget. The impact of the State budget on San Francisco falls mainly on individuals and families in the City who rely upon State childcare credits, income support and in-home support services. City finances will be impacted to the extent that the Board of Supervisors chooses to backfill programs cut by the State.

Governor Brown released his proposed fiscal year 2013-14 budget on January 10, 2013. Revenues and expenditures are generally in balance due to voter-approved tax increases, economic recovery and prior reductions, and the budget forecasts a $1 billion budgetary balance. With the exception of education funding, State service and funding levels in the budget generally continue at levels established in fiscal year 2012-13. Both the State Department of Finance and the Legislative Analyst's Office forecast a similar situation for fiscal year 2014-15.

Impact of Federal Budget Tax Increases and Expenditure Reductions on Local Finances

On January 2, 2013, the federal government reached a temporary budget solution that reduced the level of cuts associated with sequestration in the current fiscal year and postponed the effects of federal sequestration until March 1st. As of February 21, 2013, the total estimated impact to the City and County of San Francisco in the current year is approximately $25.2 million. Of this total, $3.6 million is cuts to education programs and $9.3 million is reductions to housing, energy and transportation programs outside the General Fund. The remaining $12.3 million in reductions affect housing, health and human services programs. The fiscal effect of the reductions will be determined by the extent to which the Board of Supervisors chooses to backfill them. The only certain reduction to City revenue is the loss of $2.0 million in Medicare revenue. The exact value of any reductions will depend on implementation details, which has not yet been determined.

Budgetary Reserves and Economic Stabilization

Under the 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. 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. The City has not issued tax and revenue anticipation notes to finance short-term cash flow needs since fiscal year 1996-97. See "INVESTMENT OF CITY FUNDS – Investment Policy" herein.

Rainy Day Reserve

In November 2003, City voters approved the creation of the City's Rainy Day Reserve into which the previous Charter-mandated cash reserve was incorporated. Charter Section 9.113.5 requires that if the City Controller projects total General Fund revenues for the upcoming budget year will exceed total General Fund revenues for the current year by more than five percent, then the City's budget shall allocate the anticipated General Fund revenues in excess of that five percent growth into the following two accounts within the Rainy Day Reserve and for other lawful governmental purposes.

50 percent of the excess revenues to the Rainy Day Economic Stabilization account;
25 percent of the excess revenues to the Rainy Day One-Time or Capital Expenditures account; and
25 percent of the excess revenues to any lawful governmental purpose.

Fiscal year 2011-12 revenue exceeded the deposit threshold, resulting in a $6.0 million deposit to the Rainy Day Reserve Economic Stabilization Fund and a $3.0 million deposit to the One-Time Capital Expenditures account.

Deposits to the Rainy Day Reserve's Economic Stabilization account are subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be allocated to capital and other one-time expenditures. Moneys in the Rainy Day Reserve's Economic Stabilization account are available to provide a budgetary cushion 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). Moneys in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives. Except for the transfer to SFUSD described below, no draw from the Rainy Day Reserve is budgeted in fiscal years 2012-13 and 2013-14.

If the City Controller projects that per-pupil revenues for the SFUSD will be reduced in the upcoming budget year, the Board of Supervisors and Mayor may appropriate funds from the Rainy Day Economic Stabilization account to the SFUSD. This appropriation may not exceed the dollar value of the total decline in school district revenues, or 25% of the account balance, whichever is less. In fiscal year 2011-12, $8.4 million was appropriated to be transferred to the SFUSD to partially offset SFUSD's planned layoffs and declining per-pupil revenues. On January 15, 2013, the Mayor introduced legislation to increase the fiscal year 2012-13 appropriations to $7.8 million, or 25% of the current reserve balance, an increase of $1.5 million over budget. If the Board of Supervisors chooses to allocate the full 25% of the balance in fiscal year 2013-14, $5.8 million would be appropriated, an increase of $1.1 million over budget. Original Budget Assuming no other withdrawals or deposits, this would leave a balance remaining in the Rainy Day Reserve at the end of fiscal year 2013-14 of $17.5 million.

On April 13, 2010, the Board of Supervisors unanimously approved the City Controller's proposed financial policies on reserves and the use of certain volatile revenues. The policies were approved by the Mayor on April 30, 2010, and can only be suspended for a given fiscal year by a two-thirds vote of the Board. With these policies the City created two additional types of reserves: General Reserve and the Budget Stabilization Reserve described below.

Budget Stabilization Reserve

The Budget Stabilization Reserve augments the existing Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues to the new reserve, including Real Property Transfer Tax receipts in excess of the five-year annual average (controlling 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 fiscal year 2011-12 ending balance in the reserve was $74.3 million due to deposits of transfer tax revenue and year-end unassigned General Fund balances above projections. A projected $20.5 million deposit of excess real property transfer tax receipts in the current year will bring the balance in the reserve to be $94.9 million.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues. No further deposits will be made once this cap is reached, and no deposits are required in years when the City is eligible to withdraw. The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve; however, there is no provision for allocations to the SFUSD. Withdrawals are structured to occur over a period of three years: in the first year of a downturn, a maximum of 30% of the combined value of the Rainy Day Reserve and Budget Stabilization Reserve could be drawn. In the second year, the maximum withdrawal is 50%, and in the third year, the entire remaining balance may be drawn.

General Reserve

The financial policies passed on April 13, 2010 codified the current practice of maintaining an annual General Reserve to be used for current-year fiscal pressures not anticipated during the budget process. The policy set the reserve equal to one percent of budgeted regular General Fund revenues, or $32.2 million, in fiscal year 2012-13. The required starting balance of the reserve increases to 2% of General Fund revenues by fiscal year 2016-17 .

San Francisco Redevelopment Agency Dissolution

On February 1, 2012, the San Francisco Redevelopment Agency (the "SFRDA") ceased to exist by operation of law as a result of Assembly Bill No. X1 26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) ("AB 26"), and a recent California Supreme Court decision described below. AB 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statute of 2011-12) ("AB1484" and together with AB 26, the "Dissolution Act").

The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the Community Redevelopment Law that have not been repealed, restricted or revised pursuant to AB 26 will be vested in the successor agency. The successor agency for each redevelopment agency is generally the county or city that authorized the creation of the redevelopment agency. On January 26, 2012 the City adopted a Board of Supervisors resolution providing for the City to become the successor agency to the SFRDA (the "Successor SFRDA"). The resolution also approved the retention by the City of all the affordable housing assets of the SFRDA (including encumbered funds in the Low and Moderate Income Housing Fund) and authorized the Mayor's Office of Housing to manage the housing assets and exercise the housing functions that the SFRDA formerly performed. The resolution places most of the non-housing assets of the SFRDA under the jurisdiction of the Director of the Department of Administrative Services.

Pursuant to AB 1484, the Successor SFRDA is a separate public agency from the City, and the assets and liabilities of the former SFRDA will not be transferred to the City. The Successor SFRDA will succeed to the organizational status of the former SFRDA, but without any legal authority to participate in redevelopment activities, except in connection with approved enforceable obligations as provided in the Dissolution Act. In general, the debt of the former SFRDA will become the debt of the Successor SFRDA as the SFRDA's successor agency. Such debt will be payable only from the property tax revenues (former tax increment) or other revenue sources that originally secured such debt. The Dissolution Act does not provide for any new sources of revenue, including general fund revenues of the City, for any SFRDA bonds.

There are significant uncertainties regarding the meaning of certain provisions of the Dissolution Act and the impact of the Dissolution Act on the City, including, among other matters, the obligation imposed on the City in performing its duties as Successor SFRDA, performing the enforceable obligations as Successor SFRDA, paying the debt of the former SFRDA as Successor SFRDA and completing certain projects of the former SFRDA. Future legislation and court decisions may clarify some of these uncertainties. There is also uncertainty about how the City may pursue certain community development goals that the former SFRDA undertook and that are not covered by enforceable obligations, and the City's use of alternative funding sources for projects and programs to pursue such goals.

The total General Fund impact of the dissolution will depend on State decisions regarding the use of tax increment in redevelopment project areas. The State may or may not allow the redevelopment successor agency to retain cash balances to meet contractual obligations for affordable housing and infrastructure improvements. Property tax revenue estimates in the proposed Five Year Financial Plan assume tax increment is used for debt service, to meet obligations made to developers, and approximately $3.4 million annually for non-debt service uses, resulting in residual tax increment available to be distributed to the taxing entities of approximately $25.6 million in fiscal year 2013-14, rising to approximately $42.3 million in fiscal year 2017-18, of which just under 57% would be allocated to the General Fund. This amount could increase depending on uses allowed by the State.

AB 26 and Supreme Court Decision

On December 29, 2011 the California Supreme Court issued its decision in *California Redevelopment Association v. Matosantos* (No. S194861) ("Matosantos") regarding the constitutionality of two budget bills involving redevelopment, AB 26 and ABX1 27 (Chapter 6, Statutes of 2011-12, First Extraordinary Session) ("AB 27"). AB 26 dissolved all redevelopment agencies, and designated "successor agencies" with certain powers and duties. AB 27 would have allowed a redevelopment agency to continue to exist, notwithstanding AB 26, if the city or county that created the redevelopment agency made certain payments for the benefit of the local schools and other taxing entities. In *Matosantos* the Court upheld AB 26 requiring the dissolution of redevelopment agencies and the transfer of assets and obligations to successor agencies, but invalidated AB 27. The *Matosantos* decision also modified various deadlines for the implementation of AB 26.

As a consequence of the *Matosantos* decision, all California redevelopment agencies, including the former SFRDA, dissolved by operation of law on February 1, 2012. All property tax revenues that would have been allocated to redevelopment agencies, including the former SFRDA, will be allocated to the applicable Redevelopment Property Tax Trust Fund created by the County Auditor-Controller for the "successor agency." Such funds are to be used for payments on indebtedness and other "enforceable obligations" (as defined in the Dissolution Act), and to pay certain administrative costs and any amounts in excess of that amount are to be considered property taxes that will be distributed to taxing agencies.

The Dissolution Act requires successor agencies, such as the Successor SFRDA, to continue to make payments and perform other obligations required under enforceable obligations for former redevelopment agencies. AB 26 defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legally binding and enforceable agreements and certain other obligations. The Dissolution Act generally excludes from the definition of enforceable obligations any loans or agreements solely between a redevelopment agency and the city or county that created the agency. It also excludes any agreements that are void as violating the debt limit or public policy. Payment and performance of enforceable obligations is subject to review by oversight boards and by the State Controller and State Department of Finance.

The Dissolution Act expressly limits the liabilities of a successor agency in performing duties under the Dissolution Act to the amount of property tax revenues received by such successor agency under the Dissolution Act (generally equal to the amount of former tax increment received by the former redevelopment agency) and the assets of the former redevelopment agency. The Dissolution Act does not provide for any new sources of revenue, including general fund revenues of the City, for any SFRDA bonds (but as discussed below, the City's costs of performing its obligations under AB 26 and of pursuing the economic development goals of the former SFRDA are uncertain and could be significant).

Payment of Enforceable Obligations

The tax allocation bonds ("TABs") issued by the former SFRDA are secured solely by property tax revenues from the designated redevelopment project areas (former increment) formerly payable to the SFRDA (and now available to the Successor SFRDA to pay debt service on the TABs) and from certain funds and accounts established pursuant to the trust agreement relating to each series of the TABs. The City, as Successor SFRDA, is not obligated to pay the principal of, premium, if any, or interest on any TABs, except from property tax revenues from the redevelopment project area allocated to the Successor SFRDA and pledged to repayment of the TABs. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the TABs. The TABS are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any property of the City or any of its income or receipts, except the property tax revenues from the redevelopment project area allocated to the Successor SFRDA and pledged to repayment of the TABs or the property or assets that the Successor SFRDA acquired as a successor agency to the former SFRDA under the Dissolution Act and that are pledged for such purposes.

In addition, the hotel tax bonds issued by the SFRDA are secured solely by amounts legally available to be received by or on behalf of the former SFRDA (and now available to the City as Successor Agency to the SFRDA to pay debt service on the hotel tax bonds) from the levy of 12% hotel tax ("Hotel Taxes") on all hotels within specific redevelopment project areas and from certain funds and accounts established pursuant to the indenture relating to the hotel tax bonds. The City, as Successor SFRDA, is not obligated to pay the principal of, premium, if any, or interest on any hotel tax bonds except from Hotel Taxes allocated to the Successor SFRDA. The hotel tax bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any property of the City or any of its income or receipts, except the Hotel Taxes allocated to the City or Successor SFRDA.

Pursuant to the Dissolution Act, enforceable obligations (which, as mentioned above, include bonds as defined in the act) continue to exist. Nothing in the Dissolution Act is intended to give rise to or cause a default under documents governing enforceable obligations, or absolve a successor agency of payment or other obligations imposed by enforceable obligations. The Dissolution Act provides that pledges of revenues for enforceable obligations are to be honored.

Under the Dissolution Act, the County Auditor-Controller is required to determine the amount of property taxes that the redevelopment agencies would have received had they not been dissolved pursuant to the Dissolution Act, using assessed values on the last equalized roll on August 20, statutory formulas or contractual agreements with taxing

entities, and deposit such amount in the Redevelopment Property Tax Trust Fund. The Redevelopment Property Tax Trust Fund is administered by the County Auditor-Controller for the benefit of the holders of enforceable obligations and the taxing entities that receive pass-through payments and property tax distributions.

Oversight Board

The Dissolution Act requires successor agencies to create a new Oversight Board to be composed of seven members and to act by majority vote. There are special provisions for appointment of the members for a consolidated city and county, such as the City: three members are appointed by the Mayor of the City and confirmed by the Board of Supervisors, one member by the Superintendent of Schools to represent the schools in the City, one member is appointed by the largest special district (by property tax share) with territory within the territorial jurisdiction of the former redevelopment agency (BART), one member by the Chancellor of the California Community Colleges to represent community college districts in the City, and one member is appointed by the Mayor of the City subject to confirmation by the Board of Supervisors representing employees of the former SFRDA. On January 24, 2012 the Board of Supervisors approved the Mayor's four appointments to the Oversight Board. In accordance with AB 26, the Oversight Board was established by May 1, 2012.

The Oversight Board and the Department of Finance has approved the ROPS for January 1, 2013 to June 30, 2013.

Impact of Dissolution Act and Information concerning SFRDA

Although provisions have been made under the Dissolution Act to provide funds (i.e. property tax revenues) to continue certain enforceable obligations of the Successor SFRDA, the costs of performing its duties under the Dissolution Act, including performing all enforceable obligations of the former SFRDA, and pursing community development goals that the former SFRDA undertook and that are not covered by enforceable obligations are uncertain, and could impose significant costs on the City's general fund not offset by property tax revenues.

The following includes a very brief summary of certain financial and operating information relating to SFRDA. The provisions of the Dissolution Act are unclear as to numerous aspects of the operations and finances of the Successor SFRDA, including but not limited to the administration of enforceable obligations (including bonds), the flow and uses of tax increment moneys and the disposition of SFRDA assets. Therefore, there are significant uncertainties regarding the finances and operations of the Successor SFRDA entity and administration of its bonds once the City became the successor agency to the SFRDA. Interpretations and clarification of AB 26 are likely to come from future State legislation or administrative guidance and court decisions. At present, the City cannot predict many aspects or the overall outcome of AB 26 on the City's finances and the SFRDA bonds; however it is likely that at least certain aspects of the implementation of AB 26 may materially impact the finances of the City and may materially impact the SFRDA bonds. Further, future redevelopment and housing activities in the City that would have been undertaken by the SFRDA had it continued in existence will no longer occur if they are not required under preexisting enforceable obligations.

Commencing with the fiscal year ending June 30, 2012, the City included financial information pertaining to the former SFRDA in the City's audited financial statements.

The City is the Successor SFRDA as of February 1, 2012. The most recent financial statement for the former SFRDA found that the successor agency held total assets of $431,415,194 against total liabilities of $1,095,588,434, including bonds and loans in the amount of $1,063,480,959 as of June 30, 2012.

The former SFRDA had certain investments that were transferred to the Treasurer to hold and invest (use of these funds is subject to various legal restrictions). Such funds will be invested pursuant to the Treasurer's Investment Policy.

Except for a small group of unrepresented employees, the former SFRDA employees are in bargaining groups represented by the International Federation of Professional and Technical Employees (IFPTE) Local 21 and Service Employees International Union (SEIU) Local 1021.

