File No. 180324 Committee Item No. 4
Board Item No. ______

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget & Finance Committee **Date** April 12, 2018

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Completed by: Linda Wong **Date** April 6, 2018
Completed by: Linda Wong **Date** ______

[Sale of Tax-Exempt General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2018C - Not to Exceed $189,735,000]

Resolution authorizing the issuance and sale of not to exceed $189,735,000 aggregate principal amount of City and County of San Francisco Tax-Exempt General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2018C; prescribing the form and terms of such bonds; providing for the appointment of depositories and other agents for such bonds; providing for the establishment of accounts and/or subaccounts related to such bonds; authorizing the sale of such bonds by competitive or negotiated sale; approving the forms of the Official Notice of Sale and Notice of Intention to Sell Bonds and directing the publication of the Notice of Intention to Sell Bonds; approving the form of the Bond Purchase Contract; approving the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of such bonds; approving the form of the Continuing Disclosure Certificate; authorizing and approving modifications to such documents; 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 such 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 approved by the Mayor of the City (the "Mayor") on February 14, 2014, it was determined and declared that public interest and necessity demand the construction, acquisition, improvement, and retrofitting of earthquake safety and emergency responsiveness facilities and infrastructure, as therein described (the "Project"); and

WHEREAS, By Ordinance No. 16-14, passed by the Board of Supervisors on February 11, 2014, and approved by the Mayor 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 qualified voters of the City such proposition to incur bonded indebtedness of the City in the amount of $400,000,000 to finance the Project, and such proposition was approved by two-thirds of the qualified voters of the City voting on such proposition, and declaration of such Bond Election results was made by the Board of Supervisors pursuant to Resolution No. 220-14, adopted by the Board of Supervisors of the City on June 24, 2014, and approved by the Mayor on July 2, 2014; and

WHEREAS, By Resolution No. 313-14, adopted by the Board of Supervisors on July 29, 2014, and approved 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") in the amount of $400,000,000; and

WHEREAS, By Resolution No. 308-14, adopted by the Board of Supervisors on July 29, 2014, and approved by the Mayor on August 7, 2014, the City was authorized to issue the first series of the Bonds, 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, By Resolution No. 95-16, adopted by the Board of Supervisors on March 22, 2016, and approved by the Mayor on March 23, 2016, the City was authorized to issue the second series of the Bonds, its General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2016D in an aggregate principal amount not to exceed $111,060,000, which Series 2016D Bonds were subsequently issued in the aggregate principal amount of $109,595,000; and

WHEREAS, The City has issued and sold, to date, a total of $210,265,000 of the Bonds; and there remains $189,735,000 of authorized and unissued Bonds; and

WHEREAS, It is necessary and desirable to issue the third series of the Bonds, in an aggregate principal amount of the Bonds not to exceed $189,735,000 (the "Series 2018C Bonds"), to finance a portion of the costs of the Project (as defined in the Authorizing Resolution); and

WHEREAS, The Series 2018C 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 "Government Code"), the Charter of the City (the "Charter"), the Bond Ordinance and the Bond Election; and

WHEREAS, Pursuant to the applicable provisions of the San Francisco Administrative Code (the "Administrative Code") Sections 5.30-5.36, 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 2018C Bonds shall be deposited in a fund established by the Office of the City Controller (the "Controller") 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; 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 2018C 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 Authorizing Resolution, 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 designee thereof (the "Clerk of the Board of Supervisors") are contained in File No. 180324.

Section 4. Issuance and Sale of Series 2018C Bonds; Determination of Certain Terms; Designation. The Board of Supervisors authorizes the issuance and sale of not to exceed $189,735,000 in aggregate principal amount of Bonds to be designated as "City and County of San Francisco Tax-Exempt General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2018C," 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 a designee thereof (the "Director of Public Finance") is authorized to determine, for the Series 2018C 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: (a) the Series 2018C Bonds shall not have a true interest cost (as such term is defined in the Official Notice of Sale (as defined in Section 14) for the Series 2018C Bonds) in excess of 12%; and (b) the Series 2018C Bonds shall not have a final maturity date more than 30 years from their date of issuance.

The Director of Public Finance is further authorized to give the Series 2018C Bonds such additional or other series designation, or to modify such series designation, as may be necessary or appropriate to distinguish the Series 2018C Bonds from every other series of Bonds and from other bonds issued by the City.

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Section 5. <u>Authentication and Registration of the Series 2018C Bonds</u>. Each of the Series 2018C 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 2018C Bonds to be prepared in sufficient quantity for delivery to or for the account of their purchaser and the Director of Public Finance is directed to cause the blanks in the Series 2018C Bonds to be completed in accordance with the Authorizing Resolution, this Resolution, and the Bond Award or Bond Purchase Contract (as defined below), to procure their execution by the proper officers of the City (including by facsimile signature if necessary or convenient, except that any signature for the Clerk of the Board of Supervisors shall be required to be by manual signature) and authentication as provided in this Section, and to deliver the Series 2018C Bonds when so executed and authenticated to the purchaser in exchange for the purchase price, all in accordance with the Authorizing Resolution.

The Series 2018C 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 2018C 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 2018C 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 2018C 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 2018C 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 2018C 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 such books, Series 2018C Bonds as provided in this Resolution. The City and the City Treasurer may treat the registered owner of each Series 2018C 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 2018C Bonds. Any Series 2018C 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 2018C Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the City Treasurer.

Any Series 2018C 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 2018C 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 2018C 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 2018C 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 2018C Bonds.

Section 8. Terms of the Series 2018C Bonds; General Redemption Provisions.

(a) Date of the Series 2018C Bonds. The Series 2018C Bonds shall be dated the date of their delivery or such other date (the "Dated Date") as is specified in the Bond Award or the Bond Purchase Contract.

(b) Payment of the Series 2018C Bonds. The principal of the Series 2018C 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 2018C 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 2018C Bonds, payment of the interest on any Series 2018C 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 2018C 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 2018C 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 2018C Bonds designated by such securities depository by wire transfer of immediately available funds.

(c) Interest on the Series 2018C Bonds. The Series 2018C Bonds shall bear interest at rates to be determined upon the sale of the Series 2018C Bonds, calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on December 15, 2018 (or such other date as may be designated in the Bond Award or Bond Purchase Contract), and semiannually thereafter on June 15 and December 15 of each year. Each Series 2018C 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 2018C Bond, interest is in default on the Series 2018C Bonds, such Series 2018C Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Series 2018C Bonds or from the Dated Date if the first interest payment is not made.

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(d) Optional Redemption. The Series 2018C Bonds shall be subject to optional redemption prior to maturity as shall be provided in the Official Notice of Sale or the Bond Purchase Contract, as applicable.

(e) Mandatory Redemption. The Series 2018C Bonds shall be subject to mandatory redemption as shall be designated by the purchaser pursuant to the terms of the Official Notice of Sale or as designated in the Bond Purchase Contract, as applicable. The principal of and interest on the Series 2018C Bonds subject to mandatory redemption shall be paid from the Series 2018C Bond Subaccount established in Section 9, pursuant to the terms of Section 9. In lieu of any such mandatory redemption for Series 2018C Bonds, at any time prior to the selection of Series 2018C Bonds for mandatory redemption, the City may apply amounts on deposit in the Series 2018C Bond Subaccount to make such payment to the purchase, at public or private sale, of Series 2018C 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 2018C Bonds for Redemption. Whenever less than all of the outstanding Series 2018C Bonds are called for redemption on any date, the Director of Public Finance will select the maturities of the Series 2018C Bonds to be redeemed in the sole discretion of the Director of Public Finance. Whenever less than all of the outstanding Series 2018C Bonds maturing on any one date are called for redemption, the manner of selection of the portion of such Series 2018C Bonds called for redemption shall be as specified in the Official Statement for the Series 2018E Bonds.

(g) Notice of Redemption. The date on which Series 2018C 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 2018C Bonds, postage prepaid, to the respective registered owners at the addresses appearing on the bond registration books not less than 20 nor more than 60 days prior to the Redemption Date. The notice of redemption shall: (i) state the Redemption Date; (ii) state the redemption price; (iii) state the maturity dates of the Series 2018C Bonds to be redeemed and, if less than all of any such maturity is called for redemption, the distinctive numbers of the Series 2018C Bonds of such maturity to be redeemed, and in the case of any Series 2018C Bonds to be redeemed in part only, the respective portions of the principal amount to be redeemed; (iv) state the CUSIP number, if any, of each Series 2018C Bond to be redeemed; (v) require that such Series 2018C Bonds be surrendered by the owners at the office of the City Treasurer or his or her agent; and (vi) give notice that interest on such Series 2018C Bonds or portions of Series 2018C 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 Section 8(j) below.

The actual receipt by the owner of any Series 2018C 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 2018C Bonds or the cessation of accrual of interest on such Series 2018C 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.

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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 2018C Bond to be redeemed in accordance with this Resolution shall be conclusive against all parties.

(h) Series 2018C Redemption Account. At the time the Director of Public Finance determines to optionally call and redeem any of the Series 2018C Bonds, the Controller or his or her agent shall establish a redemption account to be described or known as the "General Obligation Bonds, Series 2018C Redemption Account" (the "Series 2018C Redemption Account"), and prior to or on the Redemption Date there must be set aside in the Series 2018C Redemption Account moneys available for the purpose and sufficient to redeem, as provided in this Resolution, the Series 2018C Bonds designated in such notice of redemption, subject to the provisions of Section 8(j) below. Such moneys must be set aside in the Series 2018C 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 2018C Bonds to be redeemed upon presentation and surrender of such Series 2018C Bonds. Any interest due on or prior to the Redemption Date may be paid from the Series 2018C Bond Subaccount as provided in Section 9 or from the Series 2018C Redemption Account. Moneys held from time to time in the Series 2018C 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 (the "General Fund") of the City. If, after all of the Series 2018C Bonds have been redeemed and canceled or paid and canceled, there are moneys remaining in the Series 2018C Redemption Account, such 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 such moneys are

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part of the proceeds of refunding bonds, such 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 2018C Bonds called for redemption (principal, premium, if any, and accrued interest to such Redemption Date) is set aside for that purpose in the Series 2018C Redemption Account, the Series 2018C Bonds designated for redemption shall become due and payable on the Redemption Date, and upon presentation and surrender of such Series 2018C Bonds at the place specified in the notice of redemption, such Series 2018C Bonds shall be redeemed and paid at the redemption price out of the Series 2018C Redemption Account. No interest will accrue on such Series 2018C Bonds called for redemption after the Redemption Date and the registered owners of such Series 2018C Bonds shall look for payment of such Series 2018C Bonds only to the Series 2018C Redemption Account. All Series 2018C 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 2018C Redemption Account of sufficient moneys to redeem the Series 2018C 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 clause, and on the scheduled Redemption Date (A) sufficient moneys to redeem the Series 2018C Bonds called for optional redemption on the Redemption Date have not been deposited in the Series 2018C Redemption Account, or (B) any other event specified in the notice of redemption as a condition to the redemption has not occurred, then (1) the Series

2018C 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 (2) 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 2018C 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 2018C 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 2018C Bond Subaccount. There is established with the City Treasurer a special subaccount in the General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014) Bond Account (the "Bond Account") created pursuant to the Authorizing Resolution to be designated as the "General Obligation Bonds, Series 2018C Bond Subaccount" (the "Series 2018C Bond Subaccount"), to be held separate and apart from all other accounts of the City. All interest earned on amounts on deposit in the Series 2018C Bond Subaccount shall be retained in the Series 2018C Bond Subaccount.

On or prior to the date on which any payment of principal or interest on the Series 2018C Bonds is due, including any Series 2018C Bonds subject to mandatory redemption on such date, the City Treasurer shall allocate to and deposit in the Series 2018C Bond Subaccount, from amounts held in the Bond Account, an amount which, when added to any available moneys contained in the Series 2018C Bond Subaccount, is sufficient to pay principal of and interest on the Series 2018C Bonds on such date.

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On or prior to the date on which any Series 2018C 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 2018C 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 2018C Redemption Account, is sufficient to pay principal, interest and premium, if any, with respect to such Series 2018C Bonds on such date. The City Treasurer may make such other provision for the payment of principal and interest and any redemption premium on the Series 2018C Bonds as is necessary or convenient to permit the optional redemption of the Series 2018C Bonds.

Amounts in the Series 2018C Bond Subaccount 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 (a) commingle any of the moneys held in the Series 2018C Bond Subaccount with other City moneys, or (b) deposit amounts credited to the Series 2018C Bond Subaccount into a separate fund or funds for investment purposes only; provided, that all of the moneys held in the Series 2018C Bond Subaccount shall be accounted for separately notwithstanding any such commingling or separate deposit by the City Treasurer.

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Section 10. Series 2018C Project Subaccount. There is established with the City Treasurer a special subaccount in the General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014) Project Account (the "Project Account") created pursuant to the Authorizing Resolution to be designated the "General Obligation Bonds, Series 2018C Project Subaccount" (the "Series 2018C Project Subaccount"), to be held separate and apart from all other accounts of the City. All interest earned on amounts on deposit in the Series 2018C Project Subaccount shall be retained in the Series 2018C Project Subaccount. Amounts in the Series 2018C Project Subaccount 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 2018C Project Subaccount 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 (a) commingle any of the moneys held in the Series 2018C Project Subaccount with other City moneys, or (b) deposit amounts credited to the Series 2018C Project Subaccount into a separate fund or funds for investment purposes only; provided, that all of the moneys held in the Series 2018C Project Subaccount (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 2018C Bonds, on behalf of the City, the costs of issuance associated with the Series 2018C Bonds. Costs of issuance of the Series 2018C 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, municipal and other consultants, disclosure counsel and co-bond counsel, and the reimbursement of departmental expenses in connection with the issuance of the Series 2018C Bonds.

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Section 11. <u>Appointment of Depositories and Other Agents</u>. 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 2018C Bonds and payments and redemption notices to owners of the Series 2018C 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 2018C Bonds or to any participants in such a depository with respect to (a) the accuracy of any records maintained by such securities depository or any participant therein; (b) any notice that is permitted or required to be given to the owners of Series 2018C Bonds under this Resolution; (c) 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 2018C Bonds; (d) 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 2018C Bonds; (e) any consent given or other action taken by such securities depository as the owner of Series 2018C Bonds; or (f) any other matter.

The Depository Trust Company ("DTC") is appointed as depository for the Series 2018C Bonds. The Series 2018C Bonds shall be initially issued in book-entry form. Upon initial issuance, the ownership of each Series 2018C Bond shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. So long as each Series 2018C Bond is registered in book-entry form, each Series 2018C 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 2018C 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. <u>Defeasance Provisions</u>. Payment of all or any portion of the Series 2018C Bonds may be provided for prior to such Series 2018C 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 2018C Bonds or a portion thereof, and all unpaid interest thereon to maturity, except that in the case of Series 2018C Bonds which are to be redeemed prior to such Series 2018C 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

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(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 2018C Bonds to be paid or redeemed, as such principal and interest come due; provided, that, in the case of the Series 2018C 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 such outstanding Series 2018C Bonds shall cease and terminate, except only the tax covenants under Section 26 and the obligation of the City to pay or cause to be paid from the funds deposited pursuant to clause (a) or (b) of this Section 12, to the owners of such Series 2018C Bonds all sums due with respect thereto; and provided further, that the City shall have received an opinion of nationally recognized bond counsel, that provision for the payment of such Series 2018C Bonds has been made in accordance with this Section 12.

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

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

(ii) Pre-refunded fixed interest rate municipal obligations meeting the following conditions: (A) the municipal obligations are not subject to redemption prior to maturity, or the trustee 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 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 Rating Agencies (as defined below) not lower than the rating then maintained by such Rating Agencies on such United States Obligations.

For purposes of this Section 12, "United States Obligations" means (i) direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, without limitation, the interest component of Resolution Funding Corporation ("REFCORP") bonds that have been stripped by request to the Federal Reserve Bank of New York in book-entry form or (ii) any security issued by an agency or instrumentality of the United States of America that is selected by the Director of Public Finance that results in the escrow fund being rated by any two Rating Agencies, at the time of the initial deposit to the escrow fund and upon any substitution or subsequent deposit to the escrow fund, not lower than the rating then maintained by the respective Rating Agency on United States Obligations described in clause (i) above.

For purposes of this Section 12, "Rating Agencies" shall mean Moody's Investors Service, Fitch Ratings, and S&P Global Ratings, or any other nationally-recognized bond rating agency that is the successor to any of the foregoing rating agencies or that is otherwise established after the date hereof.

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Section 13. <u>Sale of Series 2018C Bonds By Competitive or Negotiated Sale</u>. The Board of Supervisors authorizes the sale of the Series 2018C Bonds by solicitation of competitive bids or by negotiated sale to one or more underwriters to be appointed in accordance with City policies, if so determined by the Director of Public Finance.

Section 14. <u>Official Notice of Sale; Receipt of Bids; Bond Award</u>.

(a) <u>Official Notice of Sale</u>. The form of proposed Official Notice of Sale inviting bids for the Series 2018C 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 2018C 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 2018C 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) <u>Receipt of Bids</u>. Bids shall be received on the date designated by the Director of Public Finance pursuant to Section 4.

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(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 2018C Bonds to the responsible bidder whose bid (i) 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 (ii) 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 2018C 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 15. Publication of Notice of Intention to Sell Bonds. The form of proposed Notice of Intention to Sell the Series 2018C 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 2018C 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 meeting the requirements of Section 53692 of the Government Code at least five (5) days prior to the date fixed for receipt of sealed proposals for the Series 2018C Bonds, or as otherwise set forth in Section 53692 of the Government Code.

Section 16. Authorization of Negotiated Sale; Authorization to Select Underwriters; Form of Bond Purchase Contract Approval. The Controller, in consultation with the Director of Public Finance, is hereby authorized to conduct the sale of the Series 2018C Bonds by negotiated sale pursuant to one or more Bond Purchase Contracts (each, a "Bond Purchase

Contract"), each by and between the City and the underwriter(s) named therein (the "Underwriters"), if the Controller determines that such manner of sale is in the best financial interest of the City, such determination to be conclusively evidenced by the execution and delivery of such Bond Purchase Contract as hereinafter approved. The form of such Bond Purchase Contract as presented to this Board of Supervisors, a copy of which is on file with the Clerk of the Board of Supervisors, is hereby approved. The Controller or the Director of Public Finance is hereby authorized to execute such Bond Purchase Contract with such changes, additions and modifications as the Controller or the Director of Public Finance may make or approve in accordance with Section 20 hereof; provided however, that the Underwriters' discount under any such Bond Purchase Contract shall not exceed 1.00% of the principal amount of the Series 2018C Bonds. In order to facilitate the sale of the Series 2018C Bonds by negotiated sale, the Controller or the Director of Public Finance is hereby authorized and directed to appoint one or more financial institutions to act as underwriter for the Series 2018C Bonds in accordance with City policies and procedures, including, but not limited to, the City's policy to provide locally disadvantaged minority business enterprises and women enterprises an equal opportunity to participate in the performance of all City contracts.

Section 17. Disposition of Proceeds of Sale. The proceeds of sale of the Series 2018C Bonds shall be applied by the City Treasurer as follows: (a) accrued interest, if any, shall be deposited into the Series 2018C Bond Subaccount; (b) premium, if any, shall be deposited into the Series 2018C Bond Subaccount in such amount not to exceed three years of interest on the Series 2018C Bonds; and (c) remaining proceeds of sale shall be deposited into the Series 2018C Project Subaccount.

Section 18. Preliminary Official Statement and Official Statement. The form of proposed Preliminary Official Statement describing the Series 2018C Bonds (the "Preliminary Official Statement") submitted to the Board of Supervisors is approved and adopted as the

Preliminary Official Statement describing the Series 2018C 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 2018C 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 2018C 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 2018C Bonds.

Section 19. Continuing Disclosure Certificate. The form of Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), to be signed by the City to permit the original purchasers of the Series 2018C 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 2018C 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 2018C Bonds in excess of $189,735,000 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 2018C 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 2018C Bonds.

Section 23. Accountability Reports. The Series 2018C Bonds are subject to accountability requirements under the Administrative Code and the Bond Ordinance. The deadline for submission of the Accountability report(s) under Administrative Code Sections 2.71(a) and 2.71(b) are hereby waived with respect to the Series 2018C Bonds. Accountability report(s) with respect to the Series 2018C Bonds shall be submitted in all other respects in the manner required by the Administrative Code and the Bond Ordinance.

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Section 24. Citizens' Oversight Committee. The Series 2018C 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 2018C 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 25. CEQA Determination. The Board of Supervisors hereby reaffirms and incorporates by reference the CEQA findings and determinations set forth in the Bond Ordinance as if set forth in full herein. The use of bond proceeds to finance any identified project or portion of any identified project with bond proceeds will be subject, as necessary, to approval of the Board of Supervisors upon completion of any planning and any further required environmental review under CEQA for the individual facilities and projects.

Section 26. Covenants to Maintain Tax-Exempt Status.

(a) Definitions. When used in this Section, the following terms have the following meanings:

"Closing Date" means the date on which the Series 2018C Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

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

"Final Computation Date" has the meaning set forth in Section 1.148-3(e)(2) of the Regulations.

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"Gross Proceeds" means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Series 2018C Bonds.

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

"Nonpurpose Investment" means any investment property, as defined in Section 148(b) of the Code, in which Gross Proceeds of the Series 2018C Bonds are invested and which is not acquired to carry out the governmental purposes of the Series 2018C Bonds.

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

"Regulations" means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Series 2018C Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

"Yield" of:

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

(ii) the Series 2018C Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Bond to become includable in the gross income, as defined in Section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, the City shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as permitted by Section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the final payment on the Series 2018C Bonds:

(i) exclusively own, operate and possess all property, the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Series 2018C Bonds, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Series 2018C Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by Section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Series 2018C Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (i) property acquired, constructed or improved with such

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

(e) Not to Invest at Higher Yield. Except to the extent permitted by Section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final stated maturity of the Series 2018C Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, exceeds the Yield of the Series 2018C Bonds.

(f) Not Federally Guaranteed. Except to the extent permitted by Section 149(b) of the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any action which would cause the Series 2018C Bonds to be federally guaranteed within the meaning of Section 149(b) of the Code and the Regulations and rulings thereunder.

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

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

(i) The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last outstanding Bond is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the Series 2018C Bonds with other money of the City; provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the City shall calculate the Rebate Amount in accordance with rules set forth in Section 148(f) of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Series 2018C Bonds until six years after the Final Computation Date.

(iii) As additional consideration for the purchase of the Series 2018C Bonds by the initial purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to ensure the excludability of the interest thereon from gross income for federal income tax purposes, the City shall pay to the United States the amount that when added to the future value of previous rebate payments made for the Series 2018C Bonds equals (i) in the case of a Final Computation Date, 100% of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, 90% of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

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

(v) Not to Divert Arbitrage Profits. Except to the extent permitted by Section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the final payment on the Series 2018C Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Section 26(h) above because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Series 2018C Bonds not been relevant to either party.

Section 27. General Authority. The Clerk of the Board of Supervisors, the Mayor, the City Treasurer, the Director of Public Finance, the City Attorney and the Controller are each authorized and directed in the name and on behalf of the City to take any and all steps and to issue, deliver or enter into any and all certificates, requisitions, agreements, notices, consents, and other documents as may be necessary to give effect to the provisions of this Resolution, including but not limited to tax compliance certificates and 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 2018C 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.

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APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By ______________________
KENNETH D. ROUX
Deputy City Attorney
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EXHIBIT A
FORM OF BOND

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

Number   Principal Amount

R-__   UNITED STATES OF AMERICA $_________
STATE OF CALIFORNIA

CITY AND COUNTY OF SAN FRANCISCO
TAX-EXEMPT GENERAL OBLIGATION BONDS
(PUBLIC HEALTH AND SAFETY, 2016)
SERIES 2018E

Interest Rate	Maturity Date	Dated Date	CUSIP Number
			________

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: ________________________________

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 (as defined below) 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 immediately 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 __________, ____, in which event it shall bear interest from its Dated Date (specified above) until payment of such Principal Amount, at the Interest Rate per year specified above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on December 15, 2018 and semiannually thereafter on June 15 and December 15 in each year (each, an "Interest Payment 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 (a "Business Day"). The Principal Amount 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") in San Francisco, California. 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.

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This Bond is one of a duly authorized issue of Bonds (the "Bonds") of like tenor (except to such variations, if any, as may be required to designate varying numbers, denominations, interest rates and maturities), in the aggregate principal amount of $________, 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 duly approved by the Mayor of the City on August 7, 2014, and Resolution No. ____, adopted by the Board of Supervisors on _________, and duly approved by the Mayor of the City on _________ (together with the related Certificate Awarding the Bonds and Fixing Definitive Interest Rates for the Bonds, dated ________, 2018, 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, as 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.

No transfer or exchange of the Bonds shall be required to be made by the City Treasurer during the period from the Record Date 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 Bonds.

Bonds maturing on and before June 15, 20__, will not be subject to optional redemption prior to their respective 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, without 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 Director of Finance. 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 Director of Public Finance, 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 Director of Public Finance 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 amount provided in the [Official Notice of Sale/the Bond Purchase Contract] for the Bonds.

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 amount provided in the [Official Notice of Sale/the Bond Purchase Contract] for the Bonds.

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.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the date fixed for redemption, 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.

Any notice of optional redemption may provide that such redemption is conditional upon occurrence of a specified event, as provided in the Resolutions. In the event that such conditional notice of optional redemption has been given, and on the date fixed for redemption such condition has not been satisfied, the Bonds for which notice of conditional optional redemption was given shall not be redeemed and shall remain Outstanding for all purposes of the Resolutions and the redemption not occurring shall not constitute an event of default under the Resolutions.

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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 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 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.

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.

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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 ____________.

for [signature]
Mark Farrell,
Mayor of the City and
County of San Francisco

Countersigned:

____
Clerk of the Board of Supervisors

CERTIFICATE OF REGISTRATION AND AUTHENTICATION

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

Date of Authentication: ____________

____
Treasurer of the
City and County of San Francisco

ASSIGNMENT

FOR VALUE RECEIVED the undersigned do(es) hereby sell, assign and transfer unto

____

____

(Please print or typewrite Name, Address, and Tax Identification or Social Security Number of Assignee/Transferee)

the within-mentioned registered bond and all rights thereunder and hereby irrevocably constitute(s) and appoint(s) __________________________________ attorney to transfer the same on the books of the paying agent with full power of substitution in the premises.

Dated: ____________________________

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without altercation or enlargement or any change whatsoever.

Signature Guaranteed:

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Signature(s) must be guaranteed by a national bank or trust company or by a brokerage firm having a membership in one of the major stock exchanges and who is a member of a Medallion Signature Program.

Items 4, 5 and 6 Files 18-0324, 18-0325 and 18-0326	Department: Office of Public Finance (OPF) Department of Public Works (DPW) Mayor's Office of Housing and Community Development (MOHCD)

EXECUTIVE SUMMARY

Legislative Objectives

- File 18-0324: Resolution authorizing and directing the sale of not-to exceed $52,500,000 aggregate principal Public Health and Safety Tax-Exempt General Obligation Bonds, Series 2018E, approved by the voters on June 7, 2016.
- File 18-0325: Resolution authorizing and directing the sale of not-to-exceed $189,735,000 aggregate principal Earthquake Safety and Emergency Response (ESER) Tax-Exempt General Obligation Bonds, Series 2018C, approved by the voters on June 3, 2014.
- File 18-0326: Resolution authorizing and directing the sale of not-to-exceed $146,000,000 aggregate principal Affordable Housing Taxable General Obligation Bonds, Series 2018D, approved by voters on November 3, 2015.

Key Points

- 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. In November 2015, San Francisco voters approved Proposition A to authorize the issuance of not-to-exceed $310,000,000 in taxable and tax-exempt general obligation bonds for affordable housing. In June 2016, San Francisco voters approved Proposition A, the Public Health and Safety General Obligation Bond, which authorizes the issuance of $350,000,000 in bonds to fund capital projects to renovate fire safety and healthcare facilities, construct a larger City ambulance center, repair neighborhood fire stations, and to build and improve facilities to better serve homeless individuals and families.
- The proposed Series 2018E Public Health and Safety Bonds of $52,500,000 will be the second series of bonds to be issued under 2015 Proposition A. The proposed Series 2018C ESER bonds of $189,735,000 will be the third and final series of bonds to be issued under 2014 Proposition A. The proposed 2018D Affordable Housing Bonds of $146,000,000 will be the second series of bonds to be issued under 2015 Proposition A.

Fiscal Impact

- The requested not-to-exceed total of $388,235,000 in Series 2018E, 2018C and 2018D bonds are projected to be sold for a par amount of $382,075,000, which would result in total project funds of $377,327,076, and Controller's audit costs, Citizen's General Obligation Bond Oversight Committee costs, and issuance-related costs totaling $4,747,924. A reserve of $6,160,000 is included to allow for potential variations in the interest rates when the bonds are sold.

