File No. 160201 Committee Item No. 11
Board Item No. ____________

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget & Finance Committee **Date** March 16, 2016

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Completed by: Linda Wong **Date** March 11, 2016
Completed by: Linda Wong **Date** ____________

[Sale of General Obligation Bonds - Earthquake Safety and Emergency Response Bonds - Not to Exceed $111,060,000]

Resolution authorizing and directing the sale of not to exceed $111,060,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2016D; 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, as defined herein; declaring the City's intent to reimburse certain expenditures; ratifying certain actions previously taken, as defined herein; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of said bonds, as defined herein.

WHEREAS, By Resolution No. 34-14, adopted by the Board of Supervisors (the "Board of Supervisors") of the City and County of San Francisco (the "City") on February 4, 2014, and signed by the Mayor of the City (the "Mayor") on February 14, 2014, it was determined that public interest and necessity demands the construction, acquisition, improvement, and retrofitting of earthquake safety and emergency responsiveness facilities and infrastructure therein described (the "Project"); and

WHEREAS, By Ordinance No. 16-14, passed by the Board of Supervisors on February 14, 2014 (the "Bond Ordinance"), the Board of Supervisors duly called a special election to be held on June 3, 2014 (the "Bond Election"), for the purpose of submitting to the electors of the City a proposition to incur bonded indebtedness in the amount of $400,000,000 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. 313-14, adopted by the Board of Supervisors on July 29, 2014, and signed by the Mayor on August 7, 2014 (the "Authorizing Resolution"), the City was authorized to issue its General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014) (the "Bonds"); and

WHEREAS, By Resolution No. 308-14, adopted by the Board of Supervisors on July 29, 2014, and signed by the Mayor on August 7, 2014, the City was authorized to issue its General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2014D in an aggregate principal amount not to exceed $106,095,000, which Series 2014D Bonds were subsequently issued in the aggregate principal amount of $100,670,000; and

WHEREAS, The City has issued and sold, to date, a total of $100,670,000 of the Bonds; and there remains $299,330,000 of authorized and unissued Bonds; and

WHEREAS, It is necessary and desirable to issue an aggregate principal amount of the Bonds not to exceed $111,060,000 (the "Series 2016D Bonds"), to finance a portion of the costs of the Project (as defined in the Authorizing Resolution); and

WHEREAS, The Series 2016D 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 2016D Bonds prior to the issuance and sale of the Series 2016D Bonds, and the City intends to reimburse itself and to pay third parties for such prior expenditures from the proceeds of the Series 2016D Bonds; and

WHEREAS, Section 1.150-2 of the Treasury Regulations (the "Reimbursement Regulations") promulgated under the Internal Revenue Code of 1986, as amended (the "Code") 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 2016D Bonds to be made with respect to expenditures incurred prior to the issuance of the Series 2016D 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 of Supervisors, and, to the extent permitted by law, one-tenth of one percent (0.1%) of the gross proceeds of the Series 2016D Bonds shall be deposited in a fund established by the Controller's Office and appropriated by the Board of Supervisors at the direction of the Citizens' General Obligation Bond Oversight Committee to cover the costs of such Committee and its review process; and

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 2016D 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 of Supervisors and on file with the Clerk of the Board of Supervisors or his or her designee (the "Clerk of the Board of Supervisors") are contained in File No. 160201.

Section 4. Issuance and Sale of Series 2016D Bonds; Determination of Certain Terms; Designation. The Board of Supervisors authorizes the issuance and sale of not to exceed $111,060,000 in aggregate principal amount of Bonds to be designated as "City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2016D," for the purposes set forth in the Bond Ordinance and Proposition A 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 2016D 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 2016D 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 13)); and (ii) the Series 2016D Bonds shall not have a final maturity date after June 15, 2035. The Director of Public Finance is further authorized to give the Series 2016D Bonds such additional or other series designation, or to modify such series designation, as may be necessary or appropriate to distinguish the Series 2016D Bonds from every other series of Bonds and from other bonds issued by the City.

Section 5. Execution, Authentication and Registration of the Series 2016D Bonds. Each of the Series 2016D 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 2016D Bonds to be prepared in sufficient quantity for delivery to or for the account of their purchaser and the Controller of the City or designee thereof (the "Controller") is directed to cause the blanks in the Series 2016D 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, excluding any facsimile signature for the Clerk of the Board, which shall be required to be signed manually) and authentication as provided in this Section, and to deliver the Series 2016D Bonds when so executed and authenticated to said purchaser in exchange for their purchase price, all in accordance with the Authorizing Resolution.

The Series 2016D 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 2016D 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 2016D 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 2016D 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 2016D 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 2016D 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 2016D Bonds as provided in this Resolution. The City and the City Treasurer may treat the registered owner of each Series 2016D 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 2016D Bonds. Any Series 2016D 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 2016D Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the City Treasurer.

Any Series 2016D 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 2016D 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 2016D 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 2016D 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 2016D Bonds.

Section 8. Terms of the Series 2016D Bonds; General Redemption Provisions.

(a) Date of the Series 2016D Bonds. The Series 2016D 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 2016D Bonds. The principal of the Series 2016D 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 2016D 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 2016D Bonds, payment of the interest on any Series 2016D 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 2016D 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 2016D 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 2016D Bonds designated by such securities depository by wire transfer of immediately available funds.

(c) Interest on the Series 2016D Bonds. The Series 2016D Bonds shall bear interest at rates to be determined upon the sale of the Series 2016D Bonds, calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on June 15, 2016 (or such other date as may be designated in the Bond Award), and semiannually thereafter on December 15 and June 15 of each year. Each Series 2016D 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 2016D Bond, interest is in default on the Series 2016D Bonds, such Series 2016D Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Series 2016D Bonds or from the Dated Date if the first interest payment is not made.

(d) Optional Redemption. The Series 2016D 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 2016D 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 2016D 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 2016D Bonds subject to mandatory redemption shall be paid from the Series 2016D Bond Account (as defined in Section 9), pursuant to Section 9. In lieu of any such mandatory redemption for Series 2016D Bonds, at any time prior to the selection of Series 2016D Bonds for mandatory redemption, the City may apply amounts on deposit in the Series 2016D Bond Account to make such payment to the purchase, at public or private sale, of Series 2016D 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 2016D Bonds for Redemption. Whenever less than all of the outstanding Series 2016D Bonds are called for redemption on any date, the City Treasurer will select the maturities of the Series 2016D Bonds to be redeemed in the sole discretion of the City Treasurer. Whenever less than all of the outstanding Series 2016D Bonds maturing on any one date are called for redemption on any one date, the City Treasurer will select the Series 2016D Bonds or portions thereof, in denominations of $5,000 or any integral multiple thereof, to be redeemed from the outstanding Series 2016D 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 2016D 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 2016D 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 2016D Bonds to be redeemed and, if less than all of any such maturity is called for redemption, the distinctive numbers of the Series 2016D Bonds of such maturity to be redeemed, and in the case of any Series 2016D 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 2016D Bond to be redeemed; (e) require that such Series 2016D 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 2016D Bonds or portions of Series 2016D 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 2016D 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 2016D Bonds or the cessation of accrual of interest on such Series 2016D 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 2016D Bond to be redeemed in accordance with this Resolution shall be conclusive against all parties.

(h) Series 2016D Redemption Account. At the time the City Treasurer or the Controller determines to optionally call and redeem any of the Series 2016D 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 2016D Redemption Account" (the "Series 2016D Redemption Account"), and prior to or on the Redemption Date there must be set aside in the Series 2016D Redemption Account moneys available for the purpose and sufficient to redeem, as provided in this Resolution, the Series 2016D 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 2016D 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 2016D Bonds to be redeemed upon presentation and surrender of such Series 2016D Bonds. Any interest due on or prior to the Redemption Date may be paid from the Series 2016D Bond Account as provided in Section 9 or from the Series 2016D Redemption Account. Moneys held from time to time in the Series 2016D 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 2016D Bonds have been redeemed and canceled or paid and canceled, there are moneys remaining in the Series 2016D 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 2016D Bonds called for redemption (principal, premium, if any, and accrued interest to such Redemption Date) is set aside for that purpose in the Series 2016D Redemption Account, the Series 2016D Bonds designated for redemption shall become due and payable on the Redemption Date, and upon presentation and surrender of said Series 2016D Bonds at the place specified in the notice of redemption, such Series 2016D Bonds shall be redeemed and paid at said redemption price out of said Series 2016D Redemption Account. No interest will accrue on such Series 2016D Bonds called for redemption after the Redemption Date and the registered owners of such Series 2016D Bonds shall look for payment of such Series 2016D Bonds only to the Series 2016D Redemption Account. All Series 2016D 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 2016D Redemption Account of sufficient moneys to redeem the Series 2016D 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 2016D Bonds called for optional redemption on the Redemption Date have not been deposited in the Series 2016D 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 2016D 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 2016D 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 2016D 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 2016D Bond Account. There is established with the City Treasurer a special subaccount in the General Obligation Bonds (Earthquake Safety and Emergency Response General Obligation Bonds, 2014) Bond Account (the "Bond Account") created pursuant to the Authorizing Resolution to be designated the "General Obligation Bonds, Series 2016D Bond Subaccount" (the "Series 2016D 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 2016D Bond Account shall be retained in the Series 2016D Bond Account.

On or prior to the date on which any payment of principal of or interest on the Series 2016D Bonds is due, including any Series 2016D Bonds subject to mandatory redemption on said date, the City Treasurer shall allocate to and deposit in the Series 2016D Bond Account, from amounts held in the Bond Account, an amount which, when added to any available moneys contained in the Series 2016D Bond Account, is sufficient to pay principal of and interest on the Series 2016D Bonds on such date.

On or prior to the date on which any Series 2016D 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 2016D 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 2016D Redemption Account, is sufficient to pay principal, interest and premium, if any, with respect to such Series 2016D 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 2016D Bonds as is necessary or convenient to permit the optional redemption of the Series 2016D Bonds.

Amounts in the Series 2016D 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 2016D Bond Account with other City moneys or (ii) deposit amounts credited to the Series 2016D Bond Account into a separate fund or funds for investment purposes only; provided, that all of the moneys held in the Series 2016D Bond Account shall be accounted for separately notwithstanding any such commingling or separate deposit by the City Treasurer.

Section 10. <u>Series 2016D Project Account</u>. There is established with the City Treasurer a special subaccount in the General Obligation Bonds (Earthquake Safety and Emergency Response General Obligation Bonds, 2014) Project Account (the "Project Account") created pursuant to the Authorizing Resolution to be designated the "General Obligation Bonds, Series 2016D Project Subaccount" (the "Series 2016D 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 2016D Project Account shall be retained in the Series 2016D Project Account. Amounts in the Series 2016D 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 2016D 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 2016D Project Account with other City moneys or (ii) deposit amounts credited to the Series 2016D Project Account into a separate fund or funds for investment purposes only; provided, that all of the moneys held in the Series 2016D 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 2016D Bonds, on behalf of the City, the costs of issuance associated with the Series 2016D Bonds. Costs of issuance of the Series 2016D 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 2016D 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 2016D Bonds and payments and redemption notices to owners of the

Series 2016D 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 2016D 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 2016D 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 2016D 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 2016D Bonds; (v) any consent given or other action taken by such securities depository as the owner of Series 2016D Bonds; or (vi) any other matter.

The Depository Trust Company ("DTC") is appointed as depository for the Series 2016D Bonds. The Series 2016D Bonds shall be initially issued in book-entry form. Upon initial issuance, the ownership of each Series 2016D Bond shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. So long as each Series 2016D Bond is registered in book-entry form, each Series 2016D 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 2016D 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 2016D Bonds may be provided for prior to such Series 2016D 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 Series 2016D Bonds or a portion thereof, and all unpaid interest thereon to maturity, except that in the case of Series 2016D Bonds which are to be redeemed prior to such Series 2016D Bonds' respective stated maturities and in respect of which notice of such redemption shall have been given as provided in Section 8 hereof 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 any premium due on such redemption date; or

(b) Defeasance Securities (as herein defined) not subject to call, except as provided below in the definition thereof, 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 Series 2016D Bonds to be paid or redeemed, as such principal and interest come due; provided, that, in the case of the Series 2016D Bonds which are to be redeemed prior to maturity, notice of such redemption shall be given as provided in Section 8 hereof 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 2016D 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 said Series 2016D Bonds all sums due with respect thereto; provided, that the City shall have received an opinion of nationally recognized bond counsel, that provision for the payment of said Series 2016D Bonds has been made in accordance with this Section 12.

For purpose of this Section 12, “Defeasance Securities” shall mean 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 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 and/or United States Obligations; (c) the principal of and interest on the United States Obligations (plus any cash in the escrow fund or the 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 of the three Rating Agencies (as defined herein) not lower than the rating then maintained by the respective Rating Agency on United States Obligations.

For purposes of this Section 12, “United States Obligations” shall mean (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 which have been stripped by request to the Federal Reserve Bank of New York in book-entry form or (ii) any security issued by an agency or instrumentality of the United States of America which is selected by the Director of Public Finance that results in the escrow fund being rated by any two of the three Rating Agencies (as defined herein), 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.

For purposes of this Section 12, "Rating Agencies" shall mean Moody's Investors Service Inc. ("Moody's"), Fitch Ratings ("Fitch"), and Standard and Poor's Financial Services LLC, a part of McGraw-Hill Financial ("S&P"), or any other nationally-recognized bond rating agency which 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 2016D Bonds (the "Official Notice of Sale") submitted to the Board of Supervisors is approved and adopted as the Official Notice of Sale inviting bids for the Series 2016D 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 2016D 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 2016D 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 2016D 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 2016D Bonds (the "Notice of Intention to Sell Bonds") submitted to the Board of Supervisors is approved and adopted as the Notice of Intention to Sell the Series 2016D 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 2016D Bonds: Solicitation of Competitive Bids. The Board of Supervisors authorizes the sale of the Series 2016D Bonds by solicitation of competitive bids for the purchase of the Series 2016D 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 2016D Bonds shall be applied by the City Treasurer as follows: (a) accrued interest, if any, shall be deposited into the Series 2016D Bond Account; (b) premium, if any, shall be deposited into the Series 2016D Bond Account; and (iii) remaining proceeds of sale shall be deposited into the Series 2016D Project Account.

Section 17. Official Statement. The form of proposed Preliminary Official Statement describing the Series 2016D Bonds (the "Preliminary Official Statement") submitted to the Board of Supervisors is approved and adopted as the Preliminary Official Statement describing the Series 2016D 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 2016D 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 2016D 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 2016D Bonds.

Section 18. Tax Covenants.

(a) General. The City covenants with the holders of the Series 2016D 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 2016D 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 2016D Bonds or any of the property financed or refinanced with proceeds of the Series 2016D 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 2016D 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 2016D 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 2016D Bonds or any of the property financed or refinanced with proceeds of the Series 2016D Bonds, or any portion thereof, or any other funds of the City, that would cause the Series 2016D Bonds to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any Series 2016D 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 2016D Bonds as "governmental bonds."

(c) Arbitrage. The City shall not, directly or indirectly, use or permit the use of any proceeds of the Series 2016D Bonds, or of any property financed or refinanced by the Series

2016D Bonds, or other funds of the City, or take or omit to take any action, that would cause the Series 2016D 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 2016D Bonds.

(d) Federal Guarantee. The City shall not make any use of the proceeds of the Series 2016D Bonds or any other funds of the City, or take or omit to take any other action, that would cause the Series 2016D 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 2016D Bonds.

(f) Hedge Bonds. The City shall not make any use of the proceeds of the Series 2016D 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 2016D 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 2016D Bonds, dated the date of issuance of the Series 2016D Bonds, as such Tax Certificate may be amended from time to time. This covenant shall survive payment in full or defeasance of the Series 2016D Bonds.

Section 19. <u>Continuing Disclosure Certificate</u>. The form of Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), to be signed by the City to permit the original purchasers of the Series 2016D Bonds to comply with the Rule, submitted to the

Board of Supervisors 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 2016D 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 2016D Bonds in excess of $111,060,000 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 2016D Bonds, consistent with any documents presented and this Resolution, 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 2016D 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 2016D Bonds in connection with the Project or portions thereof to be financed by the Series 2016D Bonds. The

Board of Supervisors declares the City's intent to reimburse the City with the proceeds of the Series 2016D 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 2016D 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 2016D 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 2016D Bonds expected to be issued for the Project is $111,060,000. 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 2016D 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 Series 2016D Bonds are subject to accountability requirements under the City's Administrative Code and the Bond Ordinance.

The accountability report with respect to the Series 2016D Bonds is on file with the Clerk of the Board of Supervisors.

Section 25. <u>Citizens' Oversight Committee</u>. The Series 2016D 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 2016D Bonds shall be deposited into a fund established by the Controller's Office and appropriated by the Board of Supervisors at the direction of the Citizens' General Obligation Bond Oversight Committee to cover the costs of such committee.

Section 26. <u>CEQA Determination</u>. The Board of Supervisors hereby reaffirms and incorporates by reference the CEQA findings and determinations set forth in Ordinance 40-10 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 of Supervisors upon completion of planning and any further required environmental review under CEQA for the individual facilities and projects.

Section 27. <u>General Authority</u>. 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 2016D Bonds. Any such actions are solely intended to further the purposes of this Resolution, and are subject in all respects to the terms of this Resolution. No such actions shall increase the risk to the City or require the City to spend any resources not otherwise granted herein. Final versions of any such documents shall be provided to the Clerk of the Board of Supervisors for inclusion in the official file within 30 days (or as soon thereafter as final documents are available) of execution by all parties.

APPROVED AS TO FORM:
DENNIS J. HERRERA City Attorney

By:_______________________

Mark D. Blake
Deputy City Attorney
n:\legana\as2016\1600405\01085127.docx

Exhibit A

Unless this bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("**DTC**"), to the 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

(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2014),

SERIES 2016D

Interest Rate	Maturity Date	Dated Date	CUSIP Number
____%	June 15, 20__	__________, 20__	___________

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 May 30, 2016, 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 June 15, 2016 and semiannually thereafter on December 15 and June 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 $111,060,000, which is part of a bond authorization in the aggregate original principal amount of $400,000,000 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 June 3, 2014, 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 Resolution No. 313-14 adopted by the Board of Supervisors of the City (the "**Board of Supervisors**") on July 29, 2014 and signed by the Mayor of the City on August 7, 2014 and Resolution No. ___-16, adopted by the Board of Supervisors on __________, 2016 and signed by the Mayor on _________, 2016 (collectively, together with the related Bond 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 the Dated Date set forth above.

Mayor of the City and
County of San Francisco

Countersigned:

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

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: __________, 2016

____
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 7, 8, 9, 10, 11 and 12 **Files 16-0195, 16-0196, 16-0197, 16-0200, 16-0201 and 16-0202**	**Departments:** Office of Public Finance (OPF) Department of Public Works (DPW) Public Utilities Commission (PUC) San Francisco Municipal Transportation Agency (SFMTA)

EXECUTIVE SUMMARY

Legislative Objectives

- File 16-0195: Ordinance appropriating $46,462,851, including $44,145,000 of Series 2016E RRSS bond proceeds and $2,317,851 of accumulated bond interest earnings to DPW and SFMTA and placing these funds on Controller's Reserve pending the bond sale.
- File 16-0196: Ordinance appropriating $29,673,553, including $25,215,000 of Series 2016C ESER bonds and $4,458,553 of accumulated bond interest to the Department of Public Works (DPW) for seismic improvements and placing these funds on Controller's Reserve pending the bond sale.
- File 16-0197: Ordinance appropriating $111,060,000 of Series 2016D ESER bonds to DPW for seismic repairs and placing these funds on Controller's Reserve pending the bond sale.
- File 16-0200: Resolution authorizing and directing the sale of not-to exceed $25,215,000 aggregate principal Earthquake Safety and Emergency Response (ESER) General Obligation Bonds, Series 2016C, approved by the voters on June 8, 2010.
- File 16-0201: Resolution authorizing and directing the sale of not-to-exceed $111,060,000 aggregate principal Earthquake Safety and Emergency Response (ESER) General Obligation Bonds, Series 2016D, approved by the voters on June 3, 2014.
- File 16-0202: Resolution authorizing and directing the sale of not-to-exceed $44,145,000 aggregate principal Road Repaving and Street Safety (RRSS) General Obligation Bonds, Series 2016E, approved by voters on November 8, 2011.

Key Points

- In June 2010, voters authorized $412,300,000 of general obligation bonds for earthquake safety and emergency response projects. To date, five sales have occurred, totaling $387,085,000. This sale of $25,215,000 (Series 2016C) is the sixth and final 2010 ESER sale.
- In June 2014, voters authorized $400,000,000 of general obligation bonds to fund additional ESER projects. One prior issuance of $100,670,000 in 2014 occurred, leaving a remaining balance of $299,330,000. This Series 2016D issuance is for $111,060,000.
- Projects to be funded with these two ESER bond sales include: continued work on multiple Neighborhood Fire Station and Support Facilities, upgrades to District Police Stations, relocation of the Medical Examiner Facility and the Traffic Company & Forensic Services Division and continued work on the Emergency Firefighting Water System.
- In November 2011, voters authorized $248,000,000 of general obligation bonds to repair and improve roads and street infrastructure. To date, two RRSS bond sales have occurred, totaling $203,855,000. This $44,145,000 sale is the third and final 2011 RRSS sale.
- Projects to be funded with the RRSS bonds include: road paving, streetscape improvements and repair and replacement of transit and traffic signals.

Fiscal Impact

- The supplemental appropriation for the Series 2016C 2010 ESER Bonds (File 16-0196) also includes $4,458,553 of interest earnings from previous bond sales, to be expended on additional fire station improvements. The supplemental appropriation for the Series 2016E 2011 RRSS Bonds (File 16-0195) includes $2,317,851 of interest earnings from previous bond sales, to be expended on additional streetscape projects.
- The requested not-to-exceed total of $180,420,000 of general obligation bonds is projected to be sold for a par amount of $179,420,000, with $1,000,000 reserve. This includes $176,851,268 in estimated project and Controller audit funds and $2,568,732 in issuance and related oversight costs.
- These bonds are estimated to have an annual interest rate of 3.6 percent over approximately 20-years, with interest on the bonds totaling $72,255,618. Average annual debt service on the bonds would be $12,583,781. Total principal and interest payments over 20 years are estimated to be $251,675,000.
- Repayment of the annual debt service is covered through increases in the annual Property Tax rate, such that homeowners with an assessed value of $600,000 will pay average annual additional $38.46 in Property Taxes to the City if the anticipated $179,420,000 for the three Series 2016C ESER, 2016D ESER and 2016E RRSS bonds are sold.

Recommendations

- Approve File 16-0195, which includes $2,317,851 of additional interest earnings, contingent on the approval by the Capital Planning Committee.
- Approve the remaining three proposed resolutions and two proposed ordinances.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Charter Section 9.105 provides that the issuance and sale of general obligation bonds are subject to approval by the Board of Supervisors. Charter Section 9.105 also provides that amendments to the appropriation ordinance, subject to the Controller certifying the availability of funds, are subject to Board of Supervisors approval.

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 appropriation of bond funds.

Background

2010 ESER Bonds

In June 2010, San Francisco voters approved Proposition B, which authorized the issuance of not-to-exceed $412,300,000 in general obligation bonds to finance the construction, acquisition, improvement, retrofitting, rehabilitation and completion of earthquake safety and emergency responsiveness facilities and infrastructure.

On November 2, 2010, the Board of Supervisors approved a resolution (File 10-1255) authorizing the issuance of up to $412,300,000 Earthquake Safety and Emergency Response (ESER) General Obligation Bonds. To date, the Board of Supervisors has authorized the sale and appropriation of $387,085,000 of these 2010 ESER Bonds, as summarized in Table 1 below.

Table 1: 2010 ESER Bonds Previously Issued and Appropriated

Month and Year	Amount Authorized (Not-to Exceed)	Bonds Issued	Files Numbers of Bond Authorization and Appropriation
November 2010	$85,000,000	$79,520,000	Files 10-1256 and 10-1248
January 2012	192,000,000	183,330,000	Files 11-1344 and 11-1333
June 2012	40,410,000	38,265,000	Files 12-0533 and 12-0527
May 2013	31,905,000	31,020,000	Files 13-0382 and 13-3068
July 2014	57,840,000	54,950,000	Files 14-0812 and 14-0802
Total		$387,085,000	

Based on the initial authorization of $412,300,000, and previous appropriations totaling $387,085,000, there is a remaining balance of $25,215,000 to be issued and appropriated.

2014 ESER Bonds

In June 2014, San Francisco voters approved Proposition A, which authorized the issuance of not-to-exceed $400,000,000 in general obligation bonds to fund the completion of certain projects funded by the 2010 ESER bonds as well as new ESER projects. On July 29, 2014, the

Board of Supervisors approved two resolutions (Files 14-0840 and 14-0811) authorizing the issuance of the entire not-to-exceed $400,000,000 of the 2014 ESER Bonds and the sale of the first series of the 2014 ESER bonds for $100,670,000. On September 12, 2014, the Board of Supervisors approved an ordinance appropriating the $100,670,000 (File 14-0801) from the first bond sale, leaving a remaining authorized balance of $299,330,000.