The former SFRDA had approximately 100 employees for fiscal year 2012 who became employees of the Successor SFRDA, and the Successor SFRDA must comply with the former SFRDA's collectively bargained agreements

applicable to these employees until the expiration of those agreements. Wages and benefits payable to employees under those agreements are to be paid as enforceable obligations from the monies in the Redevelopment Property Tax Trust Fund. Under the former SFRDA collectively bargained agreements, the former SFRDA employees currently participate in the California Public Employees Retirement System ("CalPERS") for their pension plan and health care plan and the California Employers' Retiree Trust ("CERBT") Fund to fund other postemployment benefits ("OPEB"). The 2012 financial statement for the former SFRDA reports that unfunded actuarial accrued liability ("UAAL") of the CalPERS plan for the SFRDA employees was $4.1 million as of June 30, 2011 and that the UAAL of the OPEB plan was $12.5 million as of June 30, 2011.

PROPERTY TAXATION

Property Taxation System – General

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

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

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-5 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. The total tax rate shown in Table A-5 includes taxes assessed on behalf of the City as well as SFUSD, SFCCD, the Bay Area Air Quality Management District ("BAAQMD"), and the San Francisco Bay Area Rapid Transit District ("BART"), all of which are legal entities separate from the City. See also, Table A-25: "Direct and Overlapping Debt and Long-Term Obligations" below. In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to the Successor SFRDA. 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 the Successor SFRDA to pay for outstanding and enforceable obligations, causing a loss of tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. The Successor SFRDA received $110 million of property tax increment in fiscal year 2011-12, diverting about $62 million that would have otherwise been apportioned to the City's discretionary general fund. Pursuant to a December 29, 2011 California State Supreme Court ruling, the dissolution of all redevelopment agencies was effective February 1, 2012. The City took steps to manage the transition of the former SFRDA's assets and obligations to the Successor SFRDA. See "San Francisco Redevelopment Agency Dissolution" herein.

The percent collected of property tax (current year levies excluding supplementals) has increased slightly from 97.96% for fiscal year 2010-11 to 98.18% for fiscal year 2011-12. Please note that this table has been modified from the corresponding table in previous disclosures in order to make the levy and collection figures consistent with

statistical reports provided to the State of California. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 804 for fiscal year 2011-12. This compares to 927 in fiscal year 2010-11, 900 in fiscal year 2009-10, and 633 in fiscal year 2008-09. This represents 0.32%, 0.45%, 0.46%, and 0.40% of total parcels in fiscal years 2008-09, 2009-10, 2010-11, and 2011-12, respectively.

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2007-08 through 2012-13
(000s)

Fiscal Year	Net Assessed Valuation (NAV)[1]	% Change from Prior Year	Total Tax Rate per $100[2]	Total Tax Levy[3]	Total Tax Collected[3]	% Collected June 30
2007-08	$130,004,479	8.5%	1.141	$1,509,697	$1,476,650	97.81%
2008-09	141,274,628	8.7%	1.163	1,702,533	1,661,717	97.60%
2009-10	150,233,436	6.3%	1.159	1,808,505	1,764,100	97.54%
2010-11	157,865,981	5.1%	1.164	1,888,048	1,849,460	97.96%
2011-12	158,649,888	0.5%	1.172	1,918,680	1,883,666	98.18%
2012-13	165,043,120	4.0%	1.169	1,929,519	n/a	n/a

[1]

[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 FY 2011-12 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported on Treasurer/Tax Collector Report 100 and reported to the State of California (available on the website of the California State Controller's Office). Total Tax Levy for FY 2012-13 based on NAV times 1.1691% tax rate.

Note: This table has been modifed from the corresponding table in previous bond disclosures to make levy and collection figures consistent with statistical reports provided to the State of California.

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

For fiscal year 2012-13, the total net assessed valuation of taxable property within the City is $165.04 billion. Of this total, $155.28 billion (94.1%) represents secured valuations and $9.76 billion (5.9%) 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 any increase in the assessed value of property, unless it is sold or the structure is improved. The total net assessed valuation of taxable property therefore does not generally reflect the current market value of taxable property within the City and is in the aggregate substantially less than current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in aggregate market values of property.

Under Article 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. Every year, some taxpayers appeal the Assessor's determination of their properties' assessed value, and some of 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. With respect to the fiscal year 2012-13 levy, property owners representing approximately 17.8% of the total assessed valuation in the City filed appeals as of January 31, 2013 for a reduction of their assessed value.

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in appeals as the economy rebounds. Historically, during severe economic downturns, partial reductions of up to approximately 30% of the assessed valuations appealed have been granted. Assessment appeals granted typically result in revenue refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. Other taxing agencies such as SFUSD, 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 addition, 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 appeal reserve fund for fiscal years 2007-08 through 2011-12 are listed in Table A-6 below.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund AAB Reserve
(000s)

Year Ended	Amount Refunded from Discretionary General Fund
June 30, 2008	20,914
June 30, 2009	7,288
June 30, 2010	14,015
June 30, 2011	41,730
June 30, 2012	53,288

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

In Spring 2012, the Assessor granted 21,228 temporary reductions in residential property assessed value worth a total of $2.82 billion (equating to a reduction of about $16.0 million in discretionary general fund taxes), compared to 18,834 temporary reductions with a value of $2.35 billion (equating to a reduction of $13.3 million in discretionary general fund taxes) granted in Spring 2011. The fiscal year 2012-13 $2.82 billion temporary reduction total represented 1.71% of the fiscal year 2012-13 Net Assessed Valuation of $165.04 billion shown in Table A-5. The average temporary reduction in assessed value granted, excluding timeshare properties, increased from $171,388 in 2011 to $175,980 in 2012. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board (AAB) within a certain period of time. For regular, annual secured property tax assessments, the time period for property owners to file an appeal typically falls between July 2nd and September 15th.

As of February 28, 2013, the total number of open appeals before the Assessment Appeals Board (AAB) was 9,386, compared to 9,656 open AAB appeals as of February 28, 2012, including 5,146 filed since July 1, 2012 with the balance pending from prior fiscal years. The difference between the current assessed value and the taxpayers' opinion of values for the open AAB appeals is $38.8 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all of the taxpayers' requests, this represents a negative potential property tax impact of $445.7 million with an impact on the discretionary general fund of $234.6million. The volume of appeals is not necessarily an indication of how many appeals will be granted, nor of the magnitude of the reduction in assessed valuation that the Assessor may ultimately grant. City revenue estimates take into account projected losses from pending and future assessment appeals.

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 Bay Area Air Quality Management District, and BART. The total tax levy for all taxing entities in fiscal year 2012-13 is estimated to produce $1.93 billion, not including supplemental, escape, and special assessments that may be assessed during the year. Of this amount, the City has budgeted to receive $1.078 billion into the General Fund and $119.2 million into special revenue funds designated for children's programs, libraries and open space. The Six Month Report projected property tax revenues into the General Fund to be $14 million above budget. SFUSD and SFCCD are estimated to receive $116.8 million and $21.9 million, respectively, and the local ERAF is estimated to receive $384.4 million (before adjusting for the State's Triple Flip sales tax and vehicle license fees ("VLF") backfill

shifts). The Successor SFRDA is estimated to receive $114.8 million. The remaining portion is allocated to various other governmental bodies, various special funds, general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD, and BART may only be applied for that purpose.

The City's General Fund is allocated about 57% of total property tax revenue before adjusting for the State's Triple Flip (whereby Proposition 57 dedicated 0.25% of local sales taxes, which were subsequently backfilled by a decrease to the amount of property taxes shifted to ERAF from local governments, thereby leaving the State to fund a like amount from the State's General Fund to meet Proposition 98 funding requirements for schools) and VLF backfill shifts.

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. This apportionment 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-7.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
(000s)

Year Ended	Amount Funded
June 30, 2008	14,330
June 30, 2009	16,220
June 30, 2010	17,507
June 30, 2011	17,302
June 30, 2012	17,980

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 ending June 30, 2013 are shown in Table A-8. 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 table.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
Fiscal Year 2012-13
(000s)

Assessee	Location	Parcel Number	Type	Total Assessed Value[1]	% of Basis of Levy[2]
HWA 555 Owners LLC	555 California St	0259 026	Commercial Office	$922,558	0.56%
Paramount Group Real Estate Fund	1 Market St	3713 007	Commercial Office	755,777	0.46%
Emporium Mall LLC	845 Market St	3705 056	Commercial Retail	422,217	0.25%
HD333 LLC	333 Market St	3710 020	Commercial Office	394,666	0.24%
SHC Embarcadero LLC	4 The Embarcadero	0233 044	Commercial Office	389,419	0.24%
Post-Montgomery Associates	165 Sutter St	0292 015	Commercial Retail	379,674	0.23%
S F Hilton Inc	1 Hilton Square	0325 031	Commercial Hotel	376,676	0.23%
SHR St Francis LLC	301-345 Powell St	0307 001	Commercial Hotel	367,002	0.22%
PPF Off One Maritime Plaza LP	300 Clay St	0204 021	Commercial Office	360,181	0.22%
One Embarcadero Center Venture	1 The Embarcadero	0230 028	Commercial Office	337,278	0.20%
				$4,705,447	2.84%

1 - 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.

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

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

Taxation of State-Assessed Utility Property

A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2012-13 valuation of property assessed by the State Board of Equalization is $2.58 billion, as recorded on the fiscal year 2012-13 Certificate of Assessed Valuation.

OTHER CITY TAX REVENUES

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

Business Taxes

Businesses in the City may be subject to two types of taxes. The first is a payroll expense tax, assessed at a rate of 1.5% on gross payroll expense attributable to all work performed or services rendered within the City. The tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. Recent changes to the tax exempted small businesses with annual payroll of less than $250,000 and subjected partnership profit distributions to the tax. The net effect of these provisions was estimated to be approximately $10.5 million in new revenues beginning in fiscal year 2009-10. The City also levies a registration tax on businesses, which varies from $25 to $500 per year per subject business based on the prior year computed payroll tax liability.

Business taxes are projected in the Six Month report to be $460.5 million in fiscal year 2012-13 representing an increase of $7.7 million (1.7%) over fiscal year 2012-13 Original Budget and $22.8 million (5.2%) over fiscal year 2011-12 revenue. The budgeted amount for Business Taxes in fiscal year 2013-14 is $489.8 million representing an increase of $28.3 (6.1%) million over the fiscal year 2012-13 projection. Total business tax revenues include $451.7 million and $480.8 million in payroll taxes projected and budgeted during fiscal years 2012-13 and 2013-14, respectively, and $8.8 million projected in business license registration fees during fiscal year 2012-13 and $9.0 million budgeted during fiscal year 2013-14. The budget for fiscal year 2013-14 payroll tax includes $5.6 million in additional one time revenue resulting from the America's Cup yachting event.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues
Fiscal Years 2008-09 through 2013-14
All Funds
(000s)

Fiscal Year	Revenue	Change	
2008-09	388,654	(7,371)	-1.9%
2009-10	354,020	(34,634)	-8.9%
2010-11	391,779	37,759	10.7%
2011-12	437,677	45,898	11.7%
2012-13 projected	460,512	22,835	5.2%
2013-14 budgeted	489,811	29,299	6.4%

Includes Payroll Tax and Business Registration Tax revenues, and portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, which was $2.36 million in FY 2011-12. Figures for FY 2008-09 through FY 2011-12 are year end actuals. Figures for FY 2012-13 are Six-Month Report projections and FY 2013-14 are Original

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

In April 2011, the Board of Supervisors adopted Ordinance 68-11 that established a payroll expense tax exclusion for certain business located in the Central Market and Tenderloin Area. The Ordinance expires according to its terms in 2019. The Controller projects the loss to the City in payroll expense tax revenue due to Ordinance 68-11 to be approximately $4.2 million annually. Additionally, fiscal year 2011-12 payroll tax amounts include a $3.5 million General Fund loss from a requirement pursuant to Business and Tax Regulations Code Section 906E, that $500 credits be provided to Payroll Tax payers if prior year Payroll Tax revenues grew more than 7.5% from the year before. Fiscal year 2011-12 payroll tax revenues ended the year 11.4% higher than fiscal year 2010-11.

The Gross Receipts Tax and Business Registration Fees Ordinance (Proposition E) was approved by San Francisco voters on November 6, 2012. The ordinance replaces the existing tax which is 1.5% of a business' payroll with a tax on a business' gross receipts at rates that vary by the size and type of business. The new tax structure will be phased-in over a five year period and at the end of the period the gross receipts tax rates will remain fixed. The new tax structure will generate annual tax revenues equal to what would have been generated under the existing tax structure plus the amount of the additional administrative cost of the new system. In addition, the existing business registration fee structure will be replaced by a new higher graduated registration fee structure projected generate a net revenue increase to the City of approximately $28.5 million beginning in fiscal year 2013-14. The gross receipts tax will apply to businesses with $1 million or more in gross receipts, adjusted by the Consumer Price Index going forward. The ordinance increases the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 currently to 15,000. Current payroll tax exclusions will be converted into a gross receipts tax exclusion of the same size, terms and expiration dates.

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 monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue growth is a function of changes in occupancy, average daily room rates (ADR) and room supply. Revenue per available room (RevPAR), the combined effect of occupancy and ADR, reached a historic high of $183 through December of fiscal year 2012-13 (year-to-date). Increases in RevPAR are expected to continue albeit at a slower pace through fiscal year 2013-14. Total hotel tax revenue for fiscal year 2012-13 is projected to be $257.9 million in the Six Month Report and budgeted to be $275.6 million in fiscal year 2013-14.

San Francisco and a number of other jurisdictions in California and the U.S. are currently involved in litigation with online travel companies regarding the companies' duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms. On February 6, 2013, the Los Angeles Superior Court issued a summary judgment concluding that there was no obligation on the part of online travel companies to remit hotel tax to the City. San Francisco is now the fourth City in California to receive a judgment overturning administrative hearings it conducted to require payment from online travel companies. San Francisco has received approximately $63 million in disputed hotel taxes paid by the companies. The portion of these remittances that will be retained or returned, as well as related legal fees and 7% annual interest on any amounts refunded, will depend on developments with these lawsuits.

Because the allocation of hotel tax revenues is set by the Mayor and Board of Supervisors as described in the Administrative Provisions of the Annual Appropriation Ordinance, all of the gain or loss in revenue from budgeted levels falls to the General Fund, contributing to the large variances from prior periods. Table A-10 sets forth a history of transient occupancy tax receipts for fiscal years 2008-09 through 2013-14.

TABLE A -10

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Receipts
Fiscal Years 2008-09 through 2013-14
All Funds
(000s)

Fiscal Year	Tax Rate	Revenue	Change	
2008-09	14.00%	219,777	(5,037)	-2.2%
2009-10	14.00%	192,082	(27,695)	-12.6%
2010-11	14.00%	215,512	23,430	12.2%
2011-12	14.00%	242,843	27,331	12.7%
2012-13 projected	14.00%	257,899	15,056	6.2%
2013-14 budgeted	14.00%	275,557	17,658	6.8%

Figures are all funds. Figures for FY 2008-09 through FY 2011-12 are CAFR actuals plus the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds. Figures for FY 2012-13 are from the Six Month Budget Update published February 12, 2013 and FY 2013-14 amounts are Original Budget.

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

Real Property Transfer Tax

A tax is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources. Current rates are $5.00 per $1,000 of the sale price of the property being transferred for properties valued at $250,000 or less; $6.80 per $1,000 for properties valued more than $250,000 and less than $999,999; $7.50 per $1,000 for properties valued at $1.0 million to $5.0 million; $20.00 per $1,000 for properties valued more than $5.0 million and less than $10.0 million; and $25 per $1,000 for properties valued at more than $10.0 million.

Real property transfer tax revenue in fiscal year 2012-13 is projected to be $224.7 million in the Six Month report, approximately $8.9 million (3.8%) less than the revenue received in fiscal year 2012-13 due to an expected flattening of real property sales from the fiscal year 2011-12 peak. Fiscal year 2013-14 budget for real property transfer tax revenues is $183.1 million, reflecting continued slowing market activity.

Table A-11 sets forth a history of real property transfer tax receipts for fiscal years 2008-09 through 2011-12, projected receipts for fiscal year 2012-13, and budgeted receipts for fiscal year 2013-14.

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2008-09 through 2013-14
(000s)

Fiscal Year	Revenue	Change	
2008-09	48,957	(37,262)	-43.2%
2009-10	83,694	34,737	71.0%
2010-11	135,184	51,489	61.5%
2011-12	233,591	98,407	72.8%
2012-13 projected	224,668	(8,923)	-3.8%
2013-14 budgeted	183,123	(41,545)	-18.5%

Figures for FY 2007-08 through FY 2011-12 are audited actuals. Figures for FY 2012-13 are from the Six Month Budget Update published February 12, 2013 and FY 2013-14 amounts are Original Budget.