Fiscal Impact (continued)

- The Office of Public Finance estimates that average annual debt service on the bonds is approximately $29,390,415. Total interest payments over the 20-year life of the bonds are approximately $205,733,300, and total principal and interest payments are estimated to be $587,808,000.
- 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 (assuming a homeowner's exemption of $7,000) would pay average annual additional Property Taxes to the City of $74.30 per year if the anticipated $382,075,000 for the three bonds are sold.

Policy Consideration

- The $310,000,000 affordable housing general obligation bond is somewhat different than typical City general obligation bonds. Under typical City general obligation bonds, the City hires private contractors to undertake improvements on specific City-owned properties, such that the improvements are also owned by the City. However, under these affordable housing general obligation bonds, the City will not directly engage contractors nor generally own the properties or improvements.
- On March 19, 2018 the Capital Planning Committee approved the issuance and sale of the Series 2018C ESER, Series 2018D Housing, and Series 2018E Public Health and Safety bonds.

Recommendation

- Approve the proposed resolutions.

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.

BACKGROUND

2014 Earthquake Safety and Emergency Response (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. On March 22, 2016, the Board of Supervisors approved a resolution (File 16-0201) authorizing and directing the sale and issuance of the second series of its 2014 ESER general obligation bonds, Series 2016D in an aggregate principal amount not to exceed $111,060,000, and an ordinance (File 16-0197) appropriating $111,060,000 in bond proceeds.

The City has issued $210,265,000 of these 2014 ESER Bonds, as summarized in Table 1 below.

Table 1: 2014 ESER Bonds Previously Issued and Appropriated

Month and Year	Amount Authorized (Not-to Exceed)	Bonds Issued	Files Numbers of Bond Authorization and Appropriation
September 2014	$100,670,000	$100,670,000	Files 14-0811 and 14-0801
April 2016	111,060,000	109,595,000	Files 16-0201 and 16-0197
Total		$210,265,000	

The remaining balance of the $400,000,000 in 2014 ESER Bonds is $189,735,000.

2015 Affordable Housing General Obligation Bonds

On November 3, 2015, San Francisco voters approved Proposition A, by more than the required two-thirds vote, to authorize the issuance of not-to-exceed $310,000,000 in taxable and tax-exempt general obligation bonds for affordable housing for the following purposes:

- Construct, develop, acquire and preserve housing affordable to low and middle-income households through programs that prioritize vulnerable populations;
- Assist in the acquisition, rehabilitation and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents;
- Target affordable housing investments in the Mission neighborhood;
- Repair and reconstruct dilapidated public housing;
- Fund a middle-income rental program;
- Provide for homeownership down payment assistance for educators and middle-income households;
- Provide independent citizen oversight and regular audits of the above-noted housing programs; and
- Authorize landlords to pass-through to residential tenants in rent controlled units 50% of the increase in property taxes attributable to the cost to repay these bonds.

In accordance with the voters' authorization, these affordable housing bonds will be sold in one or more series and on the terms and conditions, as the Board of Supervisors will determine by resolution. On September 20, 2016, the Board of Supervisors approved two resolutions (Files 16-0867 and 16-0868) authorizing the issuance of the entire not-to-exceed $310,000,000 of the 2015 Affordable Housing bonds and the sale of the first series of the 2015 Affordable Housing bonds for $77,000,000. On September 27, 2016, the Board of Supervisors approved an ordinance appropriating the $77,000,000 (File 16-0850) from the first bond sale. Of the total authorization, $75,130,000 has been issued to date, leaving $234,870,000 remaining to be issued.

2016 Public Health and Safety General Obligation Bond

The Board of Supervisors approved a resolution in January 2016 (File 15-1275) to submit $350,000,000 in General Obligation (GO) Bonds to the voters to upgrade and enhance seismic safety for healthcare facilities, construct a new ambulance facility and repair neighborhood fire stations, and improve homeless care facilities. On June 7, 2016, a two-thirds majority of voters of the City approved Proposition A, the San Francisco Public Health and Safety General Obligation (GO) Bond. Proposition A authorizes the City and County of San Francisco to issue $350,000,000 in GO bonds to fund capital projects to renovate, expand, and seismically enhance fire safety and healthcare facilities, construct a larger and more modern City ambulance center, and to repair and modernize neighborhood fire stations, and to build, acquire, and improve facilities to better serve homeless individuals and families.

Proposition A approved expenditures of $350,000,000 for the following projects:

- Seismic improvements and upgrades to fire safety systems to Building 5 on the campus of Zuckerberg San Francisco General Hospital
- Renovation and expansion of the Southeast Health Center and other neighborhood health clinics;
- Higher-capacity and seismically safer ambulance facility to improve emergency medical response;
- Capital improvements to City fire stations facilities;
- Acquisition and construction of homeless services facilities.

On December 6, 2016, the Board of Supervisors approved two resolutions (Files 16-1192 and 16-1193) authorizing the issuance of the entire not-to-exceed $350,000,000 of the 2016 Public Health and Safety bonds and the sale of the first series of the 2016 Public Health and Safety bonds for $176,000,000. On December 13, 2016, the Board of Supervisors approved an ordinance appropriating the $176,000,000 (File 16-1194) from the first bond sale. Of the total authorization, $173,120,000 has been issued to date, leaving $176,880,000 remaining to be issued.

DETAILS OF PROPOSED LEGISLATION

The three proposed resolutions authorize the sale and issuance of the following bonds, totaling $388,235,000:

- File 18-0324: Resolution authorizing and directing the sale of not-to exceed $52,500,000 aggregate principal Public Health and Safety Tax-Exempt General Obligation Bonds, Series 2018E, approved by the voters on June 7, 2016.

- File 18-0325: Resolution authorizing and directing the sale of not-to-exceed $189,735,000 aggregate principal Earthquake Safety and Emergency Response (ESER) Tax-Exempt General Obligation Bonds, Series 2018C, approved by the voters on June 3, 2014.

- File 18-0326: Resolution authorizing and directing the sale of not-to-exceed $146,000,000 aggregate principal Affordable Housing Taxable General Obligation Bonds, Series 2018D, approved by voters on November 3, 2015.

The proposed Series 2018E Public Health and Safety Bonds of $52,500,000 will be the second series of bonds to be issued under 2015 Proposition A. The proposed Series 2018C ESER bonds of $189,735,000 will be the third and final series of bonds to be issued under 2014 Proposition A. The proposed 2018D Affordable Housing Bonds of $146,000,000 will be the second series of bonds to be issued under 2015 Proposition A.

Table 3 below shows the sources and uses for the Series 2018E, 2018C and 2018D bonds.

Table 2: Proposed Sources and Uses of Funds

	ESER Series 2018C	Housing Series 2018D	Public Health Series 2018E	Total
Sources				
Par Amount	$189,735,000	$142,255,000	$50,085,000	$382,075,000
Reserve Proceeds		$3,745,000	$2,415,000	$6,160,000
Total Not-To-Exceed Amount	**$189,735,000**	**$146,000,000**	**$52,500,000**	**$388,235,000**
Uses *				
Projects				
Project Funds	$187,380,041	$140,486,986	$49,460,049	$377,327,076
Controller's Audit Fund	$374,760	$280,974	$98,920	$754,654
Projects Subtotal	$187,754,801	$140,767,960	$49,558,969	$378,081,730
Costs of Issuance				
Transaction Costs	$367,451	$277,872	$100,308	$743,631
Underwriter's Discount	$1,423,013	$1,066,913	$375,638	$2,865,563
Citizens' General Obligation Bond Oversight Committee	$189,735	$142,255	$50,085	$382,075
Costs of Issuance Subtotal	$1,980,199	$1,487,040	$526,031	$3,993,270
Total Uses	$189,735,000	$142,255,000	$50,085,000	$382,075,000
Reserve Pending Bond Sale [1]		$3,745,000	$2,415,000	$6,160,000
Total Uses with Reserve	**$189,735,000**	**$146,000,000**	**$52,500,000**	**$388,235,000**

Source: Letter dated March 30, 2018 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, 2014), Series 2018C (Affordable Housing, 2015), Series 2018D (Public Health and Safety, 2016), Series 2018E

*Ordinances appropriating $189,735,000 in 2018C ESER bond proceeds (File 18-0314), $146,000,000 in 2018D Housing bond proceeds (File 18-0315), and $52,500,000 in 2018E Public Health bond proceeds (File 18-0313) are pending before the Board of Supervisors.

Table 3 below shows the original budgets for the 2014 ESER bond, 2015 Affordable Housing bond, and the 2016 Public Health and Safety bond, the prior appropriations to date, and the proposed bond proceeds to be appropriated from the sale of Series 2018C for the ESER bonds, 2018D for the Housing bonds and the Series 2018E for the Public Health and Safety bonds. As shown in Table 3, if the Board of Supervisors approves the three proposed resolutions, there would be no remaining balance for the 2014 ESER bonds. The 2015 Affordable Housing bond would have a remaining balance of $88,542,443. The 2016 Public Health and Safety bond would have a remaining balance of $123,436,210. Therefore, one or more future bonds sales and appropriations will be needed for the 2015 Affordable Housing and 2016 Public Health and Safety bonds.

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

Table 3: ESER, Housing and Public Health and Safety Bond Appropriations

	Original Budget	Prior Appropriations	Proposed	Balance
2014 Earthquake Safety and Emergency Response			**2018C Bonds**	
Office of Chief Medical Examiner (OCME)	$67,533,024	$67,533,024	$0	$0
Traffic Company & Forensic Services Division (TCFSD)	162,195,000	42,703,200	120,671,948	0
Police Facilities (PF)	29,490,000	21,077,654	8,566,278	0
Neighborhood Fire Stations (NFS)	79,916,976	22,493,513	57,859,605	0
Emergency Firefighting Water System (EFWS)	54,065,000	54,065,000	282,209	0
Oversight, Accountability and Issuance	6,800,000	2,392,609	2,354,959	0
Total 2014 ESER Bond	**$400,000,000**	**$210,265,000**	**$189,735,000**	**$0**
2015 Affordable Housing			**2018D Bonds**	
Public Housing	$77,420,000	$40,600,000	$0	$36,820,000
Low-Income Housing	96,775,000	24,000,000	67,095,000	5,680,000
Mission Neighborhood Housing	48,385,000	6,000,000	42,385,000	0
Middle-Income Housing	77,420,000	3,803,014	29,456,986	44,160,000
Oversight, Accountability, Issuance, Legal and Other Incidentals[2], and Reserve	10,000,000	1,054,543	7,063,014	1,882,443
Total 2015 Affordable Housing	**$310,000,000**	**$75,457,557**	**$146,000,000**	**$88,542,443**
2016 Public Health and Safety			**2018E Bonds**	
ZSFG Building 5 Seismic Upgrade and Outpatient Improvements Program (DPH)	$218,723,000	$112,055,942	$0	$106,667,058
Southeast Health Center Renovation (Phase 1) and New Addition (Phase 2) Program (DPH)	29,700,000	18,239,644	0	11,460,356
Community Health Centers Improvement Program (Various Locations) (DPH)	19,800,000	16,190,000	0	3,610,000
Ambulance Deployment Facility (ADF) Project (SFFD)	47,940,000	13,270,000	34,610,049	59,951
Neighborhood Fire Stations (NFS) Improvements Program (Various Locations) (SFFD)	9,150,000	6,650,000	0	2,500,000
Homeless Service Sites (HSH)	19,700,000	4,850,000	14,850,000	0
Oversight, Accountability, Issuance and Reserve	4,987,000	2,808,704	3,039,951	(861,655)
Total 2016 Public Health and Safety	**$350,000,000**	**174,064,290**	**$52,500,000**	**$123,436,210**

2014 Earthquake Safety and Emergency Response (ESER) Bonds

Proceeds from the ESER 2018C Bonds will partially finance projects within the following program categories:

[2] According to Mr. McCloskey, "legal and other incidentals" are mainly City Attorney costs related to the bond projects themselves, as well as minor costs directly related to bond projects such as required environmental review advertising. MOHCD did not include the budget for these types of costs in the first issuance of the bond, so MOHCD has advanced funding from another source to cover those costs. With this proposed second issuance of the housing bonds, MOHCD will reimburse any funding which has been advanced and MOHCD will have funds available for future similar costs.

- Traffic Company & Forensic Services Division – Construction costs, the Public Art Program, project management costs, permitting, construction management fees, and testing & special inspection expenses for this facility.
- Police Stations – Design services and construction for Mission Station, Ingleside Station, the Police Academy, Park Station, and a package of mechanical, electrical and plumbing improvements.
- Neighborhood Fire Stations (NFS) – Station 35 (remainder of the design-build contract, construction, permits, city administrative services, in house architectural, engineering, and construction management services), Public Art Program, and Materials Testing and Special Inspection services (MTSI), Program Management, Focused Scope projects (fund remaining construction costs for the exterior envelope packages 1 and 2, heating, ventilation, and air conditioning (HVAC) package 1, fully fund remaining construction for the Apparatus Bay doors

<u>2015 Affordable Housing General Obligation Bonds</u>

Proceeds from the Affordable Housing 2018D Bonds will partially finance projects within the following program categories:

- Public Housing Projects – Accelerating the reconstruction and rehabilitation of distressed public housing facilities, including infrastructure replacement, as well as the creation of net new units within reconstruction programs.
- Low-Income Housing Projects – Funding the acquisition and rehabilitation of existing rent-controlled buildings to protect against the loss of affordable units, as well as purchase properties for the development of new affordable housing, and accelerate the production of new affordable housing, in particular through the Mission Area Plan program.
- Mission Neighborhood Housing – Loans for the development of a 143-unit affordable housing development at 1990 Folsom Street.
- Middle-Income Housing – Increasing the cap on Down Payment Assistance loans and the range of eligible households, expand the Teacher Next Door program to provide housing assistance to San Francisco schoolteachers, and allow for the development or preservation of middle-income rental opportunities.

<u>2016 Public Health and Safety General Obligation Bond</u>

Proceeds from the Public Health and Safety 2018E Bonds will partially finance projects within the following program categories:

- San Francisco Fire Department Ambulance Deployment Facility – Construction costs and all project controls costs for this facility, including but not limited to, Public Arts Program, project management, permitting, construction management, architectural and engineering design services, and materials testing and special inspection.

- Homelessness Services – The balance of the property purchase transaction for 440 Turk Street, construction costs for 1068 Mission Street, and construction and project controls costs, including but not limited to scope feasibility studies, architectural and engineering design services, construction management, permitting, materials testing and special inspection, for 1001 Polk St, 260 Golden Gate Avenue, and 525 5th Street.

FISCAL IMPACT

As shown in Table 2 above, the requested not-to-exceed total of $388,235,000 in Series 2018E, 2018C and 2018D bonds are projected to be sold for a par amount of $382,075,000, which would result in total project funds of $377,327,076, and Controller's audit costs, Citizen's General Obligation Bond Oversight Committee costs, and issuance-related costs totaling $4,747,924. The difference between the requested not-to-exceed total of $388,235,000 and the projected par amount of $382,075,000 reflects the $6,160,000 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 May 15, 2018.

Based on conservative estimates given current market conditions, the Office of Public Finance estimates that the overall effective annual interest rate on the tax-exempt Series 2018C and Series 2018E on the bonds would be approximately 4.4 percent over approximately 20 years. The overall effective annual interest rate on the Series 2018D bonds, which will be sold as taxable, would be approximately 4.9 percent over approximately 20 years. The estimated interest rate for the Series 2018C and 2018E bonds is 0.5 percent lower (4.4 percent) than the Series 2018D bonds, because interest payments from these series are exempt from federal taxation, and investors are willing to pay a lower interest rate for tax exempt bonds. The bonds are expected to have a final maturity date of June 15, 2038. However, the Office of Public Finance advises that based on market conditions at the time of the sale coupled with the Capital Planning Committee constraints, the bonds could be structured with a 25-year term. The Office of Public Finance estimates that average annual debt service on the bonds is approximately $29,390,415. Total interest payments over the 20-year life of the bonds are approximately $205,733,300, and total principal and interest payments are estimated to be $587,808,000, as shown in Table 4 below.

Table 4: Total Debt Service Payments on the Proposed Three 2018 Bonds Sales

	Series 2018C ESER	Series 2018D Affordable Housing	Series 2018E Public Health and Safety	Total
Principal	$189,735,000	$142,255,000	$50,085,000	$382,075,000
Interest	97,659,587	82,292,499	25,781,214	205,733,300
Total Debt Service	$287,394,587	$224,547,499	$75,866,214	$587,808,300

For Series 2018C, 2018D, and 2018E, repayment of the annual debt service will be recovered through increases in the annual Property Tax rate, which, according to the Controller's Office, are estimated to average $0.01253 per $100 or $12.53 per $100,000 of assessed valuation over the anticipated 20-year term of the Bonds. As summarized in Table 5 below, 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 $74.30 per year if the anticipated $382,075,000 City and County of San Francisco General Obligation Bonds are sold.

Table 5: 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[3]
2018C ESER Bond	$189,735,000	$36.33
2018D Housing Bond	142,255,000	28.38
2018E Public Health Bond	50,085,000	9.59
Total	**$382,075,000**	**$74.30**

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.

Capital Plan

Under financial constraints adopted by the City's Capital Planning Committee, debt service on approved and issued GO bonds may not increase property owners' long-term property tax rates above FY 2005-06 levels. The FY 2005-06 property tax rate for the GO bond fund was $0.1201 per $100 of assessed value. If the Board of Supervisors approves the issuance of the GO Bonds, the property tax rate for GO bonds for FY 2017-18 would be maintained below the fiscal year 2006 rate and within the Capital Planning Committee's approved financial constraint.

POLICY CONSIDERATION

Affordable Housing Bonds are Different

This $310,000,000 affordable housing general obligation bond is somewhat different than typical City general obligation bonds. Under typical City general obligation bonds, the City hires private contractors to undertake improvements on specific City-owned properties, such that the improvements are also owned by the City. However, under these affordable housing general obligation bonds, the City will not directly engage contractors nor generally own the properties or improvements.

Rather, the City will primarily provide the general obligation bond proceeds as loans[4] to developers who will hire contractors and own the improvements through limited liability corporations, which enables leveraging of additional revenues for the projects through federal tax credits. In addition, the City will provide a portion of the bond proceeds as down payment

[3] Amounts are net of $7,000 homeowner's exemption
[4] Each affordable housing program has various loan repayment terms and conditions.

assistance directly to individuals that meet specified criteria. Mr. McCloskey advises that MOHCD will treat the $310,000,000 additional affordable housing bond proceeds, including the up to $146,000,000 to be sold in May 2018, as an additional funding source for the City's overall affordable housing programs, which total approximately $300 million in FY 2017-18.

Similarly, as previously noted, the Series 2018D bonds would be sold as taxable due to IRS restrictions on financing projects that involve private use, such as housing, with tax-exempt bonds.

Capital Planning Committee

On March 19, 2018, the Capital Planning Committee approved the following:

- Issuance and sale of $189,735,000 of Series 2018C ESER bonds;
- Issuance and sale of $146,000,000 of Series 2018D Housing bonds; and
- Issuance and sale of $52,500,000 of Series 2018E Public Health and Safety bonds.

The remaining authorization amounts under 2015 Proposition A and 2016 Proposition A will be issued at a later date, subject to review by the Capital Planning Committee, the consideration and adoption by the Board of Supervisors and approval by the Mayor of subsequent authorization resolutions.

RECOMMENDATION

Approve the proposed resolutions.

CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER
Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Anna Van Degna
Director
Office of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Anna Van Degna, Director of Public Finance AVD

SUBJECT: City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response, 2014), Series 2018C (Affordable Housing, 2015), Series 2018D (Public Health and Safety, 2016), Series 2018E

DATE: Friday, March 30, 2018

I respectfully request that the Board of Supervisors consider for review and adoption to the Board the resolutions authorizing the sale of general obligation bonds financing the Earthquake Safety and Emergency Response (ESER), Affordable Housing, and Public Health and Safety programs at its Tuesday, April 3, 2018 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 April 12, 2018 meeting of the Budget and Finance Committee.

Background:

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, $210,265,000 has been issued to date, leaving $189,735,000 remaining from the 2014 Proposition A funds.

On November 3, 2015, a two-thirds majority of voters of the City approved Proposition A ("2015 Proposition A"), the San Francisco Affordable Housing General Obligation Bond. Proposition A authorizes the City and County of San Francisco to issue $310,000,000 in general obligation bonds to fund capital projects to prioritize affordable housing projects for vulnerable populations including working families, veterans, seniors, and disabled persons. The projects to be funded through the proposed bond sale include: the acquisition, rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents; the repair and reconstruction of dilapidated public housing; funding of a middle-income rental program; and the provision of homeownership down payment assistance opportunities for educators and middle-income households. Of the total authorization, $75,130,000 has been issued to date, leaving $234,870,000 remaining from the 2015 Proposition A funds.

On June 7, 2016, a two-thirds majority of voters of the City approved Proposition A ("2016 Proposition A"), the San Francisco Public Health and Safety General Obligation Bond. Proposition A authorizes the City and County of San Francisco to issue $350,000,000 in general obligation bonds to fund capital projects to renovate, expand, and seismically enhance fire safety and healthcare facilities, construct a larger and more modern City ambulance center, and to repair and modernize neighborhood fire stations, and to build, acquire, and improve facilities to better serve homeless individuals and families. The projects to be funded through the proposed bond sale include: seismic improvements and upgrades to fire safety systems to Building 5 on the campus of Zuckerberg San Francisco General Hospital, renovation and expansion of the Southeast Health Center and other neighborhood health clinics, a higher-capacity and seismically safer ambulance facility to improve emergency medical response, capital improvements to City fire stations facilities, and the acquisition and construction of homeless services facilities. Of the total authorization, $173,120,000 has been issued to date, leaving $176,880,000 remaining from the 2016 Proposition A funds.

The proposed resolutions authorize the sale of not-to-exceed $189,735,000 of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response, 2014), Series 2018C (the "2018C Bonds"), as well as the sale of not-to-exceed $146,000,000 of City and County of San Francisco General Obligation Bonds (Affordable Housing, 2015), Series 2018D (the "2018D Bonds"), and the sale of not-to-exceed $52,500,000 of City and County of San Francisco General Obligation Bonds (Public Health and Safety, 2016), Series 2018E (the "2018E Bonds"). The 2018C Bonds will be the third and final series of bonds to be issued under 2014 Proposition A. The 2018D Bonds will be the second series of bonds to be issued under 2015 Proposition A. The 2018E Bonds will be the second series of bonds to be issued under 2016 Proposition A.

As described more fully in the 2014 ESER Accountability Report, dated February 2018, proceeds from the 2018C Bonds will partially finance projects within the following program categories:

- **Traffic Company & Forensic Services Division** – Construction costs, the Public Art Program, project management costs, permitting, construction management fees, and testing & special inspection expenses for this facility.

- **Police Stations** – Design services and construction for Mission Station, Ingleside Station, the Police Academy, Park Station, and a package of mechanical, electrical and plumbing improvements.

- **Neighborhood Fire Stations (NFS)** – Fire Station 35 (remainder of the design-build contract, construction, permits, city administrative services, in house architectural, engineering, and construction management services), Public Art Program, and Materials Testing and Special Inspection services (MTSI), Program Management, Focused Scope projects (fund remaining construction costs for the exterior envelope packages 1 and 2, heating, ventilation, and air conditioning (HVAC) package 1, fully fund remaining construction for the Apparatus Bay doors packages 4 and 5), remaining stations with Access Control needs, and replenish the NFS program reserves.

As detailed more fully in the 2015 Affordable Housing Bond Accountability Report, dated March 2018, proceeds from the 2018D Bonds will partially finance projects within the following categories:

- **Public Housing Projects** – Accelerating the reconstruction and rehabilitation of distressed public housing facilities, including infrastructure replacement, as well as the creation of net new units within reconstruction programs.

- **Low-Income Housing Projects** – Funding the acquisition and rehabilitation of existing rent-controlled buildings to protect against the loss of affordable units, as well as purchase properties for the development of new affordable housing, and accelerate the production of new affordable housing, in particular through the Mission Area Plan program.

- **Mission Neighborhood Housing** – Loans for the development of a 143-unit affordable housing development at 1990 Folsom Street.

- **Middle-Income Housing** - Increasing the cap on Down Payment Assistance loans and the range of eligible households, expand the Teacher Next Door program to provide housing assistance to San Francisco schoolteachers, and allow for the development or preservation of middle-income rental opportunities.

As detailed more fully in the 2016 Public Health and Safety Bond Accountability Report, dated April 2018, proceeds from the 2018E Bonds will partially finance projects within the following categories:

- **San Francisco Fire Department Ambulance Deployment Facility** – Construction costs and all project controls costs for this facility, including but not limited to, Public Arts Program, project management, permitting, construction management, architectural and engineering design services, and materials testing & special inspection.

- **Homelessness Services** – The balance of the property purchase transaction for 440 Turk Street; construction costs for 1068 Mission Street; and construction and project controls costs, including but not limited to scope feasibility studies, architectural and engineering design services, construction management, permitting, materials testing and special inspection, for 1001 Polk St, 260 Golden Gate Avenue, and 525 5th Street.

The remaining authorization amounts under 2015 Proposition A and 2016 Proposition A will be issued at a later date, subject to review by the Capital Planning Committee, the consideration and adoption by the Board of Supervisors and approval by the Mayor of subsequent authorizing resolutions.

Financing Parameters:

The proposed resolutions authorize the sale of not-to-exceed combined par amount of $388,235,000 for Series 2018C, 2018D, and 2018E. Based on current bond market conditions, project cost estimates and schedules, the Office of Public Finance expects to issue $382,075,000. 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 $187,380,041 to earthquake safety projects, $140,486,986 to affordable housing projects, and $49,460,049 to public health and safety projects (collectively, the "Projects"). Table 1 outlines anticipated sources and uses for the Bonds, based on a estimate provided by Hilltop Securities Inc., a municipal advisory firm registered with the Municipal Securities Rulemaking Board (MSRB). The information below is intended to advise the Board regarding the proposed financing in accordance with Section 5852.1 of the California Government Code.

Table 1: Anticipated Sources and Uses for the Bonds.

	ESER Series 2018C	Housing Series 2018D	Public Health Series 2018E	Total
Sources				
Par Amount	$189,735,000	$142,255,000	$50,085,000	$382,075,000
Reserve Proceeds		$3,745,000	$2,415,000	$6,160,000
Total Not-To-Exceed Amount	**$189,735,000**	**$146,000,000**	**$52,500,000**	**$388,235,000**
Uses				
Projects				
Project Funds	$187,380,041	$140,486,986	$49,460,049	$377,327,076
Controller's Audit Fund	$374,760	$280,974	$98,920	$754,654
Projects Subtotal	$187,754,801	$140,767,960	$49,558,969	$378,081,730
Costs of Issuance				
Transaction Costs	$367,451	$277,872	$100,308	$743,758
Underwriter's Discount	$1,423,013	$1,066,913	$375,638	$2,865,563
Citizens' General Obligation Bond Oversight Committee	$189,735	$142,255	$50,085	$382,075
Costs of Issuance Subtotal	$1,980,199	$1,487,040	$526,031	$3,993,270
Total Uses	$189,735,000	$142,255,000	$50,085,000	$382,075,000
Reserve Pending Bond Sale [1]		$3,745,000	$2,415,000	$6,160,000
Total Uses with Reserve	**$189,735,000**	**$146,000,000**	**$52,500,000**	**$388,235,000**

Based upon conservative estimates given current market conditions, the Office of Public Finance estimates that the overall effective interest rate on the bonds would be approximately 4.6%, resulting in an average annual debt service of approximately $29,397,000 and a total debt service of approximately $587,808,000. The Bonds are expected to have a final maturity of June 15, 2038. However, based on market conditions at the time of the sale coupled with the Capital Planning Committee constraints, the Bonds could be structured with a 25-year term.

In addition to the Projects, a portion of the bond proceeds 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 Bond Reports prepared by San Francisco Public

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

Works, the Public Utilities Commission, the Mayor's Office of Housing and Community Development, and the Department of Public Health.

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 2017-18 is approximately $7.02 billion, based on a net assessed valuation of approximately $234.1 billion. As of April 2018, the City has outstanding approximately $2.32 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.99% of the net assessed valuation for fiscal year 2017-18. If all of the City's authorized and unissued bonds were issued, the total debt burden would be 1.47% 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 0.16% to 1.15%— within the 3.00% legal debt limit.

Property Tax Impact

For Series 2018C, 2018D, and 2018E, repayment of the annual debt service will be recovered through increases in the annual Property Tax rate, which, according to the Controller's Office, are estimated to average $0.01253 per $100 or $12.53 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 $74.30 per year if the anticipated $382,075,000 City and County of San Francisco General Obligation Bonds are sold.