2011 RRSS Bonds

In November 2011, San Francisco voters authorized the issuance of a not-to-exceed $248,000,000 of Road Repaving and Street Safety (RRSS) General Obligation Bonds to repair and improve roads and street infrastructure in the City. On January 24, 2012, the Board of Supervisors approved a resolution (File 11-1343) authorizing the issuance of the entire not-to-exceed $248,000,000 of the 2011 RRSS bonds. As shown in Table 2 below, to date, two sales and appropriations of the RRSS bonds have occurred, totaling $203,855,000.

Table 2: 2011 RRSS Bonds Previously Issued and Appropriated

Month and Year	Amount Authorized (Not-to Exceed)	Bonds Issued	Files
February 2012	$76,500,000	$74,295,000	Files 11-1346 and 11-1335
May 2013	133,275,000	129,560,000	Files 13-0381 and 13-0363
Total		$203,855,000	

Based on the initial 2011 RRSS bond authorization of $248,000,000, and previous appropriations totaling $203,855,000 as shown in Table 2 above, there is a remaining balance of $44,145,000 to be issued and appropriated for the 2011 RRSS bonds.

DETAILS OF PROPOSED LEGISLATION

The three proposed resolutions authorize the issuance of the following bonds, totaling $180,420,000:

- File 16-0200: Resolution authorizing and directing the sale of not-to exceed $25,215,000 aggregate principal Earthquake Safety and Emergency Response (ESER) General Obligation Bonds, Series 2016C, approved by the voters on June 8, 2010.

- File 16-0201: Resolution authorizing and directing the sale of not-to-exceed $111,060,000 aggregate principal Earthquake Safety and Emergency Response (ESER) General Obligation Bonds, Series 2016D, approved by the voters on June 3, 2014.

- File 16-0202: Resolution authorizing and directing the sale of not-to-exceed $44,145,000 aggregate principal Road Repaving and Street Safety (RRSS) General Obligation Bonds, Series 2016E, approved by voters on November 8, 2011.

The three proposed ordinances appropriate the bond proceeds from the three above-noted bond sales as well as accumulated bond interest for a total of $187,196,404 as follows:

- File 16-0196: Ordinance appropriating $29,673,553, including $25,215,000 of Series 2016C ESER bonds and $4,458,553 of accumulated bond interest to the Department of Public Works (DPW) for seismic improvements and placing these funds on Controller's Reserve pending the bond sale.
- File 16-0197: Ordinance appropriating $111,060,000 of Series 2016D ESER bonds to DPW for additional seismic repairs and placing these funds on Controller's Reserve pending the bond sale.
- File 16-0195: Ordinance appropriating $46,462,851, including $44,145,000 of Series 2016E RRSS bond proceeds and $2,317,851 of accumulated bond interest earnings to DPW and the San Francisco Municipal Transportation Agency (SFMTA) for road, streetscape and signal improvements and placing these funds on Controller's Reserve pending the bond sale.

The proposed Series 2016C ESER Bonds of $25,215,000 will be the sixth and final issuance of bonds under the 2010 ESER Bonds. The Series 2016D Bonds of $111,060,000 will be the second issuance under the 2014 ESER Bonds. The Series 2016E RRSS Bonds of $44,145,000 will be the third and final issuance under the 2011 RRSS Bonds.

Table 3 below shows the sources and uses for the Series 2016C, 2016D and 2016E bonds.

Table 3: Proposed Sources and Uses of Funds

	ESER 2010 Series 2016C	ESER 2014 Series 2016D	RRSS 2011 Series 2016E	Total
Sources				
Bond Proceeds	$25,215,000	$111,060,000	$44,145,000	$180,420,000
Uses				
Project Funds	24,804,828	108,266,550	43,426,894	176,498,272
Controller's Audit Fund	49,610	216,533	86,854	352,997
Projects Subtotal	24,854,438	108,483,083	43,513,748	176,851,268
Costs of Issuance	83,197	366,257	145,657	595,112
Underwriter's Discount	252,150	1,100,600	441,450	1,794,200
Citizens' GO Bond Oversight Com	25,215	110,060	44,145	179,420
Costs of Issuance Subtotal	360,562	1,576,917	631,252	2,568,732
Reserve Pending Bond Sale [1]	0	1,000,000	0	1,000,000
Total Uses	**$25,215,000**	**$111,060,000**	**$44,145,000**	**$180,420,000**

Source: Letter dated February 25, 2016, from the Office of Public Finance to the Board of Supervisors, re City and County of San Francisco General Obligation Bonds, Earthquake Safety and Emergency Response Bonds, Series 2016C (2010), 2016D (2014) and Road Repaving and Street Safety Series 2016E (2011).

Both the appropriations for the Series 2016C ESER Bonds and the Series 2016E RRSS Bonds (Files 16-0196 and 16-0195) include interest earnings from previous bond sales. As noted above, both the Series 2016C ESER Bonds and the Series 2016E RRSS Bonds are the final issuances for these programs, such that these appropriations will complete these programs.

[1] The Reserve Pending Sale accounts for variations in interest rates prior to the sale of the proposed bonds.

The Series 2016D ESER Bond appropriation (File 16-0197) does not include additional interest earnings because these projects are still in progress and there will be additional future bond sales and appropriations, which will include such interest earnings in the future. Table 4 below shows the interest earnings included in the supplemental appropriations.

Table 4: Interest Earnings for ESER 2010 and RRSS 2011 Previous Bond Sales

Interest Earnings	ESER 2010 Series 2016C	RRSS 2011 Series 2016E
First Bond Sale	$1,215,399	$903,301
Second Bond Sale	3,009,203	1,414,550
Third Bond Sale	18,407	
Fourth Bond Sale	57,670	
Fifth Bond Sale	157,874	
Total	$4,458,553	$2,317,851

Proceeds from the 2016C ESER 2010 Bonds will fund projects totaling $24,804,828 plus $4,458,553 from accrued bond interest earnings, or a total of $29,263,381 for continued work on the Neighborhood Fire Stations and Support Facilities project, which includes improvements to Fire Stations 5 and 16, and repairs, such as roof and window replacements, mechanical improvements, and emergency generators at multiple other fire stations.

Proceeds from the 2016D ESER 2014 Bonds will fund the following project costs of $108,266,550, as shown in Table 3 above:

- $10,194,715 for District Police Stations to continue funding the costs to rehabilitate, seismically upgrade and address accessibility issues at 12 police district stations.
- $31,980,403 for the Medical Examiner Facility, which continues to fund the costs of relocating the Medical Examiner Facility from the seismically vulnerable Hall of Justice at 850 Bryant Street to a new seismically safe facility at One Newhall Street in India Basin. Design is complete and construction began in late November 2015. This project is anticipated to be completed by the summer of 2017.
- $16,383,527 for the Police Department's Traffic Company & Forensic Services Division to relocate the motorcycle police and crime lab from the seismically vulnerable Hall of Justice and the Hunters Point Shipyard to a new facility at 1995 Evans Avenue. Construction is anticipated to begin in early 2018 and completed by the summer of 2020.
- $34,065,000 for continued work on the Emergency Firefighting Water System, which combines the previous Auxiliary Water Supply System (AWSS) with a Flexible Water Supply System (FWSS). AWSS projects include the design and construction of pipelines, tunnels, and cistern projects. FWSS is for above-ground water distribution projects to provide fire suppression in areas not directly served by AWSS.
- $15,642,905 to continue funding the Neighborhood Fire Stations and Support Facilities projects, which are also funded with the 2010 ESER bonds, as discussed above.

Proceeds from the 2016E RRSS 2011 Bonds will fund the following project costs of $43,426,894, as shown in Table 3 above, as well as $2,313,215 from additional interest earnings for a total of $46,462,851.

- $24,701,488 for continued road paving, resurfacing and reconstruction. Roads are selected based on criteria regarding condition, type of street, usage, coordination with utility companies and City agencies, geographic location and pavement inquiries. As of September 2015, 974 of 1,275 blocks or 76% of the total 2011 bond goal were paved. Program completion date is being extended from June 30, 2015 to December 31, 2018 to coordinate with other projects.
- $14,473,828 of bond proceeds plus $2,313,215 of interest earnings for a total of $16,787,043 for continued funding of streetscape, pedestrian and bicycle safety improvements, based on criteria in the bond report, which include both larger scale community projects and smaller scale pedestrian and bicycle safety projects.
- $4,251,578 for continued funding for transit and traffic signal improvements, to replace and upgrade signal hardware throughout the City.

Table 5 below shows the original budgets for the 2010 ESER bonds, 2014 ESER bonds, and the 2011 RRSS bonds, the prior appropriations to date, and the proposed bond proceeds and interest earnings to be appropriated from the sale of Series 2016C and 2016D for the ESER bonds and the Series 2016E for the RRSS bonds. As shown in Table 5, if the Board of Supervisors approves the three proposed resolutions and three proposed ordinances, there would be no remaining balance for the 2010 ESER or 2011 RRSS bonds. The 2014 ESER Bonds would have a remaining balance of $188,270,000. Therefore, one or more future bonds sales and appropriations will be needed for the 2014 ESER Bonds.

Table 5: ESER and RRSS Bond Appropriations

	Original Budget	Prior Appropriations	Proposed	Balance
2010 Earthquake Safety and Emergency Response			**2016C Bonds**	
Public Safety Building	$239,000,000	$239,000,000	$0	$0
Neighborhood Fire Stations	64,000,000	42,101,483	24,804,828	(2,906,311)
Auxiliary Water Supply System	102,400,000	102,400,000	0	0
Oversight, Accountability and Issuance	6,900,000	3,583,517	410,172	2,906,311
Subtotal 2010 ESER	$412,300,000	$387,085,000	$25,215,000	$0
			ESER Interest	
Interest – Neighborhood Fire Stations			4,458,553	
Total 2010 ESER Bond and Interest			**$29,673,553**	
2014 Earthquake Safety and Emergency Response			**2016D Bonds**	
District Police Stations	$29,490,000	6,882,940	$10,194,715	$12,412,345
Medical Examiner Facilities	63,895,000	34,252,621	31,980,403	(2,338,024)
Traffic Company & Forensic Services	162,195,000	30,319,675	16,383,527	115,491,798
Auxiliary Water Supply System	54,065,000	20,000,000	34,065,000	0
Neighborhood Fire Stations	83,555,000	8,150,601	15,642,905	59,761,494
Oversight, Accountability and Issuance	6,800,000	1,064,163	2,793,450	2,942,387
Total 2014 ESER	**$400,000,000**	**$100,670,000**	**$111,060,000**	**$188,270,000**
2011 Road Repaving and Street Safety			**2016E Bonds**	
Road Paving	$146,541,500	122,715,227	24,701,488	($875,215)
Ramps	13,769,000	13,768,872	0	128
Sidewalks	7,868,000	7,868,000	0	0
Structures	6,884,500	6,884,500	0	0
Streetscape	49,175,000	35,238,361	14,473,828	(537,189)
Signals	19,670,000	15,535,900	4,251,578	(117,478)
Oversight, Accountability and Issuance	4,092,000	1,844,140	718,106	1,529,754
Subtotal 2011 RRSS	$248,000,000	203,855,000	$44,145,000	$0
			RRSS Interest	
Interest – Streetscape Projects			2,313,215	
Interest – Oversight and Accountability			4,636	
Subtotal Interest			$2,317,851	
Total 2011 RRSS Bond and Interest			**$46,462,851**	

FISCAL IMPACT

As shown in Table 3 above, the requested not-to-exceed total of $180,420,000 in Series 2016C, 2016D and 2016E bonds are projected to be sold for a par amount of $179,420,000, which would result in total project funds of $176,851,268 and issuance-related costs totaling $2,568,732. The difference between the requested not-to-exceed total of $180,420,000 and the projected par amount of $179,420,000 reflects the $1,000,000 reserve, which is included to allow for potential variations in the interest rates when the bonds are sold. The Office of Public

Finance anticipates selling these bonds on April 27, 2016. As noted above, all of the proposed supplemental appropriations of funds would be placed on Controller's Reserve pending the sale of these bonds.

Annual interest rates for these bonds are projected by the Office of Public Finance at 3.6 percent over approximately 20-years. The Office of Public Finance advises that although a 20-year term is anticipated, the proposed bonds could be structured as a 25-year bond, if market conditions require a longer period of time. The Office of Public Finance estimates that average annual debt service on the bonds is $12,583,781. Total interest payments over the 20-year Conlife of the bonds are $72,255,618 and total principal and interest payments are estimated to be $251,675,000, as shown in Table 6 below.

Table 6: Total Debt Service Payments on the Proposed Three 2016 Bonds Sales

	Series 2016C ESER	Series 2016D ESER	Series 2016E RRSS	Total
Principal	$25,215,000	$110,060,000	$44,145,000	$179,420,000
Interest	10,163,834	44,373,034	17,718,750	72,255,618
Total Debt Service	$35,378,834	$154,433,034	$61,863,750	$251,675,618

Annual debt service will be recovered for all of these issuances through increases in the annual Property Tax rate. Repayment of the proposed bonds is described for each Series below.

- For Series 2016C, the Office of Public Finance estimates average Property Tax increases of $0.00091 per $100 or $0.91 per $100,000 of assessed valuation over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of $600,000, assuming a homeowner's exemption of $7,000, would pay average annual additional Property Taxes to the City of $5.46 per year for the anticipated $25,215,000 ESER Bond sale.
- For Series 2014D, the Office of Public Finance estimates average Property Tax increases of $0.00397 per $100 or $3.97 per $100,000 of assessed valuation over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of $600,000, assuming a homeowner's exemption of $7,000, would pay average annual additional Property Taxes of $23.56 per year for the anticipated $110,060,000 ESER Bonds sale.[2]
- For Series 2014D, the Office of Public Finance estimates average Property Tax increases of $0.00159 per $100 or $1.59 per $100,000 of assessed valuation over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of $600,000, assuming a homeowner's exemption of $7,000, would pay average annual additional Property Taxes to the City of $9.44 per year for the anticipated $44,145,000 RRSS Bond sale.

As summarized in Table 7 below, the total estimated issuance of $179,420,000 of general obligation bonds will result in total additional average annual Property Taxes of $38.46.

[2] The difference between the authorized amount of $111,060,000 and the expected par amount of $110,060,000 is the $1,000,000 Reserve Pending Sale shown in Table 3.

Table 7: Anticipated Annual Property Tax Increases on $600,000 Home For Bond Repayments

General Obligation Bonds	Anticipated Par Amount	Anticipated Average Annual Property Tax Impact on $600,000 Home
2016C ESER Bond	$25,215,000	$5.46
2016D ESER Bond	110,060,000	23.56
2016E RRSS Bond	44,145,000	9.44
Total	**179,420,000**	**$38.46**

Source: Controller's Office of Public Finance

However, in accordance with the City's capital plan and debt policy, new issuances of bond debt will be offset by the retirement of existing bond debt, such that the Property Tax rate paid by property owners in the City cannot exceed the 2006 Property Tax rates.

POLICY CONSIDERATION

Bond Accountability Reporting

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 appropriation of bond funds. On November 16, 2015, Mr. Charles Higueras, the Program Manager for the ESER Program submitted both the 2010 and 2014 Earthquake Safety and Emergency Response Bond Program Accountability Reports. On December 21, 2015, Mr. John Thomas, Program Manager for the RRSS Program submitted the Road Repaying and Street Safety 2011 Bond Program Accountability Report.

As noted in the 2014 ESER Bond Accountability Report, the City's General Fund will be used to procure furniture, fixtures and equipment (FF&E) estimated to cost $4,869,000, because FF&E is not a bond eligible expense. Ms. Marisa Fernandez, Senior Administrative Analyst in DPW advises that these General Fund monies will be requested in the FY 2017-18 Police Department's budget. The department representatives advise that the project amounts in each of these recent Accountability Reports are different than the amounts now being requested for the various projects due to changes in the estimated costs for oversight, accountability and issuance, which allow for additional expenditures for project funds.

Capital Planning Committee

On February 22, 2016, the Capital Planning Committee approved the following:

- issuance of $25,215,000 of 2010 ESER bonds and appropriation of $30,000,000[3] from these bonds proceeds, plus interest earned;
- issuance and appropriation of $111,060,000 of 2014 ESER bonds; and
- issuance and appropriation of $44,145,000 of 2011 RRSS bonds.

[3] Although the Capital Planning Committee approved $30,000,000, the actual amount of the requested supplemental appropriation for the 2010 ESER bonds is $29,673,553 as shown in Table 5 above.

Approval by the Capital Planning Committee did not include the proposed additional $2,317,851 of interest earned on the previous RRSS bonds, for a total requested appropriation of $46,462,851. Ms. Rachel Alonso, Transportation Finance Analyst at DPW advises that on Monday, March 14, 2016, DPW anticipates requesting approval from the Capital Planning Committee to appropriate the additional $2,317,851 of interest earnings for additional streetscape, bike and pedestrian safety projects. The Board of Supervisors should approve this supplemental appropriation ordinance (File 16-0195) contingent on the approval by the Capital Planning Committee to use interest earnings for this purpose.

RECOMMENDATIONS

1. Approve File 16-0195, which includes $2,317,851 of additional interest earnings, contingent on the approval by the Capital Planning Committee.
2. Approve the remaining three proposed resolutions and two proposed ordinances.
3.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Nadia Sesay, Director of Public Finance

SUBJECT: City and County of San Francisco General Obligation Bonds
(Earthquake Safety and Emergency Response, 2010), Series 2016C
(Earthquake Safety and Emergency Response, 2014), Series 2016D
(Road Repaving and Street Safety, 2011), Series 2016E

DATE: Thursday, February 25, 2016

I respectfully request that the Board of Supervisors consider for review and adoption the resolutions authorizing the sale and issuance of general obligation bonds financing the Earthquake Safety and Emergency Response (ESER) and Road Repaving and Street Safety (RRSS) programs at its Tuesday, March 1, 2016 meeting.

In connection with this request, legislation approving the sale and issuance of the bonds, supplemental appropriation ordinances to appropriate the bond proceeds, and related supporting documents are expected to be introduced. We respectfully request that the items be heard at the scheduled March 16, 2016 meeting of the Budget and Finance Committee.

Background:

On June 8, 2010, a two-thirds majority of voters of the City approved Proposition B ("2010 Proposition B"), the San Francisco Earthquake Safety and Emergency Response Bond, authorizing the city to issue $412,300,000 in general obligation bonds to improve fire, earthquake and emergency response and ensure firefighters a reliable water supply for fires and disasters in the City. Of the total authorization, $387,085,000 of general obligation bonds have been issued to date for earthquake and emergency response projects, leaving $25,215,000 remaining from the 2010 Proposition B funds.

On June 3, 2014, a two-thirds majority of voters of the City approved Proposition A ("2014 Proposition A"), the San Francisco Earthquake Safety and Emergency Response Bond, authorizing the city to issue $400,000,000 in general obligation bonds to improve fire, earthquake and emergency response in the City and improve or replace certain seismically unsafe facilities. Of the total authorization, $100,670,000 has been issued to date, leaving $299,330,000 remaining from the 2014 Proposition A funds.

On November 8, 2011, a two-thirds majority of voters of the City approved Proposition B ("2011 Proposition B"), the San Francisco Road Repaving and Street S Bond, authorizing the city to issue $248,000,000 in general obligation bonds to repair and improve roadways and traffic infrastructure in the City. Of the total authorization, $203,855,000 has been issued to date, leaving $44,145,000 remaining from the 2014 Proposition B funds.

The proposed resolutions authorize the sale of not-to-exceed $25,215,000 of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response, 2010), Series 2016C (the "2016C Bonds"), the sale of not-to-exceed $111,060,000 of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response, 2014), Series 2016D, and the sale of not-to-exceed $44,145,000 of City and County of San Francisco General Obligation Bonds (Road Repaving and Street Safety, 2011), Series 2016E (the "2016E Bonds"). The 2016C Bonds will be the sixth and final series of bonds to be issued under the 2010 Proposition B. The 2016D Bonds will be the second series of bonds to be issued under the 2014 Proposition A. The 2016E Bonds will be the third and final series of bonds to be issued under the 2011 Proposition B.

As described more fully in the 2010 and 2014 Earthquake Safety and Emergency Response Bond Accountability Reports, both dated November 16, 2015, proceeds from the 2016C and 2016D Bonds will partially finance the following program:

Neighborhood Fire Stations (NFS)

Bond proceeds from this sale will be used to renovate or replace selected fire stations to provide improved safety and a healthy work environment for firefighters, and to address structural, seismic, and other deficiencies with the aim of keeping the facilities operational to allow firefighters to respond to an emergency after a large earthquake or disaster.

As described more fully in the 2014 Earthquake Safety and Emergency Response Bond Accountability Report, dated November 16, 2015, remaining proceeds from the 2016D Bonds will partially finance the following programs:

Office of Chief Medical Examiner

The bond program allocates proceeds toward the project to relocate the Office of the Chief Medical Examiner (OCME) to One Newhall Street in the India Basin neighborhood, from its current facilities which are seismically deficient and undersized, potentially threatening OCME's continued accreditation. The new facility will be two stories and have a gross area of 46,000 square feet, which will house the four units of the OCME: Field Investigations, Medical/Autopsy, Laboratory, and Administration.

Traffic Control & Forensic Services Division

Bond proceeds will be used to relocate the San Francisco Police Department's Forensic Services Division (FSD) and Traffic Company (TC) to a site at 1995 Evans Avenue. This project will allow for the consolidation of FSD facilities from two location into a single, seismically-sound and adequately sized location, and it will allow TC operations to be moved from a seismically deficient facility as well.

Police Facilities

The bond program includes funding for facility upgrades to 12 different police facilities located across the City, including mechanical, electrical, fire protection, and structural safety work scopes, as well as code compliance and addressing accessibility requirements. This work will help address seismic issues as well as help to enable emergency response after an earthquake or disaster.

Emergency Firefighting Water System

The bond funding will allow for the seismic improvement of Auxiliary Water Supply System (AWSS) pipelines, tunnels, and physical plant, and the procurement of Flexible Water Supply System (FWSS) components. The water system includes water storage in cisterns and delivery of water for use in fire suppression in many areas of the City. The FWSS program includes components that will provide above-ground water distribution for fire suppression in areas not served by the AWSS. These improvements will help to protect against loss of life and property damage in major fires or potentially in a post-earthquake fire scenario.

As described more fully in the 2011 Road Repaving and Street Safety Bond Accountability Report, dated December 21, 2015, remaining proceeds from the 2016E Bonds will partially finance the following programs:

Street Resurfacing

The bond proceeds will enable Public Works to repave, repair, and reconstruct street segments throughout the City's 865 miles of streets and roadways, ensuring safe transit for pedestrian and vehicle traffic. Specific streets are select through evaluation of pavement condition, traffic usage, location, coordination with other agencies, and pavement inquiries. Projects in this program include pavement resurfacing, curb, gutter, parking strip, and base repairs, bus pad construction, roadway striping, and curb ramps.

Streetscape, Pedestrian, and Bicycle Safety Improvements

The funds from this sale will be used to modernize streets, including the following measures: universal street design and safety components, traffic calming measures, bike safety features, pedestrian lighting and countdown signals, curb bulb-outs, tree planting and landscaping, and storm water management.

Transit & Traffic Signal Improvements

The bond program includes funding for improvements to traffic signals in three areas: 1) Traffic Signal Priority, which enables transit vehicles to receive priority for green signal indications with the goal of minimizing transit delays and enhancing on-time performance; 2) Installation of new traffic signals to improve pedestrian safety and enhance rail and vehicle transit; and 3) Signal infrastructure upgrades along transit routes.

Financing Parameters:

The proposed resolutions authorize the sale of not-to-exceed combined par amount of $180,420,000 for Series 2016C, 2016D, and 2016E. Based on current project cost estimates and schedules, the Office of Public Finance expects to issue $179,420,000 under conservative assumptions of market conditions prevailing at the expected time of sale. The additional authorized amount above the expected issuance amount allows for fluctuations in market conditions from the date of authorization by the Board to the time of the sale of the Bonds.

The Bonds are anticipated to contribute approximately $176,498,272 to earthquake safety and road improvement projects. Table 1 outlines anticipated sources and uses for the Bonds:

Table 1: Anticipated Sources and Uses for the Bonds.

	ESER 2010 Series 2016C	ESER 2014 Series 2016D	RRSS 2011 Series 2016E	Total
Sources				
Par Amount	$25,215,000	$110,060,000	$44,145,000	$179,420,000
Reserve Proceeds		$1,000,000		$1,000,000
Total Not-To-Exceed Amount	**$25,215,000**	**$111,060,000**	**$44,145,000**	**$180,420,000**
Uses				
Projects				
Project Funds	$24,804,828	$108,266,550	$43,426,894	$176,498,272
Controller's Audit Fund	$49,610	$216,533	$86,854	$352,996
Projects Subtotal	$24,854,438	$108,483,083	$43,513,748	$176,851,269
Other Costs of Issuance				
Costs of Issuance	$83,197	$366,257	$145,657	$595,111
Underwriter's Discount	$252,150	$1,100,600	$441,450	$1,794,200
Citizens' General Obligation Bond Oversight Committee	$25,215	$110,060	$44,145	$179,420
Costs of Issuance Subtotal	$360,562	1,576,917	$631,252	$2,568,731
Total Uses	25,215,000	$110,060,000	$44,145,000	$179,420,000
Reserve Pending Bond Sale [1]		$1,000,000		$1,000,000
Total Uses with Reserve	**$25,215,000**	**$111,060,000**	**$44,145,000**	**$180,420,000**

Based upon a conservative estimate of approximately 3.6% interest rate, OPF estimates that average fiscal year debt service on the Bonds is approximately $12,580,000. The anticipated total par value of $179,420,000 is estimated to result in approximately $72,255,000 in interest payments over the life of the Bonds. The total principal and interest payment over the approximate 20-year life of the Bonds is approximately $251,675,000. Based on market conditions expected to exist at the time of the sale coupled with the Capital Planning Committee constraints, the Bonds could be structured with a 25-year life.