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

Sales and Use Tax

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 rate of tax is one percent; however, the State takes one-quarter of this, and replaces the lost revenue with a shift of local property taxes to the City from local school district funding. The local sales tax revenue is deposited in the City's General Fund.

Local sales tax collections in fiscal year 2012-13 are projected to be at $121.9 million in the Six Month report, a minimal increase of $0.2 million from Original Budget and a $4.8 (4.1%) million increase from fiscal year 2011-12 revenue. The Original Budget projects continued revenue growth during fiscal year 2013-14 at $130.0 million, representing a $8.1 (6.7%) million increase over projected receipts in fiscal year 2012-13. The fiscal year 2013-14 budget includes $2.2 million in additional one-time revenue from the America's Cup yacht racing event.

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. Table A-12 reflects the City's actual sales and use tax receipts for fiscal years 2008-09 through 2011-12, projected receipts for fiscal year 2012-13, and budgeted receipts for fiscal year 2013-14, as well as the imputed impact of the property tax shift made in compensation for the one-quarter of the sales tax revenue taken by the State.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Receipts
Fiscal Years 2008-09 through 2013-14
(000s)

Fiscal Year	Tax Rate	City Share	Revenue	Change	
2008-09	9.50%	0.75%	101,662	(9,749)	-8.8%
2008-09 adj.*	9.50%	1.00%	137,415	(11,314)	-7.6%
2009-10	9.50%	0.75%	96,605	(5,057)	-5.0%
2009-10 adj.*	9.50%	1.00%	128,286	(9,129)	-6.6%
2010-11 **	9.50%	0.75%	106,302	9,698	10.0%
2010-11 adj.*	9.50%	1.00%	140,924	12,639	9.9%
2011-12	8.50%	0.75%	117,071	10,769	10.1%
2011-12 adj.*	8.50%	1.00%	155,466	14,542	10.3%
2012-13 *projected*	8.50%	0.75%	121,914	4,843	4.1%
2012-13 adj.* projected	8.50%	1.00%	161,244	5,778	3.7%
2013-14 *budgeted*	8.50%	0.75%	130,023	8,109	6.7%
2013-14 adj.* *budgeted*	8.50%	1.00%	170,453	9,209	5.7%

*Adjusted figures represent the value of the entire 1.00% local sales tax, which was reduced by 0.25% beginning in fiscal year 2004-05 in order to repay the State's Economic Recovery Bonds as authorized under Proposition 57 in March 2004. This 0.25% reduction is backfilled by the State.

**In November, 2012, voters approved Proposition 30, which temporarily increases the state sales tax rate by 0.25% effective January 1, 2013 through December 31, 2016. The City share did not change.

Figures for FY 2007-08 through FY 2011-12 are audited actuals. Figures for FY 2012-13 are from the Six Month Budget Update published February 12, 2013 and FY 2013-14 amounts are Original Budget.

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

Utility Users Tax

The City imposes a 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services. The Telephone Users Tax ("TUT") applies to charges for all telephone communications services in the City to the extent permitted by Federal and State law, including intrastate, interstate, and international telephone services, cellular telephone services, and voice over internet protocol (VOIP). Telephone communications services do not include Internet access, which is exempt from taxation under the Internet Tax Freedom Act.

Fiscal year 2012-13 Utility User Tax revenues are projected at $93.7 million in the Six Month report, representing a $1.8 (2.0%) million increase from Original Budget and $2.0 million (2.2%) above prior year actual revenues. Utility User Tax revenue is budgeted to remain flat in fiscal year 2013-14 at $93.7 million.

Emergency Response Fee; Access Line Tax

The City imposes an Access Line Tax ("ALT") on every person who subscribes to telephone communications services in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. It applies to each telephone line in the City and is collected from telephone communications service subscribers by the telephone service supplier. The tax does not apply to wireless telephone communications services. Access Line Tax revenues are projected in the Six Month report to be $40.3 million, $2.7 (6.2%) million less than Original Budget and $0.7 (1.7%) million less than fiscal year 2011-12 revenue. ALT revenues are budgeted at $44.3 million in fiscal year 2013-14 an increase of $4.0 (9.0%) million from the fiscal year 2012-13 Six Month report projection. The budget assumed the bottoming out of revenue in fiscal year 2011-12 from declines in the previous two years would stabilize.

Parking Tax

A 25% tax is imposed on the charge for off-street parking spaces. The tax is authorized by the San Francisco Business and Tax Regulation Code. The tax is paid by the occupants of the spaces, and then remitted monthly to the City by the operators of the parking facilities.

Fiscal year 2012-13 Parking Tax is projected at $80.0 million in the Six Month report, $3.5 (4.6%) million more than original budget and $3.4 (4.4%) million above fiscal year 2011-12. The recovery in business activity and employment as reflected in increases to payroll and sales tax revenues is driving increases in parking tax revenues.

Original Budget for fiscal year 2013-14 parking tax revenue is $78.8 million, a $2.3 million increase (3.0%) from fiscal year 2012-13 Original Budget and $1.2 million (1.5%) reduced from the fiscal year 2012-13 projection. Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit as mandated by Charter Section 16.110.

INTERGOVERNMENTAL REVENUES

1991 Health and Welfare Realignment

In fiscal year 1991-92, the State transferred to counties the responsibility for determining service levels and administering most mental health, public health and some social service programs, thereby reducing the State's obligations. The State also increased its share of certain welfare costs formerly borne by counties. In order to meet these obligations, counties share in the proceeds of a 0.5% statewide sales tax and a portion of vehicle license fees ("VLF"). In fiscal year 2012-13 these sources are projected to provide $164.9 million to the General Fund which constitutes an increase of $24.9 (17.8%) million from fiscal year 2011-12 and a $14 (8.5%) million increase from fiscal year 2012-13 Original Budget. These increases are a result of the combined effect of a large one-time back payment of statewide sales tax revenue for several years of social services caseload growth, and funding shifts related to state realignment completed in fiscal year 2011-12. Original Budget fiscal year 2013-14 Original Budget for these sources is $155.2 million, a decrease of $8.7 (5.3%) million reflecting the loss of the one-time state sales tax back payment mitigated by continued improvement in state sales tax revenue. VLF collections are expected to remain flat during fiscal years 2012-13 and 2013-14.

Public Safety Sales Tax

State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. This revenue is a function of the City's proportionate share of statewide sales activity. Revenue from this source for fiscal year 2012-13 was projected to be $81.2 million in the Six Month report an increase of $6.2 million (6.0%) from fiscal year 2011-12 and $2.2 (2.8%) million more than fiscal year 2012-13 Original Budget. In fiscal year 2013-14 revenue from this subvention is budgeted at $81.7 million reflecting a modest $0.5 million (0.6%) increase from fiscal year 2012-13 projections.

Other Intergovernmental Grants and Subventions

In addition to those categories listed above, $548.7 million was projected in the Six Month report from grants and subventions from State and federal governments to fund public health, social services, and other programs in the General Fund. This represents a $13.6 million (2.5%) increase from fiscal year 2011-12 and a $ 0.6 million (0.1%) reduction from fiscal year 2012-13 Original Budget. The Original Budget in the General Fund for fiscal year 2013-14 is $569.5 million which is a $20.8 million (3.8%) increase from the fiscal year 2012-13 projection. A large portion of the budgeted increase in fiscal year 2013-14 is the removal of a $15.0 million allowance for unspecified funding reductions in fiscal year 2012-13.

Charges for Services

Charges for services in the General Fund in fiscal year 2012-13 are projected to be $151.7 million in the Six Month report and budgeted at $159.7 million for fiscal year 2013-14, representing growth of $16.9 million (12.5%) and $8.0 million (5.3%) respectively from prior year.

Fiscal year 2012-13 growth reflects Fire Department ambulance billing recoveries increases over fiscal year 2011-12 due to AB 678 - Medi-Cal: Ground Emergency Medical Transport, passed by the State legislature in 2011.

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

Unique among California cities, San Francisco as a charter city and county must provide 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 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 upwards of 50% of all City expenditures. In addition, the Charter imposes certain baselines, mandates, and property tax set-aside, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including MTA, children's services and public education, and libraries. Budgeted baseline and mandated funding in fiscal year 2012-13 is $661.6 million in fiscal year 2012-13 and $697.7 million in fiscal year 2013-14. The Six Month report projected that improved general revenues result in these baseline and mandated funding transfers to be increased by $8.9 million compared to budget in fiscal year 2012-13.

General Fund Expenditures by Major Service Area

San Francisco is a consolidated city and county, and budgets General Fund expenditures for both city and county functions in seven major service areas described in table A-13:

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO
Expenditures by Major Service Area
Fiscal Years 2008-09 through 2013-14
(000s)

Major Service Areas	FY 2008-09 Original Budget	FY 2009-10 Original Budget	FY 2010-11 Original Budget	FY 2011-12 Original Budget	FY 2012-13 Original Budget	FY 2013-14 Original Budget
Public Protection	$899,378	$955,519	$947,327	$998,237	$1,058,689	$1,087,646
Human Welfare & Neighborhood Development	654,162	642,810	655,026	672,834	670,375	679,154
Community Health	513,858	488,330	519,319	575,446	609,892	620,199
General Administration & Finance	182,139	177,892	169,526	199,011	197,994	207,196
Culture and Recreation	104,232	95,114	97,510	100,740	111,066	113,787
General City Responsibilities	78,524	104,476	103,128	110,725	145,560	144,666
Public Works, Transportation & Commerce	53,143	33,414	26,989	51,588	67,529	64,921
Total	$2,485,436	$2,497,555	$2,518,824	$2,708,581	$2,861,106	$2,917,569

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. These departments are budgeted to receive $373.3 million, $212.0 million and $137.1 million of General Fund support respectively in fiscal year 2012-13 and $390.3 million, $215.8 million, and $140.0 million respectively in fiscal year 2013-14. Within Human Welfare & Neighborhood Development, the Department of Human Services, which includes aid assistance and aid payments and City grant programs, is budgeted to receive $231.0 million of General Fund support in the fiscal year 2012-13 and $236.1 million in fiscal year 2013-14.

The Public Health Department is budgeted to receive $446.6 million in General Fund support for public health programs and the operation of San Francisco General Hospital and Laguna Honda Hospital in fiscal year 2012-13 and $511.7 million in fiscal year 2013-14. As of the Fiscal Year 2012-13 Six Month report, the Department of Public Health projected ending the fiscal year with a net General Fund deficit of $45.9 million. This deficit may be partially offset by year end if potential revenues from prior-year settlements and other reimbursements are received in the current year. Overall revenues are projected to be $22.7 million less than budgeted and expenditures are projected to be $23.1 million higher than budgeted.

For budgetary purposes, enterprise funds 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 Grants Fund, the General Hospital Fund, and the Laguna Honda Hospital Fund. The MTA is classified as a self-supported fund, although it is budgeted pursuant to a formula under the Charter to receive a $213.3 million General Fund transfer in the fiscal year 2012-13 Original Budget.

Baselines

The Charter requires funding for baselines and other mandated funding requirements. The chart below identifies the required and budgeted levels of appropriation funding for key baselines and mandated funding requirements. Revenue-driven baselines are based on the projected aggregate City discretionary revenues, whereas expenditure-driven baselines are typically a function of total spending.

TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO

Baselines & Set-Asides

Fiscal Years 2012-13 & 2013-14

(Millions)

Baselines & Set-Asides	FY 2012-13 Required Baseline	FY 2012-13 Original Budget	FY 2013-14 Required Baseline	FY 2013-14 Original Budget
Municipal Transportation Authority	$154.86	$154.86	$160.63	$160.63
Parking and Traffic Commission	58.07	58.07	60.23	60.23
Children's Services	115.21	127.21	119.49	126.76
Library Preservation	52.95	52.95	54.92	54.92
Public Education Enrichment Funding				
Unified School District	32.66	32.66	33.92	33.92
First Five Commission	17.70	17.70	18.38	18.38
City Services Auditor	12.36	12.36	12.45	12.45
Human Services Homeless Care Fund	13.71	13.71	13.71	13.71
Property Tax Related Set-Asides				
Municipal Symphony	2.03	2.03	2.12	2.12
Children's Fund Set-Aside	44.72	44.72	46.03	46.03
Library Preservation Set-Aside	37.27	37.27	38.36	38.36
Open Space Set-Aside	37.27	37.27	38.36	38.36
Staffing and Service-Driven				
Police Minimum Staffing	Requirement potentially not met during course of budget year		Requirement potentially not met during course of budget year	
Fire Neighborhood Firehouse Funding	Requirement met		Requirement met	
Treatment on Demand	Requirement not met		Requirement not met	
Total Baseline Spending	**$585.51**	**$597.51**	**$605.55**	**$612.82**

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

With respect to Police Department staffing, the Charter mandates a police staffing baseline of not less than 1,971 full-duty officers. The Charter-mandated baseline staffing level may be reduced in cases where civilian hires result in the return of a full-duty officer to active police work. The Charter also provides that the Mayor and Board of Supervisors may convert a position from a sworn officer to a civilian through the budget process. With respect to the Fire Department, the Charter mandates baseline 24-hour staffing of 42 firehouses, the Arson and Fire Investigation Unit, no fewer than four ambulances, and four Rescue Captains (medical supervisors).

Reserves

The City's fiscal year 2012-13 budget includes reserves that are available for appropriation to City departments by action of the Board of Supervisors, including the General Reserve ($32.2 million), the Salaries and Benefit Reserve ($13.1 million), and the Litigation Reserve ($11.0 million)Original Budget. These are the fiscal year 2012-13 appropriations to the reserves and do not include carry-forward of prior year balances.

The Charter requires some set-asides of departmental expenditure savings in the form of a Citywide Budget Savings Incentive Reserve and a Recreation and Park Budget Savings Incentive Reserve.

See "Budgetary Reserves and Economic Stabilization and Limitations on Use of Selected Nonrecurring Revenues."

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents approximately 50% of the City's expenditures, totaling $3.5 billion in the fiscal year 2011-12 Original Budget (all-funds), and $3.8 billion and $4.0 billion in the fiscal year 2012-13 and fiscal year 2013-14 budgets. Looking only at the General Fund, the combined salary and benefits budget was $1.7 billion in the fiscal year 2011-12 Original Budget and $1.8 billion per year in the fiscal year 2012-13 and fiscal year 2013-14 budgets. 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-retirement health and medical benefits. Employees of SFUSD, SFCCD and the San Francisco Superior Court are not City employees.

Labor Relations

The City's budget for fiscal years 2012-2013 and 2013-2014 includes 31,407 and 32,659 budgeted City positions, respectively. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union ("SEIU"), Local 1021; the International Federation of Professional and Technical Engineers (the "IFPTE"), Local 21; and the unions representing police, fire, deputy sheriffs and transit workers.

The wages, hours and working conditions of City employees are determined by collective bargaining pursuant to State law (California Government Code Sections 3500-3511, the "Meyers-Milias-Brown Act") and the Charter. Except for nurses and a few hundred unrepresented employees, the Charter requires that bargaining impasses be resolved through final and binding interest arbitration conducted by a panel of three arbitrators. The award of the arbitration panel is final and binding unless legally challenged. Wages, hours and working conditions of nurses are not subject to interest arbitration, but are subject to Charter-mandated economic limits. In addition, in November 2010, the voters in the City approved Proposition G, which requires that disputes regarding the wages, hours and working conditions of transit operators be resolved through a final and binding interest arbitration proceeding. Strikes by City employees are prohibited by the Charter. Since 1976, no City employees have participated in a union-authorized strike.

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

In May 2012, the City negotiated two-year agreements (for fiscal years 2012-13 and 2013-14) with most of its labor unions.[1] In general, the parties agreed to: 1) reforms and/or elimination of certain pay premiums; and 2) some structural reforms of the City's healthcare benefit and cost-sharing structures by having employees contribute more toward the cost of enrolling in "employee only" health benefits during the term of the 2 year contract. SEIU "miscellaneous" employees and staff nurses agreed to healthcare benefit reforms that will take place beyond the term of the July 1, 2012 through June 30, 2014 contract.

City employees, who are in non-Police, Fire and Nurse classifications will receive a base wage increase for the first time since 2008, as follows: 1% on July 1, 2013; 1% on January 4, 2014 and 1% on March 29, 2014. The two SEIU-represented units' wage increases differ, as follows: SEIU "miscellaneous" employees will receive 2% on January 4, 2014 and 1% on March 29, 2014 and the SEIU Staff Nurses will receive 3% on March 29, 2014.