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 2017-18 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, April 3, 2018. 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 2018C, 2018D, and 2018E 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 May 2018. Schedule milestones in connection with the financing may be summarized as follows:

Milestone	**Date***
Consideration by the Capital Planning Committee	March 19, 2018
Introduction of authorizing legislation and supporting materials to the Board	April 3, 2018
Issuance and delivery of the Bonds	May 2018

*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.

NOTICE OF INTENTION TO SELL

$__________*	**$__________***	**$__________***
CITY AND COUNTY OF SAN FRANCISCO TAX-EXEMPT GENERAL OBLIGATION BONDS (EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2014), SERIES 2018C	**CITY AND COUNTY OF SAN FRANCISCO TAXABLE GENERAL OBLIGATION BONDS (AFFORDABLE HOUSING, 2015), SERIES 2018D**	**CITY AND COUNTY OF SAN FRANCISCO TAX-EXEMPT GENERAL OBLIGATION BONDS (PUBLIC HEALTH AND SAFETY, 2016), SERIES 2018E**

NOTICE IS HEREBY GIVEN that the City and County of San Francisco (the "*City*") intends to offer the above-captioned general obligation bonds (the "*Bonds*") for public sale on:

__________, 2018

at 8:00 a.m. (California time)	**at 8:30 a.m. (California time)**
Series 2018D Bonds	**Series 2018 C Bonds and Series 2018E Bonds**

(subject to modification, postponement or cancellation in accordance with the Official Notice of 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*").

The City reserves the right to postpone or cancel the sale of the Bonds prior to the time bids are to be received or to change the terms thereof upon notice given through Thomson Reuters and/or Bloomberg Business News (collectively, the "*News Services*") and/or Parity as described herein below. If no bid is awarded for the Bonds, the City may reschedule the sale of the Bonds to another date or time by providing notification through Parity and/or the News Services.

The Bonds will be offered for public sale subject to the terms and conditions of the Official Notice of Sale, dated on or around ______, 2018 (the "*Official Notice of Sale*") relating to the Bonds. Additional information regarding the proposed sale of the Bonds, including copies of the Preliminary Official Statement for the Bonds, dated on or around ________, 2018 (the "*Preliminary Official Statement*"), and the Official Notice of Sale, are expected to be available electronically at Ipreo Prospectus: www.i-dealprospectus.com on or around ________, 2018, and may also be obtained from either of the City's Co-Municipal Advisors: (i) Hilltop Securities Inc., 50 California Street, Suite 2650, San Francisco, California 94111, telephone 415-263-1144, attention: Joseph T. Yew (email: joseph.yew@hilltopsecurities.com); or (ii) Ross Financial, 1736 Stockton Street, Suite One, San Francisco, California 94133, telephone 415-912-5612, attention: Peter J. Ross (email: rossfinancial@smkc.com). Failure of any bidder to receive such notice shall not affect the legality of the sale.

Other than with respect to postponement or cancellation as described above, the City reserves the

* Preliminary, subject to change.

right to modify or amend the Official Notice of Sale in any respect, as more fully described in the Official Notice of Sale; provided, that any such modification or amendment will be communicated to potential bidders through Parity and/or the News Services not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids for the Bonds or as otherwise described in the Official Notice of Sale. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. The City reserves the right, in its sole discretion, to reject any and all bids and to waive any irregularity or informality in any bid which does not materially affect such bid or change the ranking of the bids.

Dated: May __, 2018

OFFICIAL NOTICE OF SALE

and

OFFICIAL BID FORM

$__________*
CITY AND COUNTY OF SAN FRANCISCO TAX-EXEMPT GENERAL OBLIGATION BONDS (EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2014), SERIES 2018C

$__________*
CITY AND COUNTY OF SAN FRANCISCO TAXABLE GENERAL OBLIGATION BONDS (AFFORDABLE HOUSING, 2015), SERIES 2018D

$__________*
CITY AND COUNTY OF SAN FRANCISCO TAX-EXEMPT GENERAL OBLIGATION BONDS (PUBLIC HEALTH AND SAFETY, 2016), SERIES 2018E

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

SALE DATE:	____day, ________, 2018 (Subject to postponement, cancellation, modification or amendment in accordance with this Official Notice of Sale)
TIME:	8:00 a.m., California time for the Series 2018D Bonds 8:30 a.m., California time for the Series 2018C Bonds and the Series 2018E Bonds
PLACE:	Controller's Office of Public Finance 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102
DELIVERY DATE:	____day, _________, 2018*

* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

$__________*	**$__________***	**$__________***
CITY AND COUNTY OF SAN FRANCISCO TAX-EXEMPT GENERAL OBLIGATION BONDS (EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2014), SERIES 2018C	**CITY AND COUNTY OF SAN FRANCISCO TAXABLE GENERAL OBLIGATION BONDS (AFFORDABLE HOUSING, 2015), SERIES 2018D**	**CITY AND COUNTY OF SAN FRANCISCO TAX-EXEMPT GENERAL OBLIGATION BONDS (PUBLIC HEALTH AND SAFETY, 2016), SERIES 2018E**

NOTICE IS HEREBY GIVEN that electronic bids and sealed bids will be received in the manner described below, in the case of electronic bids, through the Ipreo LLC's BiDCOMP™/PARITY® System ("**Parity**"), and in the case of sealed bids, at the Controller's Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102, by the City and County of San Francisco (the "**City**") for the purchase of all, but not less than all, of the City's above-captioned general obligation bonds (collectively, the "**Bonds**" and each series thereof, the "**Series**") as more particularly described herein. Bidding procedures and sale terms are as follows:

Issue: The Bonds of each Series are described in the City's Preliminary Official Statement for the Bonds dated _______, 2018 (the "**Preliminary Official Statement**").

Time: Bids for the Bonds must be received by the City by _____ a.m., California time, on _______, 2018 (subject to postponement or cancellation in accordance with this Official Notice of Sale).

Place: Sealed, hand-delivered bids for the Bonds must be delivered to the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102. Instead of sealed, hand-delivered bids, bidders may submit electronic bids in the manner and subject to the terms and conditions described under "TERMS OF SALE - Form of Bids; Delivery of Bids" below, but no bid will be received after the time for receiving bids specified above.

THE RECEIPT OF BIDS ON _______, 2018, 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 THOMSON REUTERS AND/OR BLOOMBERG BUSINESS NEWS (COLLECTIVELY, THE "NEWS SERVICES") AND/OR PARITY (AS

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* Preliminary, subject to change.

DESCRIBED IN "TERMS OF SALE - FORM OF BIDS; DELIVERY OF BIDS" BELOW) AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION. Notice of the new date and time for receipt of bids shall be given through Parity and/or the News Services as soon as practicable following a postponement and no later than 1:00 p.m., California time, on the business day preceding the new date for receiving bids.

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice from:

(i) Hilltop Securities Inc.,
50 California Street, Suite 2650
San Francisco, California 94111
Telephone: 415-263-1144
Attention: Joseph T. Yew (email: joseph.yew@hilltopsecurities.com)

or

(ii) Ross Financial
1736 Stockton Street, Suite One
San Francisco, California 94133
Telephone: 415-912-5612
Attention: Peter J. Ross (email: rossfinancial@smkc.com)

(collectively, "**Co-Municipal Advisors**"), provided, however, that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE - Postponement or Cancellation of Sale."

The City reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the principal amounts of any serial maturity or mandatory sinking fund payment for a Series of Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto; provided, that any such modification or amendment will be communicated to potential bidders through the News Services and/or Parity not later than 1:00 p.m., California time, on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. Bidders are required to bid upon the Bonds as so modified or amended. See "TERMS OF SALE - Right to Modify or Amend."

Bidders are referred to the Preliminary Official Statement, for additional information regarding the City, the Bonds, the security for the Bonds and other matters. See "CLOSING PROCEDURES AND DOCUMENTS - Official Statement." Capitalized terms used and not defined in this Official Notice of Sale shall have the meanings ascribed to them in the Preliminary Official Statement.

This Official Notice of Sale will be submitted for posting to Parity (as described in "TERMS OF SALE - Form of Bids; Delivery of Bids" below). In the event the summary of the terms of sale of the Bonds posted on Parity conflicts with this Official Notice of Sale in any respect, the terms of this Official Notice of Sale shall control, unless a notice of an amendment is given as described herein.

TERMS RELATING TO THE BONDS

THE AUTHORITY FOR ISSUANCE, PURPOSES, PAYMENT OF PRINCIPAL AND INTEREST, REDEMPTION, DEFEASANCE, SOURCES AND USES OF FUNDS, SECURITY AND SOURCES OF PAYMENT, FORM OF LEGAL OPINIONS OF CO-BOND COUNSEL AND OTHER INFORMATION REGARDING THE BONDS ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE BONDS. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE BONDS. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION OF THE BONDS CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

Issue. Each Series of 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 winning bidder of such Series (each, a "**Purchaser**"), all dated the date of delivery, which is expected to be ___________, 2018*. If the sale is postponed, notice of the new date of the sale will also set forth the new expected date of delivery of the Bonds.

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

Interest Rates. Interest on the Bonds will be payable on December 15, 2018, and semiannually thereafter on June 15 and December 15 of each year (each an "**Interest Payment Date**"). Interest shall be calculated on the basis of a 30-day month, 360-day year from the dated date of the Bonds. Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided:

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

(ii) the maximum interest rate bid for any maturity shall not exceed 8% per annum;

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

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

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* Preliminary, subject to change.

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

See the Preliminary Official Statement – "THE BONDS - Payment of Interest and Principal."

Principal Payments of the Series 2018C Bonds. The Series 2018C Bonds shall be serial and/or term Series 2018C Bonds, as specified by each bidder, provided, however, that there shall be no term bonds with a maturity date prior to 20__. Principal shall be payable on June 15 of each year, commencing on June 15, 2019, as shown below. Subject to the City's right to modify or amend this Official Notice of Sale (see "TERMS OF SALE - Right to Modify or Amend"), the final maturity of the Series 2018C Bonds shall be June 15, 2048. The principal amount of the Series 2018C Bonds maturing or subject to mandatory sinking fund redemption in any year shall be in integral multiples of $5,000. For any term Series 2018C Bonds specified, the principal amount for a given year may be allocated only to a single term Series 2018C Bond and must be part of an uninterrupted annual sequence from the first mandatory sinking fund payment to the term Series 2018C Bond maturity. The aggregate amount of the principal amount of the serial maturity or mandatory sinking fund payment for the Series 2018C Bonds is shown below for information purposes only. **Bidders for the Series 2018C Bonds will provide bids for all of the Series 2018C Bonds Principal Amounts.**

Subject to the City's right to modify or amend this Official Notice of Sale (see "TERMS OF SALE - Right to Modify or Amend"), and to adjustment as provided in this Official Notice of Sale (see "–Adjustment of Principal Payments"), the aggregate principal amount of the serial maturity or mandatory sinking fund payment for the Series 2018C Bonds in each year is as follows:

Series 2018C Bonds

Maturity Date (June 15)	Principal Amount*
TOTAL	

Principal Payments of the Series 2018D Bonds. The Series 2018D Bonds shall be serial and/or term Series 2018D Bonds, as specified by each bidder, provided, however, that there shall be no term bonds with a maturity date prior to 20__. Principal shall be payable on June 15 of each year, commencing on June 15, 2019, as shown below. Subject to the City's right to modify or amend this Official Notice of Sale (see "TERMS OF SALE - Right to Modify or Amend"), the

* Preliminary, subject to change.

final maturity of the Series 2018D Bonds shall be June 15, 2048. The principal amount of the Series 2018D Bonds maturing or subject to mandatory sinking fund redemption in any year shall be in integral multiples of $5,000. For any term Series 2018D Bonds specified, the principal amount for a given year may be allocated only to a single term Series 2018D Bond and must be part of an uninterrupted annual sequence from the first mandatory sinking fund payment to the term Series 2018D Bond maturity. The aggregate amount of the principal amount of the serial maturity or mandatory sinking fund payment for the Series 2018D Bonds is shown below for information purposes only. **Bidders for the Series 2018D Bonds will provide bids for all of the Series 2018D Bonds Principal Amounts.**

Subject to the City's right to modify or amend this Official Notice of Sale (see "TERMS OF SALE - Right to Modify or Amend"), and to adjustment as provided in this Official Notice of Sale (see "–Adjustment of Principal Payments"), the aggregate principal amount of the serial maturity or mandatory sinking fund payment for the Series 2018D Bonds in each year is as follows:

Series 2018D Bonds

Maturity Date (June 15)	Principal Amount*
TOTAL	

Principal Payments of the Series 2018E Bonds. The Series 2018E Bonds shall be serial and/or term Series 2018E Bonds, as specified by each bidder, provided, however, that there shall be no term bonds with a maturity date prior to 20__. Principal shall be payable on June 15 of each year, commencing on June 15, 2019, as shown below. Subject to the City's right to modify or amend this Official Notice of Sale (see "TERMS OF SALE - Right to Modify or Amend"), the final maturity of the Series 2018E Bonds shall be June 15, 2048. The principal amount of the Series 2018E Bonds maturing or subject to mandatory sinking fund redemption in any year shall be in integral multiples of $5,000. For any term Series 2018E Bonds specified, the principal amount for a given year may be allocated only to a single term Series 2018E Bond and must be part of an uninterrupted annual sequence from the first mandatory sinking fund payment to the term Series 2018E Bond maturity. The aggregate amount of the principal amount of the serial maturity or mandatory sinking fund payment for the Series 2018E Bonds is shown below for information purposes only. **Bidders for the Series 2018E Bonds will provide bids for all of the Series 2018E Bonds Principal Amounts.**

Subject to the City's right to modify or amend this Official Notice of Sale (see "TERMS OF SALE - Right to Modify or Amend"), and to adjustment as provided in this Official Notice of

* Preliminary, subject to change.

Sale (see "–Adjustment of Principal Payments"), the aggregate principal amount of the serial maturity or mandatory sinking fund payment for the Series 2018E Bonds in each year is as follows:

Series 2018E Bonds

Maturity Date (June 15)	Principal Amount*
TOTAL	

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the City with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. **The City reserves the right to change the principal payment schedule set forth above for a Series of Bonds after the determination of the winning bidder, by adjusting one or more of the principal payments of such Series of Bonds, in increments of $5,000, as determined in the sole discretion of the City. Any such adjustment of principal payments with respect to a Series of Bonds shall be based on the schedule of principal payments provided by the City to be used as the basis of bids for such Series of Bonds. Any such adjustment will not change the average per Bond dollar amount of the applicable underwriter's discount. Any such adjustment will be communicated to the winning bidder within 24 hours after receipt of such bid by the City. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no winning bid may be withdrawn.**

See also "TERMS OF SALE - Right to Modify or Amend," regarding the City's right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for any Series of Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto.

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

Redemption.

* Preliminary, subject to change.

(i) Optional Redemption of the Series 2018C Bonds. The Series 2018C Bonds maturing on or before June 15, 20__, will not be subject to redemption prior to their respective stated maturity dates. The Series 2018C Bonds maturing on or after June 15, 20__, are 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 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 Series 2018C Bonds redeemed, together with accrued interest to the date fixed for redemption, without premium. See the Preliminary Official Statement – "THE BONDS - Redemption - *Optional Redemption of the Bonds*."

(ii) Optional Redemption of the Series 2018D Bonds. The Series 2018D Bonds maturing on or before June 15, 20__, will not be subject to redemption prior to their respective stated maturity dates. The Series 2018D Bonds maturing on or after June 15, 20__, are 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 maturities to be redeemed to be determined by the City and pro rata within a maturity), on or after June 15, 20__, at the redemption price equal to the principal amount of the Series 2018D Bonds redeemed, together with accrued interest to the date fixed for redemption, without premium. See the Preliminary Official Statement – "THE BONDS - Redemption - *Optional Redemption of the Bonds*."

(iii) Optional Redemption of the Series 2018E Bonds. The Series 2018E Bonds maturing on or before June 15, 20__, will not be subject to redemption prior to their respective stated maturity dates. The Series 2018E Bonds maturing on or after June 15, 20__, are 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 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 Series 2018E Bonds redeemed, together with accrued interest to the date fixed for redemption, without premium. See the Preliminary Official Statement – "THE BONDS - Redemption - *Optional Redemption of the Bonds*."

(iv) Mandatory Redemption. Term bonds, if any, of a Series of Bonds are also subject to redemption prior to their respective stated maturity dates, in part, by lot for the Series 2018C and Series 2018 E Bonds and pro rata for the Series 2018D Bonds, from mandatory sinking fund payments, on each June 15 on or after June 15, 20__, designated by the winning 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, as adjusted pursuant to "-Adjustment of Principal Payments" above, plus accrued interest thereon to the date fixed for redemption, without premium. No term bonds of a Series of Bonds may be redeemed from mandatory sinking fund payments until all term bonds of such Series of Bonds maturing on preceding term maturity dates, if any, have been redeemed. See the Preliminary Official Statement – "THE BONDS - Redemption - *Mandatory Redemption*."

Legal Opinions and Tax Matters. Upon delivery of the Bonds, Kutak Rock LLP and Curls Bartling P.C., Co-Bond Counsel to the City ("**Co-Bond Counsel**"), will deliver their separate legal opinions as to the validity and enforceability and tax status of each Series of the Bonds.

A complete copy of the proposed form of each opinion of Co-Bond Counsel is set forth in Appendix F to the Preliminary Official Statement. Copies of the opinions of Co-Bond Counsel will be furnished to the Purchaser upon delivery of the Bonds.

See the Preliminary Official Statement – "TAX MATTERS."

TERMS OF SALE

Par and Premium Bids; No Net Discount Bids. All bids for each Series of Bonds shall be for par or more; no net discount bids for any Series of Bonds will be accepted. Bidders may not bid a price for more than [111]% of the aggregate principal amount of a Series of Bonds. Notwithstanding the foregoing, the City may not accept a bid price for a Series of Bonds which results in a net original issue premium of more than the aggregate amount of interest coming due or accruing through a date that is three years after the date of issuance for such Series. No bid submitted at a price less than the aggregate par value of a Series of Bonds will be considered. Individual maturities of any Series of Bonds may be reoffered at par, a premium or a discount.

Form of Bids; Delivery of Bids. Each bid for a Series of Bonds must be: (1) for not less than all of a Series of Bonds offered for sale; (2) unconditional; and (3) either submitted (i) on the Official Bid Form attached hereto as Exhibit A and signed by the bidder, or (ii) 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][one hour after the City has given notice of such verbal award]. Electronic bids must conform to the procedures established by Parity. Sealed bids must be enclosed in a sealed envelope, delivered to the City at the address set forth on the cover and clearly marked "Bid for the City and County of San Francisco General Obligation Bonds (Series 2018C, Series 2018D and/or Series 2018E)" or words of similar import, as hereinafter described and received by _____ a.m., California time, on _________, 2018, at the offices of the Office of Public Finance, c/o Anna Van Degna, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102; telephone: (415) 554-5956. No bid submitted to the City shall be subject to withdrawal or modification by the bidder.

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

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-Municipal Advisors at the numbers provided above or Parity at: (212) 404-8107.

<u>Warnings Regarding Electronic Bids</u>. 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-Municipal Advisors or Co-Bond Counsel assumes any responsibility for any error contained in any bid submitted electronically or for failure of any bid to be transmitted, received or opened by the time for receiving bids, and each bidder expressly assumes the risk of any incomplete, illegible, untimely or nonconforming bid submitted by electronic transmission by such bidder, including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause arising from submission by electronic transmission. 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 a Series of 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 and/or the News Services, will control; (2) each bidder will be solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale; (3) the City will not have any duty or obligation to provide or assure access to Parity to any bidder, and the City will not be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or untimely bid submitted by any bidder through Parity; (4) the City is permitting use of Parity as a communication mechanism, and not as an agent of the City, to facilitate the submission of electronic bids for the 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 a Series of Bonds or the interest rates for any maturity of a Series of 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 winning bidder and the City unless that information is included in this Official Notice of Sale or the Official Bid Form.

<u>Process of Award</u>. The City will take final action awarding each Series of Bonds or rejecting all bids for such Series of Bonds not later than [thirty (30)] hours after the time for receipt of bids, unless such time period is waived by the winning bidder.

The following five (5) steps constitute the City's process for a final award of each Series of Bonds:

(1) The Co-Municipal 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) 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-Municipal 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 duly authorized signatory;

(3) The Apparent Winning Bidder shall provide the Good Faith Deposit, as described under "–Good Faith Deposit;"

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

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

Upon completion of the steps described above, the Apparent Winning Bidder will be deemed the Purchaser of the Series of 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 RELATED TO THE BONDS - Adjustment of Principal Payment;" 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. Unless all bids are rejected each Series of Bonds will be awarded to the responsible bidder who submits a conforming bid that represents the lowest true interest cost to the City. The true interest cost will be that nominal interest rate that, when compounded semiannually and applied to discount all payments of principal and interest payable on such Series of Bonds to the dated date of such Series, results in an amount equal to the principal amount of the such Bonds plus the amount of any net premium. For the purpose of calculating the true interest cost, mandatory sinking fund payments for any term bond of a Series of Bonds specified by a bidder will be treated as Bonds maturing on the dates of such mandatory sinking fund payments. In the event that two or more bidders offer bids for a Series of Bonds at the same true interest cost, the City will determine by lot which bidder will be awarded such Series of Bonds. Bid evaluations or rankings made by Parity are not binding on the City.

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

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

Good Faith Deposit. To secure the City from any loss resulting from the failure of the apparent winning bidder to comply with the terms of its bid, the apparent winning bidder for each Series must provide to the City a good faith deposit (in the amount of $1,800,000 for the Series 2018C Bonds, $1,400,000 for the Series 2018D Bonds, and $500,000 for the Series 2018E Bonds) (each a "**Good Faith Deposit**") for such Series.

Upon the determination by the City of the Apparent Winning Bidder of the Bonds of a Series, the Co-Municipal Advisors will (i) provide to the Apparent Winning Bidder of such Series of Bonds the wire transfer information and (ii) request the Apparent Winning Bidder to immediately wire the applicable Good Faith Deposit to the City. No later than 90 minutes after the time the Co-Municipal Advisors request the Apparent Winning Bidder to wire the Good Faith Deposit to the City, the Apparent Winning Bidder of such Series must wire the applicable Good Faith Deposit to the City and provide the Federal wire reference number of such Good Faith Deposit to the Co-Municipal Advisors. In the event that the Apparent Winning Bidder does not wire the Good Faith Deposit to the City or does not provide the Federal wire reference number of such Good Faith Deposit to the Co-Municipal Advisors within the time specified above, the City may reject the bid of the Apparent Winning Bidder and award such Series of Bonds to a responsible bidder that submitted a conforming bid that represents the next lowest true interest cost to the City.

No interest will be paid upon the Good Faith Deposit made by any bidder. The Good Faith Deposit of each 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 Series of Bonds purchased by such Purchaser at the time of delivery thereof.

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

Reoffering Prices, Establishment of Issue Price and Certificate.

(a) The winning bidder for each of the Series 2018C and 2018E Bonds (collectively the "**Tax-Exempt Bonds**") shall assist the City in establishing the issue price of such Series of Tax-Exempt Bonds and shall execute and deliver to the City at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or, if the competitive sale requirements (defined below) are not satisfied and the parties agree that the 10% test shall apply to the Tax-Exempt Bonds the sales price or prices of each maturity of the Tax-Exempt Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of each winning bidder, the City and Co-Bond Counsel.

(b) The City intends that Treasury Regulation Sections 1.148-1(f)(3)(i) and 1.148-1(f)(2)(iii) (providing a special rule for competitive sales and defining the term "competitive sale" for purposes of establishing the issue price of the Tax-Exempt Bonds) will apply to the initial sale of each Series of Tax-Exempt Bonds (the "**competitive sale requirements**") because:

(1) the City shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

(2) all bidders shall have an equal opportunity to bid;

(3) the City may receive bids for each Series of Tax-Exempt Bonds from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the City anticipates awarding the sale of each Series of Tax-Exempt Bonds to the bidder who submits a firm offer to purchase such Series of Tax-Exempt Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of a Series of Tax-Exempt Bonds, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied for a Series of Tax-Exempt Bonds, the City shall so advise the winning bidder. The City may determine to treat (i) the first price at which 10% of any maturity of a Series of Tax-Exempt Bonds (the "**10% test**") is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of a Series of Tax-Exempt Bonds as the issue price of that maturity (the "**hold-the-offering-price rule**"), in each case applied on a maturity-by-maturity basis. The winning bidder shall advise the City if any maturity a Series of Tax-Exempt Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The City shall promptly advise the winning bidder, at or before the time of award of the Bonds, which maturities of the Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will <u>not</u> be subject to cancellation in the event that the City determines to apply the hold-the-offering-price rule to any maturity of the Series of Tax-Exempt Bonds. <u>Bidders should prepare their bids on the assumption that some or all of the maturities of the Tax-Exempt Bonds will be</u>

subject to the hold-the-offering-price rule in order to establish the issue prices of the Series of Tax-Exempt Bonds. For purposes of this section, Tax-Exempt Bonds maturing on the same date but having different interest rates (and CUSIP numbers) shall be treated as separate maturities of the Tax-Exempt Bonds.

(d) By submitting a bid for a Series of Tax-Exempt Bonds, the winning bidder shall (i) confirm that the underwriters have offered or will offer such Series of Tax-Exempt Bonds to the public on or before the date of award at the offering price or prices (the "**initial offering price**"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Series of Tax-Exempt Bonds, that the underwriters will neither offer nor sell unsold Tax-Exempt Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

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

(2) the date on which the underwriters have sold at least 10% of that maturity of the Tax-Exempt Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Tax-Exempt Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Tax-Exempt Bonds, the winning bidder agrees to promptly report to the City the prices at which the unsold Tax-Exempt Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Tax-Exempt Bonds of that maturity or until all Tax-Exempt Bonds of that maturity have been sold.

(f) The City acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of such Tax-Exempt Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of such Tax-Exempt Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Series of Tax-Exempt Bonds.

(g) By submitting a bid for a Series of Tax-Exempt Bonds, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of such Tax-Exempt Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Tax-Exempt Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to such Tax-Exempt Bonds of that maturity or all Tax-Exempt Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of such Tax-Exempt Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Tax-Exempt Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Tax-Exempt Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to such Tax-Exempt Bonds of that maturity or all Tax-Exempt Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(h) Sales of any Tax-Exempt Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this Official Notice of Sale:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Tax-Exempt Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Tax-Exempt Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Tax-Exempt Bonds to the public),

(iii) a purchaser of any of the Tax-Exempt Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Tax-Exempt Bonds are awarded by the City to the winning bidder.

Electronic Bids; Delivery of Form of Bids. If the City accepts a bidder's bid that was submitted through Parity, the winning bidder shall submit a signed, completed and conforming Official Bid Form by facsimile transmission to 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, to reject any and all bids and to waive any irregularity or informality in any bid which does not materially affect such bid or change the ranking of the bids.

Right to Modify or Amend. Other than with respect to postponement or cancellation as described in this Official Notice of Sale, and in addition to the City's right to adjust the payment amounts of the Bonds as provided in "TERMS RELATING TO THE BONDS - Adjustment of Principal Payments" the City reserves the right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for any Series of Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto; provided, that, subject to the terms of this Official Notice of Sale (see "TERMS RELATING TO THE BONDS - Adjustment of Principal Payments") any such modification or amendment will be communicated to potential bidders through Parity and/or the News Services not later than 1:00 p.m., California time, on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale.

Postponement or Cancellation of Sale. The City may postpone or cancel the sale of any or all Series of the Bonds at or prior to the time for receiving bids. Notice of such postponement or cancellation shall be given through Parity and/or the News Services as soon as practicable following such postponement or cancellation. If a sale is postponed, notice of a new sale date will be given through Parity and/or the News Services as soon as practicable following a postponement and no later than 1:00 p.m., California time, on the business day preceding the new date for receiving bids. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice.

Prompt Award. The Controller of the City will take official action awarding the Bonds or rejecting all bids with respect to the Bonds not later than 30 hours after the time for receipt of bids for each Series of Bonds, unless such time period is waived by the Purchaser.

Equal Opportunity. Pursuant to the spirit and intent of the City's Local Business Enterprise ("**LBE**") Ordinance, Chapter 14B of the Administrative Code of the City, the City strongly encourages the inclusion of Local Business Enterprises certified by the San Francisco Human

Rights Commission in prospective bidding syndicates. A list of certified LBEs may be obtained from the San Francisco Human Rights Commission, 25 Van Ness Avenue, Room 800, San Francisco, California 94102; telephone: (415) 252-2500.

Sales Outside of the United States. The Purchaser must undertake responsibility for compliance with any laws or regulations of any foreign jurisdiction in connection with any sale of each Series of Bonds to persons outside the United States.

Insurance. No bids with municipal bond insurance will be accepted.

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. **Delivery of the Bonds will be made through the facilities of DTC in New York, New York, and is presently expected to take place on or about _______, 2018***. Payment for the Bonds of each Series (including any premium) must be made at the time of delivery in immediately available funds to the City Treasurer. Any expense for making payment in immediately available funds shall be borne by the applicable Purchaser. The City will deliver to each Purchaser, dated as of the delivery date, the legal opinions with respect to the Series of Bonds purchased, described in APPENDIX F – "PROPOSED FORMS OF OPINIONS OF CO-BOND COUNSEL" to the Preliminary Official Statement.