In addition, a portion of the Bonds will pay certain expenses incurred in connection with their issuance and delivery and the periodic oversight and review of the Projects by the Citizens' General Obligation Bond Oversight Committee ("CGOBOC"). Detailed descriptions of the Projects financed with proceeds of the Bonds are included in the ESER 2010 and 2014 Bond Accountability Reports, and the RRSS 2011 Bond Accountability Report, all prepared by San Francisco Public Works.

Debt Limit:

The City Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is 3.00% of the assessed value of property in the City. For purposes of this provision of the Charter, the City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's general obligation debt limit for fiscal year 2015-16 is approximately $5.83 billion, based on a net assessed valuation of approximately $194.4 billion. As of February 1, 2015, the City had outstanding approximately $2.02

[1] The Reserve Pending Sale accounts for variations in interest rates prior to the sale of the proposed bonds.

billion in aggregate principal amount of general obligation bonds, which equals approximately 1.04% of the net assessed valuation for fiscal year 2015-16. If all of the City's authorized and unissued bonds were issued, the total debt burden would be 1.64% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the Bonds, the debt ratio would increase by 0.09% to 1.13%— within the 3.00% legal debt limit.

Property Tax Impact

For Series 2016C, 2016D, and 2016E, repayment of the annual debt service will be recovered through increases in the annual property tax rate, which, according to the Controller's Office, would average $0.00647 per $100 or $6.47 per $100,000 of assessed valuation over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of $600,000, assuming a homeowner's exemption of $7,000, would pay average annual additional property taxes to the City of $38.39 per year if the anticipated $179,420,000 San Francisco General Obligation Bonds are sold for the ESER and RRSS programs.

Capital Plan:

The Capital Planning Committee approved a financial constraint regarding the City's planned use of general obligation bonds such that debt service on approved and issued general obligation bonds would not increase property owners' long-term property tax rates above fiscal year 2006 levels. The fiscal year 2006 property tax rate for the general obligation bond fund was $0.1201 per $100 of assessed value. If the Board of Supervisors approves the issuance of the Bonds, the property tax rate for general obligation bonds for fiscal year 2015-16 would be maintained below the fiscal year 2006 rate and within the Capital Planning Committee's approved financial constraint.

Additional Information:

The legislation is expected to be introduced at the Board of Supervisors meeting on Tuesday, March 1, 2016. The related financing documents—including the Notice of Intention to Sell, Official Notice of Sale, Official Statement, Appendix A and Continuing Disclosure Certificate and related documents—will also be submitted.

Official Notice of Sale: The Official Notice of Sale for the Bonds announces the date and time of the competitive bond sale, including the terms relating to the Bonds; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents. Pending market conditions, the Bonds may be bid separately by series or bids may be received for all of the Bonds.

Exhibit A to the Official Notice of Sale is the form of the official bid for the purchase of the Bonds. Pursuant to the Resolutions, the Controller is authorized to award the Bonds to the bidder whose bid represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale.

Notice of Intention to Sell: The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell the 2016CDE Bonds. Such Notice of Intention to Sell will be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

Official Statement: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the Bonds. The Official Statement describes the Bonds, including sources and uses of funds; security for the Bonds; risk factors; and tax and other legal matters, among other information. The Official Statement also includes the City's Appendix A, the most recent Comprehensive Annual Financial Report of the City, the City's Investment Policy, and other forms of legal documents for the benefit of investors, holders and owners of the Bonds.

A *Preliminary Official Statement* is distributed to prospective bidders prior to the sale of the Bonds and within seven days of the public offering, the *Final Official Statement* (adding certain sale results including the offering prices, interest rates, selling compensation, principal amounts, and aggregate principal amounts) is distributed to the initial purchasers of the Bonds.

The Board of Supervisors and the Mayor, in adopting and approving the Resolutions, approve and authorize the use and distribution of the Official Statement by the co-financial advisors with respect to the Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller certifies, on behalf of the City, that the Preliminary and Final Official Statements are final as of their dates.

Appendix A: The City prepares the Appendix A: "City and County of San Francisco—Organization and Finances" (the "Appendix A") for inclusion in the Official Statement. The Appendix A describes the City's government and organization, the budget, property taxation, other City tax revenues and other revenue sources, general fund programs and expenditures, employment costs and post-retirement obligations, investment of City funds, capital financing and bonds, major economic development projects, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management. Pursuant to the Resolution, City staff will revise the Official Statement, including the Appendix A.

Continuing Disclosure Certificate: The City covenants to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events, if material. The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of material events. These covenants have been made in order to assist initial purchasers of the Bonds in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Financing Timeline:

The Bonds are expected to be issued and delivered in Spring 2016. Schedule milestones in connection with the financing may be summarized as follows:

Milestone	**Date***
Consideration by the Capital Planning Committee	February 22, 2016
Introduction of authorizing legislation and supporting materials to the Board	March 1, 2016
Issuance and delivery of the Bonds	April 2016

*Please note that dates are estimated unless otherwise noted.

Your consideration of this matter is greatly appreciated. Please contact me at 415-554-5956 if you have any questions. Thank you.

SH DRAFT #4
2/22/16

OFFICIAL NOTICE OF SALE

AND

OFFICIAL BID FORM

\$179,420,000*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

consisting of

\$25,215,000	**\$110,060,000***	**\$44,145,000**
General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2016C	**General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2016D**	**General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2016E**

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:

THE SERIES 2016C BONDS, THE SERIES 2016D BONDS AND THE SERIES 2016E BONDS WILL BE SOLD SOLELY IN THE AGGREGATE, AND NOT AS INDIVIDUAL SERIES. THE WINNING BIDDER WILL RECEIVE ALL OF THE BONDS OF ALL SERIES IDENTIFIED ABOVE.

SALE DATE:	________, April __, 2016 (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:	April __, 2016*

* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

$179,420,000*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

consisting of

$25,215,000 General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2016C	**$110,060,000* General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2016D**	**$44,145,000 General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2016E**

NOTICE IS HEREBY GIVEN 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 $25,215,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2016C (the "**Series 2016C Bonds**"), $110,060,000* aggregate principal amount of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2016D (the "**Series 2016D Bonds**") and $44,145,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2016E (the "**Series 2016E Bonds**" and, together with the Series 2016C Bonds and the Series 2016D 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:

__________, 2016, 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 __________, __________, 2016, 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 PARITY, BLOOMBERG PROFESSIONAL SERVICE, KNOWN AS "BLOOMBERG TERMINAL" ("BLOOMBERG") AND/OR THOMSON REUTERS "THOMSON MUNICIPAL NEWS" ("THOMSON") AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT

* Preliminary, subject to change.

OR CANCELLATION. [If the sale is postponed, bids will be received at the place set forth above on any weekday during the period from ______, 2016 through _______, 2016, as the City may determine.] Notice of the new date and time(s) for receipt of bids will be given through Parity, Bloomberg and/or Thomson as soon as practicable following a postponement and no later than 1:00 p.m. (California time) on the date preceding the original or new date for receiving bids.

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice from: (i) Kitahata & Company, 137 Joost Avenue, San Francisco, California 94131; Attention: Gary Kitahata (email: gkitahata@gmail.com); and (ii) Fieldman, Rolapp & Associates, Inc., 19900 MacArthur Blvd., Suite 1100, Irvine, California 92612; Attention: James Fabian (email: jfabian@fieldman.com) (collectively, "**Co-Financial Advisors**"), provided, however, that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any required notice or the legality of the sale. See "TERMS OF SALE–Postponement or Cancellation of Sales."

The City reserves the right to modify or amend this Official Notice of Sale in any respect; *provided,* that any such modification or amendment will be communicated to potential bidders through Parity, Bloomberg and/or Thomson 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 sales. See "TERMS OF SALE–Right to Modify or Amend."

Bidders are referred to the Preliminary Official Statement, dated ________, 2016, 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. The Preliminary Official Statement will be posted electronically at Ipreo's iProspectus at www.i-dealprospectus.com. 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. In the event 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 shall control, unless a notice of an amendment is given as described herein.

TERMS RELATING TO THE BONDS

IMPORTANT INFORMATION REGARDING THE BONDS, INCLUDING THE SECURITY AND SOURCES OF PAYMENT THEREFOR, AND THE CITY IS PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER MUST REVIEW AND WILL BE DEEMED TO HAVE 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 April __, 2016*. 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. The interest on the Bonds will be payable on June 15 and December 15 of each year, beginning June 15, 2016 (each an "**Interest Payment Date**"). Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months, from the dated date of the Bonds.

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

(i) each interest rate specified in any bid 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.

Premium Bids; No Net Discount Bids. Bids may include a net premium on the par value of the Bonds; provided that the bid price with respect to the Bonds may not exceed one hundred ____ percent (1__%). No net discount bids will be accepted.

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

* Preliminary, subject to change.

June 15, 2016 as shown below. The final maturity of the Bonds will be June 15, 2035. 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. **The Series 2016C Bonds, the Series 2016D Bonds and the Series 2016E Bonds will be sold solely in the aggregate, and not as individual series. Bidders will provide bids on the Total Principal Amount only.** Subject to adjustment as hereinafter provided, the aggregate principal 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 2016C Bonds Principal Amount***	**Series 2016D Bonds Principal Amount***	**Series 2016E Bonds Principal Amount***	**Total Principal Amount***
TOTAL	$25,215,000	$110,060,000*	$44,145,000	$179,420,000*

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**

* Preliminary, subject to change.

increments of $5,000, as determined in the sole discretion of the City. Any such adjustment of principal payments on the 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 BIDDER AWARDED THE BONDS BY THE CITY (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 Sinking Fund 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. **The bid price shall be not more than one hundred ___ percent (1__%) of par.**

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, along with a facsimile transmission by the winning bidder, after the verbal award, of the completed and signed applicable Official Bid Form conforming to the Parity bid, with any adjustments made by the City pursuant hereto, by not later than 11:00 a.m. California time on the sale date. 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. However, the City does not endorse or encourage the use of such electronic bidding service. 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.

Process of Award. The City will take final 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.

The following six (6) steps constitute the City's process for a final award of the Bonds:

(1) The Co-Financial Advisors, on behalf of the City, will give a verbal notice of award to the apparent winning bidder (the "**Apparent Winning Bidder**") to be determined as described below under "–Basis of Award;"

(2) The Apparent Winning Bidder for the Bonds shall provide within the time specified by the City the Reoffering Price Certificate described under "–Reoffering Prices and Certificate;"

(3) If the Apparent Winning Bidder submitted its bid via Parity, such Apparent Winning Bidder shall, promptly after verbal award, but no later than one hour after the City has given notice of such verbal award, fax or email to the City (in c/o its Co-Financial Advisors and to the City's Director of Public Finance at the fax and/or email addresses provided for such purpose) the executed and completed Official Bid Form (attached hereto as Exhibit A), executed on the Apparent Winning Bidder's behalf by a duly authorized signatory;

(4) The Apparent Winning Bidder shall provide the Good Faith Deposit by wire transfer, as described under "–Good Faith Deposit;"

(5) The Co-Financial Advisors will fax or email to the Apparent Winning Bidder confirmation of the final principal amortization schedule and purchase price for the Bonds, after adjustments, if any, are made, as described under "TERMS RELATING TO THE BONDS–Adjustment of Principal Payments;" and

(6) The City will fax or email to the Apparent Winning Bidder its written final award.

Upon completion of all five (5) steps described above, the Apparent Winning Bidder will be deemed the Purchaser of the Bonds and will be contractually bound by the terms of this Official Notice of Sale to purchase the Bonds, which contract shall consist of: (a) this

Official Notice of Sale; (b) the information that is transmitted electronically by the bidder through Parity or provided in the bidder's written sealed bid, as applicable; (c) any adjustments to the final principal amortization schedule and purchase price made as described under "TERMS RELATING TO THE BONDS–Adjustment of Principal Payments;" and (d) the Official Bid Form executed and delivered, provided, however, in case of any inconsistencies between the information in the bid as originally transmitted by the Apparent Winning Bidder (either electronically or in the form of a written sealed bid) and the Official Bid Form subsequently submitted by such Apparent Winning Bidder, the data submitted electronically through Parity (or the written sealed bid, as applicable) shall control.

Basis of Award. The City reserves the right to reject all the bids or postpone the bids for any reason. 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 bid. For the purpose of calculating the TIC, mandatory sinking fund payments for any Term Bonds specified by each bidder will be treated as Bonds the principal of which becomes due 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, and each bidder agrees by submitting any bid to be bound by the bid representing the lowest TIC to the City.

Good Faith Deposit. A good faith deposit (a "**Good Faith Deposit**") satisfying the requirements set forth below is required for each bid. The amount of the Good Faith Deposit for the Bonds is $1,500,000.

Except as otherwise provided below, a 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 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 90 minutes of such request by the Co-Financial Advisors.

U.S. Bank National Association Wire Instructions:
U.S. Bank
ABA 091000022
BNF U.S. Bank National Association
Acct 180121167365
Ref CCSF GO Bonds Good Faith

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 will be paid upon the Good Faith Deposit made by any bidder. The Good Faith Deposit of the Purchaser will immediately become the property of the City. The Good Faith Deposit will be held and invested for the exclusive benefit of the City. The Good Faith Deposit, without interest thereon, will be credited against the purchase price of the Bonds purchased by the Purchaser at the time of delivery thereof.

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

Reoffering Prices 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 shall provide to the City the initial offering prices at which it has offered all of the Bonds of each principal payment date 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 shall provide a reoffering price certificate, substantially in the form attached hereto as Exhibit B, to the City, Schiff Hardin LLP, One Market, Spear Street Tower, 32nd Floor, San Francisco, California 94105; Attention: William M. Lofton, Esq.; e-mail: blofton@schiffhardin.com and Curls Bartling P.C., 1999 Harrison Street, Suite 610, Oakland, California 94612; Attention: Ericka Curls Bartling, Esq.; e-mail: ericka@curlsbartling.com. In addition, at the request of Co-Bond Counsel, the successful bidder will provide additional information regarding its sales of the Bonds. For the purposes of this paragraph, sales of the Bonds to the other securities brokers or dealers will not be considered sales to the general public.

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 the Director of Public Finance, fax: (415) 554-4864, as soon as practicable, but not later than one hour after the verbal award of the Bonds.

Right of Rejection and Waiver of Irregularity. The City reserves the right, in its sole discretion (a) to reject any bid for any reason; (b) to reject all bids for any reason; or (c) to waive any irregularity or informality in any bid which does not materially affect such bid or change the ranking of the bids for the Bonds.

Right to Modify or Amend. The City reserves the right to modify or amend this Official Notice of Sale in any respect; *provided*, that any such modification or amendment will be communicated to potential bidders through Parity, Bloomberg and/or Thomson not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale.

Postponement or Cancellation of Sale. The City may postpone or cancel the sale of the Bonds at or prior to the time for receiving bids. Notice of such postponement or cancellation will be given through Parity, Bloomberg and/or Thomson 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, Bloomberg and/or Thomson not later than 1:00 p.m. (California time) on the business day preceding the new date bids are to be received. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice.

Prompt Award. The Controller of the City will take official action awarding the Bonds or rejecting all bids 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 Curls Bartling P.C. (collectively, "**Co-Bond Counsel**"), will each deliver an opinion to the effect that 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 form 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 April __, 2016.** Payment for the Bonds (including any premium) must be made at the time of delivery in immediately available funds to the Treasurer of the City. 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 FORM OF OPINIONS OF CO-BOND COUNSEL" to the Official Statement.

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

No Litigation. The City will deliver a certificate stating that no litigation 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 and collect 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 City will obtain separate CUSIP numbers for each principal payment date of the Bonds. CUSIP data is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bar Association. CUSIP numbers will be 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 50) 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 a nationally recognized municipal securities information repository, as defined in Rule 15c2-12; and (3) to take any and all other actions necessary to comply with applicable SEC and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds to the Purchaser, including without limitation, the delivery of a 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 of the City 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, 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 thereof 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.

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

(i) Such successful bidder, as the initial Purchaser of the Bonds, has provided to the City the initial reoffering prices or yields of the Bonds as printed in the Official Statement, and such Purchaser has made a bona fide offering of each maturity of the Bonds to the public at the prices and yields so shown or has purchased the applicable maturity of the Bonds for its own account and not with a view to distribution or resale and not in the capacity of a bond house, broker or other intermediary at the prices and yields so shown.

(ii) While the Purchaser has not undertaken any responsibility for the contents of the Official Statement, the Purchaser, in accordance with and as part of its responsibilities under federal securities laws, has reviewed the information in the Official Statement and has not notified the City of the need to modify or supplement the Official Statement.

Continuing Disclosure. In order to assist bidders in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), the City will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain listed 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: __________, 2016

EXHIBIT A

BID TIME: 8:30 A.M. (California time) ________, April __, 2016

OFFICIAL BID FORM FOR THE PURCHASE OF

$179,420,000*

CITY AND COUNTY OF SAN FRANCISCO

GENERAL OBLIGATION BONDS

consisting of

$25,215,000
General Obligation Bonds
(Earthquake Safety and Emergency Response Bonds, 2010)
Series 2016C

$110,060,000*
General Obligation Bonds
(Earthquake Safety and Emergency Response Bonds, 2014)
Series 2016D

$44,145,000
General Obligation Bonds
(Road Repaving and Street Safety Bonds, 2011),
Series 2016E

THE SERIES 2016C BONDS, THE SERIES 2016D BONDS AND THE SERIES 2016E BONDS WILL BE SOLD SOLELY IN THE AGGREGATE, AND NOT AS INDIVIDUAL SERIES. THE WINNING BIDDER WILL RECEIVE ALL OF THE BONDS OF ALL SERIES IDENTIFIED ABOVE.

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 April __, 2016, 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 $179,280,000* 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 $1,500,000 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 $_________ (not to exceed ___%) (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	(Check one)[1] Mandatory Sinking Fund Redemption[2]	Interest Rate	Principal Payment Date (June 15)	Annual Principal Payment*	(Check one)[1] Serial Maturity	(Check one)[1] Mandatory Sinking Fund Redemption[2]	Interest Rate
					TOTAL	$179,420,000*			

* 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. Mandatory sinking fund payments may not commence earlier than June 15, 2024.

____

Authorized Signatory

Title:______________________________________

Phone Number:______________________________ TIC (optional and not binding):________________________

Fax Number:________________________________

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

REOFFERING PRICE CERTIFICATE

(TO BE DELIVERED BY THE PURCHASER AS DESCRIBED UNDER "REOFFERING PRICE CERTIFICATE' IN THE OFFICIAL NOTICE OF SALE")

This certificate is being delivered by ____________________, the purchaser (the "Purchaser") in connection with the issuance of the City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2016C (the "Series 2016C Bonds"); City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2016D (the "Series 2016D Bonds"); City and County of San Francisco General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2016E (the "Series 2016E Bonds" and collectively, with the Series 2016C Bonds and the Series 2016D 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 the reoffering yields and prices set forth in Schedule A attached to this Certificate.

2. On the date of the sale of the 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, except the Bonds maturing in the years 20__ and 20__ through 20__, inclusive, 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 by the Purchaser 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, set forth in ***Schedule A***, and such prices and yields, maturity-by-maturity, represented our best judgment of a fair market value of the Bonds.

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 Purchaser's 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 a fair market value of such Bonds, as of the date of the sale of the Bonds, were those reflected as the reoffering yields and prices 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 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 the sale and delivery of the Bonds.

The signer is duly authorized by the Purchaser to execute and deliver this Certificate on behalf of the Purchaser. We understand that (a) 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 (b) Co-Bond Counsel to the City will 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: [Date], 2016

By:_________________________
Name:_______________________
Title:_______________________

Schedule A to Exhibit B

Series 2016C Bonds

Series 2016C Bonds Payment Date (June 15)	Principal Amount	Interest Rate	Reoffering Price or Yield

Series 2016D Bonds

Series 2016D Bonds Payment Date (June 15)	Principal Amount	Interest Rate	Reoffering Price or Yield

Series 2016E Bonds

Series 2016E Bonds Payment Date (June 15)	Principal Amount	Interest Rate	Reoffering Price or Yield

37941-0013
SF\321725633.1
37941-0013

SF\321761975.2

SH Draft #4
2/22/16

NOTICE OF INTENTION TO SELL

$179,420,000*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

consisting of

$25,215,000 GENERAL OBLIGATION BONDS (EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2010), SERIES 2016C	$110,060,000* GENERAL OBLIGATION BONDS (EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2014), SERIES 2016D	$44,145,000 GENERAL OBLIGATION BONDS (ROAD REPAVING AND STREET SAFETY BONDS, 2011), SERIES 2016E

NOTICE IS HEREBY GIVEN that the City and County of San Francisco (the "City") intends to offer for public sale 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"), $25,215,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2016C; $110,060,000* aggregate principal amount of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2016D and $44,145,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2016E (collectively, the "Bonds") on

_______, _______, 2016 at 8:30 a.m. (California time)*

The City reserves the right to postpone or cancel the sale of the Bonds, or change the terms thereof upon notice given through Parity and Bloomberg Professional Service, known as "Bloomberg Terminal" ("Bloomberg") and/or Thomson Reuters "Thomson Municipal News" ("Thomson"). If the sale is postponed, bids will be received at the times and place set forth above on any weekday during the period from ________, 2016 through ________, 2016, as the City may determine. In the event of a postponement of the sale of the Bonds, notice of the new date and times for receipt of bids (and any change in the terms of the sale of the Bonds) shall be given through Parity, and Bloomberg and/or Thomson, as soon as practicable but no later than 1:00 p.m. California time on the date preceding the original or new date for receiving bids.

Further information regarding the proposed sale of the Bonds, including copies of the Preliminary Official Statement and the Official Notice of Sale relating to the Bonds, are available electronically at Ipreo's iProspectus at www.i-dealprospectus.com or may be obtained from either of the City's Co-Financial Advisors: Kitahata & Company, 137 Joost Avenue, San Francisco, California 94131, Telephone: (415) 337-1950, Attention: Gary Kitahata; email: gkitahata@gmail.com and Fieldman, Rolapp & Associates, Inc., 19900 MacArthur Blvd., Suite 1100, Irvine, California 92612; Attention: James Fabian (email: jfabian@fieldman.com). On or about ________, 2016, the Preliminary Official Statement and Official Notice of Sale will be posted electronically at Ipreo iProspectus. Failure of any bidder to receive such notice shall not affect the legality of the sale.

Date: ________, 2016

*Preliminary, subject to change.

Hawkins Delafield & Wood LLP
Draft of 2/24/2016

PRELIMINARY OFFICIAL STATEMENT DATED ________, 2016

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 Curls Bartling P.C., 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.

$25,215,000*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND
EMERGENCY RESPONSE BONDS, 2010),
SERIES 2016C

$110,060,000*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND
EMERGENCY RESPONSE BONDS, 2014),
SERIES 2016D

$44,145,000*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(ROAD REPAVING AND
STREET SAFETY BONDS, 2011),
SERIES 2016E

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 (Earthquake Safety and Emergency Response Bonds, 2010), Series 2016C (the "2016C Bonds"), the City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2016D (the "2016D Bonds") and the City and County of San Francisco General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2016E (the "2016E Bonds," and together with the 2016C Bonds and the 2016D 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 Bonds has been authorized by certain resolutions adopted by the Board of Supervisors of the City and duly approved by the Mayor of the City, as described under "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 2016C Bonds and the 2016D 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 2016C Bonds and the 2016D Bonds. The proceeds of the 2016E Bonds will be used to finance the repaving and reconstruction of various 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, as described herein; and to pay certain costs related to the issuance of the 2016E Bonds. See "THE BONDS – Authority for Issuance; Purposes" and "SOURCES AND USES OF FUNDS."

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

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* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED ________, 2016

Bonds will be payable on June 15 and December 15 of each year, commencing [December 15, 2016]. 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 Curls Bartling P.C., Oakland, 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 on or about _______, 2016.

Dated: _______, 2016.

MATURITY SCHEDULES

(Base CUSIP* Number: 797646)

$_______
2016C Serial Bonds

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

$______ ___% 2016C Term Bonds due June 15, 20__ – Price/Yield(1) ___% CUSIP* Number: 797646 ___

$_______
2016D Serial Bonds

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

$______ ___% 2016D Term Bonds due June 15, 20__ – Price/Yield(1) ___% CUSIP* Number: 797646 ___

$_______
2016E Serial Bonds

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

$______ ___% 2016E Term Bonds due June 15, 20__ – Price/Yield(1) ___% CUSIP* Number: 797646 ___

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* 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.