On February 1, 2012, the City became the successor agency to the dissolved SFRDA (the "Successor SFRDA"). As a successor agency, the City acquired approximately 100 former SFRDA employees, who are covered by various Memoranda of Agreement. On March 29th, 2012, the Successor Agency and the unions representing former SFRDA employees signed a Letter of Agreement facilitating continuing staffing arrangements for active projects. Approximately half of the former SFRDA employees were retained and transferred to the Successor Agency. Negotiations for successor agreements on remaining terms are continuing. The existing contracts remain in place until an agreement has been reached. See "City Budget – San Francisco Redevelopment Agency Dissolution" above.

Pursuant to Charter Section 8A.104, the MTA is responsible for negotiating contracts for the transit operators and employees in service-critical bargaining units. These contracts are subject to approval by the MTA Board. The MTA and the union representing the transit operators (TWU, Local 250-A) agreed to a three-year successor agreement that expires on June 30, 2014. The concessions are valued at $41.1 million dollars over the life of the agreement. Table A-14 shows the membership of each operating employee bargaining unit and the date the current labor contract expires.

[1] The City's labor contracts with the Police Officers' Association, Firefighters' union and their related management classes, represented by the Municipal Executives' Association, will not expire until June 30, 2015. The City negotiated a three-year agreement with the Supervising Nurses (July 1, 2012 through June 30, 2015).

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of July 1, 2012

Organization	Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	400	June 30, 2014
Bricklayers, Local 3/Hod Carriers, Local 36	18	June 30, 2014
Building Inspectors Association	77	June 30, 2014
Carpenters, Local 22	110	June 30, 2014
Carpet, Linoleum & Soft Tile	2	June 30, 2014
CIR (Interns & Residents)	230	June 30, 2014
Cement Masons, Local 580	33	June 30, 2014
Deputy Sheriffs Association	865	June 30, 2014
District Attorney Investigators Association	39	June 30, 2014
Electrical Workers, Local 6	817	June 30, 2014
Glaziers, Local 718	10	June 30, 2014
International Alliance of Theatrical Stage Employees, Local 16	18	June 30, 2014
Ironworkers, Local 377	15	June 30, 2014
Laborers International Union, Local 261	1007	June 30, 2014
Municipal Attorneys' Association	432	June 30, 2014
Municipal Executives Association	1068	June 30, 2014
MEA - Police Management	2	June 30, 2015
MEA - Fire Management	9	June 30, 2015
Operating Engineers, Local 3	57	June 30, 2014
Painters	121	June 30, 2014
Pile Drivers, Local 34	18	June 30, 2014
Plumbers, Local 38	340	June 30, 2014
Probation Officers Association	159	June 30, 2014
Professional & Technical Engineers, Local 21	4733	June 30, 2014
Roofers, Local 40	11	June 30, 2014
S.F. Institutional Police Officers Association	2	June 30, 2014
S.F. Firefighters, Local 798	1729	June 30, 2015
S.F. Police Officers Association	2421	June 30, 2015
SEIU, Local 1021	10992	June 30, 2014
SEIU, Local 1021 Staff & Per Diem Nurses	1514	June 30, 2014
SEIU, Local 1021 H-1 Rescue Paramedics	12	June 30, 2013
Sheet Metal Workers, Local 104	47	June 30, 2014
Stationary Engineers, Local 39	662	June 30, 2014
Supervising Probation Officers, Operating Engineers, Local 3	23	June 30, 2014
Teamsters, Local 853	158	June 30, 2014
Teamsters, Local 856 (Multi-Unit)	103	June 30, 2014
Teamsters, Local 856 (Supervising Nurses)	119	June 30, 2015
TWU, Local 200 (SEAM multi-unit & claims)	316	June 30, 2014
TWU, Local 250-A Auto Service Workers	193	June 30, 2014
TWU-250-A Miscellaneous	94	June 30, 2014
TWU-250-A Transit Operators	2103	June 30, 2014
Union of American Physicians & Dentists	190	June 30, 2015
Unrepresented Employees	138	June 30, 2013
Total	31,407 [1]	

[1] Budgeted positions do not include SFUSD, SFCCD, or Superior Court Personnel.

Source: Department of Human Resources - Employee Relations Division, City and County of San Francisco.

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

History and Administration

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

The Retirement System is administered by the Retirement Board consisting of seven members, three appointed by the Mayor, three elected from among the members of the Retirement System, at least two of whom must be actively employed, and a member of the Board of Supervisors appointed by the President of the Board of Supervisors. [City Charter Section 12.100]

To aid in the administration of the Retirement System, the Retirement Board appoints an Executive Director and an Actuary. [City Charter Section 12.100] The Executive Director serves as chief executive officer, with responsibility extending to all divisions of the Retirement System. [City Charter Section 12.100] The Actuary's responsibilities include the production of data and a summary of plan provisions for the independent consulting actuarial firm retained by the Retirement Board to prepare an annual valuation report and other analyses as described below. The independent consulting actuarial firm is currently Cheiron, Inc., a nationally recognized firm selected by the Retirement Board pursuant to a competitive process.

In 2010, the Retirement System filed an application with the Internal Revenue Service ("IRS") for a Determination Letter. In March 2012, IRS issued a favorable Determination Letter for SFERS. Issuance of a Determination Letter constitutes a finding by the IRS that operation of the defined benefit plan in accordance with the plan provisions and documents disclosed in the application qualifies the plan for federal tax exempt status. A tax qualified plan also provides tax advantages to the City and to members of the Retirement System. The favorable Determination Letter included IRS review of all SFERS provisions, including the new provisions of Proposition C approved by the City voters in November 2011.

Membership

The Retirement System estimates that the total active membership as of July 1, 2012 (the date of most recent valuation report) was 33,655, compared to 33,475 members a year earlier. Active membership includes 4,543 vested members and 1,015 reciprocal members. Vested members are individuals who (i) have separated from City service, (ii) have worked for the City for five or more years, and (iii) have elected to receive a deferred vested pension in the future. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. The total new enrollees in the Retirement System were 2,228 in fiscal year 2011-12 and 2,055 in fiscal year 2010-11. Retirement allowances are paid to approximately 25,000 retired members and beneficiaries monthly. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Beginning July 1, 2008, the Retirement System had a Deferred Retirement Option Program (DROP) program for Police Plan members who were eligible and elected participation. The program "sunset" on June 30, 2011. A total of 354 eligible Police Plan members elected to participate in DROP during the three-year enrollment window. As of June 30, 2012, approximately 184 police officers are enrolled in the program and all will retire over the next two fiscal years.

Table A-16 shows total Retirement System participation for fiscal years 2007-08 through 2011-12.

TABLE A-16

CITY AND COUNTY OF SAN FRANCISCO
Employees' Retirement System
Fiscal Years 2007-08 through 2011-12

As of 1-Jul	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
2008	30,650	3,877	869	35,396	21,514	1.425
2009	29,919	4,096	890	34,905	22,294	1.342
2010	28,222	4,515	978	33,715	23,500	1.201
2011	27,955	4,499	1,021	33,475	24,292	1.151
2012	28,097	4,543	1,015	33,655	25,190	1.115

Sources: SFERS' Actuarial Valuation reports as of July 1, 2012, July 1, 2011, July 1, 2010, July 1, 2009, and July 1, 2008.

Funding Practices

The annual actuarial valuation of the Retirement System is a joint effort of the Retirement System and its independent consulting actuarial firm. The City Charter proscribes certain actuarial methods and amortization periods to be used by the Retirement System in preparing the actuarial valuation. [City Charter Sections 12.100 and A8.510] Before the valuation is conducted, the consulting actuarial firm recommends three long-term economic assumptions: a long-term investment earnings assumption, a long-term wage/inflation assumption and a long-term consumer price index assumption.

At its December 2011 meeting, after review of the analysis and recommendation prepared by the consulting actuarial firm, the Retirement Board voted to phase in reductions to the Retirement System's long-term investment earnings assumption, long-term wage/inflation assumption and long-term consumer price index assumption over a three-year period as follows: long-term investment earnings assumption from 7.75% to 7.50% (fiscal year 2011-12 to 7.66%; fiscal year 2012-13 to 7.58%; fiscal year 2013-14 to 7.50%); long-term wage inflation assumption from 4.00% to 3.75% (fiscal year 2011-12 to 3.91%; fiscal year 2012-13 to 3.83%; fiscal year 2013-14 to 3.75%); and long-term consumer price index assumption from 3.50% to 3.25% (fiscal year 2011-12 to 3.41%; fiscal year 2012-13 to 3.33%; fiscal year 2013-14 to 3.25%). These economic assumptions together with demographic assumptions based on periodic demographic studies are utilized to prepare the actuarial valuation of the Retirement System each year. Upon receipt of the consulting actuarial firm's valuation report, Retirement System staff provides a recommendation to the Retirement Board for their acceptance of the consulting actuary's valuation report. In connection with such acceptance, the Retirement Board acts to set the annual employer contribution rates required by the Retirement System as determined by the consulting actuarial firm and approved by the Retirement Board. [City Charter Section A8.510]

The consulting actuarial firm and the Retirement Board set the actuarially required employer contribution rate using three related calculations:

First, the normal cost is established for the Retirement System. The normal cost of the Retirement System represents the portion of the actuarial present value of benefits that SFERS will be expected to fund that is attributable to a current year's employment. The Retirement System uses the entry age normal cost method, which is an actuarial method of calculating the anticipated cost of pension liabilities, designed to fund promised benefits over the average future life of the Retirement System members.

Second, the contribution calculation takes account of the amortization of a portion of the amount by which the actuarial value of Retirement System liabilities exceeds the actuarial value of Retirement System assets, such amount being known as an "unfunded accrued actuarial liability" or "UAAL."

The UAAL is the difference between estimated liabilities and the value of smoothed plan assets and can be thought of as a snapshot of the funding of benefits as of the valuation date. There are a number of assumptions and

calculation methods that bear on each side of this asset-liability comparison. On the asset side, the actuarial value of Retirement System assets is calculated using a five-year smoothing technique, so that gains or losses in asset value are recognized over that longer period rather than in the immediate time period such gain or loss is identified. As for calculating the pension benefit liability, certain assumptions must be made about future costs of pension benefits to generate an overall liability amount. If the Retirement System's results are better or worse than the estimated UAAL, the result is called an actuarial gain or loss, respectively, and under the Retirement Board's Actuarial Methods Policy any such gain or loss is amortized over a 15-year period. Similarly, if the estimated liabilities change due to changes in the aforementioned assumptions, the effect of such changes is also amortized over a 15-year period.

Third, after calculating the normal cost and the adjustment for UAAL, the consulting actuarial firm amortizes supplemental costs associated with the various SFERS benefit plans. Supplemental costs are additional costs resulting from the past service component of SFERS benefit increases. In other words, when the Charter is amended to extend additional benefits to some or all beneficiaries of the Retirement System, the Retirement System's payment liability is increased by the amount of the new benefit earned in connection with the service time already accrued by the then-current beneficiaries. These supplemental costs for each beneficiary are amortized over no more than 20 years.

The consulting actuarial firm combines the three calculations described above to arrive at a total contribution requirement for funding the Retirement System in that fiscal year. This total contribution amount is satisfied from a combination of employer and employee contributions. Employee contribution rates are mandated by the Charter. [e.g. City Charter Section A8.587-8(a)] 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. The employer contribution rate is established by Retirement Board action each year and is expressed as a percentage of salary applied to all wages covered under the Retirement System. The most recent voter-approved retirement changes are described below.

Prospective purchasers of the City's bonds should carefully review and assess the assumptions regarding the performance of the Retirement System. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the City's bonds 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.

Recent Voter Approved Changes to the Retirement Plan

The levels of SFERS plan benefits are established under the Charter and approved directly by the voters, rather than through the collective bargaining process. Changes to retirement benefits require a voter-approved Charter amendment. Recent changes to SFERS plan benefits have been intended to reduce pension costs associated with future City employees. For example, in November 2011, the voters of San Francisco approved Proposition C, which

a) created new SFERS benefit plans for Miscellaneous and Safety employees commencing employment on or after January 7, 2012, which raise the minimum service retirement age for Miscellaneous members from 50 to 53; limit covered compensation to 85% of the IRC §401(a)(17) limits for Miscellaneous members and 75% of the IRC §401(a)(17) limits for Safety members; calculate final compensation using highest three-year average compensation; and decrease vesting allowances for Miscellaneous members by lowering the City's funding for a portion of the vesting allowance from 100% to 50%;

b) provided that employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;

c) effective July 1, 2012, provides for an increase or decrease of employee contributions to SFERS for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. (For example, Miscellaneous employees who earn less than $50,000 per year would pay the minimum Charter-mandated employee contribution rate; Miscellaneous employees who earn between $50,000 and $100,000 per year would pay a fluctuating contribution rate in the range of +4% to -4% of the Charter-mandated employee contribution rate; and Miscellaneous employees who earn $100,000 or more per year would pay a fluctuating contribution rate in the range of +5% to -5% of the Charter-mandated employee contribution rate. Similar fluctuating employee contributions are required from Safety employees also); and

d) provides that, effective July 1, 2012, no Supplemental COLA will paid unless SFERS is fully funded on a market value of assets basis and, for employees hired on or after January 7, 2012, Supplemental COLA benefits will not be permanent adjustments to retirement benefits - in any year when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

The impact of Proposition C is incorporated in the actuarial valuations beginning with the July 1, 2012 Actuarial Valuation report.

Since 2008, the voters of San Francisco have approved three other retirement plan amendments:

- Proposition D enacted in June 2010, which enacted new SFERS retirement plans for Miscellaneous and Safety employees commencing on or after July 1, 2010, which changed average final compensation used in the benefit formula from highest one-year average compensation to highest two-year average compensation, increased the employee contribution rate for City safety and CalPERS members hired on or after July 1, 2010 from 7.5% of covered pay to 9.0%, and provides that, in years when the City's required contribution to SFERS is less than the employer normal cost as described above, the amount saved would be deposited into the Retiree Health Care Trust Fund.

- The enactment of DROP, a Deferred Retirement Option Program available to certain police members effective July 1, 2008, authorized by City voters' approval on an initiative proposition in the February 2008 election. In June 2011, the Board of Supervisors voted to allow the program to sunset on June 30, 2011

- Proposition B enacted in June 2008 which increased the years of service required for City employees hired after January 10, 2009 to qualify for employer-funded retiree health benefits, established a separate Retiree Health Care Trust Fund to fund retiree health costs, and increased retirement benefits and retirement cost-of-living adjustments for "miscellaneous" employees (i.e., those covered under Charter Section A8.409).

SFERS Recent Funding Performance and City Employer Contribution History

From fiscal year 1996-97 through fiscal year 2003-04, the City's contribution to the Retirement System was zero as determined by the consulting actuarial firm of the Retirement System and adopted by the Retirement Board. The zero percent employer funding requirements for this period was due primarily to higher-than-projected investment earnings and lower-than-projected wage increases. Beginning in fiscal year 2004-05, the Retirement Board reinstated required employer contributions based on the funding requirements as determined by the consulting actuarial firm in the manner described above in "Funding Practices." In fiscal year 2011-12, total City employer contributions to the Retirement System were $288 million, which was 18.09% of that portion of members' earned wages that are includable for calculation and contribution purposes ("Pensionable Salary"). This amount includes $129 million from the City General Fund. For the fiscal year 2012-13 total City employer contributions to the Retirement System are budgeted at $375 million, which is 20.71% of Pensionable Salary. This amount includes $185 million from the General Fund. The latest actuarial report as of July 1, 2012 provides that future employer contribution rates are projected to increase to 28% for fiscal year 2014-2015 as the Retirement System recognizes the 2011 economic assumption changes and the losses incurred by the Retirement System in fiscal years 2007-2008 and 2008-2009.

Table A-17 shows Retirement System contributions for fiscal years 2007-08 through 2011-12. "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 value of assets held in trust adjusted according to the Retirement System's actuarial methods as summarized above. "Pension Benefit Obligation" reflects the accrued actuarial liability of the Retirement System. The "Market Funded" column is determined by dividing the market value of assets by the Pension Benefit Obligations. The "Actuarial Funded" column is determined by dividing the actuarial value of assets by the Pension Benefit Obligations. "Employee and Employer Contributions" reflects the total of mandated employee contributions and employer Actuarial Retirement Contributions received by the Retirement System for fiscal years 2006-07 through 2011-12.

TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO
Employee Retirement System (in $000s)
Fiscal Years 2007-08 through 2011-12

As of 1-Jul	Market Value of Assets	Actuarial Value of Assets	Pension Benefit Obligation	Percent Funded	Employee & Employer Contribution	Employer Contribution Rates[1]
2007	16,952,044	14,929,287	13,541,388	110.0	308,348	6.24%
2008	15,832,521	15,941,390	15,358,824	103.8	319,183	5.91%
2009	11,886,729	16,004,730	16,498,649	97.0	312,715	4.99%
2010	13,136,786	16,069,100	17,643,400	91.1	413,562	9.49%
2011	15,598,839	16,313,100	18,598,700	87.7	490,578	13.56%
2012	15,293,700	16,027,700	19,393,900	82.6	608,957	18.09%

[1] Employer contribution rates for fiscal years 2012-2013 and 2013-2014 are 20.71% and 24.82% respectively.