Qualification for Sale. The City will furnish such information and take such action not inconsistent with law as a 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 a Series of 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 of any nature is pending, or to the knowledge of the officer of the City executing such certificate, threatened, restraining or enjoining the sale, issuance or delivery of the Bonds or any part thereof, or the entering into or performance of any obligation of the City, or 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 or the boundaries of the City, or the entitlement of any officers of the City who will execute the Bonds to their respective offices.

Right of Cancellation. A Purchaser will have the right, at its option, to cancel this contract if the City fails to execute the purchased Bonds and tender the same for delivery within 30 days

* Preliminary; subject to change.

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 of the Bonds to accept delivery of and pay for such Bonds in accordance with the terms of this contract. The Purchaser of each Series, at its sole cost, will obtain separate CUSIP numbers for each maturity of such Series of Bonds. **The Purchaser of each Series of the Bonds is responsible for obtaining CUSIP numbers for the Bonds it purchased of such Series and the CUSIP Global Services (CGS) charge for the assignment of CUSIP numbers will be paid by such Purchaser.** CUSIP is a registered trademark of American Bankers Association. CUSIP data is provided by CUSIP Global Services managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. The City takes no responsibility for the accuracy of such CUSIP numbers. CUSIP numbers are provided only for the convenience of the Purchaser of each Series.

Expenses of the Winning Bidder(s). CUSIP Service Bureau charges, California Debt and Investment Advisory Commission fees (under California Government Code Section 8856), Depository Trust Company charges and all other expenses of the winning bidder will be the responsibility of the winning bidder. Pursuant to Section 8856 of the California Government Code, the Purchaser must pay to the California Debt and Investment Advisory Commission, within 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-Municipal Advisors. (The contact information for the Co-Municipal Advisors is set forth above in this Official Notice of Sale.) In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("**Rule 15c2-12**"), the City deems the Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. Within seven business days after the date of award of the Bonds, the Purchaser of each Series 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 of each Series must notify the City in writing within two (2) days of the sale of the Bonds if the Purchaser requires additional copies of the final Official Statement to comply with applicable regulations. The cost for such additional copies will be paid by the Purchaser requesting such copies.

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

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

Certificate Regarding Official Statement. At the time of delivery of the Bonds, each Purchaser will receive a certificate, signed by an authorized representative of the City, confirming to the Purchaser that (i) such authorized representative has determined that, to the best of such authorized representative's knowledge and belief, the final Official Statement (excluding reoffering information, information relating to The Depository Trust Company and its book-entry system, as to which no view will be expressed) did not as of its date, and does not as of the date of closing, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, (ii) such authorized representative knows of no material adverse change in the condition or affairs of the City that would make it unreasonable for such Purchaser to rely upon the final Official Statement in connection with the resale of each Series of the Bonds, and (iii) the City authorizes the Purchaser of each Series of the Bonds to distribute copies of the final Official Statement in connection with the resale of its Series of Bonds.

Purchaser Certificate Concerning Official Statement. As a condition of delivery of each Series of the Bonds, the Purchaser of such Series will be required to execute and deliver to the City, prior to the date of closing, a certificate to the following effect:

(i) The Purchaser has provided to the City the initial reoffering prices or yields on such Series of Bonds as printed in the final Official Statement, and the Purchaser has made a bona fide offering of such Series of Bonds to the public at the prices and yields so shown.

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

(iii) The foregoing statements will be true and correct as of the date of closing.

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

Except as otherwise disclosed in the Official Statement under the heading "CONTINUING DISCLOSURE," for the past five years, the City has been in compliance in all material respects with its continuing disclosure obligations under Rule 15c2-12.

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

Dated: _______, 2018.

EXHIBIT A

BID TIME: _____ a.m. (California time) _____, _______, 2018

OFFICIAL BID FORM FOR THE PURCHASE OF

$__________*

CITY AND COUNTY OF SAN FRANCISCO
TAX-EXEMPT GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2014),
SERIES 2018C

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 ___________, 2018, which is incorporated herein and made a part of this proposal, we have reviewed the Preliminary Official Statement relating to, among other things, the above-referenced Bonds (the "Bonds") and hereby offer to purchase all of the $___________* aggregate principal amount of the Bonds dated the date of their delivery on the following terms, including the submission of the required Good Faith Deposit in the amount of $_______________ by wire transfer; and to pay therefor the price of $__________ (such amount being the "Purchase Price"), which is equal to the aggregate principal amount of the Bonds, plus an original issue premium of $__________. The Bonds shall mature and be subject to mandatory sinking fund redemption (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 schedule below.

		(Check one)(1)					(Check one)(1)		
Maturity Date (June 15)	Principal Payment†	Serial Maturity	Mandatory Sinking Fund Redemption	Interest Rate	Maturity Date (June 15)	Principal Payment†	Serial Maturity	Mandatory Sinking Fund Redemption	Interest Rate
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	

† Subject to adjustment in accordance with the Official Notice of Sale.
(1) Circle the final maturity of each term bond specified.

____
Authorized Signatory
Title: ______________________________
Phone Number: ______________________________
Fax Number: ______________________________

True Interest Cost (optional and not binding): _______________

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

The City reserves the right to modify or amend this Bid Form, in any respect, including, without limitation, increasing or decreasing the principal amount at any serial maturity or mandatory sinking fund by payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund and payment dates, along with corresponding principal amounts with respect thereto as provided in "TERMS RELATING TO THE BONDS - Adjustment of Principal Payments" and "TERMS OF SALE - Right to Modify or Amend" in the Official Notice of Sale.

* Preliminary, subject to change.

BID TIME: _____ a.m. (California time) _____, _______, 2018

OFFICIAL BID FORM FOR THE PURCHASE OF

$__________*
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2015),
SERIES 2018D

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 ___________, 2018, which is incorporated herein and made a part of this proposal, we have reviewed the Preliminary Official Statement relating to, among other things, the above-referenced Bonds (the "Bonds") and hereby offer to purchase all of the $__________* aggregate principal amount of the Bonds dated the date of their delivery on the following terms, including the submission of the required Good Faith Deposit in the amount of $______________ by wire transfer; and to pay therefor the price of $__________ (such amount being the "Purchase Price"), which is equal to the aggregate principal amount of the Bonds, plus an original issue premium of $__________. The Bonds shall mature and be subject to mandatory sinking fund redemption (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 schedule below.

		(Check one)[(1)]					(Check one)[(1)]		
Maturity Date (June 15)	Principal Payment†	Serial Maturity	Mandatory Sinking Fund Redemption	Interest Rate	Maturity Date (June 15)	Principal Payment†	Serial Maturity	Mandatory Sinking Fund Redemption	Interest Rate
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	

† Subject to adjustment in accordance with the Official Notice of Sale.
(1) Circle the final maturity of each term bond specified.

____
Authorized Signatory
Title: _____________________________________
Phone Number: ______________________________
Fax Number: ________________________________

True Interest Cost (optional and not binding): _______________

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

The City reserves the right to modify or amend this Bid Form, in any respect, including, without limitation, increasing or decreasing the principal amount at any serial maturity or mandatory sinking fund by payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund and payment dates, along with corresponding principal amounts with respect thereto as provided in "TERMS RELATING TO THE BONDS - Adjustment of Principal Payments" and "TERMS OF SALE - Right to Modify or Amend" in the Official Notice of Sale.

____

* Preliminary, subject to change.

BID TIME: _____ a.m. (California time)   _____, _______, 2018

OFFICIAL BID FORM FOR THE PURCHASE OF

$__________*
CITY AND COUNTY OF SAN FRANCISCO
TAX-EXEMPT GENERAL OBLIGATION BONDS
(PUBLIC HEALTH AND SAFETY, 2016),
SERIES 2018E

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 ___________, 2018, which is incorporated herein and made a part of this proposal, we have reviewed the Preliminary Official Statement relating to, among other things, the above-referenced Bonds (the "Bonds") and hereby offer to purchase all of the $___________* aggregate principal amount of the Bonds dated the date of their delivery on the following terms, including the submission of the required Good Faith Deposit in the amount of $_______________ by wire transfer; and to pay therefor the price of $__________ (such amount being the "Purchase Price"), which is equal to the aggregate principal amount of the Bonds, plus an original issue premium of $__________. The Bonds shall mature and be subject to mandatory sinking fund redemption (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 schedule below.

		(Check one)[1]					(Check one)[1]		
Maturity Date (June 15)	Principal Payment†	Serial Maturity	Mandatory Sinking Fund Redemption	Interest Rate	Maturity Date (June 15)	Principal Payment†	Serial Maturity	Mandatory Sinking Fund Redemption	Interest Rate
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	
		_____	_____				_____	_____	

† Subject to adjustment in accordance with the Official Notice of Sale.
(1) Circle the final maturity of each term bond specified.

____
Authorized Signatory
Title: ______________________________
Phone Number: ______________________________
Fax Number: ______________________________

True Interest Cost (optional and not binding): _______________

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

The City reserves the right to modify or amend this Bid Form, in any respect, including, without limitation, increasing or decreasing the principal amount at any serial maturity or mandatory sinking fund by payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund and payment dates, along with corresponding principal amounts with respect thereto as provided in "TERMS RELATING TO THE BONDS - Adjustment of Principal Payments" and "TERMS OF SALE - Right to Modify or Amend" in the Official Notice of Sale.

* Preliminary, subject to change.

EXHIBIT B

[FORM OF ISSUE PRICE CERTIFICATE
(IF 3 BIDS FROM COMPETITIVE PROVIDERS ARE RECEIVED)]

(TO BE DELIVERED BY THE PURCHASER AS DESCRIBED IN THE OFFICIAL NOTICE OF SALE)

CITY AND COUNTY OF SAN FRANCISCO
TAX-EXEMPT
GENERAL OBLIGATION BONDS
(__________),
SERIES 2018_

This certificate is being delivered by ____________________, the purchaser (the "Purchaser") in connection with the issuance of the City and County of San Francisco Tax-Exempt General Obligation Bonds (______________________), Series 2018__ (the "Bonds"). The Purchaser hereby certifies and represents that:

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Purchaser are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

(a) *Issuer* means the City and County of San Francisco.

(b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is ______, 2018.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Kutak Rock LLP and Curls Bartling P.C., Co-Bond Counsel, in connection with rendering its opinion that the interest evidenced by the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[NAME OF PURCHASER]

By:______________________________

Name:_____________________________

Dated: [ISSUE DATE]

SCHEDULE A

EXPECTED OFFERING PRICES

(*Attached*)

SCHEDULE B

COPY OF PURCHASER'S BID

(*Attached*)

[FORM OF ISSUE PRICE CERTIFICATE
(IF LESS THAN 3 BIDS FROM COMPETITIVE PROVIDERS ARE RECEIVED)]

(TO BE DELIVERED BY THE PURCHASER AS DESCRIBED IN THE OFFICIAL NOTICE OF SALE)

CITY AND COUNTY OF SAN FRANCISCO
TAX-EXEMPT
GENERAL OBLIGATION BONDS
(__________),
SERIES 2018_

The undersigned, on behalf of__________________(the "Purchaser"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds") of the City and County of San Francisco (the "City").

1. ***Sale of the General Rule Maturities***. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities***.

(a) The Purchaser offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Official Notice of Sale, the Purchaser agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) offered or sold any Maturity of the Hold-the- Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms***.

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "General Rule Maturities."

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Purchaser sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is ________, 2018.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the tax certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Kutak Rock LLP and Curls Bartling P.C., Co-Bond Counsel in connection with rendering their opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that they may give to the City from time to time relating to the Bonds.

[NAME OF PURCHASER]

By:________________________________

Name:______________________________

Dated: [ISSUE DATE]

SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

(*Attached*)

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(*Attached*)

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2018

NEW ISSUE – BOOK-ENTRY ONLY

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

In the separate opinions of Kutak Rock LLP and Curls Bartling P.C., Co-Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Tax-Exempt Bonds (including any original issue discount properly allocable to the owner of a Tax-Exempt Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Taxable Bonds is included in gross income for federal income tax purposes. Co-Bond Counsel are also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. For a more complete description of such opinions of Co-Bond Counsel, see "TAX MATTERS" herein.

$[Par Amount C]*
CITY AND COUNTY OF SAN FRANCISCO
TAX-EXEMPT GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2014),
SERIES 2018C

$[Par Amount D]*
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2015),
SERIES 2018D

$[Par Amount E]*
CITY AND COUNTY OF SAN FRANCISCO
TAX-EXEMPT GENERAL OBLIGATION BONDS
(PUBLIC HEALTH AND SAFETY, 2016),
SERIES 2018E

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

The City and County of San Francisco Tax-Exempt General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2018C (the "2018C Bonds"), the City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2015), Series 2018D (the "2018D Bonds" or the "Taxable Bonds"), and the City and County of San Francisco Tax-Exempt General Obligation Bonds (Public Health and Safety, 2016), Series 2018E (the "2018E Bonds," and together with the 2018C Bonds and the 2018D 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 2018C Bonds and the 2018E Bonds are collectively referred to herein as the "Tax-Exempt Bonds." 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 proceeds of the Bonds will be used to finance certain public improvements as described herein, and to pay certain costs related to the issuance of the Bonds. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS."

The Bonds will be dated and bear interest from their date of delivery until paid in full at the rates shown in the maturity schedule on the inside cover hereof. Interest on the Bonds will be payable on June 15 and December 15 of each year, commencing December 15, 2018. Principal will be paid at maturity as shown on the inside cover. See "THE BONDS – Payment of Interest and Principal." 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 subject to redemption prior to maturity, as described herein. See "THE BONDS – Redemption."

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."

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* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2018

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.

MATURITY SCHEDULE
(See Inside Cover)

BIDS FOR THE PURCHASE OF THE 2018D BONDS WILL BE RECEIVED BY THE CITY AT _____ A.M. CALIFORNIA TIME AND BIDS FOR THE PURCHASE OF THE 2018C BONDS AND THE 2018E BONDS WILL BE RECEIVED BY THE CITY AT _____ A.M. CALIFORNIA TIME, ON MAY ___, 2018 AS PROVIDED IN THE OFFICIAL NOTICE OF SALE INVITING BIDS DATED MAY ___, 2018, UNLESS POSTPONED AS SET FORTH IN SUCH OFFICIAL NOTICE OF SALE. See "SALE OF THE BONDS" herein.

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 Kutak Rock LLP and Curls Bartling P.C., 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, 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 May ___, 2018.

Dated: May ___, 2018.

MATURITY SCHEDULE
(Base CUSIP† Number: ______)

$______
2018C Serial Bonds

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

$________ ___% 2018C Term Bonds due June 15, 20__ Price/Yield ____ CUSIP† No. ________

$______
2018D Serial Bonds

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

$________ ___% 2018D Term Bonds due June 15, 20__ Price/Yield ____ CUSIP† No. ________

$______
2018E Serial Bonds

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

$________ ___% 2018E Term Bonds due June 15, 20__ Price/Yield ____ CUSIP† No. ________

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence 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.

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

Mark E. Farrell

BOARD OF SUPERVISORS

London Breed, *Board President, District 5*

Sandra Lee Fewer, *District 1*
Catherine Stefani, *District 2*
Aaron Peskin, *District 3*
Katy Tang, *District 4*
Jane Kim, *District 6*

Norman Yee, *District 7*
Jeff Sheehy, *District 8*
Hillary Ronen, *District 9*
Malia Cohen, *District 10*
Ahsha Safai, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Naomi M. Kelly, *City Administrator*
Benjamin Rosenfield, *Controller*
Anna Van Degna, *Director of Public Finance*

PROFESSIONAL SERVICES

Paying Agent and Registrar

Treasurer of the City and County of San Francisco

Co-Bond Counsel

Kutak Rock LLP
Denver, Colorado

Curls Bartling P.C
Oakland, California

Co-Municipal Advisors

Hilltop Securities Inc.
San Francisco, California

Ross Financial
San Francisco, California

Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

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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 Tax-Exempt General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2018C (the "2018C Bonds"), the City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2015), Series 2018D (the "2018D Bonds" or the "Taxable Bonds"), and the City and County of San Francisco Tax-Exempt General Obligation Bonds (Public Health and Safety, 2016), Series 2018E (the "2018E Bonds," and together with the 2018C Bonds and the 2018D Bonds, the "Bonds"). The 2018C Bonds and the 2018E Bonds are collectively referred to herein as the "Tax-Exempt 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.

* Preliminary, subject to change.

THE CITY AND COUNTY OF SAN FRANCISCO

The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour's drive to the north. The City's population in 2016 was approximately 871,000.

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 California State Supreme Court is also based in San Francisco.

The City is a major convention and tourist destination. According to the San Francisco Travel Association, a nonprofit membership organization, during the calendar year 2016, approximately 25.2 million people visited the City and spent an estimated $9.0 billion during their visit, generating approximately $750 million in direct spending to the City from convention visitors.

The City benefits from a highly skilled, educated and professional labor force. The per-capita personal income of the City for fiscal year 2016-17 was $109,048, and the average unemployment rate was 3.1%. The San Francisco Unified School District operates 16 transitional kindergarten schools, 64 elementary schools serving grades K-5, 8 schools serving grades K-8, 13 middle schools serving grades 6-8, 19 high schools serving grades 9-12, 5 continuation/alternative schools, and 9 County and Court schools. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the 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 2016-17, SFO serviced approximately 54 million passengers and handled 535,581 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 11 districts to serve 4-year terms, and a Mayor who serves as chief executive officer, elected citywide to a 4-year term. The City's original budget for fiscal years 2017-18 and 2018-19 totals $10.12 billion and $10.00 billion, respectively. The General Fund portion of each year's original budget is $5.15 billion in fiscal year 2017-18 and $5.31 billion in fiscal year 2018-19, 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 32,749 full-time-equivalent employees at the end of fiscal year 2016-17. According to the Controller of the City (the "Controller"), the fiscal year 2017-18 total net assessed valuation of taxable property in the City is approximately $234.1 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, 2017."

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 2018C Bonds by Resolution No. 313-14 and Resolution No. ____, adopted by the Board of Supervisors of the City on July 29, 2014 and ______, 2018, respectively, and duly approved by the Mayor of the City August 7, 2014 and ______, 2018, respectively (together, the "2018C Resolution"). The City authorized the issuance of the 2018D Bonds by Resolution No. 407-16 and Resolution No. ____, adopted by the Board of Supervisors of the City on September 20, 2016 and ______, 2018, respectively, and duly approved by the Mayor of the City on September 29, 2016 and ______, 2018, respectively (together, the "2018D Resolution"). The City authorized the issuance of the 2018E Bonds by Resolution No. 514-16 and Resolution No. ____, adopted by the Board of Supervisors of the City on December 6, 2016 and ______, 2018, respectively, and duly approved by the Mayor of the City on December 16, 2016 and ______, 2018, respectively (together, the "2018E Resolution," and with the 2018C Resolution and the 2018D Resolution, the "Resolutions").

The 2018C Bonds will constitute the third and final 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 more than 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 and $109,595,000 of the bonds authorized by Proposition A (2014) on April 20, 2016. After the issuance of the 2018C Bonds, no authorization of unissued bonds will remain under Proposition A (2014).

The 2018D Bonds will constitute the second series of bonds to be issued from an aggregate authorized amount of $310,000,000 of City and County of San Francisco Taxable and Tax-Exempt General Obligation Bonds (Affordable Housing, 2015), duly approved by more than two-thirds of the voters voting on Proposition A at an election held on November 3, 2015 ("Proposition A (2015)"), to provide funds for the purposes authorized in Proposition A (2015), which are summarized as follows: to finance the construction, development, acquisition, and preservation of housing affordable to low- and middle-income households through programs that will prioritize vulnerable populations such as San Francisco's working families, veterans, seniors, disabled persons; 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. The City previously issued $75,130,000 of the bonds authorized by Proposition A (2015) on November 1, 2016. After the issuance of the 2018D Bonds, approximately $_______ of unissued bonds will remain under Proposition A (2015).

The 2018E Bonds will constitute the second series of bonds to be issued from an aggregate authorized amount of $350,000,000 of City and County of San Francisco Taxable and Tax-Exempt General Obligation Bonds (Public Health and Safety, 2016), duly approved by more than two-thirds of the voters voting on Proposition A at an election held on June 7, 2016 ("Proposition A (2016)"), to provide funds for the purposes authorized in Proposition A (2016), which are summarized as follows: to protect public health and safety, improve community medical and mental health care services, earthquake safety, and emergency medical response; to seismically improve, and modernize neighborhood fire stations and vital public health and homeless service sites; to construct a seismically safe and improved San Francisco Fire Department ambulance deployment facility; and to pay related costs. The City previously issued $173,120,000 of the bonds authorized by Proposition A (2016) on February 1, 2017. After the issuance of the 2018E Bonds, approximately $_______ of unissued bonds will remain under Proposition A (2016).

The Administrative Code of the City (the "Administrative Code"), Proposition A (2014), Proposition A (2015) and Proposition A (2016) 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

Interest on the Bonds will be payable on each June 15 and December 15 to maturity or prior redemption, commencing December 15, 2018, 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 City Treasurer will act as paying agent and registrar with respect to the Bonds. The interest on the Bonds will be payable in lawful money of the United States to the Registered Owner 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, 2018 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 or from the date of delivery of the Bonds if the first interest payment is not made.

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.

Redemption*

Optional Redemption of the Bonds

The 2018C Bonds and the 2018E Bonds maturing on or before June 15, 20__ will not be subject to optional redemption prior to their respective stated maturity dates. The 2018D Bonds maturing on or before June 15, 20__ will not be subject to optional redemption prior to their respective stated maturity dates.

The 2018C Bonds and the 2018E 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.

The 2018D 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 pro rata 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 Redemption Date, without premium.

Mandatory Redemption

The 2018C Bonds maturing on June 15, 20__ 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
†	

† Maturity

The 2018D Bonds maturing on June 15, 20__ will be subject to redemption prior to their stated maturity date, in part, pro rata, 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
†	

† Maturity

* Preliminary, subject to change.

The 2018E Bonds maturing on June 15, 20__ 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
†	

† Maturity

Selection of Bonds for Redemption

Whenever less than all of the outstanding Bonds are called for redemption on any one date, the Director of Public Finance will select the maturities of Bonds to be redeemed in his or her sole discretion.

Whenever less than all the outstanding 2018C Bonds or 2018E Bonds maturing on any one date are called for redemption on any date, the particular 2018C Bonds or 2018E Bonds or portions thereof to be redeemed will be selected by lot, in any manner which the Director of Public Finance deems fair. Whenever less than all the outstanding 2018D Bonds maturing on any one date are called for redemption on any date, the particular 2018D Bonds or portions thereof to be redeemed will be selected on a pro rata basis. If the Director of Public Finance does not provide DTC with the necessary information and identify the redemption as on a pro rata basis, the 2018D Bonds will be selected for redemption by lot in accordance with DTC procedures. 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 Director of Public Finance 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 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 respective redemption account for the Bonds (the "Redemption Account") established under the respective Resolution, 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 respective 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 each respective 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 in the respective Redemption Account 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 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 on the anticipated Redemption Date and will remain Outstanding for all purposes of the respective Resolution and the redemption not occurring will not constitute a default under the respective Resolution.

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 the Tax-Exempt 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 respective Resolution.

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; (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 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, Fitch Ratings, and S&P Global Ratings, or any other nationally-recognized bond rating agency that is the successor to any of the foregoing rating agencies or that is otherwise recognized as a national rating agency 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	2018C	2018D	2018E	Total
Principal Amount of Bonds				
Net Original Issue Premium				
Total Sources of Funds				
Uses				
Deposit to Project Subaccount				
Deposit to Bond Subaccount				
Oversight Committee				
Underwriter's Discount				
Costs of Issuance*				
Total Uses of Funds				

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

Deposit and Investment of Bond Proceeds

2018C Bond Proceeds. Any bid premium received upon the delivery of the 2018C Bonds, and all taxes collected for payment of the 2018C Bonds, will be deposited into a special subaccount established for the payment of the 2018C Bonds. The subaccount was created by the 2018C Resolution specifically for payment of principal of and interest on the 2018C Bonds (the "2018C Bond Subaccount").

All remaining proceeds of the sale of the 2018C Bonds are required to be deposited by the City Treasurer into a special subaccount within the project account created by the City to hold proceeds of the sale of all of the Proposition 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 subaccount was created by the 2018C Resolution specifically to hold the proceeds of the 2018C Bonds (the "2018C Project Subaccount").

2018D Bond Proceeds. Any bid premium received upon the delivery of the 2018D Bonds, and all taxes collected for payment of the 2018D Bonds, will be deposited into a special subaccount established for the payment of the 2018D Bonds. The subaccount was created by the 2018D Resolution specifically for payment of principal of and interest on the 2018D Bonds (the "2018D Bond Subaccount").

All remaining proceeds of the sale of the 2018D Bonds are required to be deposited by the City Treasurer into a special subaccount within the project account created by the City to hold proceeds of the sale of all of the Proposition A (2015) bonds, which proceeds are required to be applied exclusively to the purposes approved by the voters in Proposition A (2015), and to pay costs of issuance of such bonds. See "THE BONDS – Authority for Issuance; Purposes." The subaccount was created by the 2018D Resolution specifically to hold the proceeds of the 2018D Bonds (the "2018D Project Subaccount").

2018E Bond Proceeds. Any bid premium received upon the delivery of the 2018E Bonds, and all taxes collected for payment of the 2018E Bonds, will be deposited into a special subaccount established for the payment of the 2018E Bonds. The subaccount was created by the 2018E Resolution specifically for payment of principal of and interest on the 2018E Bonds (the "2018E Bond Subaccount").

All remaining proceeds of the sale of the 2018E Bonds are required to be deposited by the City Treasurer into a special subaccount within the project account created by the City to hold proceeds of the sale of all of the Proposition A (2016) bonds, which proceeds are required to be applied exclusively to the purposes approved by the voters in Proposition A (2016), and to pay costs of issuance of such bonds. See "THE BONDS – Authority for Issuance; Purposes." The subaccount was created by the 2018E Resolution specifically to hold the proceeds of the 2018E Bonds (the "2018E Project Subaccount").

Under the Resolutions, the 2018C Bond Subaccount, the 2018C Project Subaccount, the 2018D Bond Subaccount, the 2018D Project Subaccount, the 2018E Bond Subaccount and the 2018E Project Subaccount may each be invested in any investment of the City in which moneys in the General Fund of the City are invested. The City Treasurer may commingle any of the moneys held in any such account with other City moneys, or deposit amounts credited to such accounts into a separate fund or funds for investment purposes only. All interest earned on any such account will be retained in that account. See APPENDIX C – "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY."

A portion of the proceeds of the Bonds will be used to pay certain costs related to the issuance of the Bonds. Up to 0.1% of the proceeds of each series 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 (assuming no early redemptions):

City and County of San Francisco
General Obligation Bonds
Series 2018C, Series 2018D and Series 2018E[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 Subaccounts 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 2018C Bonds is as follows (assuming no early redemptions):

City and County of San Francisco
General Obligation Bonds
Series 2018C[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 2018C Bond Subaccount relating to the 2018C Bonds. See "SOURCES AND USES OF FUNDS."

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

Scheduled debt service payable with respect to the 2018D Bonds is as follows (assuming no early redemptions):

City and County of San Francisco
General Obligation Bonds
Series 2018D[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 2018D Bond Subaccount relating to the 2018D Bonds. See "SOURCES AND USES OF FUNDS."
(2) Amounts are rounded off to the nearest dollar.

Scheduled debt service payable with respect to the 2018E Bonds is as follows (assuming no early redemptions):

City and County of San Francisco
General Obligation Bonds
Series 2018E(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 2018E Bond Subaccount relating to the 2018E Bonds. 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.

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 2017-18 is approximately $234.1 billion. During economic downturns, declining market values of real estate, 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. As of July 1, 2017, no single assessee owned more than 0.43% of the total taxable assessed value 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 2017-18 is approximately $7.02 billion, based on a net assessed valuation of approximately $234.1 billion. As of March 1, 2018, the City had outstanding approximately $2.07 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.88% of the net assessed valuation for fiscal year 2017-18. 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 March 1, 2018, the City had voter approval to issue up to $1.37 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 10-year capital plan sets forth $35.2 billion of capital needs for all City departments. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Capital Plan."

City Long-Term Financial 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 10-year capital plan. However identified funding resources are below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $11 billion in capital needs are deferred from the capital plan's 10-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.

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. 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 its operating budget for future economic downturns, these measures may not be sufficient. Economic stabilization reserves have grown significantly during the last four 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, 2017."

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 within about three miles of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. 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.