(1) Reoffering prices/yields are provided by the initial purchaser. The City takes no responsibility for the accuracy thereof.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any 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

London Breed, *Board President, District 5*

Eric Mar, *District 1*
Mark Farrell, *District 2*
Aaron Peskin, *District 3*
Katy Tang, *District 4*
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*
Nadia Sesay, *Director of Public Finance*

PROFESSIONAL SERVICES

Paying Agent and Registrar

Treasurer of the City and County of San Francisco

Co-Bond Counsel

Schiff Hardin LLP
San Francisco, California

Curls Bartling P.C.
Oakland, California

Co-Financial Advisors

Kitahata & Company
San Francisco, California

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

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OFFICIAL STATEMENT

$25,215,000[*]
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(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2010),
SERIES 2016C

$110,060,000[*]
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2014),
SERIES 2016D

$44,145,000[*]
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(ROAD REPAVING AND STREET SAFETY BONDS, 2011),
SERIES 2016E

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 (Earthquake Safety and Emergency Response Bonds, 2010), Series 2016C (the "2016C Bonds"), the City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2016D (the "2016D Bonds") and the City and County of San Francisco General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2016E (the "2016E Bonds," and together with the 2016C Bonds and the 2016D 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.

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 limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance

[*] Preliminary, subject to change.

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 population in fiscal year 2014-15 was approximately 864,400.

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 2014, approximately 18.01 million people visited the City and spent an estimated $10.67 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 per-capita personal income of the City for fiscal year 2014-15 was $75,930. The San Francisco Unified School District operates 16 transitional kindergarten schools, 72 elementary and K-8 school sites, 12 middle schools, 18 senior high schools (including two continuation schools and an independent study school), and 46 State-funded preschool sites, and sponsors 13 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 2014-15, SFO serviced approximately 48.2 million passengers and handled 441,797 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 adopted budget for fiscal years 2015-16 and 2016-17 totals $8.94 billion and $8.99 billion, respectively. The General Fund portion of each year's adopted budget is $4.59 billion in fiscal year 2015-16 and $4.68 billion in fiscal year 2016-17, with the balance being allocated to all other funds, including enterprise fund departments, such as SFO, the San Francisco Municipal Transportation Agency, the Port Commission and the San Francisco Public Utilities Commission. The City employed 30,156 full-time-equivalent employees at the end of fiscal year 2014-15. According to the Controller of the City (the "Controller"), the fiscal year 2015-16 total net assessed valuation of taxable property in the City is approximately $194.4 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, 2015."

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 2016C Bonds by its Resolution No. 516-10 and Resolution No. _____, adopted by the Board of Supervisors of the City on November 2, 2010 and ______, 2016, respectively, and duly approved by the Mayor of the City on November 5, 2010 and ______, 2016, respectively (together, the "2016C Resolution"). The City authorized the issuance of the 2016D Bonds by Resolution No. 313-14 and Resolution No. _____, adopted by the Board of Supervisors of the City on July 29, 2014 and _______, 2016, respectively, and duly approved by the Mayor of the City on August 7, 2014 and ______, 2016, respectively (together, the "2016D Resolution"). The City authorized the issuance of the 2016E Bonds by Resolution No. 24-12 and Resolution No. _____, adopted by the Board of Supervisors of the City on January 24, 2012 and _______, 2016, respectively, and duly approved by the Mayor of the City on February 3, 2012 and ______, 2016, respectively (together, the "2016E Resolution," and with the 2016C Resolution and the 2016D Resolution, the "Resolutions").

The 2016C Bonds will constitute the sixth 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 the following series of bonds authorized by Proposition B (2010): $79,520,000 in aggregate principal amount on December 15, 2010; $183,330,000 in aggregate principal amount on March 8, 2012; $38,265,000 in aggregate principal amount on August 29, 2012; $31,020,000 in aggregate principal amount on June 20, 2013; and $54,950,000 in aggregate principal amount on October 2, 2014.

The 2016D Bonds will constitute the second series of bonds to be issued from an aggregate authorized amount of $400,000,000 of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), duly approved by at least two-thirds of the voters voting on Proposition A at an election held on June 3, 2014 ("Proposition A (2014)"), to provide funds for the purposes authorized in Proposition A (2014), which are summarized as follows: to improve fire, earthquake and emergency response by: improving and/or replacing deteriorating cisterns, pipes, and tunnels, and related facilities to ensure firefighters a reliable water supply for fires and disasters; improving and/or replacing neighborhood fire and police stations; replacing certain seismically unsafe police and medical examiner facilities with earthquake-safe buildings and to pay related costs. The City previously issued $100,670,000 of the bonds authorized by Proposition A (2014) on October 2, 2014.

The 2016E Bonds will constitute the third 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 and $129,560,000 of the bonds authorized by Proposition B (2011) on June 20, 2013.

The Administrative Code of the City (the "Administrative Code") and Proposition B (2010), Proposition A (2014), 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"), 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, 2016], 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, 2016] 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, 20__ will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after June 15, 20__ 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, 20__, at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption (the "Redemption Date"), without premium.

*Mandatory Redemption**

The Bonds maturing on June 15, 20__ (the "20__ Term Bonds") will be subject to redemption prior to their stated maturity date, in part, by lot, from mandatory sinking fund payments, on each June 15, as shown in the table below, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

Mandatory Sinking Fund Redemption Date (June 15)	Sinking Fund Payment Principal Amount
20__†	

† Maturity

Selection of Bonds for Redemption

Whenever less than all of the outstanding Bonds are called for redemption on any 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. If the Bonds to be optionally redeemed are also subject to mandatory redemption, the City Treasurer will designate the mandatory sinking fund payment or payments (or portions thereof) against which the principal amount of the Bonds optionally redeemed will be credited.

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

* Preliminary, subject to change.

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 optional 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 2016C Resolution, the 2016D Resolution and the 2016E 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 estimated sources and uses of funds in connection with the Bonds:

Sources	**2016C Bonds**	**2016D Bonds**	**2016E Bonds**	**Total**
Principal Amount of Bonds				
Net Original Issue Premium				
Total Sources of Funds				
Uses				
Deposit to Project Account				
Deposit to Bond Account				
Oversight Committee				
Underwriter's Discount				
Costs of Issuance(1)				
Total Uses of Funds				

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

Deposit and Investment of Bond Proceeds

2016C Bond Proceeds

Any bid premium received upon the delivery of the 2016C Bonds, and all taxes collected for payment of the 2016C Bonds, will be deposited into a special account established for the payment of the 2016C Bonds. The account was created by the 2016C Resolution specifically for payment of the 2016C Bonds (the "2016C Bond Account").

All remaining proceeds of the sale of the 2016C Bonds are required to be deposited by the City Treasurer into a special account created by the City to hold proceeds of 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 account was created by the 2016C Resolution specifically to hold the proceeds of the 2016C Bonds (the "2016C Project Account").

2016D Bond Proceeds

Any bid premium received upon the delivery of the 2016D Bonds, and all taxes collected for payment of the 2016D Bonds, will be deposited into a special account established for the payment of the 2016D Bonds. The account was created by the 2016D Resolution specifically for payment of principal of and interest on the 2016D Bonds (the "2016D Bond Account").

All remaining proceeds of the sale of the 2016D Bonds are required to be deposited by the City Treasurer into a special account created by the City to hold proceeds of the sale of all of the Proposition A (2014) bonds, which proceeds are required to be applied exclusively to the purposes approved by the voters in

Proposition A (2014), and to pay costs of issuance of such bonds. See "THE BONDS – Authority for Issuance; Purposes." The account was created by the 2016D Resolution specifically to hold the proceeds of the 2016D Bonds (the "2016D Project Account").

2016E Bond Proceeds

Any bid premium received upon the delivery of the 2016E Bonds, and all taxes collected for payment of the 2016E Bonds, will be deposited into a special account established for the payment of the 2016E Bonds. The account was created by the 2016E Resolution specifically for payment of principal of and interest on the 2016E Bonds (the "2016E Bond Account").

All remaining proceeds of the sale of the 2016E Bonds are required to be deposited by the City Treasurer into a special 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 account was created by the 2016E Resolution specifically to hold the proceeds of the 2016E Bonds (the "2016E Project Account").

Under the Resolutions, the 2016C Bond Account, the 2016C Project Account, the 2016D Bond Account, the 2016D Project Account, the 2016E Bond Account and the 2016E Project Account 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

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

City and County of San Francisco
General Obligation Bonds
Series 2016C, Series 2016D and Series 2016E[(1)(2)]

Payment Date	Principal	Interest	Total Principal and Interest	Fiscal Year Total
Total				

(1) A portion of the debt service will be paid from original issue premium deposited in the Bond Accounts relating to the Bonds. See "SOURCES AND USES OF FUNDS."

(2) Amounts are rounded off to the nearest dollar.

Scheduled debt service payable with respect to the 2016C Bonds is as follows:

City and County of San Francisco
General Obligation Bonds
Series 2016C(1)(2)

Payment Date	Principal	Interest	Total Principal and Interest	Fiscal Year Total
Total				

(1) A portion of the debt service will be paid from original issue premium deposited in the 2016C Bond Accounts. See "SOURCES AND USES OF FUNDS."

(2) Amounts are rounded off to the nearest dollar.

Scheduled debt service payable with respect to the 2016D Bonds is as follows:

City and County of San Francisco
General Obligation Bonds
Series 2016D[1][2]

Payment Date	Principal	Interest	Total Principal and Interest	Fiscal Year Total
Total				

(1) A portion of the debt service will be paid from original issue premium deposited in the 2016D Bond Accounts. See "SOURCES AND USES OF FUNDS."

(2) Amounts are rounded off to the nearest dollar.

Scheduled debt service payable with respect to the 2016E Bonds is as follows:

City and County of San Francisco
General Obligation Bonds
Series 2016E(1)(2)

Payment Date	Principal	Interest	Total Principal and Interest	Fiscal Year Total
Total				

(1) A portion of the debt service will be paid from original issue premium deposited in the 2016E Bond Accounts. See "SOURCES AND USES OF FUNDS."

(2) Amounts are rounded off to the nearest dollar.

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 overall property tax rate to increase.

Discussed below are certain factors that may affect the City's ability to levy and collect sufficient taxes to pay scheduled debt service on the Bonds each year. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" for additional information on these factors.

Total Assessed Value of Taxable Property in the City. The greater the assessed value of taxable property in the City, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on bonds. The total net assessed valuation of taxable property in the City in fiscal year 2015-16 is approximately $194.4 billion. During economic downturns, 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 generally caused a reduction in the assessed value of some properties in the City. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PROPERTY TAXATION – Assessed Valuations, Tax Rates and Tax Delinquencies."

Natural and economic forces can affect the assessed value of taxable property in the City. The City is located in a seismically active region, and damage from an earthquake in or near the City could cause moderate to extensive or total damage to taxable property. See "Seismic Risks" below. Other natural or man-made disasters, such as flood, 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 2014-15, no single assessee owned more than 0.52% 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 2015-16 is approximately $5.83 billion, based on a net assessed valuation of approximately $194.4 billion. As of December 15, 2015, the City had outstanding approximately $1.97 billion in aggregate principal amount of general obligation bonds, which equals approximately 1.01% of the net assessed valuation for fiscal year 2015-16. 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 December 15, 2015, the City had voter approval to issue up to $1.19 billion in additional aggregate principal amount of new bonds payable from *ad valorem* property taxes. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – General Obligation Bonds." In addition, the City expects that it will propose further bond measures to the voters from time to time to help meet its capital needs. The City's most recent adopted ten-year capital plan sets forth $32 billion of capital needs. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Capital Plan."

City Long-Term Challenges

The following discussion highlights certain long-term challenges facing the City and is not meant to be an exhaustive discussion of challenges facing the City. Notwithstanding the City's strong economic and financial performance during the recent recovery and despite significant City initiatives to improve public transportation systems, expand access to healthcare and modernize parks and libraries, the City faces several long-term financial challenges and risks described below.

Significant capital investments are proposed in the City's adopted ten-year capital plan. However identified funding resources are below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $10 billion in capital needs are deferred from the capital plan's ten-year horizon. Over two-thirds of these unfunded needs relate to the City's transportation and waterfront infrastructure, where state of good repair investment has lagged for decades. Mayor Edwin Lee has convened a taskforce to recommend funding mechanisms and strategies to bridge a portion of the gaps in the City's transportation needs, but it is likely that significant funding gaps will remain even assuming the identification of significant new funding resources.

In addition, the City faces long term challenges with respect to the management of pension and post-employment retirement obligations. The City has taken significant steps to address long-term unfunded liabilities for employee pension and other post-employment benefits, including retiree health obligations, yet significant liabilities remain. The most recent actuarial analyses estimate unfunded actuarial liabilities of over $7 billion for these benefits, comprised of $4.0 billion for retiree health obligations and $3.1 billion for employee pension benefits. In recent years, the City and voters have adopted significant changes that should mitigate these unfunded liabilities over time, including adoption of lower-cost benefit tiers, increases to employee and employer contribution requirements, and establishment of a trust fund to set-aside funding for future retiree health costs. The financial benefit from these changes will phase in over time, however, leaving ongoing financial challenges for the City in the shorter term. Further, the size of these liabilities is based on a number of assumptions, including but not limited to assumed investment returns and actuarial assumptions. It is possible that actual results will differ materially from current assumptions, and such changes in investment returns or other actuarial assumptions could increase budgetary pressures on the City.

Lastly, while the City has adopted a number of measures to better position the City's operating budget for future economic downturns, these measures may not be sufficient. Economic stabilization reserves have grown significantly during the last three fiscal years and now exceed pre-recession peaks, but remain below adopted target levels of 10% of discretionary General Fund revenues.

There is no assurance that other challenges not discussed in this Official Statement may become material to investors in the future. For more information, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

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 seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more quakes of about magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2045. Such earthquakes may be very destructive. In addition to the potential damage to City-owned buildings and facilities (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City's economy, tax receipts, and residential and business real property values.

Risk of Sea Level Changes and Flooding

In May 2009, the California Climate Change Center released a final paper, for informational purposes only, which was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation and the California Ocean Protection Council. The title of the paper is "The Impacts of Sea-Level Rise on the California Coast." The paper posits that increases in sea level will be a significant consequence of climate change over the next century. The paper evaluated the population, infrastructure, and property at risk from projected sea-level rise if no actions are taken to protect the coast. The paper concluded that significant property is at risk of flooding from 100-year flood events as a result of a 1.4 meter sea level rise. The paper further estimates that the replacement value of this property totals nearly $100 billion (in 2000 dollars). Two-thirds of this at-risk property is concentrated in San Francisco Bay, indicating that this region is particularly vulnerable to impacts associated with sea-level rise due to extensive development on the margins of the Bay. A wide range of critical infrastructure, such as roads, hospitals, schools, emergency facilities, wastewater treatment plants, power plants, and wetlands is also vulnerable. Continued development in vulnerable areas will put additional assets at risk and raise protection costs.

The City is unable to predict whether sea-level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the City and the local economy.

Natural Gas Transmission and Distribution Pipelines

In September 2010, a Pacific Gas and Electric Company ("PG&E") high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous gas transmission and distribution pipelines owned, operated and maintained by PG&E throughout the City. The City cannot provide any assurances as to the condition of PG&E pipelines in the City, or predict the extent of damage to surrounding property that would occur if a PG&E pipeline located within the City were to explode.

Other Events

Seismic events, wildfires, and other natural or man-made events such as cybersecurity breaches may damage City infrastructure and adversely impact the City's ability to provide municipal services. In August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area included portions of the City's Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water), hydroelectric generator and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately $1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately $40 million in damage to parts of the City's water and power infrastructure located in the region.

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 and restrictions that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes.

In the separate opinions of 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 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, as described in the following paragraph. The opinions described in this paragraph assume the accuracy of certain representations made by the City and others in connection with the issuance of the Bonds and continuing compliance by the City and others with the above-referenced covenants. 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.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax for corporations in addition to the corporate regular tax in certain cases. The alternative minimum tax, if any, depends upon the corporation's alternative minimum taxable income, which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the alternative minimum taxable income 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 alternative minimum taxable income (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, certain corporations (including S corporations and foreign corporations operating branches in the United States) financial institutions, certain insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income tax credit, taxpayers entitled to claim the refundable credit under Section 36B of the Code for coverage under a qualified health plan, 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.

Discount and Premium

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 such 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.

IRS Audits

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. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees may not be practicable. 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 tax-exempt bonds of the character of the Bonds. In some cases, these proposals have included provisions that had a retroactive effective date. 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 Curls Bartling P.C., Oakland, 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

Kitahata & Company, San Francisco, California and Fieldman, Rolapp & Associates, Inc., Irvine, 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 City's review and preparation 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 2015-16, which is due not later than March 27, 2017, 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"). In the past five years, the City has not 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. The information from such website is not incorporated herein by reference.

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 _______, 2016. 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, 2015*

* The Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2015 may be viewed online or downloaded from the City Controller's website at http://www.sfgov.org/controller. No other information from such website is incorporated herein by reference.

APPENDIX C

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$_______
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2010),
SERIES 2016C

$_______
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2014),
SERIES 2016D

$_______
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(ROAD REPAVING AND STREET SAFETY BONDS, 2011),
SERIES 2016E

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 2016C Bonds are issued pursuant to Resolution No. 516-10 and Resolution No. _____, adopted by the Board of Supervisors of the City on November 2, 2010 and ______, 2016, respectively, and duly approved by the Mayor of the City on November 5, 2010 and ______, 2016, respectively (together, the "2016C Resolution"). The 2016D Bonds are issued pursuant to Resolution No. 313-14 and Resolution No. _____, adopted by the Board of Supervisors of the City on July 29, 2014 and _______, 2016, respectively, and duly approved by the Mayor of the City on August 7, 2014 and ______, 2016, respectively (together, the "2016D Resolution"). The 2016E Bonds are issued pursuant to Resolution No. 24-12 and Resolution No. _____, adopted by the Board of Supervisors of the City on January 24, 2012 and _______, 2016, respectively, and duly approved by the Mayor of the City on February 3, 2012 and ______, 2016, respectively (together, the "2016E Resolution," and with the 2016C Resolution and the 2016D 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.

"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 2015-16 Fiscal Year (which is due not later than March 27, 2017), 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: ________, 2016.

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 2016C, SERIES 2016D AND SERIES 2016E
Date of Issuance:	______, 2016

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 ______, 2016. The City anticipates that the Annual Report will be filed by ____________.

Dated:_______________

CITY AND COUNTY OF SAN FRANCISCO

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

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-10 of this Appendix E, concerning The Depository Trust Company ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. 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") 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. The information on such website is not incorporated herein by reference.

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.

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]

[Forms of opinions to come.]

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

This Appendix contains information that is current as of December 18, 2015.

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 has 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 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 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. The Supervisors are elected for staggered four-year terms and are elected by district. Vacancies are filled by appointment by the Mayor.

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO
Board of Supervisors

Name	First Elected or Appointed	Current Term Expires
Eric Mar, *District 1*	2008	2017
Mark Farrell, *District 2*	2010	2019
Aaron Peskin, *District 3*	2016	2017
Katy Tang, *District 4*	2013	2019
London Breed, Board President, *District 5*	2012	2017
Jane Kim, *District 6*	2010	2019
Norman Yee, *District 7*	2012	2017
Scott Wiener, *District 8*	2010	2019
David Campos, *District 9*	2008	2017
Malia Cohen, *District 10*	2010	2019
John Avalos, *District 11*	2008	2017

Other Elected and Appointed City Officers

Dennis J. Herrera was re-elected to a four-year term as City Attorney in November 2015. 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 elected Assessor-Recorder of the City in November 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 the Board of Supervisors, representing 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 2015. 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. In July 2015, the City adopted a full two-year budget. The City's fiscal year 2015-16 adopted budget appropriates annual revenues, fund balance, transfers and reserves of approximately $8.94 billion, of which the City's General Fund accounts for approximately $4.59 billion. In fiscal year 2016-17 appropriated revenues, fund balance, transfers and reserves total approximately $8.99 billion and $4.68 billion of General Fund budget. For a further discussion of the fiscal years 2015-16 and 2016-17 adopted budgets, see "City Budget Adopted for Fiscal years 2015-16 and 2016-17" 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 come 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 by budgetary decisions made by the State and federal governments which depend, in turn, on the health of the larger State and national economies. All 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. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES" herein. Also, the fact that the City's annual budget must be adopted before the State and federal budgets adds uncertainty to the budget process and necessitates flexibility so that spending decisions can be adjusted during the course of the Fiscal year. See "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

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 four significant changes:

> Specifies a two-year (biennial) budget, replacing the annual budget. Fixed two-year budgets were approved beginning in July 2012 by the Board of Supervisors for four departments: the Airport, the Port, the Public Utilities Commission and MTA. In July 2015, the Board also approved fixed two year budgets for the Library, Retirement and Child Support Services departments. All other departments prepared balanced, rolling two-year budgets.
>
> Requires a five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The most recent five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, Budget Analyst for the Board of Supervisors and Controller's Office on December 9, 2014, for fiscal year 2015-16 through fiscal year 2019-20, to be considered by the Board of Supervisors. On December 7, 2015, a joint report, (the "Joint Report") was issued by the three offices updating budget estimates for the remaining four years of the City's five year financial plan. See "Five Year Financial Plan" below.
>
> 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.

Standardizes the processes and deadlines for the City to submit labor agreements for all public employee unions by May 15.

On April 13, 2010, the Board of Supervisors unanimously adopted policies to 1) codify year 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. On December 16, 2014, the Board of Supervisors unanimously adopted financial policies to implement voter-approved changes to the City's Rainy Day Reserve, as well as changes to the General Reserve which would increase the cap from 2% to 3% of revenues and reduce deposit requirements during a recession. These policies are described in further detail below under "Budgetary Reserves." 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 Controller that sufficient revenues are or will be available to meet such obligation as it becomes due in the then-current fiscal year, which ends June 30. The Controller monitors revenues throughout the fiscal year, and if actual revenues are less than estimated, the City Controller may freeze department appropriations or place departments on spending "allotments" which will constrain department expenditures until estimated revenues are realized. If revenues are in excess of what was estimated, or budget surpluses are created, the Controller can certify these surplus funds as a source for supplemental appropriations that may be adopted throughout the year upon approval of the Mayor and the Board of Supervisors. The City's 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.

In addition, to the five year planning responsibilities established in Proposition A of November 2009, and discussed above, Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. Each year, the Controller issues six-month and nine-month budget status reports to apprise the City's policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The City Charter also directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's proposed budget. On June 9, 2015 the Controller released the Discussion of the Mayor's fiscal year 2015-16 and fiscal year 2016-17 Proposed Budget (the "Revenue Letter"). All of these reports are available from the Controller's website: www.sfcontroller.org. The information from said website is not incorporated herein by reference.

General Fund Results: Audited Financial Statements

The General Fund portions of the fiscal years 2015-16 and 2016-17 Original Budgets total $4.59 billion, and $4.68 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 2011-12 through 2014-15 and the Original Budgets for fiscal years 2015-16 and 2016-17. 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 2014-15 was issued on November 23, 2015. The fiscal year 2014-15 CAFR reported that as of June 30, 2015, the General Fund available for appropriation in subsequent years was $391 million (see Table A-4), of which $180 million was assumed in the fiscal year 2015-16 Original Budget and $194 million was assumed in the fiscal year 2016-17 Original Budget. This represents a $96 million increase in available fund balance over the $295 million available as of June 30, 2014 and resulted primarily from savings and greater-than-budgeted additional tax revenue, particularly property transfer tax, business tax and state hospital revenues in fiscal year 2014-15. The fiscal year 2015-16 CAFR is scheduled to be completed in late November 2016.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2011-12 through 2016-17
(000s)

	FY 2011-12 Final Revised Budget	FY 2012-13 Final Revised Budget	FY 2013-14 Final Revised Budget	FY 2014-15 Final Revised Budget	FY 2015-16 Original Budget[2]	FY 2016-17 Original Budget[3]
Prior-Year Budgetary Fund Balance & Reserves	$427,886	$557,097	$674,637	$941,702	$183,249	$197,662
Budgeted Revenues						
Property Taxes	$1,028,677	$1,078,083	$1,153,417	$1,232,927	$1,291,000	$1,312,000
Business Taxes	389,878	452,853	532,988	572,385	634,460	664,260
Other Local Taxes	602,455	733,295	846,924	910,430	1,062,535	1,082,629
Licenses, Permits and Franchises	24,257	25,378	25,533	27,129	27,163	27,263
Fines, Forfeitures and Penalties	7,812	7,194	4,994	4,242	4,577	4,577
Interest and Investment Earnings	6,219	6,817	10,946	6,853	10,680	11,740
Rents and Concessions	22,895	21,424	23,060	22,692	15,432	14,325
Grants and Subventions	680,091	721,837	799,188	856,336	904,187	932,015
Charges for Services	153,318	169,058	177,081	210,020	215,485	216,766
Other	14,803	13,384	14,321	21,532	31,084	6,952
Total Budgeted Revenues	$2,930,405	$3,229,323	$3,588,452	$3,864,545	$4,196,603	$4,272,528
Bond Proceeds & Repayment of Loans	589	627	1,105	1,026	918	881
Expenditure Appropriations						
Public Protection	$991,840	$1,058,324	$1,102,667	$1,158,771	$1,223,981	$1,267,572
Public Works, Transportation & Commerce	53,878	68,351	79,635	89,270	161,545	160,575
Human Welfare & Neighborhood Development	677,953	670,958	745,277	828,555	857,055	874,260
Community Health	573,970	635,960	703,092	703,569	787,554	814,671
Culture and Recreation	99,762	105,580	112,624	119,051	137,062	129,811
General Administration & Finance	190,014	190,151	199,709	214,958	286,871	271,667
General City Responsibilities[1]	99,274	86,527	86,516	116,322	186,068	197,290
Total Expenditure Appropriations	$2,686,691	$2,815,852	$3,029,520	$3,230,496	$3,640,136	$3,715,846
Budgetary reserves and designations, net	$11,112	$4,191	$0	$39,966	$43,680	$40,720
Transfers In	$160,187	$195,388	$242,958	$199,175	$206,782	$208,139
Transfers Out	(567,706)	(646,018)	(720,806)	(873,592)	(903,735)	(922,645)
Net Transfers In/Out	($407,519)	($450,630)	($477,848)	($674,417)	($696,953)	($714,506)
Budgeted Excess (Deficiency) of Sources Over (Under) Uses	$253,558	$516,375	$756,825	$862,394	$0	$0
Variance of Actual vs. Budget	299,547	146,901	184,184	373,696		
Total Actual Budgetary Fund Balance[3]	$553,105	$663,276	$941,009	$1,236,090	$0	$0

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

[2] Fiscal year 2015-16 Final Revised Budget will be available upon release of the FY 2015-16 CAFR.