Sources: SFERS' audited financial statements and supplemental schedules June 30, 2012, 2011, 2010, 2009, and 2008.
SFERS' Actuarial Valuation report as of July 1, 2012, July 1, 2011, July 1, 2010, July 1, 2009, and July 1, 2008.

Table A-17 reflects that the Percent Funded ratio (that is, the Actuarial Value of Assets divided by the Pension Benefit Obligation) decreased to 82.6%, corresponding to an unfunded actuarial liability (UAAL) of approximately $3.4 billion. The UAAL is the difference between the Actuarial Value of Assets and the total Pension Benefit Obligation. This means that as of June 30, 2012, for every dollar of pension benefits the City is obligated to pay, it had approximately $0.83 in assets available for payment.

Asset Management and Actuarial Valuation

The assets of the Fund are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships. See page 68 of the CAFR, attached as Appendix B to this Official Statement, for a breakdown of the asset allocation as of June 30, 2012. The Fund does not hold hedge funds. 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, 30 Van Ness Avenue, Suite 3000, San Francisco, California 94102, or by calling (415) 487-7020. Certain documents are available at the Retirement System website at www.sfers.org. The information available on the Retirement System's website is not incorporated herein by reference.

Recent Changes in the Economic Environment and the Impact on the Retirement System

As of February 28, 2013, the Retirement System estimated that the market value of its assets was approximately $16.7 billion. The estimated market value represents, 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 more or less. 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 not subject to audit (other than at year end).

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. Such payment from the General Fund equaled $18.1 million in fiscal year 2009-10 and $17.6 million in fiscal year 2010-11. For fiscal year 2011-12, the City prepaid its annual CalPERS obligation at a level of $23.4 million. Further discussion of the City's CalPERS plan obligations are summarized in Note 9 to the City's CAFR, as of June 30, 2012, attached to this Official Statement as Appendix B. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – *Post-Employment Health Care Benefits and GASB 45*."

Medical Benefits

Administration through Health Service System; Audited System Financial Statements

Medical 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 City's Health Service System (the "Health Service System" or "HSS") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the Health Service System also administers medical benefits to active and retired employees of SFUSD, SFCCD, and the San Francisco Superior Court (collectively the "System's Other Beneficiaries"). However, the City is not required to fund medical benefits for the System's Other Beneficiaries and therefore this section focuses on the funding by the City of medical benefits for City Beneficiaries. With the transition of the SFRDA employees to the City budget, the benefits for these employees continue to be provided by CalPERS.

The Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The seven member Health Service Board is composed of members including a seated member of the City's Board of Supervisors, appointed by the Board President; an individual who regularly consults in the health care field, appointed by the Mayor; a doctor of medicine, appointed by the Mayor; and until May 15, 2013, four members of the Health Service System, active or retired, elected from among their members. After May 15, 2013 one of the members elected from among the members will be replaced by a member nominated by the Controller and approved by the Health Service Board (See Proposition C below).The plans (the "HSS Medical Plans") for providing medical care to the City Beneficiaries and the System's Other Beneficiaries (collectively, the "HSS Beneficiaries") are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

The Health Service System oversees a trust fund (the "Health Service Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the HSS Beneficiaries are funded. The Health Service System issues annually a publicly available, independently audited financial report that includes financial statements for the Health Service Trust Fund. This report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Second Floor, San Francisco, California 94103, or by calling (415) 554-1727. Audited annual financial statements for several years are also posted in the Health Service System website: www.myhss.org/finance. The information available on such website is not incorporated in this Official Statement by reference.

As presently structured under the City Charter, the Health Service Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "OPEB trust fund"). Thus, the Health Service Trust Fund is not currently affected by Governmental Accounting Standards Board ("GASB") Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 45"), which applies to OPEB trust funds.

Determination of Employer and Employee Contributions for Medical Benefits

Contributions by the participating employers and HSS Beneficiaries to HSS Medical Plans are determined according to applicable provisions of the Charter. To the extent annual medical premiums exceed the contributions made by employers and HSS Beneficiaries as required by the Charter, such excess must be paid by HSS Beneficiaries or, if elected by the Health Service Board, from net assets held in the Health Service Trust Fund.

All City Beneficiaries receive a base contribution from the City toward the monthly cost of their medical benefits calculated pursuant to Charter Section A8.423. Under that section, the Health Service System conducts a survey annually of the 10 most populous counties in California (other than the City) 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." Under City Charter Section A8.428, the City is required to contribute to the Health Service Trust Fund an amount equal to such "average contribution" for each City Beneficiary.

In addition to the average contribution described above, the City makes additional medical and other benefit contributions on behalf of City Beneficiaries who are active employees as negotiated and agreed to by such employees' applicable collective bargaining units. City bargaining units have negotiated additional City contributions for enhanced single medical coverage, dependent medical coverage and for additional benefits such as dental care for the members of such bargaining units. These contribution amounts are also paid by the City into the Health Service Trust Fund.

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 Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under "– *Post-Employment Health Care Benefits and GASB 45*."

Contributions relating to Nonemployee City Beneficiaries include the City contribution of the "average contribution" corresponding to such Nonemployee City Beneficiaries as described in Charter Section A8.423 along with the following:

- Monthly contributions from Nonemployee City Beneficiaries in amounts equal to the monthly contributions required from active employees excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining. However, such monthly contributions from Nonemployee City Beneficiaries covered under Medicare are reduced by an amount equal to the amount contributed monthly by such persons to Medicare.

- In addition to the average contribution described in the second paragraph of this subsection, the City contributes additional amounts in respect of the Nonemployee City Beneficiaries sufficient to defray the difference in cost to the Health Service System in providing the same health coverage to Nonemployee City Beneficiaries as is provided for active employee City Beneficiaries, excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining.

- After application of the calculations described above, the City contributes 50% of monthly contributions required for the retired city participant and the first dependent.

The Health Service System has changed to a calendar plan year effective January 1, 2013. This change permitted HSS to adopt a new pharmacy fully insured benefit plan for retirees in the City Plan (Employer Group Waiver Plan) which saved over $5.8M and reduced the GASB pharmacy liability. In addition, HSS moved active Blue Shield members from a "fully insured product" to a "flex funded product" in which the City assumes risk up to a set point saving over $26M . Overall the actions taken during rate setting reduced HSS costs by over $30M and resulted in a premium rate increase of less than 1.4%.

Health Care Reform

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (Public Law 111-114), and on March 30, 2010 signed the Health Care and Education Reconciliation of 2010 (collectively, the

"Health Care Reform Law"). The Health Care Reform Law is intended to extend health insurance to over 32 million uninsured Americans by 2019, and includes other significant changes with respect to the obligation to carry health insurance by individuals and the provision of health care by private and public employers, such as the City. Due to the complexity of the Health Care Reform Law it is likely that additional legislation will be considered and enacted in future years.

The Health Care Reform Law is designed to be implemented in phases from 2010 to 2018. The provisions of the Health Care Reform Law to be implemented in future years include, the expansion of Medicaid, subsidies for health insurance for certain individuals, mandates that require most Americans obtain health insurance, and incentives for employers with over 50 employees to provide health insurance for their employees or pay a fine. Many aspects of the law have yet to be clarified and will require substantial regulation or subsequent legislative action. On June 28, 2012 the U.S. Supreme Court ruled to uphold the employer mandate, the individual mandate and the state Medicaid expansion requirements.

Provisions of Health Care Reform already implemented by HSS include, discontinued eligibility for non-prescription drugs reimbursement through FSAs in 2011, eliminated copayments for wellness visits, eliminated life-time caps on coverage, and expanded eligibility to cover member dependent children up to age 26 in 2011, eliminated copayments for women's preventative health including contraception in 2012 and W-2 reporting on total healthcare premium costs for 2012 plan year and implementation of a medical loss ratio rebate on self-insured plans. In addition, a separate summary of benefits was required to be sent to every member and provided to every new member beginning in 2012. In 2013, healthcare flexible spending accounts (FSAs) will be limited to $2500 annually and for the 2013 plan year a comparative effectiveness fee will be charged directly to HSS of $1 per beneficiary for members of the Self-Insured plan (approximately 9,350); in 2014 and 2015 this amount will increase to $2/year .

On August 31, 2012 the US DHHS issued regulatory guidance on the "Federal Transitional Pre-Existing Condition Fee" assessing a $63/year fee on each HSS beneficiary for plan years 2014-2016. This "fee" will be over $6.6 million dollars per year. In 2014, the City will need to modify health benefit eligibility to cover temporary employees who work more than 30 hours per week or 130 hours per month to only a 90 day waiting period for coverage.

Local Elections: Proposition C (2011)

On November 8, 2011, the San Francisco voters approved Proposition C, a charter amendment that will change the way the City and current and future employees share in funding SFERS pension and health benefits. With regard to health benefits, elected officials and employees hired on or before January 9, 2009, contribute up to 1% of compensation toward their retiree health care, with matching contribution by the City. For employees or elected officials who left the City workforce before June 30, 2001, and retire after January 6, 2012, Proposition C requires that the City contributions toward retiree health benefits remain at the same levels they were when the employee left the City workforce. Proposition C changes the Health Service System and Health Service Board (HSB) including the following: 1) replace one elected member of the HSB with a member nominated by the City Controller and approved by HSB; 2) change HSB's voting requirement for approving member health plans from two-third to a simple majority; 3) remove the requirement for a plan permitting the member to choose any licensed medical provider; 4) allow for the option to change to a calendar year plan year; and 5) allow HSB to spend money on ways to limit health care costs. Factors that could cause additional medical costs or savings include: 1) Projected City savings might be reduced if future labor negotiations or arbitration awards result in any salary increases to offset higher employee retirement contributions. 2) To the extent that changes to pension formulas in this measure cause employees to delay or speed up retirement dates, this could provide additional City savings or costs related to retiree pension and health insurance subsidies. 3) To the extent that changes in the composition of the Health Service Board result in changes to approved health benefit programs, costs could be higher or lower. 4) To the extent that changes in the composition of the Health Service Board result in changes to approved health benefit programs, costs could be higher or lower. Changing to a calendar plan year allows HSS to convert our City Plan retiree pharmacy benefit to a higher discounted federal program called Employer Group Waiver Plan (EGWP) as of 2013. This will save an estimated $2.3 million annually, will lower the City's retiree pharmacy expenditures by $8.5 million annually, and will lower the City's GASB 45liability.

Employer Contributions for Health Service System Benefits

For fiscal year 2011-12, the Health Service System received approximately $612.7 million from participating employers for Health Service System benefit costs. Of this total, the City contributed approximately $511.3 million; approximately $151.1 million of this $511.3 million amount was for health care benefits for approximately 26,086 retired City employees and their eligible dependents and approximately $360.2 million was for benefits for approximately 60,644 active City employees and their eligible dependents. For fiscal year 2012-13, the Health Service System has budgeted to receive approximately $642.9 million from participating employers for Health Service System benefit costs. The 2013 aggregate plan costs for the city will increase by only 1.4%. This flattening of the healthcare cost curve is due to a number of factors including lower use of healthcare during recessions, aggressive contracting by HSS, encouraging competition among our vendors, and changing our Blue Shield plan from a fully-funded to a flex-funded product. Flex-funding allows lower premiums to be set by our actuarial consultant, AON-Hewitt, without the typical margins added by Blue Shield; however, more risk is assumed by the City and reserves are required to protect against this risk. The HSB also subsidized dependent coverage in the Blue Shield plan to stabilize the risk pools and minimize migration between Blue Shield and Kaiser which contributed to the lower 2013 increase. In 2014 this flattened trend is anticipated to continue, the Health Service Board has allocated the Early Retiree Reimbursement Program funds collected of $3.6M to subsidize dependent coverage based on percent paid by employee/retiree which will continue to stabilize risk pools. The Health Service Board is currently setting rates for 2014.

Post-Employment Health Care Benefits and GASB 45

Eligibility of former City employees for retiree health care benefits is governed by the Charter. In general, employees hired before January 10, 2009 and a spouse or dependent are potentially eligible for health benefits following retirement at age 50 and completion of five years of City service. Proposition B, passed by San Francisco voters on June 3, 2008, tightened post-retirement health benefit eligibility rules for employees hired on or after January 10, 2009, and generally requires payments by the City and these employees equal to three percent of salary into a new retiree health trust fund.

GASB 45 Reporting Requirements. The City was required to begin reporting the liability and related information for unfunded post-retirement medical and other benefits ("OPEBs") in the City's financial statements for the fiscal year ending June 30, 2008. This reporting requirement is defined under Governmental Accounting Standards Board Statement 45 ("GASB 45"). GASB 45 does not require that the affected government agencies, including the City, actually fund any portion of this post-retirement health benefit liability – rather, GASB 45 requires government agencies to determine on an actuarial basis the amount of its total OPEB liability and the annual contributions estimated to fund such liability over 30 years. Any underfunding in a year is recognized as a liability on the government agency's balance sheet. The City has not established an OPEB trust fund.

City's Estimated Liability. The City is required by GASB 45 to prepare a new actuarial study of its post-retirement benefits obligation every two years. In its October 8, 2012 report, Cheiron, Inc. estimated that the City's unfunded liability was approximately $4.42 billion as of July 1, 2010. This estimate assumed a 4.25% return on investments and had an ARC for fiscal year 2011-12 of approximately $397.9 million. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excesses) amortized over thirty years. The ARC was determined based on the July 1, 2010 actuarial valuation. The covered payroll (annual payroll of active employees covered by the plan) was $2.3 billion and the ratio of the unfunded actuarial accrued liability to the covered payroll was 191.9%.

The difference between the estimated ARC and the amount expended on post-retirement medical benefits in any year is the amount by which the City's overall liability for such benefits increases in that year. The City's most recent CAFR estimated that the 2011-12 annual OPEB cost was $405.9 million, of which the City funded $156.1 million which caused, among other factors, the City's long-term liability to increase by $249.7 million (as shown on the City's balance sheet and below). The annual OPEB cost consists of the ARC, one year of interest on the net OPEB obligation, and recognition of one year of amortization of the net OPEB obligation. While GASB 45 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost is recorded as an increase or decrease in the net OPEB obligation. See Note 9(c) and (d) to the City's CAFR, as of June 30, 2012, included as Appendix B to this Official Statement. Trend information is displayed in Table A-18 (dollars in thousands):

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Four-year Trend
(000s)

Fiscal Year Ended	Annual OPEB	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$430,924	27.8%	$605,397
6/30/2010	374,214	33.9%	852,782
6/30/2011	392,151	37.2%	1,099,177
6/30/2012	405,850	38.5%	1,348,883

The October 2012 Cheiron Report estimates that the total long-term actuarial liability will reach $5.7 billion by 2030. The calculations in the Cheiron Report are sensitive to a number of critical assumptions, including, but not limited to, the projected rate of increase in health plan costs.

Actuarial projections of the City's OPEB liability will be affected by Proposition B as well as by changes in the other factors affecting that calculation. For example, the City's actuarial analysis shows that by 2031, Proposition B's three-percent of salary funding requirement will be sufficient to cover the cost of retiree health benefits for employees hired after January 10, 2009. See "Retirement System – *Recent Voter Approved Changes to the Retirement Plan*" above. As of June 30, 2012, the fund balance in the Retiree Health Care Trust Fund established by Proposition B stood at $17.9 million. Future projections of the City's GASB 45 liability will be lowered by the HSS implementation of the Employer Group Waiver Plan (EGWP) prescription benefit program for City Plan retirees. See "– Local Elections: Proposition C (2011)."