In early 2016, the Port Commission of the City and County of San Francisco commissioned an earthquake vulnerability study of the Northern Waterfront Seawall. The Seawall was constructed over 100 years ago and sits on reclaimed land, rendering it vulnerable to seismic risk. The Seawall provides flood and wave protection to downtown San Francisco, and stabilizes hundreds of acres of filled land. Preliminary findings of the study indicate that a strong earthquake may cause most of the Seawall to settle and move outward toward the Bay, which would significantly increase earthquake damage and disruption along the waterfront. The Port Commission estimates that seismic retrofitting of the Seawall could cost as much as $3 billion, with another $2 billion or more needed to prepare the Seawall for rising sea levels. The study estimates that approximately $1.6 billion in Port assets and $2.1 billion of rents, business income, and wages are at risk from major damage to the Seawall.

Climate Change, Risk of Sea Level Rise and Flooding Damage

Numerous scientific studies on global climate change show that sea levels will rise given the increasing temperature of the oceans and growing ocean volume, as land ice melts and runs off into the ocean. Over the past century, the sea level has risen about eight inches around the San Francisco Bay and along the Pacific coast. Such scientific studies also project accelerating sea level rise due to climate change over the coming century. As a result, coastal areas like San Francisco are at risk of substantial flood damage over time and this will affect private development as well as public infrastructure, including roads, utilities, emergency services, schools and parks. The City could lose considerable tax revenues and many residents, businesses and governmental operations along the waterfront could be displaced.

The City, including its Port, Department of the Environment and various other departments and agencies, have been preparing for these impacts for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled "Sea Level Rise Action Plan," identifying geographic zones at risk of sea level rise and providing a framework for adaption strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise plus temporary flooding due to 100-year storm of up to 108 inches above 2015 average high tide. The City is working on a citywide adaption plan that will likely be finalized and released in the summer 2018. The goal of the adaption plan is to establish a long-term comprehensive planning framework, identify funding sources and prioritize investments.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resource Agency, the Governor's Office of Planning and Research, and the California Energy Commission) published a report entitled "Rising Seas in California: An Update on Sea Level Rise Science" (the "Sea Level Rise Report") to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report will provide the basis for State guidance to state and local agencies for incorporating sea-level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, period tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets pose a particular risk of sea level rise for the California coastline.

The City has already incorporated site specific adaption plans in the conditions of approval for certain large waterfront development projects, such as the Candlestick/Hunters Point Shipyard, Treasure Island, Pier 70 and Mission Rock projects. Also, the City has started the process of planning to fortify the Port's seawall from sea level rise, including an initial investment of about $8 million during 2017-2018 and consideration of financing options. The City expects short term upgrades to cost over $500 million and long term upgrades to cost more than $5 billion.

A scientific report issued in March 2018 by professors at UC Berkeley and the University of Arizona suggests that flooding risk from climate change could be exacerbated in the San Francisco Bay Area due to the sinking of soil, known as subsidence. The risk of subsidence affects certain parts of San Francisco built on landfill as well as the San Francisco International Airport. Under the new projections in this report, damage due to flooding could be worse than estimated under earlier climate change studies.

Projections of the impacts of global climate change on San Francisco are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast the amount and timing of sea level rise and its adverse impacts, including flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse impacts of climate change (e.g., the occurrence and frequency of 100 year storm events and king tides) will occur. In particular the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse impacts on the business operations or financial condition of the City and the local economy during the term of the Bonds. While the impacts of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures.

The City has filed a lawsuit against the five largest investor-owned oil companies that is pending in the United States District Court, Northern District of California, Case No. 3:17-cv-06012-WHA, entitled The People of the State of California, acting by and through the San Francisco City Attorney, Dennis J. Herrera, v. BP P.L.C, et al. In that lawsuit, the City Attorney is seeking to have the companies pay into an equitable abatement fund to help fund investment in sea level rise adaptation infrastructure. While the City believes that its claims are meritorious, the City can give no assurance regarding whether it will be successful and obtain the requested relief from the courts or contributions to the abatement fund from the defendant oil companies.

Cybersecurity

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the City has been the subject of cybersecurity incidents that have resulted in or could have resulted in adverse consequences to the City's Systems Technology and that required a response action to mitigate the consequences. For example, in November 2016, the San Francisco Metropolitan Transportation Agency (the "SFMTA") was subject to a ransomware attack which disrupted some of the SFMTA's internal computer systems. Therefore, the attack did not interrupt Muni train services nor did it compromise customer privacy or transaction information. The SFMTA, however, took the precaution of turning off the ticket machines and fare gates in the Muni Metro subway stations from Friday, November 25 until the morning of Sunday, November 27.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in multiple forms of cybersecurity and operational safeguards. In November 2016, the City adopted a City-wide Cyber Security Policy ("Cyber Policy") to support, maintain, and secure critical infrastructure and data systems. The objectives of the Cyber Policy include the protection of critical infrastructure and information, manage risk, improve cyber security event detection and remediation, and facilitate cyber awareness across all City departments. The City's Department of Technology has established a cybersecurity team to work across all City departments to implement the Cyber Policy. The City's Cyber Policy will be reviewed periodically.

The City has also appointed a City Chief Information Security Officer ("CCISO"), who is directly responsible for understanding the business and related cybersecurity needs of the City's 54 departments. The CCISO is responsible for identifying, evaluating, responding, and reporting on information security risks in a manner that meets compliance and regulatory requirements, and aligns with and supports the risk posture of the City.

While City cybersecurity and operational safeguards are periodically tested, no assurances can be given by the City that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could damage the City's Systems Technology and cause material disruption to the City's operations and the provision of City services. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the City to material litigation and other legal risks, which could cause the City to incur material costs related to such legal claims or proceedings.

Other Events

Seismic events, wildfires, tsunamis, and other natural or man-made events may damage City infrastructure and adversely impact the City's ability to provide municipal services. For example, 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. 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.

TAX MATTERS

The Tax-Exempt Bonds

General Matters. In the separate opinions of Kutak Rock LLP and Curls Bartling P.C., Co-Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Tax-Exempt Bonds (including any original issue discount properly allocable to the owner of a Tax-Exempt Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described above assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Tax-Exempt Bonds. Failure to comply with such requirements could cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. The City has covenanted to comply with such requirements. Co-Bond Counsel have expressed no opinion regarding other federal tax consequences arising with respect to the Tax-Exempt Bonds.

Notwithstanding Co-Bond Counsel's opinion that interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax, for taxable years beginning before January 1, 2018, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75 percent of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). No federal alternative minimum tax applies to corporations for taxable years beginning after December 31, 2017.

The accrual or receipt of interest on the Tax-Exempt Bonds may otherwise affect the federal income tax liability of the owners of the Tax-Exempt Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Co-Bond Counsel have expressed no opinion regarding any such consequences. Purchasers of the Tax-Exempt Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Tax-Exempt Bonds.

Bond Counsel is also of the opinion that interest on the Tax-Exempt Bonds is exempt from State of California personal income taxes. Co-Bond Counsel have expressed no opinion regarding other tax consequences arising with respect to the Tax-Exempt Bonds under the laws of the State of California or any other state or jurisdiction.

A copy of the form of each opinion of Co-Bond Counsel is attached hereto as Appendix F.

Original Issue Discount. The Tax-Exempt Bonds that have an original yield above their respective interest rates, as shown on the inside cover page of this Official Statement (collectively, the "Discount Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond or is otherwise required to be recognized in gross income is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such bonds for a price that is higher or lower than the "adjusted issue price" of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Recognition of Income Generally. Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount and market discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. The rule generally applies to taxable years after 2017, except that in the case of income from a debt instrument having original issue discount, the rule does not apply until taxable years after 2018. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Tax-Exempt Discount Bonds under the Code.

Original Issue Premium. The Tax-Exempt Bonds that have an original yield below their respective interest rates, as shown on the inside cover page of this Official Statement (collectively, the "Premium Bonds"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Tax-Exempt Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Tax-Exempt Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

The Taxable Bonds

General Matters. Co-Bond Counsel are of the opinion that interest on the Taxable Bonds is included in gross income for federal income tax purposes. Co-Bond Counsel are also of the opinion that interest on the Taxable Bonds is exempt from State of California personal income taxes. Co-Bond Counsel have expressed no opinion regarding other tax consequences arising with respect to the Taxable Bonds under the laws of the State of California or any other state or jurisdiction.

A copy of the form of each opinion of Co-Bond Counsel is attached hereto as Appendix F.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Taxable Bonds under the Code and the Regulations, and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Taxable Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Taxable Bonds.

In general, interest paid on the Taxable Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Taxable Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Bond Premium. An investor that acquires a Taxable Bond for a cost greater than its remaining stated redemption price at maturity and holds such bond as a capital asset will be considered to have purchased such bond at a premium and, subject to prior election permitted by Section 171(c) of the Code, may generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Bond premium is generally amortized over the bond's term using constant yield principles, based on the purchaser's yield to maturity. Investors of any Taxable Bond purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

Original Issue Discount. If the Taxable Bonds are issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified *de minimis* amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. As a general rule, the owner of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days the owner owned the instrument. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction. Owners of Taxable Bonds purchased at a discount should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income (notwithstanding the general rule described above in this paragraph) and with respect to the state and local tax consequences of owning such Taxable Bonds.

Recognition of Income Generally. Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount and market discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. The rule generally applies to taxable years after 2017, except that in the case of income from a debt instrument having original issue discount, the rule does not apply until taxable years after 2018. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Taxable Bonds under the Code.

Market Discount. An investor that acquires a Taxable Bond for a price less than the adjusted issue price of such bond may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market discount" means (a) in the case of a Taxable Bond originally issued at a discount, the amount by which the issue price of such bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a Taxable Bond not originally issued at a discount, the amount by which the stated redemption price of such bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Taxable Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the bond, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a bond or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Taxable Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Taxable Bond that acquired such bond at a market discount also may be required to defer, until the maturity date of such bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Taxable Bond for the days during the taxable year on which the owner held such bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Taxable Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Unearned Income Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals earning certain investment income. Holders of the Taxable Bonds should consult their own tax advisors regarding the application of this tax to interest earned on the Taxable Bonds and to gain on the sale of a Taxable Bond.

Sales or Other Dispositions. If an owner of a Taxable Bond sells the bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such bond. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Taxable Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Taxable Bond should consult its own tax advisor concerning the circumstances in which such bond would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance. The legal defeasance of the Taxable Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such Taxable Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Backup Withholding. An owner of a Taxable Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Taxable Bonds, if such owner, upon issuance of the Taxable Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Foreign Investors. An owner of a Taxable Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Taxable Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Taxable Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30 percent United States withholding tax will apply to interest paid and original issue discount accruing on Taxable Bonds owned by foreign investors. In those instances in which payments of interest on the Taxable Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Taxable Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Taxable Bond.

Tax-Exempt Investors. In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Taxable Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Taxable Bond is urged to consult its own tax advisor regarding the application of these provisions.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Taxable Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Taxable Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the City or any dealer of the Taxable Bonds might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Taxable Bonds are acquired by such plans or arrangements with respect to which the City or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Taxable Bonds. The sale of the Taxable Bonds to a plan is in no respect a representation by the City or the Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Taxable Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Co-Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Co-Bond Counsel have expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

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 separate legal opinions of Kutak Rock LLP and Curls Bartling P.C., 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 is set forth in APPENDIX F hereto. The text of the legal opinions to be delivered may vary 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 the opinions by recirculation of this Official Statement or otherwise will create no implication that Co-Bond Counsel have reviewed or expresses any opinion concerning any of the matters referred to in the opinions subsequent to their date. In rendering their separate 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 undertakes 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

Hilltop Securities Inc., San Francisco, California and Ross Financial, San Francisco, California have served as Co-Municipal Advisors to the City with respect to the sale of the Bonds. The Co-Municipal 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-Municipal 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-Municipal 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 2017-18, which is due not later than March 27, 2019, 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 purchaser of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The ratings on certain obligations of the City were upgraded by Fitch Ratings on March 28, 2013. Under certain continuing disclosure undertakings of the City, the City was required to file a notice of such upgrade with the Electronic Municipal Market Access system of the MSRB by April 11, 2013. The City filed such notice on May 17, 2013.

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

RATINGS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("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.spratings.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 are scheduled to be sold at competitive bid on May ___, 2018, as provided in the Official Notice of Sale, dated May ___, 2018 (the "Official Notice of Sale"). The Official Notice of Sale provides that all Bonds would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Co-Bond Counsel and certain other conditions. The Purchaser will represent to the City that the Bonds have been reoffered to the public at the price or yield to be stated on the inside cover page hereof.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the initial 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, 2017

APPENDIX C

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$[Par Amount C]*
CITY AND COUNTY OF SAN FRANCISCO
TAX-EXEMPT GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2014),
SERIES 2018C

$[Par Amount D]*
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2015),
SERIES 2018D

$[Par Amount E] *
CITY AND COUNTY OF SAN FRANCISCO
TAX-EXEMPT GENERAL OBLIGATION BONDS
(PUBLIC HEALTH AND SAFETY, 2016),
SERIES 2018E

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 Bonds will be issued under the Government Code of the State and the Charter. The City authorized the issuance of the 2018C Bonds by Resolution No. 313-14 and Resolution No. ____, adopted by the Board of Supervisors of the City on July 29, 2014 and ______, 2018, respectively, and duly approved by the Mayor of the City August 7, 2014 and ______, 2018, respectively (together, the "2018C Resolution"). The City authorized the issuance of the 2018D Bonds by Resolution No. 407-16 and Resolution No. ____, adopted by the Board of Supervisors of the City on September 20, 2016 and ______, 2018, respectively, and duly approved by the Mayor of the City on September 29, 2016 and ______, 2018, respectively (together, the "2018D Resolution"). The City authorized the issuance of the 2018E Bonds by Resolution No. 514-16 and Resolution No. ____, adopted by the Board of Supervisors of the City on December 6, 2016 and ______, 2018, respectively, and duly approved by the Mayor of the City on December 16, 2016 and ______, 2018, respectively (together, the "2018E Resolution," and with the 2018C Resolution and the 2018D 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.

* Preliminary, subject to change.

"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 2017-18 Fiscal Year (which is due not later than March 27, 2019), 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: May ___, 2018.

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 TAX-EXEMPT GENERAL OBLIGATION BONDS (EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2014), SERIES 2018C
	CITY AND COUNTY OF SAN FRANCISCO TAXABLE GENERAL OBLIGATION BONDS (AFFORDABLE HOUSING, 2015), SERIES 2018D
	CITY AND COUNTY OF SAN FRANCISCO TAX-EXEMPT GENERAL OBLIGATION BONDS (PUBLIC HEALTH AND SAFETY, 2016), SERIES 2018E
Date of Issuance:	May ___, 2018

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 May ___, 2018. 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 S&P Global Ratings 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 set forth 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 Bonds of a maturity 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]

Board of Supervisors
City and County of San Francisco
San Francisco, California

Re: $____________ City and County of San Francisco Tax-Exempt General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2018C

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the City and County of San Francisco (the "City") in connection with the issuance by the City of its Tax-Exempt General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2018C in the aggregate principal amount of $____________ (the "Bonds"). The Bonds are being issued pursuant to the Charter of the City, the Government Code of the State of California and all laws of the State of California supplemental thereto (collectively, the "Law"), Resolution No. 313-14, adopted by the Board of Supervisors of the City (the "Board of Supervisors") on July 29, 2014 and approved by the Mayor of the City on August 7, 2014 ("Resolution No. 313-14"), and Resolution No. ____, adopted by the Board of Supervisors on _________, 2018 and approved by the Mayor of the City on _________, 2018 ("Resolution No. ____," and together with Resolution No. 313-14, the "Resolutions").

In connection with the issuance of the Bonds, we have examined: (a) the Law; (b) certified copies of the Resolutions; (c) an executed copy of the Certificate Awarding the Bonds and Fixing Definitive Interest Rates for the Bonds, dated ____________, 2018, by the Controller of the City; (d) an executed copy of the Tax Compliance Certificate, dated the date hereof, by the City, relating to the Bonds and other matters; (e) certifications of the City, Hilltop Securities Inc. and Ross Financial, co-financial advisors to the City, the original purchaser of the Bonds and others; and (f) such other documents, opinions and matters as we deemed relevant and necessary in rendering the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties, other than the City, thereto. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in this paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the City and the security provided therefor, as set forth in the Bonds and the Resolutions, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the limitations on legal remedies against charter cities and counties in the State of California. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated ____________, 2018 or any other offering material relating to the Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the City.

2. The Board of Supervisors has the power and is obligated to levy property taxes without limitation as to rate or amount upon all property within the City's boundaries subject to taxation by the City (except for certain personal property which is taxable at limited rates) for payment of the Bonds and the interest thereon.

3. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount properly allocable to the owner of a Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. However, for the purpose of computing the alternative minimum tax imposed on certain corporations for taxable years beginning before January 1, 2018, interest on the Bonds will be included in the "adjusted current earnings" of such corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75 percent of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses). The opinions set forth in the sentences above are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from present State of California personal income tax.

Although we are of the opinion that interest on the Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

[Closing Date]

Board of Supervisors
City and County of San Francisco
San Francisco, California

Re: $___________ City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2015), Series 2018D

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the City and County of San Francisco (the "City") in connection with the issuance by the City of its Taxable General Obligation Bonds (Affordable Housing, 2015), Series 2018D in the aggregate principal amount of $___________ (the "Bonds"). The Bonds are being issued pursuant to the Charter of the City, the Government Code of the State of California and all laws of the State of California supplemental thereto (collectively, the "Law"), Resolution No. 407-16, adopted by the Board of Supervisors of the City (the "Board of Supervisors") on September 20, 2016 and approved by the Mayor of the City on September 29, 2016 ("Resolution No. 407-16"), and Resolution No. ____, adopted by the Board of Supervisors on _________, 2018, and approved by the Mayor of the City on _________, 2018 ("Resolution No. ___," and together with Resolution No. 407-16, the "Resolutions").

In connection with the issuance of the Bonds, we have examined: (a) the Law; (b) certified copies of the Resolutions; (c) an executed copy of the Certificate Awarding the Bonds and Fixing Definitive Interest Rates for the Bonds, dated ___________, 2018, by the Controller of the City; (d) certifications of the City, Hilltop Securities Inc. and Ross Financial, co-financial advisors to the City, the original purchaser of the Bonds and others; and (f) such other documents, opinions and matters as we deemed relevant and necessary in rendering the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties, other than the City, thereto. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in this paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the City and the security provided therefor, as set forth in the Bonds and the Resolutions, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the limitations on legal remedies against charter cities and counties in the State of California. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated ___________, 2018 or any other offering material relating to the Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the City.

2. The Board of Supervisors has the power and is obligated to levy property taxes without limitation as to rate or amount upon all property within the City's boundaries subject to taxation by the City (except for certain personal property which is taxable at limited rates) for payment of the Bonds and the interest thereon.

3. The interest on the Bonds is included in gross income for federal income tax purposes.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from present State of California personal income tax.

Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

[Closing Date]

Board of Supervisors
City and County of San Francisco
San Francisco, California

Re: $____________ City and County of San Francisco Tax-Exempt General Obligation Bonds (Public Health and Safety, 2016), Series 2018E

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the City and County of San Francisco (the "City") in connection with the issuance by the City of its Tax-Exempt General Obligation Bonds (Public Health and Safety, 2016), Series 2018E in the aggregate principal amount of $____________ (the "Bonds"). The Bonds are being issued pursuant to the Charter of the City, the Government Code of the State of California and all laws of the State of California supplemental thereto (collectively, the "Law"), Resolution No. 514-16, adopted by the Board of Supervisors of the City (the "Board of Supervisors") on December 6, 2016 and approved by the Mayor of the City on December 16, 2016 ("Resolution No. 514-16"), and Resolution No. ___, adopted by the Board of Supervisors on _________, 2018 and approved by the Mayor of the City on _________, 2018 ("Resolution No. ___," and together with Resolution No. 514-16, the "Resolutions").

In connection with the issuance of the Bonds, we have examined: (a) the Law; (b) certified copies of the Resolutions; (c) an executed copy of the Certificate Awarding the Bonds and Fixing Definitive Interest Rates for the Bonds, dated ____________, 2018, by the Controller of the City; (d) an executed copy of the Tax Compliance Certificate, dated the date hereof, by the City, relating to the Bonds and other matters; (e) certifications of the City, Hilltop Securities Inc. and Ross Financial, co-financial advisors to the City, the original purchaser of the Bonds and others; and (f) such other documents, opinions and matters as we deemed relevant and necessary in rendering the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties, other than the City, thereto. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in this paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the City and the security provided therefor, as set forth in the Bonds and the Resolutions, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the limitations on legal remedies against charter cities and counties in the State of California. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated ____________, 2018 or any other offering material relating to the Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the City.

2. The Board of Supervisors has the power and is obligated to levy property taxes without limitation as to rate or amount upon all property within the City's boundaries subject to taxation by the City (except for certain personal property which is taxable at limited rates) for payment of the Bonds and the interest thereon.

3. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount properly allocable to the owner of a Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. However, for the purpose of computing the alternative minimum tax imposed on certain corporations for taxable years beginning before January 1, 2018, interest on the Bonds will be included in the "adjusted current earnings" of such corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75 percent of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses). The opinions set forth in the sentences above are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from present State of California personal income tax.

Although we are of the opinion that interest on the Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

$__________*	**$__________***	**$__________***
CITY AND COUNTY OF SAN FRANCISCO TAX-EXEMPT GENERAL OBLIGATION BONDS (EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2014), SERIES 2018C	**CITY AND COUNTY OF SAN FRANCISCO TAXABLE GENERAL OBLIGATION BONDS (AFFORDABLE HOUSING, 2015), SERIES 2018D**	**CITY AND COUNTY OF SAN FRANCISCO TAX-EXEMPT GENERAL OBLIGATION BONDS (PUBLIC HEALTH AND SAFETY, 2016), SERIES 2018E**

PURCHASE CONTRACT

__________, 2018

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, California 94102

Ladies and Gentlemen:

The undersigned ________________, acting on behalf of itself (the "Representative") and the other Underwriters named on the signature page of this Purchase Contract (collectively, the "Underwriters"), offers to enter into the following agreement with the City and County of San Francisco (the "City"). Upon the acceptance of this offer by the City, this Purchase Contract will be binding upon the City and the Underwriters. This offer is made subject to the acceptance of this Purchase Contract by the City on or before 5:00 P.M. California time on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice (by facsimile transmission or otherwise) from the Representative delivered to the City at any time prior to the acceptance of this Purchase Contract by the City. If the Underwriters withdraw this offer, or the Underwriters' obligation to purchase the general obligation bonds captioned above (the "Bonds" and each series individually, the "Series") is otherwise terminated pursuant to Section 8(c) hereof, then and in such case the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 10(b) hereof, and the City shall be free to sell the Bonds to any other party.

Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the respective meanings set forth for such terms in the Resolutions (as hereinafter defined).

Inasmuch as this purchase and sale represents a negotiated transaction, the City understands, and hereby confirms, that the Underwriters are not acting as a fiduciary of the City, but rather are acting solely in their capacity as Underwriters for their own account. The Representative represents and warrants to the City that it has been duly authorized to enter into this Purchase Contract and to act hereunder by and on behalf of the other Underwriters. Any authority, discretion or other power conferred upon the Underwriters by this Purchase Contract may be exercised jointly by all of the Underwriters or by the Representative on their behalf.

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* Preliminary, subject to change.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth in this Purchase Contract, the Underwriters hereby jointly and severally agree to purchase from the City, and the City agrees to sell and deliver to the Underwriters, all (but not less than all) of the $_________ aggregate principal amount of the Series 2018C Bonds, all (but not less than all) of the $_________ aggregate principal amount of the Series 2018D Bonds, and all (but not less than all) of the $_________ aggregate principal amount of the Series 2018E Bonds.

The Bonds shall be dated the date of delivery thereof and shall have the maturities, subject to the right of prior prepayment, and bear interest at the rates per annum and have the yields all as set forth on Schedule I attached hereto.

The purchase price for the Series 2018C Bonds shall be $_________, calculated as the aggregate principal amount of the Series 2018C Bonds in the amount of $_________, plus an original issue premium in the amount of $_______ and less an aggregate underwriters' discount in the amount of $_______). The purchase price for the Series 2018D Bonds shall be $_________, calculated as the aggregate principal amount of the Series 2018D Bonds in the amount of $_________, plus an original issue premium in the amount of $_______ and less an aggregate underwriters' discount in the amount of $_______). The purchase price for the Series 2018E Bonds shall be $_________, calculated as the aggregate principal amount of the Series 2018E Bonds in the amount of $_________, plus an original issue premium in the amount of $_______ and less an aggregate underwriters' discount in the amount of $_______). The net purchase price due at Closing for the Bonds shall be the aggregate of the purchase price for each Series of Bonds less the amount of the Good Faith Deposit required by Section 9 hereof.

Interest with respect to the Bonds will be exempt from State of California personal income taxes, all as further described in the Official Statement, dated the date hereof, and relating to the Bonds (as amended and supplemented, the "Official Statement").

Section 2. Official Statement. The City ratifies, approves and confirms the distribution of the Preliminary Official Statement with respect to the Bonds, dated ______ __, 2018 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "Preliminary Official Statement"), in connection with the offering and sale of the Bonds by the Underwriters prior to the availability of the Official Statement. The City represents that the Preliminary Official Statement was deemed final as of its date for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Corporation under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, ratings and other terms of the Bonds depending on such matters.

The City shall provide the Underwriters, within 7 business days after the date hereof (but in any event at least 2 business days prior to the Closing Date (as defined herein)) with a reasonable number of copies of the Official Statement in the form of the Preliminary Official Statement with such changes thereto as have been approved by the Representative (which approval shall not be unreasonably withheld), as requested by the Representative, for distribution. The City authorizes and approves the distribution by the Underwriters of the Official Statement in connection with the offering and sale of the Bonds. The City authorizes the Representative to file, and the

Representative hereby agrees to file at or prior to the Closing Date (as defined herein), the Official Statement with Municipal Securities Rulemaking Board. Rule G-32 (the "MSRB"), or its designees. The Official Statement, including the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto on or prior to the Closing Date is herein referred to as the "Official Statement."

Section 3. Authorization and Purpose of the Bonds. The Bonds shall be as described in and shall be executed and delivered and secured under the provisions of the following resolutions (collectively, the "Resolutions"):

• Resolution No. 313-14, providing for the issuance of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014) in the amount of $400,000,000, adopted by the Board of Supervisors of the City (the "Board of Supervisors") on July 29 , 2014 (the "Series 2018C Authorizing Resolution"), and

• Resolution No. _____, authorizing the issuance and sale of not to exceed [$189,735,000] aggregate principal amount of City and County of San Francisco Tax-Exempt General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2018C; prescribing the form and terms of such bonds; providing for the appointment of depositories and other agents for such bonds; providing for the establishment of accounts and/or subaccounts related to such bonds; authorizing the sale of such bonds by competitive or negotiated 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 Bond Purchase Contract; approving the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of such bonds; approving the form of the Continuing Disclosure Certificate; authorizing and approving modifications to such documents; 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 such bonds, as defined herein." adopted by the Board of Supervisors on April __, 2018 (the "Series 2018C Bond Resolution").

• Resolution No. 407-16 providing for the issuance of City and County of San Francisco Taxable and Tax-Exempt General Obligation Bonds (Affordable Housing, 2015) in the amount of $310,000,000, adopted by the Board of Supervisors of the City (the "Board of Supervisors") on September 20, 2016 (the "Series 2018D Authorizing Resolution"), and

• Resolution No. _____, authorizing the issuance and sale of not to exceed [$146,000,000] aggregate principal amount of City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2015), Series 2018D; prescribing the form and terms of such bonds; providing for the appointment of depositories and other agents for such bonds; providing for the establishment of accounts and/or subaccounts related to such bonds; authorizing the sale of such bonds by competitive or negotiated sale; approving the forms of Official Notice of Sale and Notice of Intention to Sell Bonds and directing the publication of the Notice of Intention to Sell Bonds; approving the form of the Bond Purchase Contract; approving the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of such bonds; approving the form of the Continuing Disclosure Certificate; authorizing and approving modifications to such documents; 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 such bonds, as defined herein." adopted by the Board of Supervisors on April __, 2018 (the "Series 2018D Bond Resolution").

• Resolution No. 514-16 providing for the issuance of City and County of San Francisco Taxable and Tax-Exempt General Obligation Bonds (Public Health and Safety, 2016) in the amount of $350,000,000, adopted by the Board of Supervisors of the City (the "Board of Supervisors") on December 6, 2016 (the "Series 2018E Authorizing Resolution"), and

• Resolution No. _____, authorizing the issuance and sale of not to exceed $52,500,000 aggregate principal amount of City and County of San Francisco Tax-Exempt General Obligation Bonds (Public Health and Safety, 2016), Series 2018E; prescribing the form and terms of such bonds; providing for the appointment of depositories and other agents for such bonds; providing for the establishment of accounts and/or subaccounts related to such bonds; authorizing the sale of such bonds by competitive or negotiated sale; approving the forms of Official Notice of Sale and Notice of Intention to Sell Bonds and directing the publication of the Notice of Intention to Sell Bonds; approving the form of the Bond Purchase Contract; approving the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of such bonds; approving the form of the Continuing Disclosure Certificate; authorizing and approving modifications to such documents; 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 such bonds, as defined herein." adopted by the Board of Supervisors on April __, 2018 (the "Series 2018E Bond Resolution", and collectively with the other resolutions referred to herein, the "Resolutions").