[3] Fiscal year 2016-17 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, 2015 was $1.1 billion (as shown in Table A-3 and Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of $4.1 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, 2011 through June 30, 2015.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of Audited General Fund Balances
Fiscal Years 2010-11 through 2014-15
(000s)

	2011	2012	2013	2014	2015
Restricted for rainy day (Economic Stabilization account)	$33,439	$31,099	$23,329	$60,289	$71,904
Restricted for rainy day (One-time Spending account)	-	3,010	3,010	22,905	43,065
Committed for budget stabilization (citywide)	27,183	74,330	121,580	132,264	132,264
Committed for Recreation & Parks expenditure savings reserve	6,248	4,946	15,907	12,862	10,551
Assigned, not available for appropriation					
Assigned for encumbrances	57,846	62,699	74,815	92,269	137,641
Assigned for appropriation carryforward	73,984	85,283	112,327	159,345	201,192
Assigned for budget savings incentive program (citywide)	8,684	22,410	24,819	32,088	33,939
Assigned for salaries and benefits (MOU)	7,151	7,100	6,338	10,040	20,155
Total Fund Balance Not Available for Appropriation	$214,535	$290,877	$382,125	$522,062	$650,711
Assigned and unassigned, available for appropriation					
Assigned for litigation & contingencies	$44,900	$23,637	$30,254	79,223	131,970
Assigned for General reserve		$22,306	$21,818	-	-
Assigned for subsequent year's budget	159,390	104,284	122,689	135,938	180,179
Unassigned for General Reserve		-	-	45,748	62,579
Unassigned - Budgeted for use second budget year	-	103,575	111,604	137,075	194,082
Unassigned - Available for future appropriation	9,061	12,418	6,147	21,656	16,569
Total Fund Balance Available for Appropriation	$213,351	$266,220	$292,512	$419,640	$585,379
Total Fund Balance, Budget Basis	$427,886	$557,097	$674,637	$941,702	$1,236,090
Budget Basis to GAAP Basis Reconciliation					
Total Fund Balance - Budget Basis	$427,886	$557,097	$674,637	$941,702	$1,236,090
Unrealized gain or loss on investments	1,610	6,838	(1,140)	935	1,141
Nonspendable fund balance	20,501	19,598	23,854	24,022	24,786
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(43,072)	(46,140)	(38,210)	(37,303)	(37,303)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(63,898)	(62,241)	(93,910)	(66,415)	(50,406)
Deferred Amounts on Loan Receivables	(13,561)	(16,551)	(20,067)	(21,670)	(23,212)
Pre-paid lease revenue	(1,460)	(2,876)	(4,293)	(5,709)	(5,900)
Total Fund Balance, GAAP Basis	$328,006	$455,725	$540,871	$835,562	$1,145,196

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, 2015 are included herein as Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2015." 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 Years 2010-11 through 2014-15[1]
(000s)

	2011	2012	2013	2014	2015
Revenues:					
Property Taxes	$1,090,776	$1,056,143	$1,122,008	$1,178,277	$1,272,623
Business Taxes[2]	391,057	435,316	479,627	562,896	609,614
Other Local Taxes	608,197	751,301	756,346	922,205	1,085,381
Licenses, Permits and Franchises	25,252	25,022	26,273	26,975	27,789
Fines, Forfeitures and Penalties	6,868	8,444	6,226	5,281	6,369
Interest and Investment Income	5,910	10,262	2,125	7,866	7,867
Rents and Concessions	21,943	24,932	35,273	25,501	24,339
Intergovernmental	657,238	678,808	720,625	827,750	854,464
Charges for Services	146,631	145,797	164,391	180,850	215,036
Other	10,377	17,090	14,142	9,760	9,162
Total Revenues	$2,964,249	$3,153,115	$3,327,036	$3,747,361	$4,112,644
Expenditures:					
Public Protection	$950,548	$991,275	$1,057,451	$1,096,839	$1,148,405
Public Works, Transportation & Commerce	25,508	52,815	68,014	78,249	87,452
Human Welfare and Neighborhood Development	610,063	626,194	660,657	720,787	786,362
Community Health	493,939	545,962	634,701	668,701	650,741
Culture and Recreation	99,156	100,246	105,870	113,019	119,278
General Administration & Finance	175,381	182,898	186,342	190,335	208,695
General City Responsibilities	85,422	96,132	81,657	86,968	98,620
Total Expenditures	$2,440,017	$2,595,522	$2,794,692	$2,954,898	$3,099,553
Excess of Revenues over Expenditures	$524,232	$557,593	$532,344	$792,463	$1,013,091
Other Financing Sources (Uses):					
Transfers In	$108,072	$120,449	$195,272	$216,449	$164,712
Transfers Out	(502,378)	(553,190)	(646,912)	(720,806)	(873,741)
Other Financing Sources	6,302	3,682	4,442	6,585	5,572
Other Financing Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	($388,004)	($429,059)	($447,198)	($497,772)	($703,457)
Extraordinary gain/(loss) from dissolution of the Redevelopment Agency		(815)	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$136,228	$127,719	$85,146	$294,691	$309,634
Total Fund Balance at Beginning of Year	$191,778	$328,006	$455,725	$540,871	$835,562
Total Fund Balance at End of Year – GAAP Basis[4]	$328,006	$455,725	$540,871	$835,562	$1,145,196
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
– GAAP Basis	$48,070	$133,794	$135,795	$178,066	$234,273
– Budget Basis	$168,451	$220,277	$240,410	$294,669	$390,830

[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.

[4] Total fiscal year 2012-13 amount is comprised of $122.7 million in assigned balance subsequently appropriated for use in fiscal year 2013-14 plus $117.8 million unassigned balance available for future appropriations.

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

Five-Year Financial Plan

The Five-Year Financial Plan ("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. Proposition A required that a Plan be adopted every two years. The City updates the Plan annually.

On December 9, 2014, the Mayor, Budget Analyst for the Board of Supervisors and the Controller's Office issued a proposed Plan for fiscal year 2015-16 through fiscal year 2019-20, to be considered by the Board of Supervisors. The Plan projected shortfalls of $16 million, $88 million, $275 million, $376 million, and $418 million cumulatively for fiscal years 2015-16 through fiscal year 2019-20, respectively. On March 12, 2015, the Plan was updated with the most recent information on the City's fiscal condition. For General Fund Supported operations, the updated Plan projects budgetary shortfalls of $21 million, $67 million, $289 million, and $376 million and $402 cumulatively over the next five fiscal years.

On December 7, 2015, the Joint Report was issued updating the Plan for fiscal year 2016-17 through fiscal year 2019-20. The Joint Report projects expenditure growth of $972.9 million, or 21.2% from fiscal year 2015-16 budgeted amounts leading to shortfalls of $100 million, $240 million, $475 million, and $538 million cumulatively over the next four fiscal years. This is an increase of $136 million in the projected cumulative deficit projected by the Plan update published in March 2015 ($402 million). This increase is largely due to increases in the projected employer contribution rates for the City's retirement system; and the adoption of several voter-approved baselines and set-asides with spending requirements without commensurate revenue increases. Additional details on these increases is provided below. Revenue growth of $434.6 million (9.5%) over the four year period partially offsets these expenditure increases.

Increase in Employer Contribution Rates to City Retirement System: The Plan updated in March 2015, anticipated a decline in retirement costs after fiscal year 2014-15. However, three main factors have led to a reversal of this downward trend including: lower than expected actual fiscal year 2014-15 investment earnings; updated demographic assumptions, which show that retirees are living longer and collecting pensions longer than previously expected; and an appellate court ruling against the City which found that voter-adopted changes to the conditions under which retirees could receive a supplemental COLA violated retirees' vested rights.

The cumulative effect of these factors on employer contribution rates is significant because it reverses the downward trend anticipated by the City and employees alike. The City's prior financial projections reduced overall General Fund pension contributions from approximately $300 million annually to approximately $260 million annually by fiscal year 2019-20. The net impact of the changes identified above reverse that trend, growing the employer contributions by $113 million by the end of the projection period. This is a significant driver of the City's structural deficit.

Increases in Voter Adopted Baselines and Set-Asides: Over the past several years, City voters have adopted several baselines and set-asides to provide additional funding for housing, transportation, children's services, to increase the City's minimum wage rate, and most recently to support legacy businesses. When voters approve additional increases to existing baselines, set-asides, or other spending increases without commensurate revenue increases from new funding sources, this grows the projected deficits and future obligations of the City and also reduces policymakers' flexibility when balancing the budget.

While the projected shortfalls in the Plan reflect the difference in projected revenues and expenditures over the next five years if current service levels and policies continue, San Francisco's Charter requires that each year's budget be balanced. Balancing the budgets will require some combination of expenditure reductions and/or additional revenues. These projections assume no ongoing solutions are implemented. To the extent budgets are balanced with ongoing solutions, future shortfalls will decrease.

Included in the updated Plan is consideration of the potential impact of a recession on the City's budgetary outlook. The base case does not assume an economic downturn due to the difficulty of predicting recessions; however, the City has historically not experienced more than six consecutive years of expansion and the current economic expansion began over six years ago. The recession scenario projects a cumulative deficit of $858 million in fiscal year 2019-20 as compared to the base case cumulative deficit of $538 million in fiscal year 2019-20. At a high level, the recession scenario would necessitate significant reductions in expenditures.

City Budget Adopted for Fiscal years 2015-16 and 2016-17

On July 29, 2015, Mayor Lee signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for fiscal years ending June 30, 2016 and June 30, 2017. This is the fourth two-year budget for the entire City. The adopted budget closed the $21 million and $67 million General Fund shortfalls for fiscal year 2015-16 and fiscal year 2016-17 identified in the Plan update through a combination of increased revenues and expenditures savings. This deficit projection was smaller than the City had seen in at least 15 years; therefore, the Mayor's Budget Instructions to departments required no reductions in fiscal year 2015-16 and a modest reduction of 1.0 percent in fiscal year 2016-17.

The Original Budget for fiscal years 2015-16 and fiscal year 2016-17 totals $8.94 billion and $8.99 billion respectively, representing year over year increases of $360 million and $50 million. The General Fund portion of each year's budget is $4.59 billion in fiscal year 2015-16 and $4.68 billion in fiscal year 2016-17 representing increases of $320 million and $90 million. There are 29,553 funded full time positions in the fiscal year 2015-16 Original Budget and 30,017 in the fiscal year 2016-17 Original Budget representing increases of 1,117 and 465 positions, respectively. On December 7, 2015, the Joint Report was issued updating projected revenues and expenditures for fiscal year 2016-17. See "Five Year Financial Plan" above.

The budget for fiscal years 2015-16 and 2016-17 adheres 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

Revenues from the State represent approximately 14% of the General Fund revenues appropriated in the budget for fiscal years 2015-16 and 2016-17, 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 25, 2015, the Governor signed the 2015-16 State Budget, spending $167.6 billion from the General Fund and other state funds. General Fund appropriations total $115.4 billion, $900 million more than the revised 2014–15 spending level. An increase in state revenues boosted 2014–15 spending above the levels approved by the Legislature in June 2014. The 2015–16 budget represents a $7.4 billion increase, or 6.9%, over that pre-revision 2014–15 spending plan.

The budget agreement maintains the fiscal framework of the May Revision, including the General Fund revenue forecast, overall spending levels, a $1.1 billion operating reserve, Proposition 2 debt payments and Rainy Day Fund deposits. By redirecting spending and using identified savings, including a reform of the Middle Class Scholarship program and correcting an error in the estimate for Medi-Cal, the budget agreement provides for additional spending, including paying off school deferrals ($1 billion) and debts owed to local governments since 2004 ($765 million). The budget also retires $15 billion in Economic Recovery Bonds used to cover budget deficits as far back as 2002, as well as $3.8 billion in mandate debt owed to K-14 schools. Finally, to protect against future economic uncertainty the budget deposits $1.9 billion to the state's Rainy Day Fund as required by Proposition 2, bringing the balance to $3.5 billion.

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

On December 18, 2015, the United States Congress passed a $1.15 trillion spending measure for fiscal year 2015-16, including spending increases of $66 billion for military and domestic programs. Of most immediate impact to the City is a provision delaying implementation of the "Cadillac Tax" from fiscal year 2017-2018 until fiscal year 2019-20. The tax is a 40% levy on certain employer sponsored health plan premiums that may apply to some City offered plans. The spending measure is expected to be signed by the President shortly. The Controller's Office will continue to monitor federal budget changes and reflect their financial impact on the City in upcoming quarterly budget updates and long term financial plans.

Budgetary Reserves

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.

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 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. The Original Budget for fiscal years 2015-16 and 2016-17 includes starting balances of $73 million and $86 million for the General Reserve for fiscal years 2015-16 and 2016-17, respectively. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues during economic downturns. The intent of this policy change is to increase reserves available during a multi-year downturn.

In addition to the operating cash and general reserves the City maintains two types of reserves to offset unanticipated expenses and which are available for appropriation to City departments by action of the Board of Supervisors. These include the Salaries and Benefit Reserve (Original Budget for fiscal years 2015-16 and 2016-17 includes $14 million in fiscal year 2015-16 and $30 million in fiscal year 2016-17), and the Litigation Reserve (Original Budget for fiscal years 2015-16 and 2016-17 includes $16 million and $11 million, respectively). Balances in both reflect new appropriations to the reserves and do not include carry-forward of prior year balances. The Charter also requires set asides of a portion of departmental expenditure savings in the form of a citywide Budget Savings Incentive Reserve and a Recreation and Parks Budget Savings Incentive Reserve.

The City also maintains Rainy Day and Budget Stabilization reserves whose balances carry-forward annually and whose use is allowed under select circumstances described below.

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 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 two accounts within the Rainy Day Reserve and for other lawful governmental purposes. Effective January 1, 2015, Proposition C passed by the voters in November 2014 divides the existing

Rainy Day Economic Stabilization Account into a City Rainy Day Reserve ("City Reserve") and a School Rainy Day Reserve ("School Reserve") with each reserve account receiving 50% of the existing balance. Additionally, any deposits to the reserve subsequent to January 1, 2015 will be allocated as follows:

37.5 percent of the excess revenues to the City Reserve;
12.5 percent of the excess revenues to the School Reserve;
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 2014-15 revenue exceeded the deposit threshold by $119 million generating a deposit of $47 million to the City Reserve, $18 million to the School Reserve, and $32 million to the One-Time or 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.

Monies in the City Reserve 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). Monies in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives. Withdrawals of $12 million and $3 million from the One-Time or Capital Expenditures account are budgeted in fiscal year 2014-15. Appropriations of $12 million from the School Rainy Day Reserve account and $3 million from the One-Time or Capital Expenditures account were withdrawn in fiscal year 2014-15. No withdrawals or deposits are anticipated in the fiscal year 2015-16 and 2016-17 budgets from the City or One-time reserves. A balance of $43 million will be left at the end of fiscal year 2016-17.

If the 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 School Reserve 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. The fiscal year 2014-15 year-end balance of the Rainy Day School Reserve is $42 million.

Budget Stabilization Reserve

On April 13, 2010, the Board of Supervisors unanimously approved the 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: the General Reserve, described above, and the 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, including Real Property Transfer Tax ("RPTT") 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.

Fiscal year 2014-15 RPTT receipts exceeded the five-year annual average by $79 million and ending general fund unassigned fund balance was $42 million, triggering a $91 million deposit. However, this deposit requirement was fully offset by the Rainy Day Reserve deposit of $97 million, resulting in no deposit to the Budget Stabilization Reserve and leaving an ending balance to $132 million. The fiscal years 2015-16 and 2016-17 budgets project deposits only in fiscal year 2015-16 of $19 million as a result of projected RPTT receipts in excess of the five-year annual average, bringing the projected ending balance in fiscal year 2016-17 to $152 million. The Controller's Office will determine final deposits in October of each year based on actual receipts during the prior fiscal year.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues, which would be approximately $420 million for fiscal year 2015-16. 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.

THE SUCCESSOR AGENCY

As described below, the Successor Agency was established by the Board of Supervisors of the City following dissolution of the former San Francisco Redevelopment Agency (the "Former Agency") pursuant to the Dissolution Act. Within City government, the Successor Agency is titled "The Office of Community Investment and Infrastructure as the Successor to the San Francisco Redevelopment Agency." Set forth below is a discussion of the history of the Former Agency and the Successor Agency, the governance and operations of the Successor Agency and its powers under the Redevelopment Law and the Dissolution Act, and the limitations thereon.

The Successor Agency maintains a website as part of the City's website. The information on such websites is not incorporated herein by reference.

Authority and Personnel

The powers of the Successor Agency are vested in its governing board (the "Successor Agency Commission"), referred to within the City as the "Commission on Community Investment and Infrastructure," which has five members who are appointed by the Mayor of the City with the approval of the Board of Supervisors. Members are appointed to staggered four-year terms (provided that two members have initial two-year terms). Once appointed, members serve until replaced or reappointed.

The Successor Agency currently employs approximately 46 full-time equivalent positions. The Executive Director, Tiffany Bohee, was appointed in February 2012. The other principal full-time staff positions are the Deputy Executive Director, Community and Economic Development; the Deputy Executive Director, Finance and Administration; the Deputy Executive Director, Housing; and the Successor Agency General Counsel. Each project area in which the Successor Agency continues to implement redevelopment plans, is managed by a Project Manager. There are separate staff support divisions with real estate and housing development specialists, architects, engineers and planners, and the Successor Agency has its own fiscal, legal, administrative and property management staffs.

Effect of the Dissolution Act

AB 26 and AB 27. The Former Agency was established under the Community Redevelopment Law in 1948. The Former Agency was established under the Redevelopment Law in 1948. As a result of AB 1X 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy "enforceable obligations" of the former redevelopment agency all under the supervision of a new oversight board, the State Department of Finance and the State Controller.

Pursuant to Resolution No. 11-12 (the "Establishing Resolution") adopted by the Board of Supervisors of the City on January 24, 2012 and signed by the Mayor on January 26, 2012, and Sections 34171(j) and 34173 of the Dissolution Act, the Board of Supervisors of the City confirmed the City's role as successor to the Former Agency. On June 27, 2012, the Redevelopment Law was amended by AB 1484, which clarified that successor agencies are separate political entities and that the successor agency succeeds to the organizational status of the former redevelopment agency but without any legal authority to participate in redevelopment activities except to complete the work related to an approved enforceable obligation.

Pursuant to Ordinance No. 215-12 passed by the Board of Supervisors of the City on October 2, 2012 and signed by the Mayor on October 4, 2012, the Board of Supervisors (i) officially gave the following name to the Successor Agency: the "Successor Agency to the Redevelopment Agency of the City and County of San Francisco," (ii) created the Successor Agency Commission as the policy body of the Successor Agency, (iii) delegated to the Successor Agency Commission the authority to act in place of the Former Agency Commission to implement the surviving redevelopment projects, the replacement housing obligations and other enforceable obligations of the Former Agency and the authority to take actions that AB 26 and AB 1484 require or allow on behalf of the

Successor Agency and (iv) established the composition and terms of the members of the Successor Agency Commission.

As discussed below, many actions of the Successor Agency are subject to approval by an "oversight board" and the review or approval by the California Department of Finance, including the issuance of bonds such as the Bonds.

Oversight Board

The Oversight Board was formed pursuant to Establishing Resolution adopted by the City's Board of Supervisors and signed by the Mayor on January 26, 2012. The Oversight Board is governed by a seven-member governing board, with four members appointed by the Mayor, and one member appointed by each of the Bay Area Rapid Transit District ("BART"), the Chancellor of the California Community Colleges, and the County Superintendent of Education.

Department of Finance Finding of Completion

The Dissolution Act established a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controllers for distribution to affected taxing entities within the project areas of the former redevelopment agencies. This determination process was required to be completed through the final step (review by the State Department of Finance) by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. Within five business days of receiving notification from the State Department of Finance, a successor agency must remit to the county auditor-controller the amount of unobligated balances determined by the State Department of Finance, or it may request a meet and confer with the State Department of Finance to resolve any disputes.

On May 23, 2013, the Successor Agency promptly remitted to the City Controller the amounts of unobligated balances relating to affording housing funds, determined by the State Department of Finance in the amount of $10,577,932, plus $1,916 in interest. On May 23, 2013, the Successor Agency promptly remitted to the City Controller the amount of unobligated balances relating to all other funds determined by the State Department of Finance in the amount of $959,147. The Successor Agency has made all payments required under AB 1484 and has received its finding of completion from the State Department of Finance on May 29, 2013.

State Controller Asset Transfer Review

The Dissolution Act requires that any assets of a former redevelopment agency transferred to a city, county or other local agency after January 1, 2011, be sent back to the successor agency. The Dissolution Act further requires that the State Controller review any such transfer. The State Controller's Office issued their Asset Transfer Review in October 2014. The review found $746,060,330 in assets transferred to the City after January 1, 2011, including unallowable transfers to the City totaling $666,830, or less than 1% of transferred assets. The City returned $666,830 to OCII to comply with the State Controller's Office review.

Continuing Activities

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

Because of the existence of enforceable obligations, the Successor Agency is authorized to continue to implement, through the issuance of tax allocation bonds, four major redevelopment projects that were previously administered by the Former Agency: (i) the Mission Bay North and South Redevelopment Project Areas, (ii) the Hunters Point Shipyard Redevelopment Project Area and Zone 1 of the Bayview Redevelopment Project Area, and (iii) the Transbay Redevelopment Project Area (collectively, the "Major Approved Development Projects"). In addition, the Successor Agency continues to manage Yerba Buena Gardens and other assets within the former Yerba Buena Center Redevelopment Project Area ("YBC"). The Successor Agency exercises land use, development and design approval authority for the Major Approved Development Projects and manages the former Redevelopment Agency assets in YBC in place of the Former Agency.

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 voter-approved general obligation bonds, and tax surcharges imposed by overlapping jurisdictions that have been authorized to levy taxes on property located in the City. The Board of Supervisors approves the schedule of tax rates each year by ordinance adopted no later than the last working day of September. The Treasurer and Tax Collector prepare and mail tax bills to taxpayers and collect the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The 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 BART, all of which are legal entities separate from the City. See also, Table A-26: "Statement of 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 Agency (also known as the Office of Community Investment and Infrastructure or OCII). Property tax revenues attributable to the growth in assessed value of taxable property (known as "tax increment") within the adopted redevelopment project areas may be utilized by OCII to pay for outstanding and enforceable obligations, 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 Agency received $125 million of property tax increment in fiscal year 2014-15, diverting about $71 million that would have otherwise been apportioned to the City's discretionary general fund.

The percent collected of property tax (current year levies excluding supplementals) was 98.83% for fiscal year 2014-15. 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. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 102 for fiscal year 2014-15 compared to 187 for fiscal year 2013-14, a 45% decrease. This is a drastic decline from only three years prior (fiscal year 2010-11) when there was a high of 927 foreclosures.

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2010-11 through 2015-16
(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
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	1,997,645	1,970,662	98.65%
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.83%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.83%
2015-16	194,392,572	6.9%	1.183	2,298,887	Not available	Not available

1 Based on initial assessed valuations for fiscal year 2015-16. Net Assessed Valuation (NAV) is Total Assessed Value for Secured and Unsecured Rolls, less Non-reimbursable Exemptions and Homeowner Exemptions.

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

3 The Total Tax Levy and Total Tax Collected through fiscal year 2014-15 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported to the State of California (available on the website of the California State Controller's Office). Total Tax Levy for fiscal year 2015-16 is based on NAV times the 1.1826% tax rate.

Note: This table has been modified 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.

At the start of fiscal year 2015-16, the total net assessed valuation of taxable property within the City is $194.4 billion. Of this total, $183.2 billion (94.2%) represents secured valuations and $11.8 billion (6.1%) represents unsecured valuations. (See "Tax Levy and Collection" below, for a further discussion of secured and unsecured property valuations.)

Proposition 13 limits to 2% per year 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 property's 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.