Total City Employee Benefits Costs

The City continued to budget only for current-year benefits expenditures, without any set-aside for accrued or future liabilities, in the fiscal year 2011-12 Original Budget. To begin to address the issue of accrued liabilities for future retiree health costs, the City created a new Post Employment Benefits Fund in fiscal year 2007-08. The actual fund balance as of January 9, 2013 is approximately $23.9 million. The costs were funded in part by employees and in part by the City. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Table A-18 provides a five-year history for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-19 below provides a summary of the City's employee benefit actual and budgeted costs from fiscal years 2008-09 to fiscal year 2013-14.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2008-09 through 2013-14
(000s)

	FY 2008-09 actual	FY 2009-10 actual	FY 2010-11 actual	FY 2011-12 actual	FY 2012-13 Budget	FY 2013-14 Budget
SFERS and PERS Retirement Contributions	$197,614	$294,088	$368,185	$428,265	$435,675	$517,478
Social Security & Medicare	147,576	145,969	140,828	147,682	153,071	155,975
Health - Medical + Dental, active employees [1]	274,753	284,426	296,032	330,919	356,797	377,760
Health - Retiree Medical [1]	144,110	154,347	175,799	181,822	173,306	189,370
Other Benefits [2]	18,998	17,009	22,758	21,362	19,707	16,596
Total Benefit Costs	**$783,051**	**$895,839**	**$1,003,602**	**$1,110,050**	**$1,138,555**	**$1,257,180**

FY 2008-09 through FY 2011-12 figures are audited actuals. FY 2012-13 is original budget and FY 2013-14 is the Mayor's proposed budget.

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

[2] "Other Benefits" includes unemployment insurance premiums, life insurance, and other miscellaneous employee benefits

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

INVESTMENTS OF CITY FUNDS

Investment Pool

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

Investment Policy

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

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designee; (e) the Chancellor of the Community College District or his/her designee; and (f) Members of the general public. See "APPENDIX G – City and County of San Francisco Office of the Treasurer – Investment Policy" for a complete copy of the Treasurer's Investment Policy, dated October 2012. The Investment Policy is also posted at the Treasurer's website: www.sftreasurer.org. The information available on such website is not incorporated herein by reference.

Investment Portfolio

As of December 31, 2012, the City's surplus investment fund consisted of the investments classified in Table A-20, and had the investment maturity distribution presented in Table A-21.

TABLE A-20

City and County of San Francisco
Investment Portfolio
Pooled Funds
As of December 31, 2012

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	$1,010,000,000	$1,013,676,471	$1,025,614,350
Federal Agencies	3,815,683,000	3,827,093,302	3,865,155,224
State and Local Obligations	88,530,000	91,177,638	90,335,934
Public Time Deposits	960,000	960,000	960,000
Negotiable Certificates of Deposit	275,000,000	275,000,000	274,806,935
Banker's Acceptances	-	-	-
Commercial Paper	80,000,000	79,704,250	79,925,708
Medium Term Notes	51,358,000	53,241,757	52,310,804
Money Market Funds	250,000,000	250,000,000	250,000,000
Total	$5,571,531,000	$5,590,853,418	$5,639,108,956

December 2012 Earned Income Yield: 0.87%

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

TABLE A-21

City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of December 31, 2012

Maturity in Months			Par Value	Percentage
0	to	1	$ 485,000,000	8.70%
1	to	2	6,435,000	0.12%
2	to	3	100,000,000	1.79%
3	to	4	29,670,000	0.53%
4	to	5	87,648,000	1.57%
5	to	6	106,200,000	1.91%
6	to	12	421,685,000	7.57%
12	to	24	1,098,980,000	19.72%
24	to	36	1,089,953,000	19.56%
36	to	48	647,840,000	11.63%
48	to	60	1,498,120,000	26.89%
			$ 5,571,531,000	100.00%

Weighted Average Maturity: 939 Days

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

Further Information

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

Additional information on the City's investments, investment policies, and risk exposure as of June 30, 2012 are described in Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2012," Notes 2(d) and 5.

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 ten-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("CPC") and the Capital Planning Program ("CPP"). The CPC, composed of other City finance and capital project officials, makes recommendations to the Mayor and Board of Supervisors on all of the City's capital expenditures. To help inform CPC recommendations, the CPP staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

The City Administrator, in conjunction with the CPC, is directed to develop and submit a ten-year capital plan every other fiscal year for approval by the Board of Supervisors. The Capital Plan is a constrained long-term finance strategy that prioritizes projects based on a set of funding principles. It provides an assessment of the City's infrastructure needs over ten 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 year 2014-2023 Capital Plan was approved by the CPC on February 25, 2013 and is expected to be adopted by the Board of Supervisors in April 2013. The Capital Plan contains $25.1 billion in capital investments over the coming decade for all City departments, including $4.7 billion in projects for General Fund-supported departments. The Capital Plan proposes $88.0 million for General Fund pay-as-you-go capital projects in fiscal year 2013-14. The amount for General Fund pay-as-you-go capital projects is assumed to grow to $231 million in fiscal year 2022-23. The Capital Plan is not incorporated by reference herein but may be found at http://onesanfrancisco.org/.

Major capital projects for General Fund-supported departments included in the Capital Plan consist of upgrades to public health, police, fire and park facilities; street and right-of-way improvements; the removal of barriers to accessibility; park improvements; the replacement of the Hall of Justice; and seismic upgrades to the Veteran's Memorial Building, among other capital projects. Approximately $2.0 billion of the capital projects of General Fund supported departments are financed with general obligation bonds and other long-term obligations. 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 Capital Plan recommends $14.5 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as the Central Subway project, runway and terminal upgrades at San Francisco International Airport, Pier 70 infrastructure investments, and the Sewer System Improvement Program, among others. Approximately $8.2 billion of enterprise fund department capital projects is financed with voter-approved revenue bonds and other long-term

obligations. The balance is expected to be funded by federal and State funds, user/operator fees, General Fund, and other sources.

Failure to make the capital improvements and repairs recommended in the 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; and (v) increasing future repair and replacement costs.

Tax-Supported Debt Service

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds") can only be authorized with a two-thirds approval of the voters. As of December 31, 2012, the City had approximately $1.80 billion aggregate principal amount of general obligation bonds outstanding.

Table A-22 shows the annual amount of debt service payable on the City's outstanding general obligation bonds.

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of December 31, 2012 [1] [2]

Fiscal Year	Principal	Interest	Annual Debt Service
2013	138,561,718	42,214,475	180,776,193
2014	121,869,486	77,786,504	199,655,990
2015	95,989,884	72,001,381	167,991,265
2016	100,453,046	67,478,194	167,931,240
2017	92,204,110	62,799,455	155,003,565
2018	92,743,225	58,375,732	151,118,957
2019	91,020,545	54,134,562	145,155,107
2020	88,241,232	49,837,975	138,079,207
2021	83,265,457	45,643,912	128,909,369
2022	89,013,401	41,897,074	130,910,475
2023	90,855,251	37,810,651	128,665,902
2024	91,541,206	33,451,650	124,992,856
2025	90,341,476	28,979,532	119,321,008
2026	83,771,279	24,570,002	108,341,281
2027	87,350,840	20,467,423	107,818,263
2028	90,454,035	16,320,434	106,774,469
2029	88,551,751	12,068,255	100,620,006
2030	82,635,095	7,895,429	90,530,524
2031	40,156,950	3,988,577	44,145,527
2032	41,435,000	2,401,475	43,836,475
2033	4,835,000	762,000	5,597,000
2034	5,075,000	520,250	5,595,250
2035	5,330,000	266,500	5,596,500
TOTAL [3]	$1,795,694,987	$761,671,442	$2,557,366,429

[1] This table does not reflect any debt other than City direct tax-supported debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.

[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 the assessed value of all real and personal assessment district indebtedness or any redevelopment agency agency indebtedness.

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

General Obligation Bonds Authorized but Unissued

Certain general obligation 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, which authorized the issuance of up to $350.0 million in general obligation bonds to provide moneys to fund the City's Seismic Safety Loan Program (the "Loan Program"). The purpose of the Loan Program is to provide loans for the seismic strengthening of privately-owned unreinforced masonry buildings in San Francisco for affordable housing and market-rate residential, commercial and institutional purposes. In April 1994, the City issued $35.0 million in taxable general obligation bonds to fund the Loan Program and in October 2002, the City redeemed all outstanding bonds remaining from such issuance. In February 2007 the Board of Supervisors approved the issuance of additional indebtedness under this authorization in an amount not to exceed $35.0 million. Such issuance would be achieved pursuant to the terms of a Credit Agreement with Bank of America, N.A. (the "Credit Bank"), under which the Credit Bank agreed to fund one or more loans to the City from time to time as evidenced by the City's issuance to the Credit Bank of the Taxable General Obligation Bond (Seismic Safety Loan Program), Series 2007A. The funding by the Credit Bank of the loans at the City's request and the terms of repayment of such loans are governed by the terms of the Credit Agreement. Loan funds received by the City from the Credit Bank are in turn used to finance loans to Seismic Safety Loan Program borrowers. In March 2007 the City initiated an initial borrowing of $2.0 million, and in October 2007, the City borrowed approximately $3.8 million from the Credit Bank. In January 2008, the City borrowed approximately $3.9 million and in November 2008, the City borrowed $1.3 million from the Credit Bank. Further borrowings under the Credit Agreement with the Credit Bank (up to the $35.0 million not-to-exceed amount) are expected as additional loans to Seismic Safety Loan Program borrowers are approved.

In February 2008, voters approved Proposition A, which authorized the issuance of up to $185.0 million in general obligation bonds for the construction, reconstruction, purchase, and/or improvement of park and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under Proposition A in the amount of approximately $42.5 million in August 2008. The City issued the second series in the amount of approximately $60.4 million in March 2010 and the third series in the amount of approximately $73.4 million in March 2012.

In November 2008, voters approved Proposition A, which authorized the issuance of up to $887.4 million in general obligation bonds to provide funds to finance the building or rebuilding and improving the earthquake safety of the San Francisco General Hospital and Trauma Center. The City issued the first series of bonds under Proposition A in the amount of approximately $131.7 million in March 2009. The City issued the second series in the amount of approximately $294.6 million in March 2010. The City issued its third series in the amount of approximately $251 million in August 2012.

In June 2010, voters approved Proposition B, which authorized the issuance of up to $412.3 million in general obligation bonds to provide funds to finance the construction, acquisition, improvement, and retrofitting of neighborhood fire and police stations, the auxiliary water supply system, a public safety building, and other critical infrastructure and facilities for earthquake safety and related costs. The City issued the first series of bonds under Proposition B in the amount of $79.5 million in December 2010 and the second series of bonds in the amount of $183.3 million in March 2012. The City issued its third series in the amount of approximately $38.3 million in August 2012.

In November 2011, voters approved Proposition B, which authorized the issuance of up to $248.0 million in general obligation bonds to provide funds to repair and repave City streets and remove potholes; strengthen and seismically upgrade street structures; redesign street corridors by adding or improving pedestrian signals, lighting, sidewalk extensions, bicycle lanes, trees and landscaping; construct and renovate curb ramps and sidewalks to increase accessibility and safety for everyone, including persons with disabilities; and add and upgrade traffic signals to improve MUNI service and traffic flow. The City issued the first series of bonds under Proposition B in the amount of approximately $74.3 million in March 2012.

In November 2012, voters approved Proposition B, which authorized the issuance of up to $195.0 million in general

obligation bonds to provide funds for the construction, reconstruction, renovation, demolition, environmental remediation and/or improvement of park, open space, and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City expects to issue the first series of bonds under Proposition B in June 2013.

Refunding General Obligation Bonds

The Board of Supervisors adopted Resolution No. 272-04 on May 11, 2004 (the "2004 Resolution"). The Mayor approved the 2004 Resolution on May 13, 2004. The 2004 Resolution authorized the issuance of not to exceed $800.0 million aggregate principal amount of its General Obligation Refunding Bonds from time to time in one or more series for the purpose of refunding all or a portion of the City's then outstanding General Obligation Bonds. On November 1, 2011, the Board of Supervisors adopted, and the Mayor approved, Resolution No. 448-11 (the "2011 Resolution," and together with the 2004 Resolution, the "Refunding Resolutions"). The 2011 Resolution authorized the issuance of not to exceed $1,355,991,219 aggregate principal amount of the City's General Obligation Refunding Bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City.

Table A-23 below lists for each of the City's voter-authorized general obligation bond programs the amount originally authorized, the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued, and does not refer to any particular series. As of December 31, 2012, the City had authorized and unissued general obligation bond authority of approximately $983 million.

TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds (as of December 31, 2012)

Description of Issue (Date of Authorization)	Series	Issued	Outstanding [1]	Authorized & Unissued
Seismic Safety Loan Program (11/3/92)	2007A	$30,315,450	$27,399,987	$284,684,550 [2]
Branch Library Facilities Improvement (11/7/00)	2008A	31,065,000	26,690,000	
Clean & Safe Neighborhood Parks (2/5/08)	2008B	42,520,000	36,800,000	
	2010B	24,785,000	15,995,000	
	2010D	35,645,000	35,645,000	
	2012B	73,355,000	62,465,000	8,695,000
San Francisco General Hospital and Trauma Center (11/4/08)	2009A	131,650,000	107,810,000	
	2010A	120,890,000	78,005,000	
	2010C	173,805,000	173,805,000	
	2012D	251,000,000	251,100,000	209,955,000
Earthquake Safety and Emergency Response Bond (6/8/10)	2010E	79,520,000	76,080,000	
	2012A	183,330,000	155,650,000	
	2012E	38,265,000	38,265,000	111,185,000
Road Repaving & Street Safety (11/8/11)	2012C	74,295,000	63,940,000	173,705,000
Clean & Safe Neighborhood Parks (11/6/12)				195,000,000
SUB TOTALS		**$1,290,440,450**	**$1,149,649,987**	**$983,224,550**
General Obligation Refunding Bonds:				
Series 2006-R1 issued 10/31/06		90,690,000	62,165,000	
Series 2006-R2 issued 12/18/06		66,565,000	34,785,000	
Series 2008-R1 issued 5/29/08		232,075,000	70,875,000	
Series 2008-R2 issued 5/29/08		39,320,000	27,865,000	
Series 2008-R3 issued 7/30/08		118,130,000	118,130,000	
Series 2011-R1 issued 11/9/2011		339,475,000	332,225,000	
SUB TOTALS		**886,255,000**	**646,045,000**	
TOTALS		**$2,176,695,450**	**$1,795,694,987**	**$983,224,550**

[1] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the personal assessment assessed value of all real and district indebtedness or any redevelopment agency indebtedness.

[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 Authorized but Unissued."

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

Lease Payments and Other Long-Term 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 financing 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-24 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding lease revenue bonds and certificates of participation as of December 31, 2012. Note that the annual payment obligations reflected in Table A-23 include the fully accreted value of any capital appreciation obligations that will accrue as of the final payment dates.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of December 31, 2012

Fiscal Year	Principal	Interest	Annual Payment Obligation
2013	26,640,000	24,035,516	50,675,516
2014	52,396,550	59,460,147	111,856,697
2015	56,745,751	52,859,075	109,604,826
2016	55,325,000	45,362,197	100,687,197
2017	51,850,000	43,070,852	94,920,852
2018	50,655,000	40,746,447	91,401,447
2019	48,720,000	38,542,640	87,262,640
2020	40,800,000	36,547,926	77,347,926
2021	41,770,000	34,725,672	76,495,672
2022	42,820,000	32,899,862	75,719,862
2023	44,675,000	31,012,370	75,687,370
2024	46,870,000	29,015,730	75,885,730
2025	46,450,000	26,882,584	73,332,584
2026	46,145,000	24,816,396	70,961,396
2027	48,310,000	22,643,511	70,953,511
2028	48,770,000	20,377,467	69,147,467
2029	51,000,000	18,058,628	69,058,628
2030	50,510,000	15,658,861	66,168,861
2031	41,785,000	13,372,303	55,157,303
2032	31,000,000	11,238,623	42,238,623
2033	30,010,000	9,703,868	39,713,868
2034	31,445,000	8,111,955	39,556,955
2035	18,870,000	6,676,999	25,546,999
2036	17,065,000	5,674,407	22,739,407
2037	15,030,000	4,752,794	19,782,794
2038	15,690,000	3,902,287	19,592,287
2039	16,375,000	3,014,711	19,389,711
2040	17,095,000	2,088,419	19,183,419
2041	17,845,000	1,121,651	18,966,651
2042	9,680,000	313,971	9,993,971
TOTAL [1]	$1,112,342,301	$666,687,869 [2] [3]	$1,779,030,170

[1] Totals reflect rounding to nearest dollar.

[2] 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 3.25%. These bonds are in variable rate mode.

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

The City electorate has approved several lease revenue bond propositions, some of which have authorized but unissued bonds. The following lease programs have remaining authorization:

In 1987, voters approved Proposition B, which authorizes the City to lease finance (without limitation as to maximum aggregate par amount) the construction of new parking facilities, including garages and surface lots, in eight of the City's neighborhoods. In July 2000, the City issued $8.2 million in lease revenue bonds to finance the construction of the North Beach Parking Garage, which was opened in February 2002. There is no current plan to issue any more bonds under Proposition B.

In 1990, voters approved 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. Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed $20.0 million, such amount increasing by five percent each fiscal year. As of December 31, 2012, the total authorized amount for such financings was $58.5 million. The total principal amount outstanding as of December 31, 2012 was $29.7 million.