The Series 2018C Bonds are being issued for the purpose of providing funds to (a) finance the construction, acquisition, improvement and retrofitting of earthquake safety and emergency responsiveness facilities and infrastructure, and (b) pay costs of issuance of the Series 2018C Bonds.The Series 2018D Bonds are being issued for the purpose of providing funds to (a) finance the construction, acquisition, improvement, rehabilitation, preservation and repair of affordable housing improvements, and (b) pay costs of issuance of the Series 2018D Bonds. The Series 2018E Bonds are being issued for the purpose of providing funds to (a) finance the construction, acquisition, improvement, seismic strengthening and betterment of critical community and mental health, emergency response and safety and honesless shelter and service facilities, and (b) pay costs of issuance of the Series 2018E Bonds.

The Bonds shall be payable, and shall be subject to prepayment prior to their respective stated maturities, as provided in the Resolutions and as described in the Official Statement. The Bonds are secured by *ad valorem* taxes that the Board of Supervisors of the City has the power and is obligated, and under the Resolutions has covenanted, to levy 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.

This Purchase Contract and the Continuing Disclosure Certificate are sometimes together referred to in this Purchase Contract as the "City Documents."

Section 4. City Representations, Covenants and Agreements. The City represents and covenants and agrees with each of the Underwriters that as of the date hereof:

(a) The City has full legal right, power and authority to enter into the City Documents, to approve the Resolutions, and to observe, perform and consummate the covenants, agreements and transactions contemplated by the City Documents and the Resolutions; by all necessary official action of the City, the City has duly adopted the Resolutions prior to or concurrently with the acceptance hereof and has approved the Preliminary Official Statement and the Official Statement; the Resolutions are in full force and effect and have not been amended, modified, rescinded or challenged by referendum; the City has duly authorized and approved the execution and delivery of, and the performance by the City of its obligations contained in, the Resolutions and the City Documents; the City has duly authorized and approved the execution and delivery of the Official Statement; and the City is in compliance in all material respects with the obligations in connection with the execution and delivery of the Bonds on its part contained in the Resolutions and the City Documents.

(b) As of the date thereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company ("DTC") and its book-entry only system) did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(c) From the date of delivery of the Official Statement (as hereinafter defined) up to and including the end of the underwriting period (as such term is defined in Rule 15c2-12), the Official Statement (except for information regarding DTC and its book-entry only system) does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. For purposes of this Purchase Contract, the end of the underwriting period shall be deemed to be the Closing Date (as hereinafter defined), unless the Underwriters notify the City to the contrary on or prior to such date.

(d) If the Official Statement is supplemented or amended pursuant to Section 4(e), at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the Closing Date or the end of the underwriting period, as the case may be, the Official Statement as so supplemented or amended (except for information regarding DTC and its book-entry only system) will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(e) If between the date of delivery of the Official Statement and the end of the underwriting period (i) any event occurs or any fact or condition becomes known to the

City that might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Representative thereof, and (ii) if in the reasonable opinion of the City or the Representative such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Representative, which approval shall not be unreasonably withheld.

(f) The City is not in material violation of, or in material breach of or in material default under, any applicable constitutional provision, charter provision, law or administrative regulation or order of the State or the United States of America or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the City is a party or to which the City or any of its properties is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a material default or event of default under any such instrument; and the execution and delivery of the City Documents, the adoption of the Resolutions and compliance with the provisions of the City Documents and the Resolutions will not conflict with or constitute a material breach of or material default under any constitutional provision, charter provision, law, administrative regulation, order, judgment, court decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is subject, or by which it or any of its properties is bound, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its properties or under the terms of any such law, regulation or instrument, except as permitted by the City Documents and the Resolutions.

(g) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending, with service of process having been accomplished, or to the best knowledge of the City after due inquiry, threatened by a prospective party or their counsel in writing addressed to the City, (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) in any way contesting, affecting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Bonds, or the payment of the principal and interest with respect to the Bonds, or the application of the proceeds of the Bonds; (iii) in any way contesting or affecting the validity of the Bonds, the Resolutions, or the City Documents, or contesting the powers of the City or any authority for the execution and delivery of the Bonds, the approval of the Resolutions or the execution and delivery by the City of the City Documents or the Official Statement; (iv) which would likely result in any material adverse change relating to the business, operations or financial condition of the City or the City's ability to levy and collect the *ad valorem* property taxes securing the Bonds, or otherwise satisfy its payment obligations with respect to the Bonds; or (v) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

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

(i) The City Documents when executed or adopted by the City, will be legal, valid and binding obligations of the City enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, other laws affecting creditors rights generally, and to limitations on remedies against cities and counties under California law.

(j) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, court, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of, its respective obligations under City Documents and the Resolutions have been duly obtained or when required for future performance are expected to be obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(k) The financial statements of the City for the fiscal year ended June 30, 2017, set forth as an Appendix to the Official Statement fairly present the financial position of the City as of the dates indicated and the results of its operations, the sources and uses of its cash and the changes in its fund balances for the periods therein specified to the extent included therein and, other than as set forth in the Official Statement, were prepared in conformity with generally accepted accounting principles applied on a consistent basis.

(l) The City has never defaulted in the payment of principal or interest with respect to any of its general obligation bonds.

(m) The City will undertake, pursuant to the Resolutions and a Continuing Disclosure Certificate to provide certain annual financial information and notices of the occurrence of certain enumerated events pursuant to paragraph (b)(5) of Rule 15c2-12. An accurate description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement. The City has been and is in compliance with its continuing disclosure obligations under Rule 15c2-12, as described in the Official Statement.

(n) Between the date hereof and the Closing Date, the City will not supplement or amend the City Documents, the Resolutions or the Official Statement in any respect that is material to the obligations of the City under this Purchase Contract without the prior written consent of the Representative, which consent shall not be unreasonably withheld.

Section 5. Underwriters' Representations, Covenants and Agreements. Each of the Underwriters represents and covenants and agrees with the City that:

(a) The Representative has been duly authorized to enter into this Purchase Contract and to act hereunder by and on behalf of the Underwriters.

(b) It shall comply with the San Francisco Business Tax Resolution and shall, if not otherwise exempt from such Resolution, provide to the City a Business Tax Registration Certificate on or prior to the date hereof.

(c) It shall comply with Chapter 12B of the San Francisco Administrative Code, entitled "Nondiscrimination in Contracts," which is incorporated herein by this reference.

Section 6. Offering.

(a) It shall be a condition to the City's obligations to sell and to deliver the Bonds to the Underwriters and to the Underwriters' obligations to purchase and to accept delivery of the Bonds that the entire $_________ principal amount of the Series 2018C Bonds, the entire $_________ principal amount of the Series 2018D Bonds, and the entire $_________ principal amount of the Series 2018E Bonds shall be issued, sold and delivered by or at the direction of the City and purchased, accepted and paid for by the Underwriters at the Closing. On or prior to the Closing, the Representative will provide the City with information regarding the reoffering prices and yields on the Bonds, in such form as the City may reasonably request.

(b) The Underwriters agree to make a bona fide public offering of all the Bonds, at prices not in excess of the initial public offering prices as set forth in the Official Statement. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering price stated on the cover of the Official Statement. Each of the Underwriters will provide, consistent with the requirements of MSRB, for the delivery of a copy of the Official Statement to each customer who purchases a Bond during the underwriting period. Each of the Underwriters further agree that it will comply with applicable laws and regulations, including without limitation Rule 15c2-12, in connection with the offering and sale of the Bonds.

(c) Issue Price. Notwithstanding any provision of this Purchase Contract to the contrary, the Underwriters and City agree to the following provisions related to the issue price of the Series 2018C and Series 2018E Bonds (together, the "Tax-Exempt Bonds"):

(1) For purposes of this section, the following definitions apply:

(i) "*Public*" means any person other than an underwriter or a related party to an underwriter.

(ii) "*underwriter*" means (A) any person that agrees pursuant to a written contract with the City, as accepted and agreed to by its Controller, (or with the lead underwriter for the Tax-Exempt Bonds to form an underwriting syndicate) to participate in the initial sale of the Tax-Exempt Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Tax-Exempt Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Tax-Exempt Bonds to the public).

(iii) "*Related Party*" means a purchaser of any of the Tax-Exempt Bonds who, along with the underwriter, are both subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(iv) "*Sale Date*" means the date of execution of this Purchase Contract by all parties.

(2) The Representative, on behalf of the Underwriters, agrees to assist the City in establishing the issue price of the Tax-Exempt Bonds and shall execute and deliver to the City at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the City and Co-Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Tax-Exempt Bonds.

(3) The Representative confirms that the Underwriters have offered the Tax-Exempt Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Appendix A attached hereto, except as otherwise set forth herein. The City will treat the first price at which 10% of each maturity of the Tax-Exempt Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Purchase Contract, the Representative shall report to the City the price or prices at which the Underwriters have sold to the public each maturity of Tax-Exempt Bonds. If at that time the 10% test has not been satisfied as to any

maturity of the Tax-Exempt Bonds, the Representative agrees to promptly report to the City the prices at which Tax-Exempt Bonds of that maturity have been sold by the Underwriters to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Tax-Exempt Bonds of that maturity or until all Tax-Exempt Bonds of that maturity have been sold to the public.

(4) Schedule I also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the Tax-Exempt Bonds for which the 10% test has not been satisfied and for which the City and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the City to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Tax-Exempt Bonds, the Underwriters will neither offer nor sell unsold Tax-Exempt Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(i) the close of the fifth (5^{th}) business day after the sale date; or

(ii) the date on which the Underwriters have sold at least 10% of that maturity of the Tax-Exempt Bonds to the public at a price that is no higher than the initial offering price to the public.

The Representative shall promptly advise the City when the Underwriters have sold 10% of that maturity of the Tax-Exempt Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The City acknowledges that, in making the representation set forth in this Section 6, the Representative will rely on (i) the agreement of each Underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Tax-Exempt Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Tax-Exempt Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires, and (iv) each Underwriter's representations contained in a certificate in substantially the form set forth in Exhibit B hereto confirming its compliance with its obligations regarding the hold-the-offering-price rules. The City further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Tax-Exempt Bonds.

(5) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the Tax-Exempt Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Tax-Exempt Bonds of each maturity allotted to it until it is notified by the Representative that either the 10% test has been satisfied as to the Tax-Exempt Bonds of that maturity or all Securities of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires;

(ii) any agreement among underwriters relating to the initial sale of the Tax-Exempt Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Tax-Exempt Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Tax-Exempt Bonds of each maturity allotted to it until it is notified by the Representative or the Underwriter that either the 10% test has been satisfied as to the Tax-Exempt Bonds of that maturity or all Tax-Exempt Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter and as set forth in the related pricing wires; and

(6) The Underwriters understand that sales of any Tax-Exempt Bonds to any person that is a Related Party to an underwriter shall not constitute sales to the Public for purposes of this Section 6.

<u>Section 7.</u> <u>Closing</u>. At ____ a.m., California time, on ______ __, 2018, or at such other time as shall have been mutually agreed upon by the City and the Representative (the "Closing Date" or the "Closing"), the City will deliver or cause to be delivered to the account of the Representative (through DTC) the Bonds duly executed on behalf of the City, together with the other certificates, opinions and documents set forth in Section 8(d); and the Representative will accept such delivery (through DTC) and pay by wire transfer the purchase price of the Bonds set forth in Section 1.

Payment for the delivery of the Bonds shall be coordinated at the offices of Curls Bartling P.C. (and together with Kutak Rock LLP "Co-Bond Counsel"), in Oakland, California , or at such other place as may be mutually agreed upon by the City and the Underwriters. Such payment and delivery is called the "Closing." The Representative shall order CUSIP identification numbers and the City shall cause such CUSIP identification numbers to be printed on the Bonds, but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the Representative to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Contract. Physical delivery of the Bonds shall be made to the City Treasurer, as agent for DTC under the Fast Automated Securities Transfer System, or as otherwise instructed by the Underwriters, and will be in printed form, will be prepared and delivered in registered form and will be registered in the name of Cede & Co., as nominee of DTC. The Bonds will be made available to the Representative for checking not less than 2 business days prior to the Closing.

Section 8. Closing Conditions. The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the City contained herein and to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City of the obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the Closing, and the Underwriters' obligations under this Purchase Contract are and shall also be subject to the following conditions:

(a) the representations and warranties of the City herein shall be true, complete and correct on the date thereof and on and as of the Closing Date, as if made on the Closing Date;

(b) at the time of the Closing, the City Documents shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Representative;

(c)(1) the Underwriters shall have the right to cancel their obligation to purchase the Bonds by written notification from the Representative to the City if at any time after the date of this Purchase Contract and prior to the Closing:

(i) any event shall have occurred or any fact or condition shall have become known which, in the reasonable judgment of the Underwriters upon consultation with the City, Co-Bond Counsel and Disclosure Counsel (both as hereinafter defined), either (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect; or

(ii) legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission which in the reasonable opinion of the Underwriters has the effect of requiring the Bonds to be registered under the Securities Act of 1933, as amended, or requires the qualification of the Resolutions under the Trust Indenture Act of 1939, as amended, or any laws analogous thereto relating to governmental bodies; or

(iii) any national securities exchange, the Comptroller of the Currency, or any other governmental authority, shall impose as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters.

(iv) any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(v) there shall have occurred any materially adverse change in the affairs or financial condition of the City, except for changes which the Official Statement discloses are expected to occur; provided however, that any such material adverse change shall have the effect of materially adversely affecting, directly or indirectly, the market price of the Bonds, the ability of the Underwriters to enforce contracts for the Bonds or the sale at the contemplated offering price by the Underwriters of the Bonds;

(2) The Underwriters shall have the further right to cancel their obligation to purchase the Bonds by written notification from the Representative to the City if at any time after the date of this Purchase Contract and prior to the Closing any of the following occurs and in the reasonable judgment of the Representative would have the effect of materially adversely affecting, directly or indirectly, the market price of the Bonds, the ability of the Underwriters to enforce contracts for the Bonds or the sale at the contemplated offering price by the Underwriters of the Bonds:

(i) there shall have occurred or any notice shall have been given of any, downgrading, suspension, withdrawal, or negative change in credit watch status by Moody's Investors Service, S&P Global Ratings and Fitch, Inc. or any other national rating service to any of the City's obligations (including the ratings to be accorded the Bonds);

(ii) any proceeding shall have been commenced or be threatened in writing by the Securities and Exchange Commission (the "SEC") against the City;

(iii) an amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the California legislature or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to the California legislature or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the

Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived pursuant to the Resolutions which may have the purpose or effect, directly or indirectly, of affecting the tax status of the City, its property or income, its securities (including the Bonds) or any tax exemption granted or authorized by State of California legislation or, in the reasonable judgment of the Representative, materially and adversely affecting the market for the Bonds or the market price generally of obligations of the general character of the Bonds;

(iv) the declaration of war or engagement in, or escalation of, military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government of, or the financial community in, the United States;

(v) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange or the establishment of minimum prices on such national securities exchanges, or the establishment of material restrictions (not in force as the date hereof) upon trading securities generally by any governmental authority or any national securities exchange; or

(vi) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the SEC, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the delivery, offering or sale of obligations of the general character of the Bonds, or the delivery, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(vii) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriters;

(viii) the purchase of and payment for the Bonds by the Underwriters, or the resale of the Bonds by the Underwriters, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

(d) at or prior to the Closing, the Underwriters shall have received each of the following documents:

(1) the Official Statement, together with any supplements or amendments thereto in the event the Official Statement has been supplemented or amended, with the Official Statement and each supplement or amendment (if any) signed on behalf of the City by its authorized officer;

(2) copies of the adopted Resolutions, certified by the Clerk of the Board of Supervisors as having been duly enacted by the Board of Supervisors of the City and as being in full force and effect;

(3) a certificate of the City executed by its authorized officer(s), substantially in the form attached hereto as Exhibit B;

(4) an opinion of the City Attorney of the City addressed solely to the City substantially in the form attached hereto as Exhibit C;

(5) opinions of Co-Bond Counsel, in substantially the form set forth in Appendix F to the Official Statement;

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

(7) an opinion of Hawkins Delafield & Wood LLP, Disclosure Counsel, addressed to the City in form and substance acceptable to the City and the City Attorney;

(8) an opinion of ________________, Underwriters' Counsel ("Underwriters' Counsel"), dated the Closing Date and addressed to the Underwriters in form and substance acceptable to the Underwriters;

(9) Tax Certificate of the City regarding the Series 2018C Bonds and the Series 2018E Bonds, in form satisfactory to Co-Bond Counsel;

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

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

(12) the Continuing Disclosure Certificate duly executed by the City; and

(13) such additional legal opinions, certificates, instruments or other documents as the Representative may reasonably request to evidence the truth and accuracy, as of the date of this Purchase Contract and as of the Closing Date, of the City's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City on or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the City.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Representative and Underwriters' Counsel. If the City is unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds are terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters nor the City shall be under further obligations hereunder, except that the respective obligations of the City and the Underwriters set forth in Section 10 of this Purchase Contract shall continue in full force and effect.

Section 9. Good Faith Deposit. To secure the City from any loss resulting from the failure of the Underwriters to comply with the terms of this Purchase Contract, the Representative has sent to the City Treasurer a wire transfer (in immediately available funds) payable to the order of the City Treasurer, for the benefit of the City, in the amount of $_____,000 (the "Good Faith Deposit"), the receipt of which is hereby acknowledged by the City. The Good Faith Deposit will, immediately upon the City's acceptance of this offer, become the property of the City. The Good Faith Deposit will be held and invested for the exclusive benefit of the City. At the Closing, the Underwriters shall pay or cause to be paid the net aggregate purchase price of the Bonds (as specified in Section 1 of this Purchase Contract) which takes into account the Good Faith Deposit. If the Underwriters fail to pay the purchase price in full upon tender of the Bonds (other than for a reason expressly set forth in Section 8 of this Purchase Contract), the Underwriters will have no right to recover the Good Faith Deposit or to any allowance or credit therefor, and the Good Faith Deposit, together with any interest thereon, will be retained by the City as and for liquidated damages for such failure by the Underwriters. Retention of the Good Faith Deposit shall constitute the City's sole and exclusive remedy and full liquidated damages for the Underwriters' failure (other than for a reason expressly set forth herein) to purchase and accept delivery of the Bonds pursuant to the terms of this Purchase Contract. Upon such retention, the Underwriters shall be released and discharged from any and all claims for damages by the City against the Underwriters related to such failure and any other defaults by Underwriters hereunder. The Underwriters and the City hereby acknowledge and agree that the amount fixed pursuant to this Section for liquidated damages does not constitute a penalty and is a reasonable estimate of the damages that the City would sustain in the event of the Underwriters' failure to purchase and to accept delivery of the Bonds pursuant to the terms of this Purchase Contract. The amount is agreed upon and fixed as liquidated damages because of the difficulty of ascertaining as of the date hereof the amount of damages that would be sustained in such event. Each of the Underwriters waives any right to claim that actual damages resulting from such failure are less than the amount of such liquidated damages.

Section 10. Expenses.

(a) Except for those expenses assigned to the Underwriters pursuant to Section 10(b) hereof, the Underwriters shall be under no obligation to pay, and the City shall pay, any expenses incident to the performance of the City's obligations under this Purchase Contract and the fulfillment of the conditions imposed hereunder, including but not limited to: (i) the fees and disbursements of Co-Bond Counsel, Disclosure Counsel and Ross Financial, San Francisco, California and Hilltop Securities Inc., San Francisco, California (the "Co-Municipal Advisors"); (ii) the fees and disbursements of any counsel, auditors, engineers, consultants or others retained by the City in connection with the transactions contemplated herein; (iii) the costs of preparing and printing the Bonds; (iv) the costs of the printing of the Official Statement (and any amendment or supplement prepared pursuant to Section 4(e) of this Purchase Contract); and (v) any fees charged by investment rating agencies for the rating of the Bonds.

(b) The Underwriters shall pay all expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) the costs of printing the Blue Sky memorandum used by the Underwriters: (iii) all out-of-pocket disbursements and expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees of the CUSIP Service Bureau for the assignment of CUSIP numbers; and (iv) all other expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees and disbursements of Underwriters' Counsel.

Section 11. Notices. Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing to the City at the address set forth above and any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to the Representative:

If to the City:

City and County of San Francisco
Office of Public Finance
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102
Telephone: (415) 554-5956
Fax: (415) 554-4864

If to the Underwriters:

____
____
____
____
Telephone: ____________________
Fax: ________________________

Section 12. Parties in Interest. This Purchase Contract is made solely for the benefit of the City and the Underwriters (including the successors or assigns of the Underwriters), and no other person shall acquire or have any right hereunder or by virtue of this Purchase Contract. All of the representations, warranties and agreements of the City contained in this Purchase Contract shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriters; (ii) delivery of and payment for the Bonds, pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.

Section 13. Invalid or Unenforceable Provisions. In the event that any provision of this Purchase Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 14. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. This Purchase Contract may be signed in counterparts, and upon delivery to the other party of such signed Purchase Contract, which delivery may be by facsimile transmission, shall constitute the binding agreement of each party to this Purchase Contract.

Section 15. Governing Law; Venue. This Purchase Contract shall be governed by and interpreted under the laws of the State of California. Venue for all litigation relative to the formation, interpretation and performance of this Purchase Contract shall be in the City and County of San Francisco.

Section 16. City Contracting Requirements. The City Contracting Requirements sets forth in Attachment A attached hereto are incorporated herein by this reference.

Section 17. Headings. The Section headings in this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

Section 18. Entire Agreement. This Purchase Contract, when accepted by the City, shall constitute the entire agreement between the City and the Underwriters and is made solely for the benefit of the City and the Underwriters (including the successors or assigns of any Underwriter with the consent of the City) and no other person shall acquire or have any right hereunder by virtue hereof. All of the City's representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf of the Underwriters, (b) delivery of and payment for the Bonds hereunder, and (c) any termination of this Purchase Contract.

Section 19. No Fiduciary or Advisory Role; Arm's Length Transaction. The Underwriters and the City acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between City, on the one hand, and the Underwriters, on the other hand, (ii) in connection with such transaction, each Underwriter is acting solely as a principal and not as a municipal advisor, a financial advisor, or a fiduciary of the City, and may have financial and other interests that differ from those of the City,

(iii) the Underwriters have not assumed (individually or collectively) a fiduciary responsibility in favor of the City with respect to the offering of the Bonds or the discussions, undertakings and procedures leading thereto (whether or not any Underwriter, or any affiliate of an Underwriter, has provided or is currently providing services or advice to City on other matters), (iv) the only obligations the Underwriters have to the City with respect to the transactions contemplated hereby are expressly set forth in this Purchase Contract, and (v) the City and the Underwriters have consulted with their respective legal, financial and other advisors to the extent they deemed appropriate in connection with the offering of the Bonds. None of the Underwriters is acting as a Municipal Advisor (as defined in Section 15B of the Exchange Act of 1934, as amended) in connection with the matters contemplated by this Purchase Contract.

[Remainder of Page Intentionally Left Blank]

This Purchase Contract shall become effective upon execution of the acceptance of this Purchase Contract by the City and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

[UNDERWRITERS]

By: _______________, as Representative

By:___________________________________
[Title]

CITY AND COUNTY OF SAN FRANCISCO

By:_______________________________________

____
Deputy Controller

ACCEPTED at [______] [a.m./p.m.] Pacific Time this ___ day of ______, 2018

APPROVED AS TO FORM:

DENNIS J. HERRERA,
CITY ATTORNEY

By: ____________________________________
KENNETH DAVID ROUX
Deputy City Attorney

ATTACHMENT A

CITY CONTRACTING PROVISIONS

SCHEDULE I

MATURITY SCHEDULE

$__________

Series 2018C Bonds

Maturity Date (____ 1)	Principal Amount	Interest Rate	Yield	Price

$________ ____% Term Bonds Due __________ 1, 20__, Yield: ____%, Price: ______%

$________ ____% Term Bonds Due __________ 1, 20__, Yield: ____%, Price: ______%

MATURITY SCHEDULE

$__________

Series 2018D Bonds

Maturity Date (____ 1)	Principal Amount	Interest Rate	Yield	Price

$_________ ____% Term Bonds Due __________ 1, 20__, Yield: ____%, Price: ______%

$_________ ____% Term Bonds Due __________ 1, 20__, Yield: ____%, Price: ______%

MATURITY SCHEDULE

$__________

Series 2018E Bonds

Maturity Date (____ 1)	Principal Amount	Interest Rate	Yield	Price

$_________ ____% Term Bonds Due __________ 1, 20__, Yield: ____%, Price: ______%

$_________ ____% Term Bonds Due __________ 1, 20__, Yield: ____%, Price: ______%

EXHIBIT A

FORM OF ISSUE PRICE CERTIFICATE

FORM OF UNDERWRITER'S CERTIFICATE

EXHIBIT B

$__________ **CITY AND COUNTY OF SAN FRANCISCO TAX-EXEMPT GENERAL OBLIGATION BONDS (EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2014), SERIES 2018C**	**$__________** **CITY AND COUNTY OF SAN FRANCISCO TAXABLE GENERAL OBLIGATION BONDS (AFFORDABLE HOUSING, 2015), SERIES 2018D**	**$__________** **CITY AND COUNTY OF SAN FRANCISCO TAX-EXEMPT GENERAL OBLIGATION BONDS (PUBLIC HEALTH AND SAFETY, 2016), SERIES 2018E**

FORM OF CERTIFICATE OF THE CITY

The undersigned ____________, ____________________ and ___________, respectively, of the City and County of San Francisco ("the City"), acting in their official capacities, hereby certify as follows in connection with the execution, delivery and sale of the general obligation bonds captioned above (the "Bonds"):

1. The City is a chartered city and county duly organized and validly existing under its Charter and the Constitution of the State of California (the "State"), with full right, power and authority to (a) manage, control, hold and convey property for the use and benefit of the City, and (b) enter into and perform all of the transactions contemplated by the ______________ the Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") executed by the City and the Purchase Contract, dated _____ __, 20__ (the "Purchase Contract"), between the City and __________, acting on its behalf and on behalf of ___________, as underwriters. The Continuing Disclosure Certificate and the Purchase Contract are sometimes referred to in this Certificate as the "City Documents." Capitalized terms not otherwise defined herein shall have the meanings assigned thereto in the Purchase Contract.

2. The persons named below are now, and at all times from and after _____ 1, 20__, have been duly appointed and qualified officers of the City holding the offices of the City set forth opposite their respective names, and each of the undersigned certifies that the signature affixed following the other of the undersigned's name and office is the genuine signature of such person.

3. The representations and warranties of the City contained in the Purchase Contract are true, complete and correct as of the Closing Date as if made on such Closing Date.

4. The City has duly authorized the execution and delivery of the City Documents and is authorized to perform the obligations on its part to be performed under the City Documents, and each of the City Documents constitutes the legal, valid and binding obligation of the City enforceable against the City in accordance with its respective terms.

5. Except for any information about book-entry or The Depository Trust Company, included therein, as to which we express no opinion or view, as of the date thereof, the Official Statement as of its date did not, and as of the date hereof, does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make

the statements therein, in the light of the circumstances under which they were made, not misleading.

6. The City is not in breach of or in default under any applicable law or administrative regulation of the State or the United States of America or any applicable judgment or decree or any loan agreement, note, ordinance, resolution, agreement or other instrument to which the City is party or otherwise subject, which breach or default would in any way materially and adversely affect the City Documents or the performance of any of the City's obligations thereunder. No event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default. The execution and delivery by the City of the City Documents and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree or any agreement or other instrument to which the City is a party or is otherwise subject; nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge, encumbrance or security interest of any nature whatsoever upon any of the revenues, property or assets of the City, except as expressly provided or permitted by the Resolutions.

7. No litigation is pending (with service of process having been accomplished) or, to the knowledge of the undersigned, threatened (a) to restrain or enjoin the execution of or the delivery of the Bonds, the execution of and performance by the City under the City Documents or the use and occupancy by the City of the Project (as defined in the Resolutions) or (b) in any way contesting or affecting the validity of the Bonds, the City Documents or the performance by the City under the City Documents.

8. There is no litigation pending (with service of process having been accomplished), or, to the knowledge of the undersigned, threatened against the City or involving any of the property or assets under the control of the City, including, without limitation, the Facilities that involves the possibility of any judgment or uninsured liability which may result in any material adverse change in the business, properties or assets or in the condition, financial, physical, legal or otherwise, of the City or of the Facilities.