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 the rest of 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 2010-11 through 2014-15 are listed in Table A-6 below.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
Fiscal Years 2010-11 through 2014-15
(000s)

Fiscal Year	Amount Refunded
2010-11	$41,730
2011-12	53,288
2012-13	36,744
2013-14	25,756
2014-15	16,304

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

As of July 1, 2015, the Assessor granted 8,523 temporary reductions in property assessed values worth a total of $221 million (equating to a reduction of about $2.6 million in general fund taxes), compared to 10,726 temporary reductions with a value of $640.3 million (equating to a reduction of about $3.6 million in discretionary general fund taxes) granted in Spring 2014. The 2015 $221 million temporary reduction total represented 0.13% of the fiscal year 2015-16 Net Assessed Valuation of $194.4 billion shown in Table A-5. 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 June 30, 2015, the total number of open appeals before the AAB was 4,126, compared to 6,279 open AAB appeals as of June 30, 2014, including 2,694 filed since July 1, 2014, 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 $20.9 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 about $245.1 million (based upon the fiscal year 2014-15 tax rate) with an impact on the General Fund of about $118.1 million. 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 2015-16 is estimated to produce about $2.3 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of this amount, the City has budgeted to receive $991.0 million into the General Fund and $144.9 million into special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD are estimated to receive about $134.8 million and $25.3 million, respectively, and the local ERAF is estimated to receive $443.6 million (before adjusting for the State's Triple Flip sales tax and vehicle license fees ("VLF") backfill shifts). The Successor Agency will receive about $111 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.

General Fund property tax revenues in fiscal year 2014-15 were $1.27 billion, representing an increase of $39.7 million (3.2%) over fiscal year 2014-15 Original Budget and $95.3 million (8.1%) over fiscal year 2013-14 actual revenue. Property tax revenue is budgeted at $1.29 billion in fiscal year 2015-16 representing an increase of $18.4 million (1.4%) over fiscal year 2014-15 actual receipts and $1.31 billion in fiscal year 2016-17 representing an annual increase of $21.0 million (1.6%) over fiscal year 2015-16 budget. Tables A-2 and A-3 set forth a history of budgeted and actual property tax revenues for fiscal years 2011-12 through 2014-15, and budgeted receipts for fiscal years 2015-16 and fiscal year 2016-17.

The City's General Fund is allocated about 48% 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. The State's Triple Flip is scheduled to end in fiscal year 2015-16, eliminating sales tax in-lieu revenue from property taxes and shifting it to the local sales tax revenue line.

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
Fiscal Years 2010-11 through 2014-15
(000s)

Year Ended	Amount Funded
2010-11	$17,302
2011-12	17,980
2012-13	18,341
2013-14	19,654
2014-15	20,569

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

Assessed valuations of the aggregate ten largest assessment parcels in the City for the fiscal year beginning July 1, 2015 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
July 1, 2015
(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	$964,169	0.49%
PPF Paramount One Market Plaza Owner LP	1 Market St.	3713 007	Commercial Office	789,865	0.40%
Union Investment Real Estate GMBH	555 Mission St.	3721 120	Commercial Office	466,638	0.24%
Emporium Mall LLC	845 Market St.	3705 056	Commercial Retail	441,260	0.23%
SPF China Basin Holdings LLC	185 Berry St.	3803 005	Commercial Office	433,661	0.22%
SHC Embarcadero LLC	4 The Embarcadero	0233 044	Commercial Office	406,983	0.21%
Wells REIT II- 333 Market St. LLC	333 Market St.	3710 020	Commercial Office	404,977	0.21%
Post-Montgomery Associates	165 Sutter St.	0292 015	Commercial Retail	396,798	0.20%
PPF OFF One Maritime Plaza LP	300 Clay St.	0204 021	Commercial Office	376,426	0.19%
S F Hilton Inc.	1 Hilton Square	0325 031	Commercial Hotel	375,963	0.19%
					2.59%

[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 2015-16 valuation of property assessed by the State Board of Equalization is $2.94 billion.

OTHER CITY TAX REVENUES

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

The following section contains a brief description of other major City-imposed taxes as well as taxes that are collected by the State and shared with the City.

Business Taxes

Through tax year 2013 businesses in the City were subject to payroll expense and business registration taxes. Proposition E approved by the voters in the November 6, 2012 election changed business registration tax rates and introduced a gross receipts tax which phases in over a five-year period beginning January 1, 2014, replacing the current 1.5% tax on business payrolls over the same period. Overall, 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.

The payroll expense tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. The 1.5% payroll tax rate in 2013 was adjusted to 1.35% in tax year 2014 and annually thereafter according to gross receipts tax collections to ensure that the phase-in of the gross receipts tax neither results in a windfall nor a loss for the City. The new gross receipts tax ordinance, like the current payroll expense tax, is imposed for the privilege of "engaging in business" in San Francisco. The gross receipts tax will apply to businesses with $1 million or more in gross receipts, adjusted by the Consumer Price Index going forward. Proposition E also imposes a 1.4% tax on administrative office business activities measured by a company's total payroll expense within San Francisco in lieu of the Gross Receipts Tax, and increases annual business registration fees to as much as $35,000 for businesses with over $200 million in gross receipts. Prior to Proposition E, business registration taxes varied from $25 to $500 per year per subject business based on the prior year computed payroll tax liability. Proposition E increased the business registration tax rates to between $75 and $35,000 annually.

Business tax revenue in fiscal year 2014-15 was $612 million, representing an increase of $49 million (8.6%) from fiscal year 2013-14 revenue. Business tax revenue is budgeted at $636 million in fiscal year 2015-16 representing an increase of $24 million (4%) over fiscal year 2014-15 revenue.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues
Fiscal Years 2010-11 through 2015-16
All Funds
(000s)

Fiscal Year	Revenue	Change	
2010-11	$391,779	$37,759	10.7%
2011-12	437,677	45,898	11.7%
2012-13	480,131	42,454	9.7%
2013-14	563,406	83,276	17.3%
2014-15	611,932	48,525	8.6%
2015-16 budgeted	636,360	24,428	4.0%

Includes Payroll Tax, portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, Business Registration Tax, and beginning in fiscal year 2013-14, Gross Receipts Tax revenues. Figures for fiscal years 2010-11 through 2014-15 are audited actuals. Figures for fiscal year 2015-16 are Original Budget amounts.

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

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators 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, has increased by more than 10% annually for each of the last 5 years driving an 85% increase in hotel tax revenue between fiscal year 2010-11 and fiscal year 2014-15. Increases in RevPAR are budgeted to continue at a slower pace through fiscal year 2016-17. Fiscal year 2014-15 transient occupancy tax was $394 million, representing an $86 million increase from fiscal year 2013-14 revenue. Fiscal year 2015-16 is budgeted to be $389 million, a decrease of $10 million (3%) from fiscal year 2014-15 due to the loss of a one-time prior year payment received during fiscal year 2014-15. Fiscal year 2016-17 is budgeted to be $411 million, an increase of $22 million (5%) from fiscal year 2015-16 budget.

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 the online travel companies had no obligation to remit hotel tax to San Francisco. The City has received approximately $88 million in disputed hotel taxes paid by the companies. Under State law, the City is required to accrue interest on such amounts. The portion of these remittances that will be retained or returned (including legal fees and interest) will depend on the ultimate outcome of these lawsuits. San Francisco has appealed the judgment against it. That appeal has been stayed pending the California Supreme Court's decision in a similar case between the online travel companies and the City of San Diego.

TABLE A -10

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues
Fiscal Years 2010-11 through 2016-17
(000s)

Fiscal Year	Tax Rate	Revenue	Change	
2010-11	14.00%	$215,512	$23,430	12.2%
2011-12	14.00	242,843	27,331	12.7%
2012-13[1]	14.00	241,871	(972)	-0.4%
2013-14	14.00	313,138	71,267	29.5%
2014-15[1]	14.00	399,364	157,493	27.5%
2015-16 budgeted	14.00	389,114	(10,250)	-2.6%
2016-17 budgeted	14.00	408,355	19,241	4.9%

Figures for fiscal year 2010-11 through fiscal year 2014-15 are audited actuals and include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds. Figures for fiscal year 2015-16 and 2016-17 are Original Budget amounts.

[1] Amounts in fiscal year 2012-13 and FY 2014-15 are substantially adjusted due to multi-year audit and litigation resolutions.

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 ("RPTT") revenue in fiscal year 2014-15 was $315 million, a $53 million (20%) increase from fiscal year 2013-14 revenue. Fiscal year 2015-16 RPTT revenue is budgeted to be $275 million, approximately $39 million (13%) less than the revenue received in fiscal year 2014-15 primarily due to the assumption that fiscal year 2014-15 represents the peak in high value property transactions during the current economic cycle. This slowing is budgeted to continue into fiscal year 2016-17 with RPTT revenue budgeted at $240 million, a reduction of $35 million (13%).

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2010-11 through 2016-17
(000s)

Fiscal Year	Revenue	Change	
2010-11	$135,184	$51,489	61.5%
2011-12	233,591	98,407	72.8%
2012-13	232,730	(861)	-0.4%
2013-14	261,925	29,195	12.5%
2014-15	314,603	52,678	20.1%
2015-16 budgeted	275,280	(39,323)	-12.5%
2016-17 budgeted	240,000	(35,280)	-12.8%

Figures for fiscal year 2010-11 through 2014-15 are audited actuals. Figures forr fiscal year 2015-16 and 2016-17 are Original Budget amounts.

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 2014-15 were $140 million, an increase of $6 million (5%) from fiscal year 2013-14 sales tax revenue. Revenue growth is budgeted to continue during fiscal year 2015-16 with $173 million budgeted, an increase of $33 million (23%) from fiscal year 2014-15 receipts. Fiscal year 2016-17 revenue is budgeted to be $206 million, an increase of $5 million (3%) from fiscal year 2015-16 budget with an assumption that the strong local economy will generate increased taxable sales across nearly all categories. The growth in the fiscal year 2015-16 budget also includes $23 million increase in sales tax due to the conclusion of the Triple Flip. As described in the Property Tax section, the Triple Flip is a funding shift beginning in fiscal year 2004-05 through December 31, 2015 under which the State withheld 0.25% of the local 1% portion of sales tax to pay debt service on the $15 billion bonds authorized under the California Economic Recovery Bond Act (Proposition 57).

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. In recent years online retailers such as Amazon have contributed significantly to sales tax receipts. The budget assumes no changes from State laws affecting sales tax reporting for these online retailers. Sustained growth in sales tax revenue will depend on changes to state and federal law and order fulfillment strategies for online retailers.

Table A-12 reflects the City's actual sales and use tax receipts for fiscal years 2012-13 through 2014-15, and budgeted receipt for fiscal year 2015-16 and 2016-17, 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 through the fiscal year 2015-16.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2010-11 through 2016-17
(000s)

Fiscal Year	Tax Rate	City Share	Revenue	Change	
2010-11 [2]	9.50%	0.75%	$106,302	$9,698	10.0%
2010-11 adj.[1]	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.[1]	8.50%	1.00%	155,466	14,541	10.3%
2012-13	8.50%	0.75%	122,271	5,200	4.4%
2012-13 adj.[1]	8.50%	1.00%	162,825	7,359	4.7%
2013-14	8.75%	0.75%	133,705	11,434	9.4%
2013-14 adj.[1]	8.75%	1.00%	177,299	14,474	8.9%
2014-15	8.75%	0.75%	140,146	6,441	4.8%
2014-15 adj.[1]	8.75%	1.00%	186,891	9,592	5.4%
2015-16 *budgeted*[2]	8.75%	0.75%	172,937	32,791	23.4%
2015-16 adj.[1] b*udgeted*	8.75%	1.00%	200,937	14,046	7.5%
2016-17 *budgeted*[2]	8.75%	1.00%	205,733	4,796	2.8%

Figures for fiscal year 2010-11 through fiscal year 2014-15 are audited actuals. Figures for fiscal year 2015-16 and 2016-17 are Original Budget amounts.

[1]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 through December 31, 2015 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. Fiscal year 2015-16 budget represents only a half of this 0.25% reduction.

[2]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.

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 2014-15 Utility User Tax revenues were $99 million, representing an increase of $12 million (14%) from fiscal year 2013-14 revenue. Fiscal year 2015-16 revenue is budgeted to be $94 million, representing expected decline of $5 million (5%) from fiscal year 2014-15. Fiscal year 2016-17 Utility User Tax revenues are budgeted at $95 million, a $1 million increase from fiscal year 2015-16 budget.

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. Access Line Tax revenue for fiscal year 2014-15 was $49 million, a $5 million (11%) increase over the previous fiscal year due to a large one-time payment related to a prior year audit finding. In fiscal year 2015-16, the

Access Line Tax revenue is budgeted at $46 million, a $3 million (6%) decrease from fiscal year 2014-15 revenue. Fiscal year 2016-17 revenue is budgeted at $47 million a $1 million (2%) increase from fiscal year 2015-16 budget. Budgeted amounts in fiscal year 2015-16 and fiscal year 2016-17 assume annual inflationary increases to the access line tax rate as required under Business and Tax Regulation Code Section 784.

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. Parking Tax revenue is positively correlated with business activity and employment, both of which are projected to increase over the next two years as reflected in increases in business and sales tax revenue projections.

Fiscal year 2014-15 Parking Tax revenue was $87 million, $4 million (5%) above fiscal year 2013-14 revenue. Parking tax revenue is budgeted at $90 million in fiscal year 2015-16, an increase of $3 million (3%) over the fiscal year 2014-15. In fiscal year 2016-17, Parking Tax revenue is budgeted at $92 million, $2 million (2%) over the fiscal year 2015-16 budgeted amount. Parking tax growth estimates are commensurate with expected changes to the CPI over the same period.

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

State – Realignment

San Francisco receives allocations of State sales tax and Vehicle License Fee (VLF) revenue for 1991 Health and Welfare Realignment and 2011 Public Safety Realignment.

1991 Health & Welfare Realignment. In fiscal year 2015-16, the General Fund share of 1991 realignment revenue is budgeted at $169 million, or $7 million (4%) more than the fiscal year 2014-15 budget and $6 million (3%). This growth is attributed to a $5 million (4%) increase in sales tax distribution and a $2 million (6%) increase in the VLF distribution due to the base allocation increase and projected fiscal year 2014-15 growth payments. The fiscal year 2016-17 General Fund share of revenue is budgeted at $174 million, a net annual increase of $5 million (3%) in sales tax and VLF distributions based on the projected growth payments.

Increases in both years are net of state allocation reductions due to implementation of the Affordable Care Act (ACA) equal to assumed savings for counties as a result of treating fewer uninsured patients. The State's fiscal year 2014-15 Budget included assumed statewide county savings of $724 million in fiscal year and the fiscal year 2015-16 included assumed savings of $698 as a result of ACA implementation, and redirects these savings from realignment allocations to cover CalWORKs expenditures previously paid for the by the State's General Fund. Reductions to the City's allocation are assumed equal to $16.7 million in both years, which is the same level of reduction assumed in the fiscal year 2013-14 and fiscal year 2014-15 budgets. Future budget adjustments could be necessary depending on final state determinations of ACA savings amounts, which are expected in January 2016 and January 2017 for fiscal year 2013-14 and fiscal year 2014-15, respectively.

Public Safety Realignment. Public Safety Realignment (AB 109), enacted in early 2011, transfers responsibility for supervising certain kinds of felony offenders and state prison parolees from state prisons and parole agents to county jails and probation officers. Based on the State's budget, this revenue is budgeted at $36 million in fiscal year 2015-16, a $5 million (14%) increase over the fiscal year 2014-15. This increase reflects increased State funding to support implementation of AB109. The fiscal year 2016-17 budget assumes a $2 million (6%) increase from fiscal year 2015-16 budget. Within Public Safety Realignment, distributions to the District Attorney and Public Defender in particular are projected to increase from $0.3 million in fiscal year 2014-15 to $0.5 million in fiscal year 2015-16, a 60% increase in funding as the State projects an increased workload for public defenders and district attorneys due to continuing transfer of responsibility for prosecuting and defending lower-level offenders and parolees to counties.

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 2014-15 was $94 million, an increase of $6 million (7%) from fiscal year 2013-14 revenues. This revenue is budgeted at $98 million in fiscal year 2015-16 and $103 million in fiscal year 2016-17, representing annual growth of $4 million (4%) and $5 million (5%) respectively. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above, and are used to fund police and fire services. Disbursements are made to counties based on the county ratio, which is the county's percent share of total statewide sales taxes in the most recent calendar year. The county ratio for San Francisco in fiscal year 2014-15 is 3% and is expected to remain at that level in fiscal year 2015-16 and fiscal year 2016-17.

Other Intergovernmental Grants and Subventions

In addition to those categories listed above, $476 million is budgeted in fiscal year 2014-15 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 $53 million (12%) increase from fiscal year 2013-14. The fiscal year 2015-16 budget is $481 million, an increase of $4 million (1%) from the fiscal year 2014-15 Original Budget.

Charges for Services

Revenue from charges for services in the General Fund in fiscal year 2014-15 was $216 million and is projected to be largely unchanged in the fiscal year 2015-16 and 2016-17 budget at $215 million and $217 million, respectively.

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 approximately 50% of all City expenditures. In addition, the Charter imposes certain baselines, mandates, and property tax set-asides, 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 is $910 million in fiscal year 2015-16 and $942 million in fiscal year 2016-17.

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 2010-11 through 2015-16
(000s)

Major Service Areas	FY 2010-11 Original Budget	FY 2011-12 Original Budget	FY 2012-13 Original Budget	FY 2013-14 Original Budget	FY 2014-15 Original Budget	FY 2015-16 Original Budget
Public Protection	$947,327	$998,237	$1,058,689	$1,130,932	$1,173,977	$1,223,981
Human Welfare & Neighborhood Development	655,026	672,834	670,375	700,254	799,355	857,055
Community Health	519,319	575,446	609,892	701,978	736,916	787,554
General Administration & Finance	169,526	199,011	197,994	244,591	293,107	286,871
Culture & Recreation	97,510	100,740	111,066	119,579	126,932	137,062
General City Responsibilities	103,128	110,725	145,560	137,025	158,180	186,068
Public Works, Transportation & Commerce	26,989	51,588	67,529	80,797	127,973	161,545
Total*	$2,518,824	$2,708,581	$2,861,106	$3,115,155	$3,416,440	$3,640,137

*Total may not add due to rounding

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 $423 million, $233 million and $157 million of General Fund support respectively in fiscal year 2015-16 and $439 million, $235 million, and $164 million respectively in fiscal year 2016-17. 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 $289 million of General Fund support in the fiscal year 2015-16 and $294 million in fiscal year 2016-17.

The Public Health Department is budgeted to receive $637 million in General Fund support for public health programs and the operation of San Francisco General Hospital and Laguna Honda Hospital in fiscal year 2015-16 and $670 million in fiscal year 2016-17.

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 receives an annual general fund transfer equal to 80% of general fund parking tax receipts pursuant to the Charter. This transfer is budgeted to be $72 million in fiscal year 2015-16 and $74 million in the fiscal year 2016-17.

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 Year 2015-16
(in Millions)

Baselines & Set-Asides	**FY 2015-16 Required Baseline**	**FY 2015-16 Original Budget**
Municipal Transportation Agency (MTA)	$197.8	$197.8
MTA Baseline - Population Adjustment	$27.7	$27.7
Parking and Traffic Commission	$74.2	$74.2
Children's Services	$142.9	$145.9
Transitional Aged Youth	$17.1	$18.7
Library Preservation	$67.6	$67.6
Public Education Baseline Services	$8.6	$8.6
Public Education Enrichment Funding		
Unified School District	$60.3	$60.3
First Five Commission	$30.1	$30.1
City Services Auditor	$15.3	$15.3
Human Services Homeless Care Fund	$15.1	$15.1
Property Tax Related Set-Asides		
Municipal Symphony	$2.4	$2.4
Children's Fund Set-Aside	$59.9	$59.9
Library Preservation Set-Aside	$46.1	$46.1
Open Space Set-Aside	$46.1	$46.1
Staffing and Service-Driven		
Police Minimum Staffing	Requirement likely not met	
Fire Neighborhood Firehouse Funding	Requirement met	
Treatment on Demand	Requirement met	
Total Baseline Spending	**$811.2**	**$815.7**

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).

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents approximately 50% of the City's expenditures, totaling $4.5 billion in the fiscal year 2015-16 Original Budget (all-funds), and $4.6 billion in the fiscal year 2016-17 Original Budget. Looking only at the General Fund, the combined salary and benefits budget was $2.1 billion in the fiscal year 2015-16 Original Budget and $2.2 billion in the fiscal year 2016-17 Original Budget. 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 2015-16 and 2016-17 includes 29,553 and 30,017 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, Local 1021 ("SEIU"); the International Federation of Professional and Technical Engineers, Local 21("IFPTE"); and the unions representing police, fire, deputy sheriffs and transit workers.

The wages, hours and working conditions of City employees are determined by collective bargaining pursuant to State law (the Meyers-Milias-Brown Act, California Government Code Sections 3500-3511) and the 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. 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, with the exception of discipline, are not subject to arbitration. Disciplinary actions are generally subject to grievance arbitration, with the exception of police, fire and sheriff's employees.

In May 2014, the City negotiated three-year agreements (for fiscal years 2014-15 through 2016-17) with most of its labor unions. In general, the parties agreed to: (1) annual wage increase schedules of 3% (October 11, 2014), 3.25% (October 10, 2015), and between 2.25% and 3.25% depending on inflation (July 1, 2016); and (2) some structural reforms of the City's healthcare benefit and cost-sharing structures to rebalance required premiums between the two main health plans offered by the City. These changes to health contributions build reforms agreed to by most unions during earlier negotiations.

In June 2013, the City negotiated a contract extension with the Police Officers' Association ("POA"), through June 30, 2018, that includes wage increases of 1% on July 1, 2015; 2% on July 1, 2016; and 2% on July 1, 2017. In addition, the union agreed to lower entry rates of pay for new hires in entry Police Officer classifications. In May 2014, the City negotiated a contract extension with the Firefighters Association through June 30, 2018, which mirrored the terms of POA agreement.

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. In May 2014, the MTA and the union representing the transit operators (TWU, Local 250-A) agreed to a three-year contract that runs through June 30, 2017. Provisions in the contract include 14.25% in wage increases in exchange for elimination of the 7.5% employer retirement pick-up.

Table A-15 shows the membership of each operating employee bargaining unit and the date the current labor contract expires.

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of July 1, 2015

Organization	Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	429	30-Jun-2017
Bricklayers, Local 3/Hod Carriers, Local 36	10	30-Jun-2017
Building Inspectors Association	95	30-Jun-2017
Carpenters, Local 22	110	30-Jun-2017
Carpet, Linoleum & Soft Tile	3	30-Jun-2017
CIR (Interns & Residents)	2	30-Jun-2017
Cement Masons, Local 580	33	30-Jun-2017
Deputy Sheriffs Association	780	30-Jun-2017
District Attorney Investigators Association	41	30-Jun-2017
Electrical Workers, Local 6	887	30-Jun-2017
Glaziers, Local 718	10	30-Jun-2017
International Alliance of Theatrical Stage Employees, Local 16	23	30-Jun-2017
Ironworkers, Local 377	14	30-Jun-2017
Laborers International Union, Local 261	1,027	30-Jun-2017
Municipal Attorneys' Association	435	30-Jun-2017
Municipal Executives Association	1,172	30-Jun-2017
MEA - Police Management	6	30-Jun-2018
MEA - Fire Management	9	30-Jun-2018
Operating Engineers, Local 3	59	30-Jun-2017
City Workers United	127	30-Jun-2017
Pile Drivers, Local 34	24	30-Jun-2017
Plumbers, Local 38	341	30-Jun-2017
Probation Officers Association	157	30-Jun-2017
Professional & Technical Engineers, Local 21	4,795	30-Jun-2017
Roofers, Local 40	11	30-Jun-2017
S.F. Institutional Police Officers Association	2	30-Jun-2017
S.F. Firefighters, Local 798	1,737	30-Jun-2018
S.F. Police Officers Association	2,502	30-Jun-2018
SEIU, Local 1021	11,643	30-Jun-2017
SEIU, Local 1021 Staff & Per Diem Nurses	1,616	30-Jun-2016
SEIU, Local 1021 H-1 Rescue Paramedics	12	30-Jun-2018
Sheet Metal Workers, Local 104	45	30-Jun-2017
Sheriff's Managers and Supervisors Association	98	30-Jun-2017
Stationary Engineers, Local 39	661	30-Jun-2017
Supervising Probation Officers, Operating Engineers, Local 3	24	30-Jun-2017
Teamsters, Local 853	162	30-Jun-2017
Teamsters, Local 856 (Multi-Unit)	107	30-Jun-2017
Teamsters, Local 856 (Supervising Nurses)	122	30-Jun-2016
TWU, Local 200 (SEAM multi-unit & claims)	341	30-Jun-2017
TWU, Local 250-A Auto Service Workers	117	30-Jun-2017
TWU, Local 250-A Transit Fare Inspectors	74	30-Jun-2017
TWU-250-A Miscellaneous	97	30-Jun-2017
TWU-250-A Transit Operators	2,216	30-Jun-2017
Union of American Physicians & Dentists	199	30-Jun-2018
Unrepresented Employees	168	30-Jun-2016
	32,543 [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 City and County Employees' Retirement System ("SFERS" or "Retirement System")

History and Administration

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

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

To aid in the administration of the Retirement System, the Retirement Board appoints an Executive Director and an Actuary. The Executive Director serves as chief executive officer, with responsibility extending to all divisions of the Retirement System. 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 provisions of Proposition C approved by the City voters in November 2011.

Membership

Retirement System members include eligible employees of the City and County of San Francisco, the SFUSD, the SFCCD, and the San Francisco Trial Courts.