In 1994, voters approved 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 Proposition B lease revenue bonds, respectively, leaving $14.0 million in remaining authorization. There is no current plan to issue additional series of bonds under Proposition B.

In June 1997, voters approved Proposition D, which authorized the issuance of up to $100.0 million in lease revenue bonds for the construction of a new football stadium at Candlestick Park, the home of the San Francisco 49ers football team. If issued, the $100.0 million of lease revenue bonds would be the City's contribution toward the total cost of the stadium project and the 49ers would be responsible for paying the remaining cost of the stadium construction project. The City has no current timetable for issuance of the Proposition D bonds.

On March 7, 2000, voters approved 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"). Proposition C also authorizes the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. The City issued approximately $27.0 million and $42.4 million of such Open Space Fund lease revenue bonds in October 2006 and October 2007, respectively.

In November 2007, voters approved Proposition D, which amended the Charter and renewed the Library Preservation Fund. Proposition D continues the two and one half cent per $100.0 in assessed valuation property tax set-aside and establishes a minimum level of City appropriations, moneys that are maintained in the Library Preservation Fund. Proposition D also authorizes the issuance of revenue bonds or other evidences of indebtedness. The City issued the first series of lease revenue bonds in the amount of approximately $34.3 million in March 2009.

Commercial Paper Program

The Board authorized on March 17, 2009 and the Mayor approved on March 24, 2009 the establishment of a not-to-exceed $150.0 million Lease Revenue Commercial Paper Certificates of Participation Program (the "CP Program"). Under the proposed CP Program, Commercial Paper Notes (the "CP Notes") will be issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation, and construction of real property and the acquisition of capital equipment and vehicles in anticipation of long-term financing to be issued when market conditions are favorable. Projects will be eligible to access the CP Program once the Board and the Mayor have approved the project and the long-term, permanent financing for the project. In June 2010, the City obtained letters of credit securing the CP Notes issued by J.P. Morgan Chase Bank, N.A. with a maximum principal amount of $50 million and by U.S. Bank, N.A. with a maximum principal amount of $50 million. The letters of credit expires June 2013.

As of March 7, 2013, the outstanding principal amount of CP Notes is $67.2 million. The weighted average interest rate for the CP Notes is approximately 0.17%.

Board Authorized and Unissued Long-Term Obligations

The Board of Supervisors authorized on December 16, 2008 and the Mayor approved on December 19, 2008, the issuance of not to exceed $45.0 million of City and County of San Francisco Certificates of Participation (Moscone Center Improvement Project) to finance improvements to the Moscone Convention Center. The proceeds from the sale of the Certificates will be used to provide funding for various improvements to the City's convention facilities known as Moscone South, Moscone North, and Moscone West. The City anticipates issuing the certificates in May 2013.

The Board of Supervisors authorized on October 26, 2010 and the Mayor approved on November 5, 2010, the issuance of not to exceed $38,000,000 in City and County of San Francisco certificates of participation to partially finance the rebuilding of severely distressed public housing sites, while increasing affordable housing and ownership opportunities and improving the quality of life for existing residents and the surrounding communities (the HOPE SF Project). The City anticipates issuing the certificates in the Summer of 2013.

The Board of Supervisors authorized on July 26, 2011 and the Mayor approved on August 1, 2011, the issuance of not to exceed $170,000,000 in City and County of San Francisco certificates of participation to finance the construction and installation of certain improvements in connection with the renovation of the San Francisco War Memorial Veterans Building. The City anticipates issuing the certificates in the Summer of 2013.

The Board of Supervisors authorized on May 1, 2012 and the Mayor approved on May 8, 2012 the issuance of not to exceed $45,000,000 in City and County of San Francisco certificates of participation to finance the design, acquisition, construction, reconstruction, expansion, improvement, equipping, renewal, restoration, and/or replacement of certain capital improvements to properties of the Port Commission. The City anticipates issuing the certificates in the Winter of 2013.

The Board of Supervisors authorized on February 12, 2013 and the Mayor approved on February 15, 2013, the issuance of not to exceed $507.9 million of City and County of San Francisco Certificates of Participation (Moscone Expansion Project) payable from Moscone Expansion District assessments to finance the costs of additions and improvements to the George R. Moscone Convention Center. The City anticipates issuing the certificates in 2017.

Overlapping Debt

Table A-25 shows bonded debt and long-term obligations as of December 31, 2012 sold in the public capital markets by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO

Statement of Direct and Overlapping Debt and Long-Term Obligations

2011-2012 Assessed Valuation (net of non-reimbursable & homeowner exemptions):	$158,649,887,998	
	Outstanding 12/31/2012	
DIRECT GENERAL OBLIGATION BOND DEBT		
General City Purposes Carried on the Tax Roll	$1,795,694,987	
GROSS DIRECT DEBT	$1,795,694,987	
DIRECT LEASE PAYMENT AND LONG-TERM OBLIGATIONS		
San Francisco COPs, Series 2001A (30 Van Ness Ave. Property)	28,895,000	
San Francisco COPs, Series 2003 (Juvenile Hall Replacement Project)	35,870,000	
San Francisco Finance Corporation, Equipment LRBs Series 2007A, 2008A, 2010A, 2011A, and 2012A	29,755,000	
San Francisco Finance Corporation Emergency Communication Refunding Series, 2010-R1	18,655,000	
San Francisco Finance Corporation Moscone Expansion Center, Series, 2008-1, 2008-2	129,000,000	
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007	58,095,000	
San Francisco Finance Corporation LRBs Library Preservation Fund Series, 2009A	31,755,000	
San Francisco Redevelopment Agency Moscone Convention Center 1992	4,347,301	[1]
San Francisco Refunding Certificates of Participation, Series 2004-R1(San Francisco Courthouse Project)	21,950,000	
San Francisco COPs, Series 2007A (City Office Buildings - Multiple Properties)	142,575,000	
San Francisco COPs, Series 2009A Multiple Capital Improvement Projects (Laguna Honda Hospital)	153,650,000	
San Francisco COPs, Series 2009B Multiple Capital Improvement Projects (Street Improvement Project)	36,120,000	
San Francisco COPs, Series 2009C Office Project (525 Golden Gate Avenue) Tax Exempt	35,360,000	
San Francisco COPs, Series 2009D Office Project (525 Golden Gate Avenue) Taxable BABs	129,550,000	
San Francisco Refunding Certificates of Participation, Series 2010A	127,735,000	
San Francisco COPs, Refunding Series 2011AB (Moscone)	86,195,000	
San Francisco COPs, Series 2012A Multiple Capital Improvement Projects (Street Improvement Project)	42,835,000	
LONG-TERM OBLIGATIONS	$1,112,342,301	
GROSS DIRECT DEBT & LONG-TERM OBLIGATIONS	$2,908,037,288	
OVERLAPPING DEBT & LONG-TERM OBLIGATIONS		
Bayshore Hester Assessment District	$680,000	
San Francisco Bay Area Rapid Transit District (33%) Sales Tax Revenue Bonds	96,108,333	
San Francisco Bay Area Rapid Transit District (29%) General Obligation Bonds, Series 2005A, 2007B	107,002,750	
San Francisco Community College District General Obligation Bonds - Election of 2001, 2005	358,270,000	
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds - 2011	42,930,000	
San Francisco Redevelopment Agency Obligations (Property Tax Increment)	931,966,209	
San Francisco Redevelopment Agency Obligations (Special Tax Bonds)	220,405,000	
Association of Bay Area Governments Obligations (Special Tax Bonds)	44,765,938	
San Francisco Unified School District General Obligation Bonds, Series Election of 2003, 2006, and 2011	680,085,000	
TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS	$2,482,213,230	
GROSS COMBINED TOTAL OBLIGATIONS	$5,390,250,518	[2]

Ratios to Assessed Valuation:	**Actual Ratio**	**Charter Req.**
Gross Direct Debt (General Obligation Bonds)	1.13%	< 3.00% [3]
Gross Direct Debt & Long-Term Obligations	1.83%	n/a
Gross Combined Total Obligations	3.40%	n/a

[1] The accreted value as of July 1, 2012 is $31,250,842

[2] Excludes revenue and mortgage revenue bonds and non-bonded third party financing lease obligations. Also excludes tax allocation bonds sold in August, 2009.

[3] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all real and personal property within the City's boundaries that is subject to local property taxation.

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

On November 4, 2003, voters approved Proposition A. Proposition A of 2003 authorized the SFUSD to issue up to $295.0 million of general obligation bonds to repair and rehabilitate school facilities, and various other improvements. The SFUSD issued $58.0 million of such authorization in October 2004, $130.0 million in October 2005 and $92.0 million in October 2006, leaving $15.0 million authorized but unissued. In March 2012, the SFUSD issued $116.1 million in refunding general obligation bonds that refunded $137.4 million in general obligation bonds authorized under Proposition A of 2003.

On November 2, 2004, voters approved Proposition AA. Proposition AA authorized the San Francisco BART to issue general obligation bonds in one or more series over time in an aggregate principal amount not to exceed $980.0 million to strengthen tunnels, bridges, overhead tracks and the underwater Transbay Tube for BART facilities in Alameda and Contra Costa counties and the City. Of the $980.0 million, the portion payable from the levy of *ad valorem* taxes on property within the City is approximately 29.0% or $282.0 million. Of such authorization, BART issued $100.0 million in May 2005 and $400.0 million in July 2007, of which the allocable City portion is approximately $29.0 million and $116.0 million, respectively.

On November 8, 2005, voters approved the issuance of up to $246.3 million in general obligation bonds to improve, construct and equip existing and new facilities of the SFCCD. SFCCD issued an aggregate principal amount of $90.0 million of the November 2005 authorization in June 2006. In December 2007, SFCCD issued an additional $110.0 million of such authorization. SFCCD issued the remaining authorization of $46.3 million in spring 2010.

On November 7, 2006, voters approved Proposition A. Proposition A of 2006 authorized the SFUSD to issue an aggregate principal amount not to exceed $450.0 million of general obligation bonds to modernize and repair up to 64 additional school facilities and various other improvements. The SFUSD issued the first series in the aggregate principal amount of $100 million under the Proposition A authorization in February 2007. The SFUSD issued the second series in the aggregate principal amount of $150.0 million under the Proposition A authorization in January 2009. The SFUSD issued the third series in the aggregate principal amount of $185.0 million under the Proposition A authorization in May 2010.

On November 8, 2011, voters approved Proposition A. Proposition A of 2011 authorized the SFUSD to issue an aggregate principal amount not to exceed $531.0 million of general obligation bonds to repair and rehabilitate school facilities to current accessibility, health, safety, and instructional standards, and where applicable, replace worn-out plumbing, electrical and other major building systems, replace aging heating, ventilation and air handling systems, renovate outdated classrooms and training facilities, construct facilities to replace aging modular classrooms. The SFUSD issued the first series in the aggregate principal amount of $115.0 million under the Proposition A of 2011 authorization in March 2012.

MAJOR ECONOMIC DEVELOPMENT PROJECTS

Numerous development and construction projects are in progress throughout the City at any given time. This section describes several of the most significant privately owned and managed real estate developments currently under way in the City. The information in this section has been prepared by the City based on City-approved plans as well as unofficial plans and representations of the developer in each case, and includes forward-looking statements. These forward-looking statements consist of expressions of opinion, estimates, predictions, projections, plans and the like; such forward-looking statements in this section are those of the developers and not of the City. The City makes no prediction, representation or assurance that the plans and projects described will actually be accomplished, or the time frame in which the developments will be completed, or as to the financial impact on City real estate taxes, developer fees, other tax and fee income, employment, retail or real estate activity, or other consequences that might be expected or projected to result from the successful completion of each development project. Completion of development in each case may depend on the local economy, the real estate market, the financial health of the developer and others involved in the project, specific features of each development and its attractiveness to buyers, tenants, and others, as well as the financial health of such buyers, tenants, and others. Further, the recent legislation to end redevelopment agencies as part of the State's fiscal year 2011-12 budget may have an adverse impact on the projects described below and many other development projects in the City. See "San Francisco Redevelopment Agency Dissolution" above. Completion and success of each development will also likely depend on other factors unknown to the City.

Hunters Point Shipyard (Phase 1 and 2) and Candlestick Point

The Hunters Point Shipyard, a former naval base is a master planned community of approximately 500 acres located on the southeastern waterfront of San Francisco. The first phase of development, which was conveyed from the Navy in 2005, is currently underway and includes up to 1,600 homes, 27% to 40% of which will be affordable, and 26 acres of parks and open space. Nearly all of the horizontal construction for Phase 1 is complete and the developer is preparing to commence vertical development on the first four blocks of homes in 2012. In August 2010, the development of the balance of the Shipyard and Candlestick Point received its final approvals from the Board of Supervisors. This includes (i) approximately 10,500 residential housing units across the project site, approximately 32% of which will be offered at below-market rates in a mix of both rental and for-sale housing; (ii) the complete rebuilding of the Alice Griffith Public Housing Development, also known as Double Rock; (iii) approximately 2.5 million square feet of "green" office, research and development uses on the Shipyard; (iv) approximately 150,000 square feet of green office, research and development or other commercial space on Candlestick Point; (v) more than 300 acres of new and restored parks and open space, which includes neighborhood parks, new waterfront parks around the entire perimeter of the Shipyard, connecting to the region's Bay Trail, and a major renovation of the Candlestick Point State Recreation Area into a "Crissy Field" of the southeast, with restored habitat areas and public access to the water; (vi) approximately 635,000 square feet of regional and neighborhood retail on Candlestick Point; (vii) space for a 10,000-seat performance venue on Candlestick Point; and (viii) space for a new 69,000-seat, world-class football stadium for the San Francisco 49ers football team. The Project is estimated to create thousands of ongoing construction opportunities during the 20- to 30-year construction period, and 10,000 permanent jobs at full build-out. In August 2011, the U.S. Department of Housing and Urban Development (HUD) selected the Alice Griffith Public Housing Development and the surrounding Bayview neighborhood as a recipient of the $30.5 million Choice Neighborhoods Implementation Grant. The Alice Griffith Plan was one of six finalists submitted by communities nationwide competing for HUD Choice Neighborhoods funding.

Treasure Island

Former Naval Station Treasure Island, which ceased operations in 1997, consists of approximately 405 acres on Treasure Island and 90 acres on adjoining Yerba Buena Island, located in the San Francisco Bay, and connected to the City by the San Francisco-Oakland Bay Bridge. The development plans for Treasure Island include up to 8,000 new homes, up to 25% of which will be offered at below-market rates; up to 500 hotel rooms; a 400-slip marina; restaurants; retail and entertainment venues; and a brand-new, world-class 300-acre parks and open space system. The compact mixed-use transit-oriented development is clustered around a new ferry terminal and is designed to prioritize walking, biking and public transit. The development plans include cutting-edge green office building standards and best practices in low-impact development. In August 2010, then-Mayor Gavin Newsom, U.S. House of Representatives Speaker Nancy Pelosi, and U.S. Secretary of the Navy Ray Mabus signed the terms for the conveyance of former Naval Station Treasure Island from the Navy to the City, representing another major step towards realizing an environmentally sustainable new community on Treasure Island and the thousands of construction and permanent jobs it will bring. In April 2011, the Treasure Island Development Authority (TIDA) Board of Directors and the Planning Commission certified the project's Environmental Impact Report, as well as approved numerous project documents. In June 2011, the Board of Supervisors unanimously upheld the certification of the Environmental Impact Report; as well as approved numerous project documents, including a Disposition and Development Agreement, Development Agreement, Interagency Cooperation Agreement and Treasure Island Homeless Development Initiative (TIHDI) Agreement. Together, these agreements form the comprehensive vision for the future of the former military base and represent a significant milestone in moving the project closer towards implementation. The first phase of construction could begin in the summer of 2014 and would consist primarily of horizontal infrastructure improvements to enable subsequent phases of vertical construction. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

Piers 30-32 and Seawall Lot (SWL) 330 – Warrior's Multipurpose Recreation and Entertainment Venue

The Golden State Warriors, a National Basketball Association (NBA) team, is proposing to develop a waterfront multipurpose recreation and entertainment venue and associated development on Piers 30-32 and SWL 330. Piers 30-32 are located directly south of the Bay Bridge. On the Piers 30-32 site, the Warriors propose constructing a state-of-the-art multi-purpose recreation and entertainment venue for Warriors' home games, concerts, and family

shows. A significant portion of the Piers 30-32 site will be public, open space. There will also be retail and a limited amount of parking.