9. The City does hereby certify that Resolution No. ______, adopted by the Board of Supervisors of the City on April __, 20__ and signed by the Mayor of the City on May __, 20__, Resolution No. _____, adopted by the Board of Supervisors of the City on April __, 20__ and signed by the Mayor of the City on May __, 20__, and Resolution No. _____, adopted by the Board of Supervisors of the City on April __, 20__ and signed by the Mayor of the City on May __, 20__ were duly adopted at proceedings duly conducted by the City and that such Resolutions are in full force and effect and have not been amended, modified or rescinded as of the date hereof.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands.

Dated: __________ __, 2018.

Name	Office	Signature

EXHIBIT C

FORM OF OPINION OF CITY ATTORNEY

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

This Appendix contains information that is current as of March 1, 2018.

This Appendix A to the Official Statement of the City and County of San Francisco (the "City" or "San Francisco") provides 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, 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 make an informed investment decision.

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CITY GOVERNMENT

City Charter

San Francisco is constituted as a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California (the "State"), and is the only consolidated city and county in the State. In addition to its powers under its charter in respect of municipal affairs granted under the State Constitution, San Francisco generally can exercise the powers of both a city and a county under State law. On April 15, 1850, several months before California became a state, the original charter was granted by territorial government to the City. New City charters were adopted by the voters on May 26, 1898, effective January 8, 1900, and on March 26, 1931, effective January 8, 1932. In November 1995, 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 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 annually significant General Fund transfers.

The Charter distributes governing authority among the Mayor, the Board of Supervisors, the various other elected officers, the City Controller and other appointed officers, and the boards and commissions that oversee the various City departments. 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

Mayor Mark E. Farrell is the 44th Mayor of San Francisco. The Mayor has responsibility for general administration and oversight of all departments in the executive branch of the City. On January 23, then-Supervisor Farrell was voted in as Mayor by his colleagues on the Board of Supervisors, filling the seat of the late Mayor Edwin M. Lee. Mayor Farrell spent seven years on the Board of Supervisors, serving as the Chair of both the Land Use and Transportation Committee, and the Budget and Finance Committee, where he was the City's longest-serving Chair. Prior to joining the Board of Supervisors, Mayor Farrell was a small business owner in the finance sector. Mayor Farrell was born and raised in San Francisco.

2018 Mayoral Election

On June 5, 2018, there will be a special election to elect a new mayor to fulfill the remaining term of the late Mayor Lee who was succeeded by the appointment by the Board of Mayor Mark E. Farrell. After the election results are determined, the Board of Supervisors will convene and act to declare the election results prior to the inauguration of the new mayor. The newly elected Mayor will serve until January 2020.

Board of Supervisors

Table A-1 lists the current members of the Board of Supervisors. The Supervisors are elected for staggered four-year terms and are elected by district. Vacancies are filled by appointment by the Mayor.

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO
Board of Supervisors

Name	First Elected or Appointed	Current Term Expires
Sandra Lee Fewer, *District 1*	2017	2021
Catherine Stefani, *District 2*	2018	2019
Aaron Peskin, *District 3*	2017	2021
Katy Tang, *District 4*	2013	2019
London Breed, Board President, *District 5*	2017	2021
Jane Kim, *District 6*	2010	2019
Norman Yee, *District 7*	2017	2021
Jeff Sheehy, *District 8*	2017	2021
Hillary Rohen, *District 9*	2017	2021
Malia Cohen, *District 10*	2010	2019
Ahsha Safai, *District 11*	2017	2021

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 all 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 2014. 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 the late Mayor Lee on February 7, 2012 and re-appointed for a second five-year term on February 8, 2017. 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 expenditures.

The City manages the operations of its nearly 60 departments, commissions and authorities, including the enterprise fund departments, through its annual budget. In July 2017, the City adopted a full two-year budget. The City's fiscal year 2017-18 adopted budget appropriates annual revenues, fund balance, transfers and reserves of approximately $10.12 billion, of which the City's General Fund accounts for approximately $5.15 billion. In fiscal year 2018-19 appropriated revenues, fund balance, transfers and reserves total approximately $10.00 billion, of which $5.31 billion represents General Fund budget. For a further discussion of the fiscal years 2017-18 and 2018-19 adopted budgets, see "City Budget Adopted for Fiscal Years 2017-18 and 2018-19" herein.

Each year the Mayor prepares budget legislation for the City departments, which must be approved by the Board of Supervisors. Revenues consist largely of local property taxes, business taxes, sales taxes, other local taxes and charges for services. A significant portion of the City's revenues comes in the form of intergovernmental transfers from the State and federal governments. Thus, the City's fiscal situation is affected by the health of the local real estate market, the local business and tourist economy, and 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 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 fiscal year.

The Annual Appropriation Ordinance becomes effective with or without the Mayor's signature after 10 days; however, the Mayor has line-item veto authority over specific items in the budget. Additionally, in the event the Mayor were to disapprove the entire 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 significant 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 made four significant changes:

1. Specifies a two-year (biennial) budget, replacing the annual budget. Fixed two-year budgets are currently approved by the Board of Supervisors for five departments: the Airport, Child Support Services, the Port, the Public Utilities Commission and MTA. All other departments prepared balanced, rolling two-year budgets.

2. 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 16, 2016, for fiscal year 2017-18 through fiscal year 2021-22, to be considered by the Board of Supervisors. See "Five Year Financial Plan" below. This plan was most recently updated on March 23, 2017.

3. 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 fiscal year.

4. 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 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 fiscal 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 Controller issued the most recent of these reports, the fiscal year 2017-18 Six Month Report (the "Six Month Report"), on February 14, 2018. 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, 2017 the Controller released the Discussion of the Mayor's fiscal year 2017-18 and fiscal year 2018-19 Proposed Budget (the "Revenue Letter" as described in "Budget Process" above). 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 year 2017-18 and 2018-19 Original Budgets total $5.15 billion and $5.31 billion, respectively. These amounts do not include expenditures of the 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 2014-15 through 2016-17 and the Original Budgets for fiscal years 2017-18 and 2018-19. 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 2016-17 was issued on December 29, 2017. The fiscal year 2016-17 CAFR reported that as of June 30, 2017, the General Fund balance available for appropriation in subsequent years was $545.9 million (see Table A-4), of which $183.3 million was assumed in the fiscal year 2017-18 Original Budget and $288.2 million was assumed in the fiscal year 2018-19 Original Budget. This represents a $110.7 million increase in available fund balance over the $435 million available as of June 30, 2016 and resulted primarily from greater-than-budgeted additional tax revenue, particularly property, business and transfer tax revenues, partially offset by under performance in sales, hotel and parking tax revenues in fiscal year 2016-17.

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TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2014-15 through 2018-19
(000s)

	2014-15 Final Revised Budget	2015-16 Final Revised Budget	2016-17 Final Revised Budget	2017-18 Original Budget [2]	2018-19 Original Budget [3]
Prior-Year Budgetary Fund Balance & Reserves	$941,702	$1,236,090	$178,109	$187,182	$289,258
Budgeted Revenues					
Property Taxes	$1,232,927	$1,291,000	$1,412,000	$1,557,000	$1,620,000
Business Taxes	572,385	634,460	669,450	750,820	762,500
Other Local Taxes	910,430	1,062,535	1,117,245	1,112,570	1,098,110
Licenses, Permits and Franchises	27,129	27,163	28,876	29,964	30,367
Fines, Forfeitures and Penalties	4,242	4,550	4,580	4,579	4,579
Interest and Investment Earnings	6,853	10,680	13,970	18,180	18,390
Rents and Concessions	22,692	15,432	16,140	14,088	14,984
Grants and Subventions	856,336	900,997	959,099	1,019,167	1,024,209
Charges for Services	210,020	219,628	236,102	242,817	241,536
Other	21,532	31,084	61,334	39,959	40,634
Total Budgeted Revenues	$3,864,545	$4,197,529	$4,518,796	$4,789,144	$4,855,309
Bond Proceeds & Repayment of Loans	$1,026	$918	$881	$110	$87
Expenditure Appropriations					
Public Protection	$1,158,771	$1,211,007	$1,266,148	$1,331,196	$1,366,723
Public Works, Transportation & Commerce	89,270	138,288	166,295	170,949	156,079
Human Welfare & Neighborhood Development	828,555	892,069	978,126	995,230	1,017,189
Community Health	703,569	751,416	763,496	884,393	875,974
Culture and Recreation	119,051	125,253	139,473	162,622	163,576
General Administration & Finance	214,958	235,647	252,998	358,588	366,421
General City Responsibilities[1]	116,322	113,672	134,153	152,390	206,528
Total Expenditure Appropriations	$3,230,496	$3,467,352	$3,700,689	$4,055,368	$4,152,490
Budgetary reserves and designations, net	$39966	$9,907	$9,868	$58,730	$57,000
Transfers In	$199,175	$235,416	$246,779	$171,122	$168,277
Transfers Out	(873,592)	(962,511)	(857,528)	(1,033,460)	(1,103,441)
Net Transfers In/Out	($674,417)	($727,095)	($610,749)	($862,338)	($935,164)
Budgeted Excess (Deficiency) of Sources Over (Under) Uses	$862,394	$1,230,182	$376,480	$0	$1
Variance of Actual vs. Budget	373,696	296,673	249,475		
Total Actual Budgetary Fund Balance[3]	$1,236,090	$1,526,855	$625,955	$0	$1

[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 2017-18 Final Revised Budget will be available upon release of the fiscal year 2017-18 CAFR.

[3] Fiscal year 2018-19 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, 2017 was $1.9 billion (as shown in Table A-3 and Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of $4.5 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, 2013 through June 30, 2017.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of Audited General Fund Balances
Fiscal Years 2012-13 through 2016-17
(000s)

	2012-13	2013-14	2014-15	2015-16	2016-17
Restricted for rainy day (Economic Stabilization account)	$23,329	$60,289	$71,904	$74,986	$78,336
Restricted for rainy day (One-time Spending account)	3,010	22,905	43,065	45,120	47,353
Committed for budget stabilization (citywide)	121,580	132,264	132,264	178,434	323,204
Committed for Recreation & Parks expenditure savings reserve	15,907	12,862	10,551	8,736	4,403
Assigned, not available for appropriation					
Assigned for encumbrances	$74,815	$92,269	$137,641	$190,965	$244,158
Assigned for appropriation carryforward	112,327	159,345	201,192	293,921	434,223
Assigned for budget savings incentive program (Citywide)	24,819	32,088	33,939	58,907	67,450
Assigned for salaries and benefits	6,338	10,040	20,155	18,203	23,051
Total Fund Balance Not Available for Appropriation	$382,125	$522,062	$650,711	$869,272	$1,222,178
Assigned and unassigned, available for appropriation					
Assigned for litigation & contingencies	$30,254	79,223	131,970	$145,443	$136,080
Assigned for General reserve	21,818	-	-	-	
Assigned for subsequent year's budget	122,689	135,938	180,179	172,128	183,326
Unassigned for General Reserve	-	45,748	62,579	76,913	95,156
Unassigned - Budgeted for use second budget year	111,604	137,075	194,082	191,202	288,185
Unassigned - Contingency for second budget year				60,000	60,000
Unassigned - Available for future appropriation	6,147	21,656	16,569	11,872	14,409
Total Fund Balance Available for Appropriation	$292,512	$419,640	$585,379	$657,558	$777,156
Total Fund Balance, Budget Basis	$674,637	$941,702	$1,236,090	$1,526,830	$1,999,334
Budget Basis to GAAP Basis Reconciliation					
Total Fund Balance - Budget Basis	$674,637	$941,702	$1,236,090	$1,526,830	$1,999,334
Unrealized gain or loss on investments	(1,140)	935	1,141	343	(1,197)
Nonspendable fund balance	23,854	24,022	24,786	522	525
Cumulative Excess Property Tax Revenues Recognized	(38,210)	(37,303)	(37,303)	(36,008)	(38,469)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(93,910)	(66,415)	(50,406)	(56,709)	(83,757)
Deferred Amounts on Loan Receivables	(20,067)	(21,670)	(23,212)	-	
Pre-paid lease revenue	(4,293)	(5,709)	(5,900)	(5,816)	(5,733)
Total Fund Balance, GAAP Basis	$540,871	$835,562	$1,145,196	$1,429,162	$1,870,703

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, 2017 are included herein as Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2017." 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 2012-13 through 2016-17 [1]
(000s)

	2012-13	2013-14	2014-15	2015-16	2016-17
Revenues:					
Property Taxes	$1,122,008	$1,178,277	$1,272,623	$1,393,574	$1,478,671
Business Taxes [2]	479,627	562,896	609,614	659,086	700,536
Other Local Taxes	756,346	922,205	1,085,381	1,054,109	1,203,587
Licenses, Permits and Franchises	26,273	26,975	27,789	27,909	29,336
Fines, Forfeitures and Penalties	6,226	5,281	6,369	8,985	2,734
Interest and Investment Income	2,125	7,866	7,867	9,613	14,439
Rents and Concessions	35,273	25,501	24,339	46,553	15,352
Intergovernmental	720,625	827,750	854,464	900,820	932,576
Charges for Services	164,391	180,850	215,036	233,976	220,877
Other	14,142	9,760	9,162	22,291	38,679
Total Revenues	$3,327,036	$3,747,361	$4,112,644	$4,356,916	$4,636,787
Expenditures:					
Public Protection	$1,057,451	$1,096,839	$1,148,405	$1,204,666	$1,257,948
Public Works, Transportation & Commerce	68,014	78,249	87,452	136,762	166,285
Human Welfare and Neighborhood Development	660,657	720,787	786,362	853,924	956,478
Community Health	634,701	668,701	650,741	666,138	600,067
Culture and Recreation	105,870	113,019	119,278	124,515	139,368
General Administration & Finance	186,342	190,335	208,695	223,844	238,064
General City Responsibilities	81,657	86,968	98,620	114,663	121,444
Total Expenditures	$2,794,692	$2,954,898	$3,099,553	$3,324,512	$3,479,654
Excess of Revenues over Expenditures	$532,344	$792,463	$1,013,091	$1,032,404	$1,157,133
Other Financing Sources (Uses):					
Transfers In	$195,272	$216,449	$164,712	$209,494	$140,272
Transfers Out	(646,912)	(720,806)	(873,741)	(962,343)	(857,629)
Other Financing Sources	4,442	6,585	5,572	4,411	1,765
Other Financing Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	($447,198)	($497,772)	($703,457)	($748,438)	($715,592)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$85,146	$294,691	$309,634	$283,966	$441,541
Total Fund Balance at Beginning of Year	$455,725	$540,871	$835,562	$1,145,196	$1,429,162
Total Fund Balance at End of Year -- GAAP Basis [3]	$540,871	$835,562	$1,145,196	$1,429,162	$1,870,703
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
-- GAAP Basis	$135,795	$178,066	$234,273	$249,238	$273,827
-- Budget Basis	$240,410	$294,669	$390,830	$435,202	$545,920

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

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

[3] 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. The Charter requires the City to forecast expenditures and revenues for the next five fiscal years, propose actions to balance revenues and expenditures during each year of the Plan, and discuss strategic goals and corresponding resources for City departments. Proposition A required that a Plan be adopted every two years. The City updates the Plan annually. The most recently adopted Plan, for fiscal years 2017-18 through 2021-22, was adopted by the Board of Supervisors and signed by the Mayor on May 5, 2017.

On December 21, 2017 (the "December 2017 Update"), the Mayor, Budget Analyst for the Board of Supervisors and the Controller's Office issued an update for the remaining four years of the City's Five Year Financial Plan for fiscal year 2018-19 through fiscal year 2021-22. The Plan projects annual shortfalls of $88.2 million, $173.4 million, $561.2 million, and $709.3 million cumulatively for fiscal years 2018-19 through 2021-22, respectively. This projection will be updated in March 2018.

The updated Plan projects growth over a four-year period in General Fund revenues of 8.5%, primarily composed of growth in local tax sources, offset by projected expenditure increases of 22.3% over the same period, primarily composed of growth in employee wages and health care costs, citywide operating expenses, and Charter mandated baselines and reserves. The City currently projects growth in General Fund sources of $436.8 million over the Plan period, and expenditure growth of $1.14 billion. Growth in salaries and benefits accounts for 49% or $559.0 million of the cumulative four year shortfall. Growth in citywide operating costs accounts for 25% or $282 million of the cumulative four year shortfall. Growth in Charter mandated baselines and reserves accounts for 16% or $180.3 million of the cumulative four year shortfall. Growth in individual department costs account for 11% or $124.9 million of the cumulative four year shortfall. These figures incorporate the key assumptions from the December 2017 update, including:

- **Continued Increases in Employer Contribution Rates to City Retirement System**: Consistent with the May 2017 proposed Plan, the December 2017 update anticipates increased retirement costs. The increase in employer contribution rates is due to three main factors: lower than expected actual fiscal year 2016-17 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.

- **Continued Increases in Wages and Health Care Costs:** The December 2017 Update incorporates the cost of contract extensions for most miscellaneous employees, as negotiated for fiscal years 2017-18 and 2018-19, with most labor unions. The parties agreed to a wage increase schedule of 3% on July 1, 2017 and 3% on July 1, 2018, with a provision to delay the fiscal year 2018-19 adjustment by six months if the City's deficit, as projected in the March 2018 update to the Five-Year Financial Plan, exceeds $200 million.

  The December 2017 Update assumes that the employer share of health and dental insurance costs for active employees will increase by 6% in fiscal year 2018-19 and 8% in each subsequent fiscal year. This is a significant increase from the proposed Plan projection in December 2014, which anticipated approximately 5% growth in the employer share of health and dental rates. The December 2017 Update also assumes retiree health costs will increase by 9% in each year of projection.

- **Voter Adopted Revenue and Spending Requirements:** Consistent with the May 2017 proposed Plan, the December 2017 Update continues to assume several new revenue and expenditure requirements adopted by voters in 2016: a Recreation and Parks baseline (June 2016 Proposition B), a Dignity Fund baseline (November 2016 Proposition I), and a Street Tree Maintenance Fund baseline (November 2016 Proposition E). In addition to these spending requirements, the voters adopted an increase to the Real Property Transfer Tax rate (November 2016 Proposition W) and a tax on the distribution of sugar-sweetened beverages (November 2016 Proposition).

- **In-Home Supportive Services (IHSS) Cost Shift:** IHSS is an entitlement program which provides homecare services to 22,000 elderly and disabled San Franciscans, allowing them to stay in their homes rather than move into more costly nursing facilities or other programs. It is funded by federal, state, and county sources. Due to changes in the fiscal year 2017-18 Enacted State budget, significant costs for this program were shifted from the state to counties. The City's fiscal year 2017-18 and 2018-19 adopted budgets, assumed cost increases of $11.1 million in fiscal year 2017-18 and $16.9 million in fiscal year 2018-19, as compared to prior budget projections. As more detail has been released by the State, the December 2017 Update adds an additional cost of $8.8 million in fiscal year 2017-18, bringing the total cost growth in that year to $19.9 million above prior projections. The cost shift continues to grow in fiscal year 2018-19 to $36.5 million, $57.1 million in fiscal year 2019-20, $ 69.9 million in fiscal year 2020-21, and $79.6 million in fiscal year 2021-22.

The December 2017 Update does not assume any losses of federal or state revenues, except for formula-driven reductions. Although proposals that would have significant negative impact on the City budget are pending at the state and federal level, it is unclear which will ultimately be adopted and what the specific impacts will be.

While the projected shortfalls in the December 2017 Update 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.

The December 2017 Update 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 eight years ago. For this reason, the December 2017 update includes a recession scenario, which reflects a revenue shortfall of $822 million during the forecast period, based on the average rates of revenue declines experienced in major tax revenue sources during the previous two recessions.

Based on the revenue and expenditure projections contained in the December 2017 Update, on December 4, 2017, the Mayor's Office issued budget instructions to departments requiring expenditure reductions of 2.5% in fiscal year 2018-19 and an additional reduction of 2.5% in fiscal year 2019-20.

City Budget Adopted for Fiscal Years 2017-18 and 2018-19

On July 26, 2017, the late Mayor Lee signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for the fiscal years ending June 30, 2018 and June 30, 2019. This is the sixth two-year budget for the entire City. The adopted budget closed the $119 million and $283 million General Fund shortfalls for fiscal years 2017-18 and 2018-19 identified in the City's December 2016 Plan update through a combination of increased revenues and expenditures savings.

The Original Budget for fiscal year 2017-18 and fiscal year 2018-19 totals $10.12 billion and $10.00 billion respectively, representing a year over year increase of $532 million in fiscal year 2017-18 and year over year decrease of $117 million in fiscal year 2018-19. The General Fund portion of each year's budget is $5.15 billion in fiscal year 2017-18 and $5.31 billion in fiscal year 2018-19 representing year over year increases of $83 million and $138 million. There are 30,835 funded full time positions in the fiscal year 2017-18 Original Budget and 30,938 in the fiscal year 2018-19 Original Budget representing year-over-year increases of 208 and 103 positions, respectively.

Other Budget Updates

On June 9 2017, the Controller's Office issued the Controller's Discussion of the Mayor's fiscal year 2017-18 and fiscal year 2018-19 Proposed Budget ("Revenue Letter"). The report found that the revenue assumptions in the proposed and now-adopted budget are reasonable, voter-required baseline and set-aside requirements are met or exceeded, and that code-mandated reserves and funded and maintained at required levels.

The letter also certified that the Original Budget for fiscal years 2017-18 and 2018-19 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 15% of the General Fund revenues appropriated in the Original Budget for fiscal years 2017-18 and 2018-19, and thus changes in State revenues could have a significant impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

On June 27, 2017, the Governor signed the 2017-18 State Budget, appropriating $183.3 billion from the General Fund and other State funds. General Fund appropriations total $125.1 billion, $3.7 billion or 3% more than the 2016-17 budget. The State budget agreement focuses on maintaining fiscal prudence by adding mostly one-time expenditures, paying down past budgetary borrowing and state employee pension liabilities, and contributing to stabilization reserves. The budget increases funding to K-14 schools and community colleges by adding $3.1 billion above fiscal year 2016-17 funding levels, including $1.4 billion through the Local Control Funding Formula. The budget expands the State's Earned Income Tax Credit (EITC) to include a wider income range, as well as self-employed individuals. It also implements the Road Repair and Accountability Act of 2017 (SB1) providing $54 billion of new transportation infrastructure funding over the next 10 years.

The final fiscal year 2017-18 budget re-bases the In-Home Supportive Services Maintenance-of-Effort "IHSS MOE" agreement negotiated in 2012, as proposed in the Governor's January budget, but provides $400 million of General Fund support to partially mitigate the increase to counties' costs in fiscal year 2017-18, $330 million in 2018-19, $200 million in 2019-20, and $150 million annually thereafter. The City's fiscal year 2017-18 budget assumes a cost of $11.1 million to support the IHSS program, partially offset by health and welfare realignment subventions. As more detail has been released, the City projected cost has grown by an additional $8.8 million in fiscal year 2017-18, bringing the total cost growth to $19.9 million. On January 10, 2018, the Governor released the State's proposed fiscal year 2018-19 budget. The budget contains no changes to the fundamental structure of the re-based IHSS MOE. The exact impact of the new IHSS funding structure on the City is still uncertain, as the funding structure and formulas are still being developed.

In addition, the City's fiscal year 2017-18 budget assumes $8.6 million of new street-related capital funding through the Road Repair and Accountability Act of 2017 (SB1). This amount is expected to annualize to approximately $23 million in fiscal year 2018-19.

Impact of Federal Government on Local Finances

The City is continuing to assess the potential material adverse changes in current and anticipated federal funding under the current presidential administration and Congress. These changes include, for example, potential increased costs associated with changes to or termination or replacement of the Affordable Care Act ("ACA"), potential withholding of federal grants or other federal funds flowing to "sanctuary jurisdictions" and suspension or termination of other federal grants for capital projects. The scope and timing of such changes will not be known until the administration concretely proposes specific changes or Congress acts on such proposals, as applicable. As to potential withholding of funds for "sanctuary cities" the City has challenged in federal court the Presidential Executive Order that would cut funding from "sanctuary jurisdictions." The federal district court issued a permanent injunction in November 2017, and the case is currently on appeal at the Ninth Circuit. The fiscal year 2016-17 Original Budget includes about $1.2 billion in federal payments, of which about $1 billion is for entitlement programs mostly administered by the City's Human Services Agency and Department of Public Health. The City also receives about $800 million in multi-year federal grants. The City will continue to monitor federal budget and policy changes, but cannot at this time determine the financial impacts of any proposed federal budget changes, or whether the budget will include a reserve against anticipated loss of federal funding.

The federal tax reform bill that was approved by Congress on December 20, 2017 and its effects on San Francisco are not clear at this time. However, the local economy may be affected by the tax law's provisions, including: (1) creation of a $10,000 cap on the state and local tax deduction, which will increase many residents' total tax liabilities and affect consumer spending; (2) repeal of the individual health insurance mandate under the ACA; and (3) reduction in the mortgage interest tax deduction.

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 2017-18 and 2018-19 includes starting balances of $107.3 million and $121.4 million for the General Reserve, 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 2017-18 and 2018-19 includes $14.5 million in fiscal year 2017-18 and $31.0 million in fiscal year 2018-19), and the Litigation Reserve (Original Budget for fiscal years 2017-18 and 2018-19 includes $11 million in each year). 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 divided 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 2016-17 revenue exceeded the deposit threshold by $8.9 million generating a deposit of $3.4 million to the City Reserve, $1.1 million to the School Reserve, and $2.2 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. The fiscal year 2016-17 combined ending balance of the One-Time and Economic Stabilization portions of the Reserve was $125.7 million. There are no projected deposits or withdrawals assumed in the fiscal year 2017-18 and 2018-19 budgets.

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 2016-17 RPTT receipts exceeded the five-year annual average by $144.4 million and ending general fund unassigned fund balance was 57.6 million, triggering a $57.6 million deposit. However, $6.7 million of this deposit requirement was offset by the Rainy Day Reserve deposit, resulting in a $144.8 million deposit to the Budget Stabilization Reserve and leaving an ending balance to $323.3 million. The fiscal year 2017-18 and 2018-19 budgets assume no reserve deposits given projected RPTT receipts. The Controller's Office determines 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 $467 million for fiscal year 2016-17. 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 47 full-time equivalent positions. The Executive Director, Nadia Sesay, was appointed in October 2017. The other principal full-time staff positions are the Deputy Director, Projects and Programs; the Deputy Director, Finance and Administration; and the Successor Agency General Counsel and Deputy Director. 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. 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, (collectively, the "Dissolution Act"), redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy "enforceable obligations" of the former redevelopment 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 but excludes the community facilities district ("CFD") bonds that the agency may issue from time to time.

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 affordable 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, ('SCO") 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 Office of Community Investment and Infrastructure, ("OCII") to comply with the SCO 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. The Successor Agency also issues CFD bonds from time to time to facilitate development in the major approved development projects in accordance with the terms of such enforceable obligations.

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 XIIIA 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 (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 and a portion of administrative costs of the agency 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 $129 million of property tax increment in fiscal year 2016-17, diverting about $72 million that would have otherwise been apportioned to the City's discretionary general fund.

The percent collected of property tax (current year levies excluding supplemental) was 99.15% for fiscal year 2016-17. This table has been modified from the corresponding table in previous disclosures 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 212 for fiscal year 2015-16 compared to 102 for fiscal year 2014-15. The trustee deeds recorded in fiscal year 2011-12, fiscal year 2012-13 and fiscal year 2013-14 were 804, 363 and 187, respectively. In fiscal year 2016-17 there were 262 Notices of Trustee's Sales deeds recorded.

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TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2012-13 through 2017-18
(000s)

Fiscal Year	Net Assessed[1] Valuation (NAV)	% Change from Prior Year	Total Tax Rate per $100 [2]	Total Tax Levy [3]	Total Tax Collected [3]	% Collected June 30
2012-13	$165,043,120	4.0%	1.169	$1,997,645	$1,970,662	98.6%
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.8%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.8%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.1%
2016-17	211,532,524	8.8%	1.179	2,492,789	2,471,486	99.1%
2017-18	234,074,597 [1]	10.7%	1.172	2,744,057	N/A	N/A

[1] 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 2016-17 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 SCO). Total Tax Levy for fiscal year 2017-18 is based on NAV times the 1.1723% 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 SCO.