The Retirement System estimates that the total active membership as of July 1, 2014 (the date of most recent valuation report) was 35,957, compared to 34,690 members a year earlier. Active membership includes 5,409 terminated vested members and 1,032 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. Retirement allowances are paid to approximately 26,800 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, 2015, two police officers remained in the DROP program and were expected to retire before the end of 2015.

Table A-16 displays total Retirement System participation (City and County of San Francisco, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates.

TABLE A-16

SAN FRANCISCO CITY AND COUNTY
Employees' Retirement System
Fiscal Years 2009 - 10 through 2013 - 14

As of 1-Jul	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
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
2013	28,717	4,933	1,040	34,690	26,034	1.103
2014	29,516	5,409	1,032	35,957	26,852	1.099

Sources: SFERS' Actuarial Valuation reports as of July 1, 2014, July 1, 2013, July 1, 2012, July 1, 2011 and July 1, 2010.

Notes: Member counts exclude DROP participants.
Member counts are for the entire Retirement System and include non-City employees.

Funding Practices

The annual actuarial valuation of the Retirement System is a joint effort of the Retirement System and its independent consulting actuarial firm. City Charter prescribes certain actuarial methods and amortization periods to be used by the Retirement System in preparing the actuarial valuation. The Retirement Board adopts the economic and demographic assumptions used in the annual valuations. Demographic assumptions such as retirement, termination and disability rates are based upon periodic demographic studies performed by the consulting actuarial firm approximately every five years. Economic assumptions are reviewed each year by the Retirement Board after receiving an economic experience analysis from the consulting actuarial firm.

At the January 2015 Retirement Board meeting, the consulting actuarial firm recommended that the Board adopt the following economic assumptions for the July 1, 2014 actuarial valuation: long-term investment earnings assumption of 7.50%, long-term wage inflation assumption of 3.75% and long-term consumer price index assumption of 3.25%. After consideration of the analysis and recommendation, the Retirement Board voted to adopt these recommended assumptions. At the November 2015 Retirement Board meeting, the Board voted to continue these economic assumptions with no changes for the July 1, 2015 actuarial valuation following the recommendation of the consulting actuarial firm. The Board also voted to update demographic assumptions, including mortality, after review of a new demographic assumptions study by the consulting actuarial firm.

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. This process is mandated by the City Charter.

Pursuant to the City Charter, 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 working careers of the Retirement System members.

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

The UAAL 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. On the liability side, assumptions must be made regarding future costs of pension benefits in addition to demographic assumptions regarding the Retirement System members including rates of disability, retirement, and death. When the actual experience of the Retirement System differs from the expected experience, the impacts on UAAL are called actuarial gains or losses. Under the Retirement Board's updated Actuarial Funding Methods Policy any such gain or loss is amortized over a closed 20-year period. Similarly, if the estimated liabilities change due to an update in any of the assumptions, the impact on UAAL is also amortized over a closed 20-year period. Prior to the updated Policy which became effective with the July 1, 2014 actuarial valuation, the amortization period for gains, losses and assumption changes was 15 years at the valuation date.

Third, supplemental costs associated with the various SFERS benefit plans are amortized. Supplemental costs are additional costs resulting from the past service component of SFERS benefit increases. In other words, when the Charter is amended to increase benefits to some or all beneficiaries of the Retirement System, the Retirement System's liability is correspondingly increased in proportion to the amount of the new benefit associated with service time already accrued by the then-current beneficiaries. These supplemental costs are required to be amortized over no more than 20 years according to the Charter. The Board has adopted a 15-year closed period for changes to active member benefits and a 5-year closed period for changes to inactive or retired members effective for all changes on or after July 1, 2014. The prior Board Policy specified closed 20-year periods for all benefit changes.

The consulting actuarial firm combines the three calculations described above to arrive at a total contribution requirement for funding the Retirement System in the next fiscal year. This total contribution amount is satisfied from a combination of employer and employee contributions. Employee contribution rates are mandated by the Charter. Sources of payment of employee contributions (i.e. City or employee) may be the subject of collective bargaining agreements with each union or bargaining unit. 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.

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.

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

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 provided the following:

> 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%;

Employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;

Cost-sharing provisions which increase or decrease employee contributions to SFERS on and after July 1, 2012 for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. For example, Miscellaneous employees who earn between $50,000 and $100,000 per year pay a fluctuating contribution rate in the range of +4% to -4% of the Charter-mandated employee contribution rate, while Miscellaneous employees who earn $100,000 or more per year pay a fluctuating contribution rate in the range of +5% to -5% of the Charter-mandated employee contribution rate. Similar fluctuating employee contributions are also required from Safety employees; and

Effective July 1, 2012, no Supplemental COLA will be 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. A retiree organization has brought a legal action against the requirement to be fully funded in order to pay the Supplemental COLA. In that case, *Protect our Benefits (POB) v. City of San Francisco* (1st DCA Case No. A140095), the Court of Appeals held that changes to the Supplemental COLA adopted by the voters in November 2011 under Proposition C could not be applied to current City and County employees and those who retired after November 1996 when the Supplemental COLA provisions were originally adopted, but could be applied to SFERS members who retired before November 1996. This decision is now final and it is estimated that the actuarial liabilities of the Plan will increase approximately $388 million or 1.8% for Supplemental COLAs granted retroactive to July 1, 2013 and July 1, 2014.

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

Since 2009, the voters of San Francisco have approved one other retirement plan amendment:

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.

SFERS Recent Funding Performance and City Employer Contribution History

Fiscal year 2013-14 total City employer contributions to the Retirement System were $508.4 million which included $218.2 million from the General Fund. Fiscal year 2014-15 total City employer contributions were $565.1 million which included $243.6 million from the General Fund. For fiscal year 2015-16, total City employer contributions to the Retirement System are budgeted at $490.2 million which includes $226.3 million from the General Fund. These budgeted amounts are based upon the fiscal year 2015-16 employer contribution rate of 22.80% (estimated to be 19.2% after taking into account the 2011 Proposition C cost-sharing provisions). The fiscal year 2015-16 employer contribution rate is 22.80% per the July 1, 2014 actuarial valuation report. The decline in employer contribution rate from 26.76% to 22.80% results from 1) overall investment gains in the last five fiscal years between July 1, 2009 and June 30, 2014, and 2) large investment losses from the 2008-09 fiscal year being fully reflected in the actuarial value of assets after a five-year smoothing period. As discussed under "City Budget – Five Year Financial Plan" further reductions in retirement costs after fiscal year 2015-16 had been projected in the City's March 2015 Five Year Financial Plan. However, recent changes have led to increases in the projected employer contribution rates for the City's retirement system beginning in fiscal year 2016-17.

Table A-17 shows total Retirement System assets, liabilities and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2009-10 through 2013-14. Information is shown for all employers in the Retirement System (City and County of San Francisco, SFUSD, SFCCD, and San Francisco Trial Courts). "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 actuarial accrued liability of the Retirement System. The "Market Percent Funded" column is determined by dividing the market value of assets by the Pension Benefit Obligation. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the Pension Benefit Obligation. "Employee and Employer Contributions" reflects the total of mandated employee contributions and employer Actuarial Retirement Contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

TABLE A-17

SAN FRANCISCO CITY AND COUNTY
Employees' Retirement System
Fiscal Years 2009-10 through 2013-14
(000s)

As of 1-Jul	Market Value of Assets	Actuarial Value of Assets	Pension Benefit Obligation	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contribution	Employer Contribution Rates[1]
2010	$13,136,786	$16,069,100	$17,643,400	74.5%	91.1%	$413,562	9.49%
2011	15,598,839	16,313,100	18,598,700	83.9%	87.7%	490,578	13.56%
2012	15,293,700	16,027,700	19,393,900	78.9%	82.6%	608,957	18.09%
2013	17,011,500	16,303,400	20,224,800	84.1%	80.6%	701,596	20.71%
2014	19,920,600	18,012,100	21,122,600	94.3%	85.3%	821,902	24.82%

[1] Employer contribution rates for fiscal years 2014-15 and 2015-16 are 26.76% and 22.80%, respectively.

Sources: SFERS' audited financial statements and supplemental schedules June 30, 2014, 2013, 2012, 2011, and 2010.
SFERS' actuarial valuation report as of July 1, 2014, 2013, July 1, 2012, July 1, 2011, and July 1, 2010.

Note: Table A-17 reflects entire Retirement System, not just the City and County of San Francisco.

Table A-17 shows that the Actuarial Percent Funded ratio increased from 80.6% to 85.3%. In general, this indicates that for every dollar of benefits promised, the Retirement System has approximately $0.85 of assets available for payment based on the actuarial value of assets as of July 1, 2014. The Market Percent Funded ratio increased from 84.1% to 94.3% and is now higher than the Actuarial Percent Funded ratio which does not yet fully reflect all asset gains from the last five fiscal years.

GASB Disclosures

The Retirement System discloses accounting and financial reporting information under GASB Statement No. 67, *Financial Reporting for Pension Plans.* This statement was first implemented by the Retirement System in fiscal year 2013-14. The City discloses accounting and financial information about the Retirement System under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* This accounting statement was first effective in fiscal year 2014-15. These accounting statements separated financial reporting from funding and required additional disclosures in the notes to the financial statements and required supplemental information. In general, the City's funding of its pension obligations are not affected by the GASB 68 changes to the reporting of the City's pension liability. Funding requirements are specified in t6thCity Charter and are described in "Funding Practices" above.

Total Pension Liability reported under GASB Statements No. 67 and 68 differs from the Pension Benefit Obligation calculated for funding purposes in several ways, including the following differences. First, Total Pension Liability measured at fiscal year-end is a roll-forward of liabilities calculated at the beginning of the year and is based upon a beginning of year census. Second, Total Pension Liability is based upon a discount rate determined by a blend of the assumed investment return to the extent the fiduciary net position is available to make payments and at a municipal bond rate to the extent that the fiduciary net position is unavailable to make payments. Differences between the discount rate and assumed investment return have ranged from zero to six basis points at the last three fiscal year-ends. The third distinct difference is that Total Pension Liability includes a provision for Supplemental COLAS that may be granted in the future, while Pension Benefit Obligation for funding purposes includes only Supplemental COLAS that have been already been granted.

See Note 2(s) of the City's CAFR attached to this Official Statement as Appendix B for more information about the effects of GASB 68 and certain other new accounting standards on the City's financial statements.

Table A-17A below shows the collective Total Pension Liability, Plan Fiduciary Net Position (market value of assets), and Net Pension Liability for all employers who sponsor the Retirement System. The City's audited financial statements disclose only its own proportionate share of the Net Pension Liability and other required GASB 68 disclosures.

Table A-17A

SAN FRANCISCO CITY AND COUNTY
Employees' Retirement System (in $000s)
GASB 67/68 Disclosures

As of 30-Jun	Collective Total Pension Liability (TPL)	Discount Rate	Plan Fiduciary Net Position	Plan Net Position as % of TPL	Collective Net Pension Liability (NPL)	City and County's Proportionate Share of NPL
2013	$20,785,417	7.52%	$14,011,545	81.8%	$3,773,872	$3,552,075
2014	21,691,042	7.58	19,920,607	91.8	1,770,435	1,660,365
2015	22,724,102	7.46	20,428,069	89.9	2,296,033	2,156,049

Sources: SFERS fiscal year-end GASB 67/68 Reports as of June 30, 2013, 2014 and 2015
Notes: Collective amounts include all employees (City and County, SFUSD, SFCCD, Superior Courts)

Asset Management and Actuarial Valuation

The assets of the Retirement System, (the "Fund") are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships. See page 71 of the CAFR, attached as Appendix B to this Official Statement, for a breakdown of the asset allocation as of June 30, 2015. The Fund did not hold hedge funds as of June 30, 2014. The Board approved a 5% allocation to absolute return/hedge funds at its February 2015 meeting.

The investments, their allocation, transactions and proxy votes are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the Retirement System's investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 1145 Market Street, 5th Floor, San Francisco, California 94103, or by calling (415) 487-7020. Certain documents are available at the Retirement System website at www.mysfers.org. These documents are not incorporated herein by reference.

The actuarial accrued liability of the Retirement System (the Pension Benefit Obligation) is measured annually by an independent consulting actuary in accordance with Actuarial Standards of Practice. In addition, an actuarial audit is conducted every five years in accordance with Retirement Board policy.

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

As of June 30, 2015, the unaudited market value of Retirement System assets was $20.4 billion. This 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 audited at each fiscal year end as part of the annual audit of the Retirement System's financial statements.

The Retirement System investment portfolio is structured for long-term performance. The Retirement System continually reviews investment and asset allocation policies as part of its regular operations and continues to rely on an investment policy which is consistent with the principles of diversification and the search for long-term value. Market fluctuations are an expected investment risk for any long-term strategy. Significant market fluctuations are expected to have significant impact on the value of the Retirement System investment portfolio.

A decline in the value of SFERS Trust assets over time, without a commensurate decline in the pension liabilities, will result in an increase in the contribution rate for the City. No assurance can be provided by the City that contribution rates will not increase in the future, and that the impact of such increases will not have a material impact on City finances.

Other Employee Retirement Benefits

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates determined by the CalPERS board. Such payment from the General Fund equaled $19.2 million in fiscal year 2012-13 and $20.0 million in fiscal year 2013-14. For fiscal year 2014-15, the City prepaid its annual CalPERS obligation at a level of $25.2 million. Further discussion of the City's CalPERS plan obligations are summarized in Note 9 to the City's CAFR, as of June 30, 2015, 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 SFUSC, 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 and dental benefits for City Beneficiaries. 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; a member nominated by the Controller and approved by the Health Service Board, and three members of the Health Service System, active or retired, elected from among their members. 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 on the HSS website, or by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103, or by calling (415) 554-1727. Audited annual financial statements for several years are also posted on the HSS website. 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

According to the City Charter Section A8.428, the City's contribution towards HSS Medical Plans is determined by the results of a survey annually of the amount of premium contributions provided by the 10 most populous counties in California (other than the City). The survey is commonly called the 10-County Average Survey (Average) and used to determine "the average contribution made by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County." 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 the June 2014 collective bargaining the Average was eliminated in the calculation of premiums for Active employees represented by most unions, in exchanged for a percentage based employee premium contribution. The long term impact of the premium contribution model is anticipated to be a reduction in the relative proportion of the projected increases in the City's contributions for Healthcare, stabilization of the medical plan membership and maintenance of competition among plans. The contribution amounts are paid by the City into the Health Service Trust Fund. The Average is still used as a basis for calculating all retiree premiums. To the extent annual medical premiums exceed the contributions made by the City as required by the Charter and union agreements, such excess must be paid by HSS Beneficiaries or, if elected by the Health Service Board, from net assets also held in 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 are also based on the negotiated methodologies found in the most of the union agreements and, when applicable, 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 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 first dependent.

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 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 flexible spending accounts ("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, W-2 reporting on total healthcare premium costs, implementation of a medical loss ratio rebate on self-insured plans, issuance of a separate summary of benefits to every member and provided to every new member and providing information on State Exchanges to both employees currently on COBRA and future COBRA recipients. As of 2014 and 2015, and beyond, healthcare FSAs are limited to $2,500 annually.

The change to the definition of a full time employee was implemented in 2015. The City modified health benefit eligibility to employees who are employed, on average, at least 30 hours of service per week or 130 hours in a calendar month.

The Automatic Enrollment requirement in the Health Care Reform was deferred until 2016. This requires that employers automatically enroll new full-time employees in one of the employer's health benefit plans (subject to any waiting period authorized by law). Further it is required than employees be given adequate notice and the opportunity to opt out of any coverage in which they were automatically enrolled. It is uncertain when final guidance will be issued by the Department of Labor.

As a result of the federal Health Care Reform Law there are two direct fees and one tax that have been factored into the calculation of medical premium rates and premium equivalents for the 2015 plan year. The three fees are the Federal Health Insurer Tax ("HIT"), Patient Centered Outcomes Research Institute ("PCORI") fee, and the Transitional Reinsurance Fee. The total impact on the City in 2015 is $15.06 million.

The Federal HIT tax is a fixed-dollar amount distributed across health insurance providers for fully insured plans. The 2015 plan year premiums for Kaiser Permanente and Blue Shield of California included the impact of the HIT tax. The impact on the City only in 2015 is $11.91 million.

Beginning in 2013, the Patient Center Outcomes Research Institute ("PCORI") Fee was accessed at the rate of $2.00 per enrollee per year was assessed per year to all participants in the Self-Insured medical-only plan (approximately 8,600). The fee is charged directly to the Health Service System. In 2014 the rate was $2.10 and is approximately $2.22 in 2015. The 2015 impact of PCORI is $0.20 million, HSS pays this fee directly to the Internal Revenue Service (IRS) and the fee will increase with health care inflation until it sunsets in 2019.

The Transitional Reinsurance Fee decreases from $63/year fee on each Health Service System beneficiary for plan year 2014. The Transitional Reinsurance Fee will be $44.00 in 2015 and the impact on the City is $2.95 million.

Local Elections:

Proposition B (2008) Changing Qualification for Retiree Health and Pension Benefits and Establishing a Retiree Health Care Trust Fund

On June 3, 2008, the San Francisco voters approved Proposition B, a charter amendment that changed 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 2% of pre-tax compensation toward their retiree health care and the City contributes up to 1%. The impact of Proposition B on standard retirements occurred in 2014.

Proposition C (2011) City Pension and Health Care Benefit

On November 8, 2011, the San Francisco voters approved Proposition C, a charter amendment that made additional changes to the way the City and current and future employees share in funding SFERS pension and health benefits. The Proposition limits the 50% coverage for dependents to employees who left the workforces (without retiring) prior to 2001. The Health Service System is in the process of programming eligibility changes to comply with Proposition C.

Employer Contributions for Health Service System Benefits

For fiscal year 2014-15, based on the most recent audited financial statements, the Health Service System received approximately $656.4 million from participating employers for Health Service System benefit costs. Of this total, the City contributed approximately $529.4 million; approximately $159.3 million of this $529.4 million amount was for health care benefits for approximately 26,454 retired City employees and their eligible dependents and approximately $383.2 million was for benefits for approximately 63,611 active City employees and their eligible dependents.

The 2015 aggregate plan costs for the City decreased by 2.78%. 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 that maintains competition among our vendors, implementing Accountable Care Organizations (ACO's) that reduced utilization and increased use of generic prescription rates 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 Health Service Board also approved the use of $8.8 million in Health Service Trust Fund assets to decrease both the employee and employer premium costs for the Blue Shield of California (Flex-Funded), The flatten trend is anticipated to continue.

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 3% of salary into a new retiree health trust fund.

Proposition A, passed by San Francisco voters on November 5, 2013 restricted the City's ability to withdraw funds from the retiree health trust fund. The restrictions allow payments from the fund only when two of the three following conditions are met:

> The City's account balance in any fiscal year is fully funded. The account is fully funded when it is large enough to pay then-projected retiree health care costs as they come due; and,
>
> The City's retiree health care costs exceed 10% of the City's total payroll costs in a fiscal year. The Controller, Mayor, Trust Board, and a majority of the Board of Supervisors must agree to allow payments from the Fund for that year. These payments can only cover retiree health care costs that exceed 10% of the City's total payroll cost. The payments are limited to no more than 10% of the City's account; or,
>
> The Controller, Mayor, Trust Board, and two-thirds of the Board of Supervisors approve changes to these limits.

GASB 45 Reporting Requirements. The City was required to begin reporting the liability and related information for unfunded OPEBs in the City's financial statements for the fiscal year ending June 30, 2008. This reporting requirement is defined under 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.

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 February 24, 2015 report, Cheiron, Inc. estimated that the City's unfunded liability was approximately $4.00 billion as of July 1, 2012. This estimate assumed a 4.45% return on investments and had an ARC for fiscal year 2014-15 of approximately $350.4 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, 2012 actuarial valuation. The covered payroll (annual payroll of active employees covered by the plan) was $2.5 billion and the ratio of the UAAL to the covered payroll was 162.0%.

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 2014-15 annual OPEB cost was $363.6 million, of which the City funded $167.2 million which caused, among other factors, the City's long-term liability to increase by $196.4 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 are recorded as increases or decreases in the net OPEB obligation. See Note 9(b) to the City's CAFR, as of June 30, 2015, included as Appendix B to this Official Statement. Five-year trend information is displayed in Table A-18 (dollars in thousands):

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Five-year Trend
Fiscal Years 2010-11 to 2014-15
(000s)

Fiscal Year Ended	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
6/30/2011	$392,151	37.2%	$1,099,177
6/30/2012	405,850	38.5%	1,348,883
6/30/2013	418,539	38.3%	1,607,130
6/30/2014	353,251	47.2%	1,793,753
6/30/2015	363,643	46.0%	1,990,155

The September 2014 draft 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, 2015, the fund balance in the Retiree Health Care Trust Fund established by Proposition B was $73.0 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 budgets to pay its ARC for pension and has established a Retiree Health Care Trust Fund into which both the City and employees are required to contribute funds as retiree health care benefits are earned. Currently, these Trust deposits are only required on behalf of employees hired after 2009, and are therefore limited, but will grow as the workforce retires and this requirement is extended to all employees in 2016. Proposition A, passed by San Francisco voters on November 5, 2013 restricted the City's ability to make withdrawals from the Retiree Health Care Trust Fund.

The balance in the Retiree Health Care Trust Fund as of June 30, 2015 is approximately $73 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Table A-19 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 2010-11 to fiscal year 2015-16.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2010-11 through 2015-16
(000s)

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Budget
SFERS and PERS Retirement Contributions	$368,184	$428,263	$452,325	$535,309	$593,619	$526,927
Social Security & Medicare	140,828	147,682	156,322	160,288	171,877	184,824
Health - Medical + Dental, active employees [1]	327,850	363,344	370,346	369,428	383,218	412,095
Health - Retiree Medical [1]	145,756	151,301	155,885	161,859	146,164	158,286
Other Benefits [2]	23,173	21,766	16,665	16,106	18,439	24,416
Total Benefit Costs	**$1,005,791**	**$1,112,355**	**$1,151,543**	**$1,242,990**	**$1,313,318**	**$1,306,548**

Fiscal year 2010-11 through fiscal year 2014-15 figures are audited actuals. Fiscal year 2015-16 figures are original 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.

INVESTMENT 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 C – City and County of San Francisco Office of the Treasurer – Investment Policy" for a complete copy of the Treasurer's Investment Policy, dated October 2014. The Investment Policy is also posted at the Treasurer's website. The information available on such website is not incorporated herein by reference.

Investment Portfolio

As of November 30, 2015, 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 November 30, 2015

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	$ 425,000,000	$ 423,959,306	$ 425,578,500
Federal Agencies	3,911,059,000	3,927,009,703	3,915,100,358
State and Local Obligations	223,505,000	227,426,461	225,133,761
Public Time Deposits	1,200,000	1,200,000	1,200,000
Negotiable Certificates of Deposit	850,000,000	849,989,525	850,056,502
Banker's Acceptances			
Commercial Paper	569,871,000	569,686,530	569,803,255
Medium Term Notes	627,197,000	630,525,558	628,361,626
Money Market Funds	135,133,856	135,133,856	135,133,856
Supranationals	40,000,000	39,956,217	39,753,500
Total	$ 6,782,965,856	$ 6,804,887,157	$ 6,790,121,358

November 2015 Earned Income Yield: 0.571%

Sources: Office of the Treasurer and 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 November 30, 2015

Maturity in Months			Par Value	Percentage
0	to	1	$1,241,366,856	18.30%
1	to	2	205,815,000	3.03%
2	to	3	205,325,000	3.03%
3	to	4	120,717,000	1.78%
4	to	5	245,240,000	3.62%
5	to	6	68,079,000	1.00%
6	to	12	1,649,459,000	24.32%
12	to	24	1,825,189,000	26.91%
24	to	36	1,043,770,000	15.39%
36	to	48	94,005,000	1.39%
48	to	60	84,000,000	1.24%
			$6,782,965,856	100.00%

Weighted Average Maturity: 391 Days

Sources: Office of the Treasurer and 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, 2014 are described in Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2015," 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 fiscally constrained long-term finance strategy that prioritizes projects based on a set of funding principles. It provides an assessment of the City's infrastructure 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 2016-2025 Capital Plan was approved by the CPC on March 2, 2015 and was adopted by the Board of Supervisors in April 2015. The Capital Plan contains $32 billion in capital investments over the coming decade for all City departments, including $5.1 billion in projects for General Fund-supported departments. The Capital Plan proposes $1.66 billion for General Fund pay-as-you-go capital projects over the next ten years. The amount for General Fund pay-as-you-go capital projects is assumed to grow to over $200 million per year by fiscal year 2025-26. 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 $1.8 billion of the capital projects of General Fund supported departments are expected to be 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 $18.2 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 $12.2 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.

While significant investments are proposed in the City's adopted Capital Plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $8.5 billion in capital needs are deferred from the plan's horizon. Over two-thirds of these unfunded needs are for the City's transportation and waterfront infrastructure, where core maintenance investments have lagged for decades. Mayor Edwin Lee has convened a taskforce to recommend funding mechanisms to bridge a portion of the gaps in the City's transportation needs, but it is likely that significant funding gaps will remain even assuming the identification of significant new funding sources for these needs.