On SWL 330, which sits across the Embarcadero from Piers 30-32, the Warriors propose a mixed-use development, which will include residential units and potentially a hotel use. The SWL site will also have ground floor retail and parking.

Economic Planning Systems (EPS) was commissioned to author a Fiscal Feasibility Report, which provides both the Economic and Financial benefits of the project for the City. The Fiscal Feasibility Report projects that the project could create $80 million annually in economic activity and generate approximately 5,000 construction jobs and 2,800 permanent jobs within San Francisco. In addition, the Fiscal Feasibility projects that the project could generate approximately $19 million annually in annual revenue to the City.

Transbay

The Transbay Transit Center broke ground on August 11, 2010, and is scheduled to open in August 2017. Demolition of existing structures on the site was completed in August 2011. The Transbay Transit Center Project will replace the outdated Transbay Terminal at First and Mission Streets with a modern transit hub, extend the Caltrain commuter rail line underground 1.3 miles into the Financial District, and redevelop the area surrounding the Transbay Transit Center with 4,500 new homes 1,200 to be "affordable" below-market homes, a 1.6 million square-foot tower, parks, and a retail main street. The Pelli Clarke Pelli Architects-designed Center will serve more than 100,000 people per day through nine transportation systems, including the proposed California High Speed Rail, which will be designed to connect San Francisco to Los Angeles in less than 2-1/2 hours. The Center is designed to embrace the goals of green architecture and sustainability. The heart of the Center, "City Park," a 5.4-acre public park that will sit atop the facility, and there will be a living green roof for the transit facility. The Center will have a LEED rating of Silver. The project is estimated to create more than 48,000 jobs in its first phase of construction, which will last seven years. The $4.2 billion Transbay Transit Center Project is funded by various public and private funding partners, including the federal government, the State, the Metropolitan Transportation Commission, the San Francisco County and San Mateo County Transportation Authorities, and AC Transit, among others. The first phase of the program, which includes constructing the new transit center, is fully funded.

Mission Bay

The development plans for Mission Bay include a new University of California-San Francisco (UCSF) research campus containing 2.65 million square feet of building space on 43 acres donated by Catellus and the City; UCSF's 289-bed women's, children's and cancer hospital; 4.4 million square feet of biotech, 'cleantech' and health care office space; 6,000 housing units, with 1,800 (30%) affordable to moderate-, low-, and very low-income households; 800,000 square feet of retail space; a 500-room hotel with up to 50,000 square feet of retail entertainment uses; 41 acres of public open space, including parks along Mission Creek and San Francisco Bay, plus eight acres of open space within the UCSF campus; a new 500-student public school; and a new fire and police station. Mission Bay is approximately 50% complete.

Seawall Lot (SWL) 337 and Pier 48 (Mission Rock)

Mission Rock is a proposed mixed-use development at Seawall Lot 337 and Pier 48, Port-owned property comprising approximately 25 acres. The Port, OEWD in its capacity as lead negotiator, and Mission Rock's competitively-selected master developer, Seawall Lot 337 Associates, LLC, have agreed on a development concept and corresponding financial terms for Mission Rock, which are reflected in a non-binding Term Sheet and will be finalized in a Development Agreement following environmental review.

The proposed development plan for Mission Rock includes: approximately 8 acres of public parks and open spaces, including a 5-acre regional waterfront park; 650 to 1,500 new housing units, 15 percent of them made affordable to low-income households; 1.3 to 1.7 million square feet of commercial space; 150,000 to 250,000 square feet of retail space, with tenants that create unique local character; approximately 3,000 parking spaces within mixed-use buildings and a dedicated parking structure, which will serve Giants patrons as well as Mission Rock occupants and visitors; and the rehabilitation and reuse of historic Pier 48 as a new brewery/distillery for Anchor Steam Brewing Company.

Pier 70

Plans for Pier 70 call for substantial development, including major parks and historic building rehabilitation, on this 69-acre site. The Port, which controls Pier 70 and OEWD in its capacity as lead negotiator, is currently in negotiations with Forest City, a developer that has been selected to build a new mixed-use neighborhood on a 25-acre portion of Pier 70 known as the Waterfront Site. In the spring and summer of 2013, the parties are anticipated to seek Port Commission and Board of Supervisors endorsement of a non-binding term sheet that lays out an agreed-upon development concept and financial terms.

Current development plans for the Pier 70 Waterfront Site include: 8 acres of parks and open space; 2,250,000 square feet of office; 1,000 housing units, 20% of them made affordable to low-income households; and 270,000 square feet of small-scale production and arts space intended to establish the new district as destination with unique, artistic character. This built area includes three historic industrial buildings that will be as rehabilitated as part of the Waterfront Site development.

Outside of the Waterfront Site, other plans for Pier 70 call for the creation of Crane Cove Park, development of new buildings along Illinois Street, the sustained operation of the shipyard, and the preservation of additional historic buildings. Pier 70 qualifies for the National Register of Historic Places and is in the process of seeking Historic District status.

Cruise Terminal

On February 26, 2013 the Port of San Francisco cut the ribbon opening the $67 million core and shell of the new James R. Herman cruise ship terminal at Pier 27 for use during the America's Cup races in the summer of 2013. The $44 million second phase will commence after the America's Cup and will install maritime equipment, complete an operations area within a portion of Pier 29, and complete improvements to the ground transportation area and Northeast Wharf Plaza. When complete in late 2014, the $111 million, approximately 88,000 square foot, two-level cruise terminal will replace the current outmoded and insufficient facility at Pier 35 and will include a 2.5 acre park along the Embarcadero ground transportation area capability and a strengthened connection between the Bay and the base of Telegraph Hill.

The proposed size of the terminal was defined as optimal to serve current and anticipated ship berthing requirements and associated passenger flows. The Pier 27 cruise terminal was designed to optimally handle vessels carrying 2,600 passengers and will have the capacity to serve vessels carrying up to 4,000 passengers, totaling 40-80 cruise calls a year. The facility will continue to be used for maritime events, such as Fleet Week, foreign naval diplomatic calls, Tall Ship festivals and visits by oceanic research vessels. When there are no cruise calls, the cruise terminal will provide approximately 60,000 square feet of designated space for shared uses, including meetings and special events.

Bay Area Economics was commissioned to provide an economic impact study for the Pier 27 project. The study projects that the project could create approximately $29.4 million annually in direct economic activity, $42.2 million in total impacts, and generate approximately 408 jobs within San Francisco. In addition, the Bay Area Economics study projects that the project could generate approximately $900,000 annually in direct tax revenues that accrue to the City's General Fund. Regionally, Bay Area Economics estimated $43.4 million in direct impacts and $66.9 million in total impacts, and approximately 470 jobs in the Bay Area.

America's Cup

On December 31, 2010, the City was selected to host two America's Cup World Series regattas in the summer of 2012 and the 34th America's Cup Challenger Selection Series and Match Finals in the summer of 2013. To accommodate the events, the Port has invested in a series of Waterfront improvements along the central and northeast waterfront, primarily on Piers 27-29 for the America's Cup Village and at Piers 30-32 for team bases. By the time of the Challenger Series and Match events, the City will have completed the Brannan Street Wharf project, the core and shell of the Pier 27 James R. Herman Cruise Terminal building and the Pier 43 Bay Link Trail and will have made significant investments in deferred maintenance needs at Piers 30-32, Pier 23 and several of the aprons and marginal wharves used for the Events. After the conclusion of the events, the City will complete the James R. Herman Cruise Ship Terminal and Northeast Wharf Plaza. A March 12, 2013 update from the Bay Area Council

Economic Institute projects that the America's Cup Events will generate $900 million in direct San Francisco spending, creating 6,481 San Francisco jobs and producing $13 million in tax receipts for the City and County of San Francisco.

Moscone Convention Center

The Moscone Center Expansion Project would add approximately 353,000 square feet to the portion of the existing Moscone Center located on Howard Street between 3rd and 4th Streets in the Yerba Buena Gardens neighborhood of San Francisco. Nearly half of this additional space (140,000 square feet) would be created by excavating and expanding the existing below-grade exhibition halls that connect the Moscone North and South buildings under Howard Street, with the remaining consisting of new and repurposed lobby area (approximately 43,000 ft2), new multi-purpose/meeting room area (approximately 84,000 square feet), and new and repurposed building support area (approximately 86,000 ft2). The project would also expand the existing above-grade Moscone North, South, and Esplanade buildings to enhance their public connection and presence on Howard Street and make the Moscone Center more pedestrian-oriented. The project also proposes two enclosed pedestrian bridges spanning across Howard Street connecting at level 2 of the Moscone North and South expansions while framing the main public arrival space between the two new buildings and providing enhanced off-street circulation for Moscone convention attendees.

In addition to adding new rentable square footage, the project architects seek to create an iconic sense of arrival that enhances Moscone's civic presence on Howard Street and reconnects it to the surrounding neighborhood through the creation of reintroduced lost mid-block passageways. As such, the project proposes two new, enclosed pedestrian bridges connecting the upper levels of the new Moscone North and Moscone South as well as an upgrade to the existing pedestrian bridge across Howard Street. This would help to frame the main public arrival space between the two new buildings, provide enhanced circulation for Moscone convention attendees, and reduce on-street congestion all while maintaining full-time elevated public access across Howard Street from Yerba Buena Gardens to the cultural facilities.

The project would not affect Yerba Buena Gardens, the cultural facilities (ice rink, bowling alley, carousel, and outdoor play area), Sister Cities Garden, MLK Memorial and Fountain, Yerba Buena Center for the Arts Gallery & Forum building, Yerba Buena Center for the Arts Theater, the existing restaurants Samovar and B, the Esplanade Ballroom or Moscone West though it would impact the Compass and Children's Gardens.

Without expansion, independent consultants predict that Moscone will lose up to $2 billion in future revenue as competitor markets build larger, more contiguous exhibition spaces with more flexible meeting and ballroom spaces. The project allows the City to recover approximately $734 million of this future revenue through a phased construction schedule that keeps Moscone in continuous revenue generating operation.

The proposed project is a joint partnership between the City and the hotel industry, acting through the Tourist Improvement District Management Corporation, with the City paying approximately one-third of all expansion costs and the hotel community paying approximately two-thirds. The project includes extensive community outreach to surrounding neighbors, businesses and affected parties. The Board of Supervisors unanimously approved the creation of the Moscone Expansion District and the issuance of $507 million in Certificates of Participation on February 5, 2013. Project sponsors propose to initiate environmental review in early 2013 with the goal of starting construction in late 2014, continuing intermittently around existing convention reservations through 2018.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law which limits 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 was authorized and approved in accordance with all applicable constitutional limitations. A summary of the currently effective limitations is set forth below.

Article XIII A of the California Constitution

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

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

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

Article XIII B of the California Constitution

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

Articles XIII C and XIII D of the California Constitution

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

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

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

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

Statutory Limitations

On November 4, 1986, California voters adopted Proposition 62, an initiative statute that, among other things, requires (i) that any new or increased general purpose tax be approved by a two-thirds vote of the local governmental entity's legislative body and by a majority vote of the voters, and (ii) that any new or increased special purpose tax be approved by a two-thirds vote of the voters.

In *Santa Clara County Local Transportation Authority v. Guardino,* 11 Cal. 4th 220 (1995) (the *"Santa Clara* decision"), the California Supreme Court upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a "special tax" as required by Proposition 62. The *Santa Clara* decision did not address the question of whether it should be applied retroactively. In *McBrearty v. City of Brawley,* 59 Cal. App. 4th 1441 (1997), the Court of Appeal, Fourth District, concluded that the *Santa Clara* decision is to be applied retroactively to require voter approval of taxes enacted after the adoption of Proposition 62 but before the *Santa Clara* decision.

The *Santa Clara* decision also did not decide, and the California Supreme Court has not otherwise decided, whether Proposition 62 applies to charter cities. The City is a charter city. Cases decided by the California Courts of Appeal have held that the voter approval requirements of Proposition 62 do not apply to certain taxes imposed by charter cities. See *Fielder v. City of Los Angeles,* 14 Cal. App. 4th 137 (1993) and *Fisher v. County of Alameda*, 20 Cal. App. 4th 120 (1993).

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. Since it is a statute, it is subordinate to the authority of charter cities to impose taxes derived from the State Constitution. Proposition 218 (discussed above), however, incorporates the voter approval requirements initially imposed by Proposition 62 into the State Constitution.

Even if a court were to conclude that Proposition 62 applies to charter cities, the City's exposure would be insignificant. The effective date of Proposition 62 was November 1986. Proposition 62 contains provisions that apply to taxes imposed on or after August 1, 1985. Since August 1, 1985, the City has collected taxes on businesses, hotel occupancy, utility use, parking, property transfer, stadium admissions and vehicle rentals. See "OTHER CITY TAX REVENUES" herein. Only the hotel and stadium admissions taxes have been increased since that date. The increases in these taxes were ratified by the voters on November 3, 1998 pursuant to the requirements of

Proposition 218. With the exception of the vehicle rental tax, the City continues to collect all of the taxes listed above. Since these remaining taxes were adopted prior to August 1, 1985, and have not been increased, these taxes would not be subject to Proposition 62 even if Proposition 62 applied to a charter city.

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 increase a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies (but see "San Francisco Redevelopment Agency Dissolution" above). While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

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

Proposition 26

On November 2, 2010, the voters approved Proposition 26 ("Proposition 26"), revising certain provisions of 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 is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

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

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

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

Future Initiatives

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.

LITIGATION AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City, including those summarized in Note 16 to the City's CAFR as of June 30, 2012, attached as Appendix B to this Official Statement. Included among these are a number of actions which if successful would be payable from the City's General Fund. In the opinion of the City Attorney, such suits and claims presently pending will not impair the ability of the City to make debt service payments or otherwise meet its General Fund lease or debt obligations, nor materially impair the City's ability to fund current operations.

Risk Retention Program

Citywide risk management is coordinated by the Office of Risk Management Division within the City's General Services Agency, which is under the supervision of the City Administrator. With certain exceptions, it is the general policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed but rather to first evaluate self-insurance for such risks. The City's policy in this regard is based on its analysis that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e., "self-insurance"). The City obtains commercial insurance in certain circumstances, including when required by bond or lease financing covenants and for other limited purposes. The City actuarially determines liability and workers' compensation risk exposures as permitted under State law. The City does not maintain commercial earthquake coverage, with certain minor exceptions.

The City's property risk management approach varies depending on various factors including whether the facility is currently under construction or if the property is owned by a self-supporting enterprise fund department. For new construction projects, the City has utilized traditional insurance, owner-controlled insurance programs or contractor-controlled insurance programs. Under the latter two approaches, the insurance program provides coverage for the entire construction project. When a traditional insurance program is used, the City requires each contractor to provide its own insurance, while ensuring that the full scope of work be covered with satisfactory levels to limit the City's risk exposure. The majority of the City's commercial insurance coverage is purchased for enterprise fund departments and other similar revenue-generating departments (the Airport, MTA, the SF Public Utilities Commission, 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.

Through coordination with 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 CAFR. The appropriations are sized based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The City actuarially estimates future workers' compensation costs to the City according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the department's payroll. The administration of workers' compensation claims and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. The Workers' Compensation Division determines and allocates workers' compensation costs to departments based upon actual payments and costs associated with a department's injured workers' claims. Statewide workers' compensation reforms have resulted in City budgetary savings in recent years. The City continues to develop and implement programs to lower or mitigate workers' compensation costs. These programs focus on accident prevention, transitional return to work for injured workers, improved efficiencies in claims handling and maximum utilization of medical cost containment strategies.

The City's estimated liability and workers' compensation risk exposures are summarized in Note 16 to the City's CAFR, attached to this Official Statement as Appendix B.

OFFICE OF THE MAYOR
SAN FRANCISCO

EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors

FROM: Mayor Edwin M. Lee

RE: Road Repaving and Street Safety General Obligation Bonds, 2011, Series 2013C – Not to Exceed $133,275,000 – Sale Resolution

DATE: April 23, 2013

Attached for introduction to the Board of Supervisors is the resolution authorizing and directing the sale of not to exceed $133,275,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2013C; prescribing the form and terms of said bonds; authorizing the execution, authentication, and registration of said bonds; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related to said bonds; providing for the manner of sale of said bonds by competitive sale; approving the forms of official notice of sale and notice of intention to sell bonds; directing the publication of the notice of intention to sell bonds; approving the form of the preliminary official statement and the form and execution of the official statement relating to the sale of said bonds; approving the form of the continuing disclosure certificate; authorizing and approving modifications to documents; declaring the City's intent to reimburse certain expenditures; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of said bonds.

Please note this item is cosponsored by Supervisors Wiener and Yee.

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

cc. Supervisor Scott Wiener
Supervisor Norman Yee

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