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

Tax-Supported Debt Service

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 15, 2015, the City had approximately $1.97 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 15, 2015 [1 2]

Fiscal Year	Principal	Interest	Annual Debt Service
2016	$143,173,046	$89,038,746	$232,211,792
2017	113,559,110	83,344,003	196,903,113
2018	110,538,225	77,747,050	188,285,275
2019	110,290,545	72,452,081	182,742,626
2020	108,971,232	67,052,144	176,023,376
2021	106,860,457	61,761,868	168,622,325
2022	112,163,401	56,871,355	169,034,756
2023	115,125,251	51,665,538	166,790,789
2024	116,976,206	46,136,412	163,112,618
2025	117,086,476	40,438,362	157,524,838
2026	111,721,279	34,744,302	146,465,581
2027	116,325,840	29,616,467	145,942,307
2028	120,599,035	24,295,552	144,894,587
2029	120,441,751	19,111,199	139,552,950
2030	116,000,095	13,979,473	129,979,568
2031	77,346,950	8,994,108	86,341,058
2032	80,045,000	5,989,081	86,034,081
2033	44,840,000	2,944,519	47,784,519
2034	19,735,000	1,170,669	20,905,669
2035	10,315,000	399,725	10,714,725
TOTAL [3]	$1,972,113,899	$787,752,654	$2,759,866,553

[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 indebtedness.

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

General Obligation Bonds

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 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 the third series in the amount of approximately $38.3 million in August 2012 and the fourth series of bonds in the amount of $31.0 million in June 2013, and the fifth series in the amount of $54.9 million was issued in October 2014.

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 and the second series of bonds in the amount of $129.6 million in June 2013.

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 issued the first series of bonds under Proposition B in the amount of approximately $71.9 million in June 2013.

In June 2014, voters approved Proposition A, which authorized the issuance of up to $400.0 million in general obligation bonds to provide funds to finance the construction, acquisition, improvement and retrofitting of neighborhood fire and police stations, emergency firefighting water system, medical examiner facility, traffic company & forensic services division and other critical infrastructure and facilities for earthquake safety and related costs. The City issued the first series of bonds in the amount of $100.6 million in October 2014.

In November 2014, voters approved Proposition A, which authorized the issuance of up to $500 million in general obligation bonds to provide funds to finance the construction, acquisition and improvement of certain transportation and transit related improvements and other related costs. The City issued the first series of bonds under Proposition A in the amount of approximately $67 million in June 2015.

In November 2015, voters approved Proposition A which authorized the issuance of up to $310 million in general obligation bonds to provide funds to finance the construction, development, acquisition, and preservation of housing affordable to low- and middle-income households and to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents; to repair and reconstruct dilapidated public housing; to fund a middle-income rental program; and to provide for homeownership down payment assistance opportunities for educators and middle-income households.

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 $1.356 billion 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. The City has issued eight series of refunding bonds under the Refunding Resolutions, as shown on Table A-23.

TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds
As of December 15, 2015

Series Name	Date Issued	Principal Amount Issued (000s)	Amount Outstanding
2008-R1	May 2008	$232,075,000	$22,015,000
2008-R2	July 2008	39,320,000	16,275,000
2008-R3	July 2008	118,130,000	-
2011-R1	November 2011	339,475,000	250,470,000
2015-R1	February 2015	293,910,000	292,765,000

[1] Series 2004-R1 Bonds were refunded by the 2011-R1 Bonds in November 2011

[2] Series 2006-R1, 2006-R2, and 2008-R3 Bonds were refunded by the 2015-R1

Table A-24 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 15, 2015, the City had authorized and unissued general obligation bond authority of approximately $1.19 billion.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of December 15, 2015

Description of Issue (Date of Authorization)	Series	Issued	Outstanding [1]	Authorized & Unissued
Seismic Safety Loan Program (11/3/92)	2007A	$30,315,450	$24,008,899	
	2015A	24,000,000	24,000,000	260,684,550
Clean & Safe Neighborhood Parks (2/5/08)	2010B	24,785,000	9,790,000	
	2010D	35,645,000	35,645,000	
	2012B	73,355,000	55,660,000	8,695,000
San Francisco General Hospital and Trauma Center (11/4/08)	2009A	131,650,000	20,620,000	
	2010A	120,890,000	47,755,000	
	2010C	173,805,000	173,805,000	
	2012D	251,100,000	177,755,000	
	2014A	209,955,000	182,680,000	
Earthquake Safety and Emergency Response Bond (6/8/10)	2010E	79,520,000	47,565,000	
	2012A	183,330,000	139,695,000	
	2012E	38,265,000	34,140,000	
	2013B	31,020,000	19,770,000	
	2014C	54,950,000	51,320,000	25,215,000
Road Repaving & Street Safety (11/8/11)	2012C	74,295,000	56,980,000	
	2013C	129,560,000	82,525,000	44,145,000
Clean & Safe Neighborhood Parks (11/6/12)	2013A	71,970,000	45,855,000	123,030,000
Earthquake Safety and Emergency Response Bond (6/3/14)	2014D	100,670,000	94,015,000	299,330,000
Transportation and Road Improvement (11/4/15)	2015B	67,005,000	67,005,000	432,995,000
SUB TOTALS		**$1,906,085,450**	**$1,390,588,899**	**$1,194,094,550**
General Obligation Refunding Bonds:				
Series 2008-R1 issued 5/29/08		232,075,000	22,015,000	
Series 2008-R2 issued 5/29/08		39,320,000	16,275,000	
Series 2011-R1 issued 11/9/12		339,475,000	250,470,000	
Series 2015-R1 issued 2/25/15		293,910,000	292,765,000	
SUB TOTALS		**904,780,000**	**581,525,000**	
TOTALS		**$2,810,865,450**	**$1,972,113,899**	**$1,194,094,550**

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

[2] Of the $35,000,000 authorized by the Board of Supervisors in February 2007, $30,315,450 has been drawn upon to date pursuant to the Credit Agreement described under "General Obligation Bonds."

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-25 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 15, 2015. Note that the annual payment obligations reflected in Table A-25 reflect the fully accreted value of any capital appreciation obligations as of the payment dates.

TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of December 15, 2015

Fiscal Year	Principal	Interest	Annual Payment Obligation
2016	$30,420,000	$29,838,842	$60,258,842
2017	62,705,000	50,141,048	112,846,048
2018	61,255,000	47,335,103	108,590,103
2019	53,330,000	44,805,547	98,135,547
2020	44,675,000	42,631,271	87,306,271
2021	46,890,000	40,642,375	87,532,375
2022	46,775,000	38,586,820	85,361,820
2023	48,825,000	36,503,020	85,328,020
2024	50,465,000	34,324,853	84,789,853
2025	50,195,000	32,050,193	82,245,193
2026	50,050,000	29,815,709	79,865,709
2027	52,405,000	27,455,266	79,860,266
2028	53,065,000	24,990,749	78,055,749
2029	55,515,000	22,457,202	77,972,202
2030	55,260,000	19,825,501	75,085,501
2031	46,795,000	17,220,931	64,015,931
2032	36,240,000	14,853,981	51,093,981
2033	35,455,000	13,113,843	48,568,843
2034	37,060,000	11,353,856	48,413,856
2035	24,895,000	9,741,125	34,636,125
2036	23,315,000	8,515,394	31,830,394
2037	21,505,000	7,364,158	28,869,158
2038	22,400,000	6,281,175	28,681,175
2039	23,325,000	5,152,823	28,477,823
2040	24,305,000	3,973,519	28,278,519
2041	25,310,000	2,744,513	28,054,513
2042	18,140,000	1,629,071	19,769,071
2043	8,815,000	958,600	9,773,600
2044	7,195,000	587,000	7,782,000
2045	7,480,000	299,200	7,779,200
TOTAL [1]	1,124,065,000	$625,192,688 [2]	$1,749,257,688

[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, with such amount increasing by five percent each fiscal year. As of December 15, 2015 the total authorized amount for such financings was $64.5 million. The total principal amount outstanding as of December 15, 2015 was $9.59 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 previous 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. There is no current plan to issue 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, Series 1 and 1-T and Series 2 and 2-T (the "CP Program"). Commercial Paper Notes (the "CP Notes") are issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles in anticipation of long-term or other take-out financing to be issued when market conditions are favorable. Projects are eligible to access the CP Program once the Board and the Mayor have approved the project and the long-term, permanent financing for the project. 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 expire June 2016.

The Board authorized on July 16, 2013 and the Mayor approved on July 25, 2013 an additional $100.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 3 and 3-T and Series 4 and 4-T that increases the total authorization of the CP Program to $250.0 million. The Series 3 and 3-T and 4 and 4-T are secured by a letter of credit issued by State Street Bank and Trust Company expiring February 2019.

As of December 2015, the outstanding principal amount of CP Notes is $79.2 million. The weighted average interest rate for CP Notes is approximately 0.06%.

Board Authorized and Unissued Long-Term Obligations

The Board of Supervisors authorized on October 26, 2010 and the Mayor approved on November 5, 2010 the issuance of not to exceed $38 million 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 Spring 2016.

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.

The Board of Supervisors authorized October 8, 2013 and the Mayor approved October 11, 2013 the issuance of not to exceed $13.5 million of City and County of San Francisco Certificates of Participation (Treasure Island Improvement Project) to finance the cost of additions and improvements to the utility infrastructure at Treasure island.

Overlapping Debt

Table A-26 shows bonded debt and long-term obligations as of December 15, 2015 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.

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TABLE A-26

CITY AND COUNTY OF SAN FRANCISCO

Statement of Direct and Overlapping Debt and Long-Term Obligations

<u>2015-2016 Assessed Valuation</u> (net of non-reimbursable & homeowner exemptions):	$194,392,571,976
	Outstanding
<u>DIRECT GENERAL OBLIGATION BOND DEBT</u>	**12/15/2015**
General City Purposes Carried on the Tax Roll	$1,972,113,899
GROSS DIRECT DEBT	$1,972,113,899
<u>DIRECT LEASE PAYMENT AND LONG-TERM OBLIGATIONS</u>	
San Francisco COPs, Series 2001A (30 Van Ness Ave. Property)	$25,870,000
San Francisco Finance Corporation, Equipment LRBs Series 2010A, 2011A, 2012A, and 2013A	9,595,000
San Francisco Finance Corporation Emergency Communication Refunding Series, 2010-R1	13,815,000
San Francisco Finance Corporation Moscone Expansion Center, Series, 2008-1, 2008-2	105,020,000
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007	49,940,000
San Francisco Finance Corporation LRBs Library Preservation Fund Series, 2009A	29,020,000
San Francisco COPs, Series 2007A (City Office Buildings - Multiple Properties)	2,350,000
San Francisco COPs, Series 2009A Multiple Capital Improvement Projects (Laguna Honda Hospital)	137,585,000
San Francisco COPs, Series 2009B Multiple Capital Improvement Projects (Street Improvement Project)	33,270,000
San Francisco COPs; Series 2009C Office Project (525 Golden Gate Avenue) Tax Exempt	26,480,000
San Francisco COPs, Series 2009D Office Project (525 Golden Gate Avenue) Taxable BABs	129,550,000
San Francisco Refunding Certificates of Participation, Series 2010A	110,000,000
San Francisco COPs, Refunding Series 2011AB (Moscone)	54,455,000
San Francisco COPs, Series 2012A Multiple Capital Improvement Projects (Street Improvement Project)	39,415,000
San Francisco COPs, Series 2013A Moscone Center Improvement	15,120,000
San Francisco COPs, Series 2013BC Port Facilities	34,355,000
San Francisco COPs, Series 2014-R1 (Courthouse Project), 2014-R2 (Juvenile Hall Project)	44,300,000
San Francisco COPs, Series 2015AB War Memorial Veterans Building Seismic Upgrade and Improvements	134,325,000
San Francisco Refunding COPs, Series 2015A (City Office Buildings-Multiple Properties Project)	123,600,000
LONG-TERM OBLIGATIONS	$1,118,065,000
GROSS DIRECT DEBT & LONG-TERM OBLIGATIONS	$3,090,178,899
<u>OVERLAPPING DEBT & LONG-TERM OBLIGATIONS</u>	
Bayshore Hester Assessment District	$590,000
San Francisco Bay Area Rapid Transit District (33%) Sales Tax Revenue Bonds	82,106,667
San Francisco Bay Area Rapid Transit District (29%) General Obligation Bonds, Series 2005A, 2007B	103,985,300
San Francisco Community College District General Obligation Bonds - Election of 2001, 2005	265,750,000
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds - 2011	37,470,000
San Francisco Redevelopment Agency Obligations (Property Tax Increment)	793,249,000
San Francisco Redevelopment Agency Obligations (Special Tax Bonds)	155,426,015
Association of Bay Area Governments Obligations (Special Tax Bonds)	18,745,000
San Francisco Unified School District General Obligation Bonds, Series Election of 2003, 2006, and 2011	982,100,000
TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS	$2,439,421,982
GROSS COMBINED TOTAL OBLIGATIONS	$5,529,600,881 [1]

<u>Ratios to Assessed Valuation:</u>	**Actual Ratio**	**Charter Req.**
Gross Direct Debt (General Obligation Bonds)	1.01%	< 3.00% [2]
Gross Direct Debt & Long-Term Obligations	1.59%	n/a [3]
Gross Combined Total Obligations	2.84%	n/a

[1] Excludes revenue and mortgage revenue bonds and non-bonded third party financing lease obligations. Also excludes tax allocation bonds sold in August, 2009.

[2] 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

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 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 in which there is City participation, generally in the form of a public/private partnership. 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. 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 Phase 1 and 2 and Candlestick Point project area will deliver approximately 12,100 new homes, approximately 32 percent of which will be below market rate and will include the rebuilding of the Alice Griffith public housing development consistent with the City's HOPE SF program, up to 3 million square feet of research and development space, and more than 350 acres of new parks in the southeast portion of San Francisco (the "Project"). In total, the Project will generate over $6 billion of new economic activity to the City, more than 12,000 permanent jobs, hundreds of new construction jobs each year, new community facilities, new transit infrastructure, and provide approximately $90 million in community benefits. The Project's full build out will occur over 20 to 30 years. In the next five years over 1,000 units of housing and 26 acres of parks will be completed in the first phase of the Shipyard.

The first phase of development has begun at the Hunters Point Shipyard site with over 300 units currently under construction, and an additional 150 units will begin construction in 2015-2016. In late 2014 construction of horizontal infrastructure began for the first 184 affordable units in the Candlestick Point area Also, in 2015, the design process will begin for a 635,000 square foot mixed-use retail center, 150,000 square foot hotel at the former Candlestick Stadium site and an additional 1200 residential units, including 230 stand-alone affordable units and up to 100 inclusionary units. Two hillside open space areas at the base of Bayview Hill will be improved and a new wedge park plaza will also be constructed, adding a total of 7.5 acres of open space adjacent to the new retail and residential development.

Treasure Island

Former Naval Station Treasure Island is located in the San Francisco Bay and connected to the City by the San Francisco-Oakland Bay Bridge. The former base, which ceased operations in 1997, consists of approximately 405 acres on Treasure Island and 90 acres on adjoining Yerba Buena Island. Development plans for the islands include up to 8,000 new homes, 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 world-class 300-acre parks and open space system. The compact mixed-use transit-oriented development is centered around a new ferry terminal connecting the island to downtown San Francisco and is designed to prioritize walking, biking and public transit. The development plans include green building standards and best practices in low-impact development.

The first major land transfer from the Navy to the Treasure Island Development Authority ("TIDA") will occur in early 2015 and will include the northern half of Yerba Buena Island and more than half of the area of Treasure Island. The developer, Treasure Island Community Development ("TICD"), is performing the preliminary engineering and pursuing the permits required to begin construction before the end of 2015. The first phase of development will include extensive horizontal infrastructure improvements (utilities, roadway improvements, site preparation, etc.) as well as the initial vertical developments. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

Mission Bay Blocks 29-32– Warriors Multipurpose Recreation and Entertainment Venue

The Golden State Warriors, a National Basketball Association (NBA) team, is proposing to develop a multipurpose recreation and entertainment venue and associated development the former Salesforce site in Mission Bay. The site is bordered by Third Street to the West, Terry Francois Boulevard to the East, 16th Street to the South and South Street to the North. The Warriors propose constructing a state-of-the-art multi-purpose recreation and entertainment venue for Warriors' home games, concerts and family shows. The site will also have two live performance theatres, restaurants retail, office space, bike valet, public plazas and a limited amount of parking. The project will trigger the Mission Bay master developer's construction of a new 3.5 acre Bay Front Park between the new arena and the Bay. Environmental review is currently underway with the goal of opening in time for the 2018-2019 basketball season.

Transbay

The Transbay Project Redevelopment Project Area was adopted in 2005 with the purpose of redeveloping 10 acres of property owned by the State in order to generate funding for the new Transbay Transit Center. In 2012 the Transit Center District Plan, the guiding document for the area surrounding the Transit Center, was approved by the Planning Commission and by the Board of Supervisors. The Transit Center District Plan includes additional funding sources for the Transbay Transit Center. The Transbay Transit Center Project will replace the outdated Transbay Terminal at First and Mission Streets with a modern transit hub and extend the Caltrain commuter rail line underground 1.3 miles into the Financial District. The Transbay Transit Center broke ground on August 11, 2010, and is scheduled to open by the end of 2017. Demolition of existing structures on the site was completed in August 2011.

The area surrounding the Transbay Transit Center is being redeveloped with plans for 4,500 new homes, 1,200 to be affordable below-market rate homes, 6 million square feet of new office space, over 11 acres of new parks and open space, and a new retail boulevard on Folsom Street. Much of this new development will occur on the publicly-owned parcels within the district. Recently completed in the neighborhood is Rene Cazenave Apartments which is 120 units of permanent affordable housing for formerly homeless individuals. There are over 470 units currently under construction on Folsom and Beale Streets, with three new construction projects along Folsom Street totaling over 1,800 units expected to break ground within the next two years. There is also over 2 million square feet of commercial space currently under construction, with several new projects expected to break ground in the coming years.

The Pelli Clarke Pelli Architects-designed Transit Center will serve more than 100,000 people per day through nine transportation systems, including future 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 Transbay Transit 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 $4.5 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.

Mission Bay

The development plans for Mission Bay include a new University of California-San Francisco ("UCSF") research campus containing 3.15 million square feet of building space on 46 acres of land, of which 43 acres were donated by the Mission Bay Master Developer and the City; UCSF's 550-bed hospital; 3.4 million square feet of biotech, 'cleantech' and health care office space; 6,400 housing units, with 1,850 (29%) affordable to moderate-, low-, and very low-income households; 425,000 square feet of retail space; a 250-room hotel with up to 25,000 square feet of retail entertainment uses; 49 acres of public open space, including parks along Mission Creek and San Francisco Bay and eight acres of open space within the UCSF campus; a new 500-student public school; and a new fire and police station and police headquarters. Mission Bay is approximately 50% complete.

Over 4,067 units have been completed with an additional 900 units under construction, along with several new parks. Another 550 housing units, a 250-room hotel and several new commercial buildings will break ground in 2015. As discussed above, the design development process has also begun for that Golden State Warriors project.

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 that the Port Commission and Board of Supervisors have endorsed and which will be finalized in a Development Agreement following environmental review.

The proposed development plan for Mission Rock set forth in the term sheet 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 which will be 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, approximately 3,000 parking spaces within mixed-use buildings and a dedicated parking structure, which will serve San Francisco Giants baseball team 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.

In the wake of the passage of Proposition B on the June 2013 ballot, the developer, Port and OEWD staff have continued to engage relevant agencies and stakeholders to further refine the project plan. The environmental review process was initiated in January 2014 and is expected to last until early to mid-2016. That process will be accompanied by negotiation of transaction agreements and approval of any needed height limit and zoning changes which will likely determine the final approval schedule (currently expected on or after early 2017).

Pier 70

Plans for Pier 70 call for substantial development, including major parks and historic building rehabilitation, on this 69-acre site to achieve a number of goals, including preservation and adaptive reuse of historic structures; retention of the ship repair operations; provision of new open space; reactivation and economic development on the site; and needed infrastructure and site remediation. The Port, which controls Pier 70, and OEWD, in its capacity as lead negotiator, have initiated preliminary negotiations with Forest City, the developer selected to build a new mixed-use neighborhood on a 25-acre portion of Pier 70 known as the Waterfront Site. The parties have agreed on a development concept and corresponding financial terms for the Waterfront Site, which are reflected in a non-binding Term Sheet that the Port Commission and Board of Supervisors have endorsed and which will be finalized in a Development Agreement following community and environmental review. In November 2014, Proposition F was approved by the voters, authorizing an increase of height limits on Pier 70 from 40 feet to 90 feet.

Current development plans for the Pier 70 Waterfront Site call for 7 acres of parks and up to 3.25 million square feet of above-grade construction (not including parking) which may include up to 1.7 million square feet of office space; up to 400,000 square feet of retail, small-scale production, arts space intended to establish the new district as destination with unique character; and between 935 and 1825 housing units, with as many as 30% percent of them made available to low- and middle- income households. This built area includes three historic industrial buildings that will be rehabilitated as part of the Waterfront Site development.

Cruise Terminal

On September 25, 2014 the Port opened the new James R. Herman cruise ship terminal at Pier 27. Formerly the base for the America's Cup races in the summer of 2013, the Cruise Terminal includes 91,000 square feet in a two-story building with views to the Bay Bridge and back to the City skyline and Telegraph Hill. Sized for 2,600 passengers and able to handle ships with up to 4,000 passengers, the Cruise Terminal is designed for the evolving trends in the passenger cruise industry. It includes the latest passenger and perimeter security features while also transitioning to an event center for the City on non-cruise days. The site also includes a 2.5 acre Cruise Terminal Plaza along the Embarcadero, creating a new open space amenity and strengthening connection between the Bay and the base of Telegraph Hill.

The James R. Herman Cruise Terminal has been designed to meet modern ship and operational requirements of the cruise industry and expects to receive a LEED Silver designation for its environmental design.

The Cruise Terminal contributes to San Francisco's economy by attracting 40-80 cruise calls a year, bringing visitors and tax revenue to the City's General Fund. It is estimated that the cruise industry in San Francisco supports $31.2 million annually in economic activity and generates 300 jobs within San Francisco. 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.
San Francisco Public Works, along with the Port were responsible for construction management of the new cruise terminal. Contractor for the construction project was Turner Construction and Designers/Architects were KMD Kaplan McLaughlin Diaz, Pfau Long Architecture, JV Bermello Ajamil & Partners and cruise terminal design consultants.

Moscone Convention Center

The Moscone Center Expansion Project will add approximately 300,000 square feet and repurpose an additional 120,000 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 140,000 square feet of this additional space 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, new multi-purpose/meeting room area, and new and repurposed building support area.

In addition to adding new rentable square footage, the project architects propose 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 a new mid-block pedestrian entrance from Third St and a replacement pedestrian bridge connecting Yerba Buena Gardens with the cultural facilities and children's playground to the south. An additional enclosed pedestrian bridge would provide enhanced circulation for Moscone convention attendees and reduce on-street congestion.

A May 2012 analysis by Jones Lang Lasalle Hotels estimated that the City would lose up to $2 billion in foregone revenue over the next decade if Moscone was not expanded. The project allows the City to recover approximately $734 million of this future revenue and create 3,480 local jobs 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 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 and the Planning Commission unanimously approved the project on August 15, 2014. Project development began in December 2012, with major construction starting in November 2014. The project is expected to reach completion by the end of 2018.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law which limit the ability of the City to impose and increase taxes and other revenue sources and to spend such revenues, and which, under certain circumstances, would permit existing revenue sources of the City to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if enacted, could potentially have an adverse impact on the City's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. However, *ad valorem* property taxes required to be levied to pay debt service on general obligation bonds 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 CPI or comparable data, in an amount not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors. Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes to pay interest or redemption charges on 1) indebtedness approved by the voters prior to July 1, 1978, 2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition, or 3) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district voting on the proposition, but only if certain accountability measures are included in the proposition.

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

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

Article XIII B of the California Constitution

Article XIII B was enacted by California voters as an initiative constitutional amendment in November 1979. Article XIII B limits the annual appropriations from the proceeds of taxes of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the governmental entity. However, no limit is imposed on the appropriation of local revenues and taxes to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters. Article XIII B includes a requirement that if an entity's 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. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes require a two-thirds vote. Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if voters subsequently approved such taxes by November 6, 1998. All of the City's local taxes subject to such approval have been either reauthorized in accordance with Proposition 218 or discontinued. The voter approval requirements of Article XIII C reduce the City's flexibility to manage fiscal problems through new, extended or increased taxes. No assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

In addition, Article XIII C addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIII C, the voters of the City could, by initiative, repeal, reduce or limit any existing or future local tax, assessment, fee or charge, subject to certain limitations imposed by the courts and additional limitations with respect to taxes levied to repay bonds. The City raises a substantial portion of its revenues from various local taxes which are not levied to repay bonded indebtedness and which could be reduced by initiative under Article XIII C. No assurance can be given that the voters of the City will 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 under Proposition 62 may not be significant. 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 and Changes in Law

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

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

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, 2015, 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

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Mayor Edwin M. Lee
RE: Earthquake Safety and Emergency Response General Obligation Bonds, 2014, Series 2016D - Not to Exceed $111,060,000
DATE: March 1, 2016

Attached for introduction to the Board of Supervisors is a resolution authorizing and directing the sale of not to exceed $111,060,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2016D; 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.

I respectfully request that this item be heard at Budget & Finance Committee on March 16, 2016.

Should you have any questions, please contact Nicole Elliott (415) 554-7940.

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