Source: Office of the Controller, City and County of San Francisco.
SCO source noted in (3): http://www.sco.ca.gov/Files-ARD-Tax-Info/TaxDelinq/sanfrancisco.pdf

At the start of fiscal year 2017-18, the total net assessed valuation of taxable property within the City was $234.1 billion. Of this total, $220.1 billion (94.0%) represents secured valuations and $14.0 billion (6.0%) 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 appeals reserve fund for fiscal years 2011-12 through 2016-17 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 2011-12 through 2016-17
(000s)

Fiscal Year	Amount Refunded
2011-12	$53,288
2012-13	36,744
2013-14	25,756
2014-15	16,304
2015-16	16,199
2016-17	33,397

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

As of July 1, 2017, the Assessor granted 7,090 temporary reductions in property assessed values worth a total of $194.9 million (equating to a reduction of approximately $2.3 million in general fund taxes), compared to 7,055 temporary reductions worth $128.7 million (equating to a reduction of approximately $1.52 million in general fund taxes) as of July 1, 2016 and 8,598 temporary reductions worth $425.1 million (equating to a reduction of approximately $5.03 million in general fund taxes) as of July 1, 2015. The July 2017 temporary reductions of $194.9 million represent .08% of the fiscal year 2017-18 Net Assessed Valuation of $234.1 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 September 30, 2017, the total number of open appeals before the AAB was 1,773, compared to 1,860 open AAB appeals as of September 30, 2016. In the first three months of fiscal year 2017-18, there were 1,083 new appeals filed. The difference between the current assessed value and the taxpayers' opinion of values for the open AAB appeals is $14.5 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all the taxpayers' requests, a negative potential property tax impact of about $170.3 million would result, with an negative impact on the General Fund of about $80.9 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 2017-18 is estimated to produce about $2.7 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of total property tax revenues (including supplemental and escape property taxes), the City has budgeted to receive $1.6 billion into the General Fund and $201.5 million into special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD are estimated to receive about $176.3 million and $33.1 million, respectively, and the local ERAF is estimated to receive $580.0 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency will receive about $136 million. The remaining portion is allocated to various other governmental bodies, various special funds, and 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 2016-17 were $1.48 billion, representing an increase of $66 million (4.7%) over fiscal year 2016-17 Original Budget and $85.7 million (6.2%) over fiscal year 2015-16 actual revenue. Property tax revenue is budgeted at $1.56 billion in fiscal year 2017-18 representing an increase of $78.3 million (5.3%) over fiscal year 2016-17 actual receipts and $1.62 billion in fiscal year 2018-19 representing an annual increase of $63.0 million (4.0%) over fiscal year 2017-18 budget. Tables A-2 and A-3 set forth a history of budgeted and actual property tax revenues for fiscal years 2011-12 through 2016-17, and budgeted receipts for fiscal years 2017-18 and fiscal year 2018-19.

The City's General Fund is allocated about 48% of total property tax revenue before adjusting for the VLF backfill shift. The State's Triple Flip ended in fiscal year 2015-16, eliminating the sales tax in-lieu revenue from property taxes from succeeding fiscal years and shifting it to the local sales tax revenue line.

Generally, property taxes levied by the City on real property becomes 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. In June 2017, the Teeter Plan was extended to include the allocation and distribution of special taxes levied for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center). 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.

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TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2012-13 through 2016-17
(000s)

Year Ended	Amount Funded
2012-13	18,341
2013-14	19,654
2014-15	20,569
2015-16	22,882
2016-17	24,882

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, 2017 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 Office of the Assessor-Recorder.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
July 1, 2017
(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	$998,450	0.43%
Elm Property Venture LLC	101 California St	0263 011	Commercial Office	965,547	0.41%
PPF Paramount One Market Plaza Owner LP	1 Market St	3713 007	Commercial Office	817,948	0.35%
SFDC 50 Fremont LLC	50 Fremont St	3709 019	Commercial Office	675,803	0.29%
SHR St. Francis LLC	301 - 345 Powell St	0307 001	Commercial Hotel	656,823	0.28%
Sutter Bay Hospitals[3]	1101 Van Ness Ave	0695 006	Commercial Hospital	653,432	0.28%
Transbay Tower LLC	415 Mission St	3720 009	Commercial Office	560,825	0.24%
P55 Hotel Owner LLC	55 Cyril Magnin St	0330 026	Commercial Hotel	527,815	0.22%
Union Investment Real Estate GMBH	555 Mission St	3721 120	Commercial Office	483,303	0.21%
Emporium Mall LLC	845 Market St	3705 056	Commercial Retail	456,949	0.19%
					2.90%

[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).
[3] Nonprofit organization that is exempt from property taxes.
Source: Office of the Assessor-Recorder, City and County of San Francisco.

Taxation of State-Assessed Utility Property

A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special 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 2016-17 valuation of property assessed by the State Board of Equalization is $3.5 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 2014 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, 1.16% in tax year 2015, 0.829% in tax year 2016, 0.71% in tax year 2017, 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 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 2016-17 was $702.3 million (all funds), representing an increase of $41.4 million (6.3%) from fiscal year 2015-16. Business tax revenue is budgeted at $752.7 million in fiscal year 2017-18 representing an increase of $50.4 million (7.2%) over fiscal year 2016-17 budgeted revenue. Business tax revenue is budgeted at $764.4 million in fiscal year 2018-19 representing an increase of $11.7 million (1.6%) over fiscal year 2017-18.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues
Fiscal Years 2013-14 through 2018-19
All Funds
(000s)

Fiscal Year	Revenue	Change	
2013-14	$563,406	$83,276	17.3%
2014-15	611,932	48,525	8.6%
2015-16	660,926	48,994	8.0%
2016-17	702,331	41,405	6.3%
2017-18 budgeted	752,720	50,389	7.2%
2018-19 budgeted	764,400	11,680	1.6%

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 2013-14 through 2016-17 are audited actuals. Figures for fiscal year 2017-18 and 2018-19 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, experienced double digit growth rates between fiscal years 2013-14 and 2014-15, driving an average annual increase of 28.5% in hotel tax revenue during this period. RevPAR growth began to slow in fiscal year 2015-16 and then declined in fiscal year 2016-17, due mainly to the partial-year closure of the Moscone Convention Center. The partial-year closure was in connection with the construction of Moscone Convention Center Expansion. Hotel tax revenue experienced declines during this period. The Moscone Center re-opened in the second quarter of fiscal year 2017-18, and RevPAR is expected to see a partial recovery during this fiscal year. In fiscal year 2018-19, RevPAR is expected to fully recover, which is reflected in the expected growth in hotel tax revenue. Fiscal year 2016-17 transient occupancy tax was $375 million, representing a $17.4 million decrease from fiscal year 2015-16 revenue. Fiscal year 2017-18 is budgeted to be $377 million, an increase of $1.8 million (0.5%) from fiscal year 2016-17. Fiscal year 2018-19 is budgeted to be $402 million, an increase of $25.7 million (6.8%) from fiscal year 2016-17 budget.

San Francisco and a number of other jurisdictions in California and the United States 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. That ruling was issued on December 12, 2016 but did not resolve the matters that are the subject to the City's appeal. The City's appeal is proceeding, but the schedule for that appeal is not yet known.

TABLE A -10

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues
Fiscal Years 2013-14 through 2018-19
(000s)

Fiscal Year[1]	Tax Rate	Revenue	Change	
2013-14	14.0%	$313,138	$71,177	29.4%
2014-15[2]	14.0%	399,364	86,226	27.5%
2015-16	14.0%	392,686	(6,678)	-1.7%
2016-17	14.0%	375,291	(17,395)	-4.4%
2017-18 budgeted	14.0%	377,150	1,859	0.5%
2018-19 budgeted	14.0%	402,896	25,746	6.8%

[1]Figures for fiscal year 2013-14 through fiscal year 2016-17 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 2017-18 and 2018-19 are original budget amounts.
[2]Amounts in fiscal year 2014-15 are substantially adjusted due to multi-year audit and litigation resolution.

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. Prior to November 8, 2016, the rates were $5.00 per $1,000 of the sale price of the property being transferred for properties valued at $250,000 or less; $6.80 per $1,000 for properties valued more than $250,000 and less than $999,999; $7.50 per $1,000 for properties valued at $1.0 million to $5.0 million; $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. After the passage of Proposition V on November 8, 2016, transfer tax rates were amended, raising the rate to $22.50 per $1,000 for properties valued more than $5.0 million and less than $10.0 million; $27.50 per $1,000 for properties valued at more than $10.0 million and less than $25.0 million; and $30.00 per $1,000 for properties valued at more than $25.0 million. This change resulted in an additional $39 million in transfer tax revenue in fiscal year 2016-17.

Real property transfer tax ("RPTT") revenue in fiscal year 2016-17 was $410.5 million, a $141.5 million (52.6%) increase from fiscal year 2015-16 revenue. Fiscal year 2017-18 RPTT revenue is budgeted to be $300 million, approximately $110.6 million (-26.9%) less than the revenue received in fiscal year 2016-17 primarily due to the assumption that fiscal year 2016-17 represented the peak in high value property transactions during the current economic cycle. This slowing is budgeted to continue into fiscal year 2018-19 with RPTT revenue budgeted at $245 million, a reduction of $55 million (-18.3%).

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2013-14 through 2018-19
(000s)

Fiscal Year[1]	Revenue	Change	
2013-14	$261,925	$29,195	12.5%
2014-15	314,603	52,678	20.1%
2015-16	269,090	(45,513)	-14.5%
2016-17	410,561	141,471	52.6%
2017-18 budgeted	300,000	(110,561)	-26.9%
2018-19 budgeted	245,000	(55,000)	-18.3%

[1] Figures for fiscal year 2013-14 through 2016-17 are audited actuals. Figures for fiscal year 2017-18 and 2018-19 are Original Budget amounts.

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

Sales and Use Tax

The sales tax rate on retail transactions in the City is 8.50%, of which 1.00% represents the City's local share. 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, between fiscal year 2004-05 and the first half of fiscal year 2015-16, the State diverted one-quarter of this, and replaced the lost revenue with a shift of local property taxes to the City from local school district funding. This "Triple Flip" concluded on December 31, 2015, after which point the full 1% local tax is recorded in the General Fund.

Local sales tax collections in fiscal year 2016-17 were $189.5 million, a decrease of $14.7 million (-8.7%) from fiscal year 2015-16 sales tax revenue. Moderate revenue growth is expected during fiscal year 2017-18 with $199.9 million budgeted, an increase of $10.5 million (5.5%) from fiscal year 2016-17. Fiscal year 2018-19 revenue is budgeted to be $204.9 million, an increase of $5 million (2.5%) from fiscal year 2017-18 budget.

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 have contributed significantly to sales tax receipts, offsetting sustained declines in point of sale purchases. 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 2013-14 through 2016-17, and budgeted receipt for fiscal year 2017-18 and 2018-19, 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 2016-17.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2013-14 through 2018-19
(000s)

Fiscal Year*	Tax Rate	City Share	Revenue	Change	
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	8.75%	0.75%	167,915	27,769	19.8%
2015-16 adj.[2]	8.75%	1.00%	204,118	17,227	9.2%
2016-17	8.75%	1.00%	189,473	(14,645)	-8.7%
2017-18 *budgeted*[3]	8.50%	1.00%	199,940	10,467	5.5%
2018-19 *budgeted*[3]	8.50%	1.00%	204,940	5,000	2.5%

*Figures for fiscal year 2013-14 through fiscal year 2016-17 are audited actuals. Figures for fiscal years 2017-18 and 2018-19 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.
[2]The 2015-16 adjusted figure includes the State's final payment to the Counties for the lost 0.25% of sales tax, from July 1, 2015 through December 31, 2015. It also includes a true-up payment for April through June 2015.
[3]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 2016-17 Utility User Tax revenues were $101.2 million, representing an increase of $2.6 million (2.6%) from fiscal year 2015-16 revenue. Fiscal year 2017-18 revenue is budgeted to be $99.7 million, representing expected decline of $1.5 million (1.5%) from fiscal year 2016-17. Fiscal year 2018-19 Utility User Tax revenues are budgeted at $100.8 million, a $1.1 million (1.1%) increase from fiscal year 2017-18 budget.

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 2016-17 was $46.5 million, a $3 million (6.8%) increase over the previous fiscal year due 2015-16. In fiscal year 2017-18, Access Line Tax revenue is budgeted at $49.6 million, a $3 million (6.5%) increase from fiscal year 2016-17 revenue. Fiscal year 2018-19 revenue is budgeted at $51.1 million a $1.6 million (3.1%) increase from fiscal year 2017-18 and 2018-19 budget. Budgeted amounts in fiscal year 2017-18 assume annual inflationary increases to the access line tax rate as required under Business and Tax Regulation Code Section 784.

Sugar Sweetened Beverage Tax

On November 9, 2016 voters adopted Proposition V, a one cent per ounce tax on the distribution of sugary beverages. This measure took effect on January 1, 2018 and is expected to raise $15 million in annual revenue.

Parking Tax

A 25% tax is imposed on the charge for off-street parking spaces. The tax is paid by occupants and remitted monthly to the City by parking facility operators. Historically, parking Tax revenue was 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. However, widespread use of ride-sharing services and redevelopment of surface lots and parking garages into office and other uses have led to declines in this source over the past two fiscal years.

Fiscal year 2016-17 Parking Tax revenue was $84.3 million, $1.7 million (-2.0%) below fiscal year 2015-16 revenue. Parking tax revenue is budgeted at $82.2 million in fiscal year 2017-18, a decrease of $2.1 million (-2.5%) below the fiscal year 2016-17 amount. In fiscal year 2018-19, Parking Tax revenue is budgeted at $83.0 million, $0.8 million (1%) over the fiscal year 2017-18 budgeted amount.

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 2016-17, the General Fund share of 1991 realignment revenue was $192.1 million. In fiscal year 2017-18, it is budgeted at $188.6 million, or $3.4 million (-1.8%) less than the fiscal year 2016-17 actual. This growth is attributed to a $2.4 million (1.5%) increase in sales tax distribution and a $5.8 million (-15.3%) decrease in the VLF distribution due to base allocation changes and projected fiscal year 2016-17 growth payments. The fiscal year 2018-19 General Fund share of revenue is budgeted at $192.2 million, a net

increase of $3.5 million (1.9%) 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 2017-18 Budget included assumed savings of $689 million as a result of ACA implementation, and redirects these savings from realignment allocations to cover CalWORKs expenditures previously paid for by the State's General Fund. Reductions to the City's allocation are assumed equal to $11.9 million. Future budget adjustments could be necessary depending on final State determinations of ACA savings amounts, which are expected in January 2019 and January 2020 for fiscal year 2016-17 and fiscal year 2017-18, respectively. The fiscal year 2017-18 and 2018-19 realignment budget assumes the redirection of sales tax and VLF growth distributions from health and mental health allocations to social service allocations, consistent with IHSS assumptions enacted in the Governor's 2017-18 budget.

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. In fiscal year 2016-17, this revenue source totaled $35.5 million or $4.4 million (-11%) less than the fiscal year 2015-16 amount. Based on the State's adopted budget, this revenue is budgeted at $41.3 million in fiscal year 2017-18, a $5.9 million (17%) increase over the fiscal year 2016-17 actual. This increase reflects increased State funding to support implementation of AB109. The fiscal year 2018-19 budget assumes a $1.1 million (2.5%) increase from fiscal year 2017-18 budget.

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 2016-17 was $100.4 million, an increase of $3.4 million (3.5%) from fiscal year 2015-16 revenues. This revenue is budgeted at $101.6 million in fiscal year 2017-18 and $104.1 million in fiscal year 2018-19, representing annual growth of $1.2 million (1.2%) and $2.5 million (2.4%) 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 2016-17 is almost 3% and is expected to decline slightly in fiscal years 2017-18 and 2018-19.

Other Intergovernmental Grants and Subventions

In addition to those categories listed above, the City received $604.6 million of funds in fiscal year 2016-17 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 $16.9 million (2.9%) increase from fiscal year 2015-16. The fiscal year 2017-18 budget is $687.6 million, an increase of $82.9 million (13.7%) and fiscal year 2018-19 budget is 685.6 million, a decrease of $2 million (0.3%).

Charges for Services

Revenue from charges for services in the General Fund in fiscal year 2016-17 was $220.8 million and is projected to be largely unchanged in the fiscal year 2017-18 and 2018-19 budget.

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 $1.092 billion in fiscal year 2017-18 and $1.102 billion in fiscal year 2018-19. As noted above, voters approved additional spending requirements on the November 2016 ballot, which are incorporated into five-year projections and included in the fiscal year 2017-18 budget.

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 2014-15 through 2018-19
(000s)

Major Service Areas	2014-15 Final Budget	2015-16 Final Budget	2016-17 Final Budget	2017-18 Original Budget	2018-19 Original Budget
Public Protection	$1,173,977	$1,223,981	$1,298,185	$1,331,196	$1,366,723
Human Welfare & Neighborhood Development	799,355	857,055	176,768	995,230	1,017,189
Community Health	736,916	787,554	970,679	884,393	875,974
General Administration & Finance	293,107	286,871	786,218	358,588	366,421
Culture & Recreation	126,932	137,062	158,954	162,622	163,576
General City Responsibilities	158,180	186,068	349,308	152,390	206,528
Public Works, Transportation & Commerce	127,973	161,545	154,344	170,949	156,079
Total*	$3,416,440	$3,640,137	$3,894,456	$4,055,368	$4,152,490

*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 $459 million, $246 million and $176 million of General Fund support respectively in fiscal year 2017-18 and $467 million, $249 million, and $189 million, respectively in fiscal year 2018-19. 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 $242 million of General Fund support in the fiscal year 2017-18 and $255 million in fiscal year 2018-19.

The Public Health Department is budgeted to receive $715 million in General Fund support for public health programs and the operation of San Francisco General Hospital and Laguna Honda Hospital in fiscal year 2017-18 and $771 million in fiscal year 2018-19.

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 $65.7 million in fiscal year 2017-18 and $66.4 million in the fiscal year 2018-19.

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. This table reflects spending requirements at the time the fiscal year 2017-18 and fiscal year 2018-19 budget was finally adopted.

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TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO
Baselines & Set-Asides
Fiscal Year 2017-18
(millions)

Baselines & Set-Asides	2017-18 Required Baseline	2017-18 Original Budget
Municipal Transportation Agency (MTA)		
Municipal Railway Baseline	$228.1	$228.1
Parking and Traffic Baseline	$85.5	$85.5
Population Adjustment	$39.1	$39.1
Children's Services	$164.8	$166.9
Transitional Aged Youth	$19.8	$24.6
Library Preservation	$78.0	$78.0
Recreation and Park Maintenance of Effort	$70.2	$73.0
Dignity Fund	$44.1	$44.1
Street Treet Maintenance Fund	$19.0	$19.0
City Services Auditor	$17.4	$17.4
Human Services Homeless Care Fund	$17.6	$17.6
Public Education Enrichment Funding		
Unified School District	$69.5	$69.5
Office of Early Care and Education	$34.8	$34.8
Public Education Baseline Services		
Property Tax Related Set-Asides		
Municipal Symphony	$2.9	$2.9
Children's Fund Set-Aside	$86.4	$86.4
Library Preservation Set-Aside	$57.6	$57.6
Open Space Set-Aside	$57.6	$57.6
Staffing and Service-Driven		
Police Minimum Staffing	Requirement met	
Fire Neighborhood Firehouse Funding	Requirement met	
Treatment on Demand	Requirement met	
Total Baseline Spending	$1,092.2	$1,102.0

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 nearly half of the City's expenditures, totaling $5.0 billion in the fiscal year 2017-18 Original Budget (all-funds), and $5.1 billion in the fiscal year 2018-19 Original Budget. Looking only at the General Fund, the combined salary and benefits budget was $2.3 billion in the fiscal year 2017-18 Original Budget and $2.4 billion in the fiscal year 2018-

19 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 2017-18 and 2018-19 includes 30,835 and 30,938 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 City Charter. San Francisco is unusual among California's cities and counties in that nearly all of its employees, even managers, are represented by labor organizations. Further, the City Charter provides a unique impasse resolution procedure. In most cities and counties, when labor organizations cannot reach agreement on a new contract, there is no mandatory procedure to settle the impasse. However, in San Francisco, nearly all of the City's contracts advance to interest arbitration in the event the parties cannot reach agreement. This process provides a mandatory ruling by an impartial third party arbitrator, who will set the terms of the new agreement. Except for nurses and less than one-hundred unrepresented employees, the Charter requires that bargaining impasses be resolved through final and binding interest arbitration conducted by a tripartite mediation and arbitration panel. The award of the arbitration panel is final and binding. 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 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.

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 3.25% (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 support reforms agreed to by most unions during earlier negotiations.

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 transit operators, the Transit Workers Union ("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.

In February 2017, the City negotiated two-year contract extensions (for fiscal years 2017-18 and 2018-19) with most of its labor unions. The parties agreed to a wage increase schedule of 3% on July 1, 2017 and 3% on July 1, 2018, with a provision to delay the fiscal year 2018-19 adjustment by six months if the City's deficit for fiscal year 2018-2019, as projected in the March, 2018 update to the Five Year Financial Plan, exceeds $200 million. MTA and TWU, along with unions representing MTA service critical employees, agreed to two-year contract extensions with the same wage provisions and term as those contracts covering City employees. Existing agreements with police officers, firefighters, and physicians expire in June 2018; the agreement with supervising nurses expires in June, 2019. Successor labor agreements are expected to be completed prior to the adoption of the fiscal year 2018-19 budget.

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

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TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of July 1, 2016

Organization	Budgeted Positions	Expriation Date of MOU
Auto Machinist, Lodge 1414	466	30-Jun-19
BrickLayers, Local 3 / Hod Carriers, Local 36	10	30-Jun-19
Building Inspectors Association	92	30-Jun-19
CAIR/CIR (Interns & Residents)	0	30-Jun-19
Carpenters, Local 22	116	30-Jun-19
Carpet, Linoleum & Soft Tile	3	30-Jun-19
Cement Masons, Local 300	43	30-Jun-19
Electrical Workers, Local 6	915	30-Jun-19
Firefighters, Local 798	1,875	30-Jun-18
Glaziers, Local 718	9	30-Jun-19
Hod Carriers, Local 36	8	30-Jun-19
Iron Workers, Local 377	15	30-Jun-19
Laborers, Local 261	1,158	30-Jun-19
Municipal Attorneys Association	465	30-Jun-19
Municipal Exec Assoc - Fire	9	30-Jun-18
Municipal Exec Assoc - Misc	1,330	30-Jun-19
Municipal Exec Assoc - Police	16	30-Jun-18
Operating Engineers, Local 3	65	30-Jun-19
Physician/Dentists, UAPD	203	30-Jun-18
Pile Drivers, Local 34	37	30-Jun-19
Plasterers & Shphnds, Local 66	0	30-Jun-19
Plumbers, Local 38	349	30-Jun-19
Police Officers Association	2,495	30-Jun-18
Prof & Tech Eng, Local 21	6,212	30-Jun-19
Roofers, Local 40	13	30-Jun-19
SEIU 1021, H-1 Paramedics	4	30-Jun-19
SEIU 1021, Misc.	12,509	30-Jun-19
SEIU 1021, Staff & Per Diem RNs	1,720	30-Jun-19
SF City Workers United	131	30-Jun-19
SF Deputy Sheriffs Assn	825	30-Jun-19
SF Probation Off Assoc	152	30-Jun-19
SF Sheriff's Managers and Supv	100	30-Jun-19
SFDA Investigators Assn	45	30-Jun-19
SFIPOA, Op Eng, Local 3	2	30-Jun-19
Sheet Metal Workers, Local 104	43	30-Jun-19
Stationary Engineers, Local 39	690	30-Jun-19
Sup Probation Ofcr, Op Eng 3	31	30-Jun-19
Teamsters, Local 853	173	30-Jun-19
Teamsters, Local 856 Multi-Unit	112	30-Jun-19
Teamsters, Local 856 Spv Nurses	127	30-Jun-19
Theatrical Stage Emp, Local 16	27	30-Jun-19
TWU Local 200	364	30-Jun-19
TWU Local 250-A, AutoServWrkr	126	30-Jun-19
TWU Local 250-A, Misc	111	30-Jun-19
TWU Local 250-A, TranFareInsp	54	30-Jun-19
TWU Local 250-A, TransitOpr	2,659	30-Jun-19
Unrepresented Employees	83	30-Jun-18
	35,990 [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.

The Retirement Board appoints an Executive Director and an Actuary to aid in the administration of the Retirement System. The Executive Director serves as chief executive officer, with responsibility extending to all divisions of the Retirement System. The Actuary's responsibilities include advising the Retirement Board on actuarial matters and monitoring of actuarial service providers. The Retirement Board retains an independent consulting actuarial firm to prepare the annual valuation reports and other analyses. The independent consulting actuarial firm is currently Cheiron, Inc., a nationally recognized firm selected by the Retirement Board pursuant to a competitive process.

In 2014, the Retirement System filed an application with the Internal Revenue Service ("IRS") for a Determination Letter. In July 2014, the 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, the SFUSD, the SFCCD, and the San Francisco Trial Courts.

The Retirement System estimates that the total active membership at July 1, 2016 is 40,051, compared to 37,821 at July 1, 2015. Active membership at July 1, 2016 includes 6,617 terminated vested members and 1,028 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. Monthly retirement allowances are paid to approximately 28,286 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-16 displays total Retirement System participation (City and County of San Francisco, SFUSD, SFCCD, and San Francisco Trial Courts) at the five most recent actuarial valuation dates, July 1, 2012 through July 1, 2016.

TABLE A-16

City and County of San Francisco
Employees' Retirement System
Fiscal Years 2011-12 through 2015-16

As of 7/1	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
2011-12	28,097	4,543	1,015	33,655	25,190	1.115
2012-13	28,717	4,933	1,040	34,690	26,034	1.103
2013-14	29,516	5,409	1,032	35,957	26,852	1.099
2014-15	30,837	5,960	1,024	37,821	27,485	1.122
2015-16	32,406	6,617	1,028	40,051	28,286	1.146

Sources: SFERS' annual July 1 actuarial valuation reports
See http://mysfers.org/resources/publications/sfers-actuarial-valuations/

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

Funding Practices

Employer and employee (member) contributions are mandated by the Charter. Sponsoring employers are required to contribute 100% of the actuarially determined contribution approved by the Retirement Board. The Charter specifies that employer contributions consist of the normal cost (the present value of the benefits that SFERS expects to become payable in the future attributable to a current year's employment) plus an amortization of the unfunded liability over a period not to exceed 20 years. The Retirement Board sets the funding policy subject to the Charter requirements.

The Retirement Board adopts the economic and demographic assumptions used in the annual valuations. Demographic assumptions such as retirement, termination and disability rates are based upon periodic demographic studies performed by the consulting actuarial firm approximately every five years. Economic assumptions are reviewed each year by the Retirement Board after receiving an economic experience analysis from the consulting actuarial firm.

At the November 2017 Retirement Board meeting, the Board adopted updated economic assumptions for the July 1, 2017 actuarial valuation after consideration of two options presented by the consulting actuarial firm. Key economic assumptions are the long-term investment earnings assumption of 7.50%, the long-term wage inflation assumption of 3.50%, and the long-term consumer price index assumption of 3.00%. In November 2015 the Board voted to update demographic assumptions, including mortality, after review of a new demographic assumptions study by the consulting actuarial firm.

While employee contribution rates are mandated by the Charter, sources of payment of employee contributions (i.e. City or employee) may be the subject of collective bargaining agreements with each union or bargaining unit. Since July 1, 2011, substantially all employee groups have agreed through collective bargaining for employees to contribute all employee contributions through pre-tax payroll deductions.

Prospective purchasers of the City's bonds and other obligations should carefully review and assess the assumptions regarding the performance of the Retirement System. Audited financials and actuarial reports may be found on the Retirement System's website, mysfers.org, under Publications. The information on such website is not incorporated herein by reference. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the City's 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.

Employer Contribution History and Annual Valuations

Fiscal year 2015-16 total City employer contributions were $496.3 million which included $215.2 million from the General Fund. Fiscal year 2016-2017 total City contributions were $519.1 million which included $230.1 million from the General Fund. For fiscal year 2017-18, total City employer contributions to the Retirement System are budgeted at $568.7 million which includes $265.8 million from the General Fund. These budgeted amounts are based upon the fiscal year 2017-18 employer contribution rate of 23.46% (estimated to be 20.1% after taking into account the 2011 Proposition C cost-sharing provisions). The fiscal year 2018-19 employer contribution rate will be published in March of 2018. The increase in employer contribution rate from 21.40% to 23.46% results primarily from two reasons: 1) the retroactive grant of 2013 and 2014 Supplemental COLAs after the October 2015 California Court of Appeal determination in *Protect Our Benefits v. City and County of San Francisco* that the "full funding" requirement for Supplemental COLAs adopted under Proposition C does not apply to members who retired on or after November 6, 1996 and were hired prior to January 7, 2012, and 2) the continued phase in of the 2015 assumption changes approved by the Retirement Board. As discussed under "City Budget – Five Year Financial Plan" increases in retirement costs are projected in the City's December 2016 Five Year Financial Plan.

Table A-17 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2011-12 through 2015-16. Information is shown for all employers in the Retirement System (City, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the total of mandated employee contributions and employer contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

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TABLE A-17

City and County of San Francisco
Employees' Retirement System
Fiscal Years 2011-12 through 2015-16*
(000s)

As of 7/1	Actuarial Liability	Market Value of Assets	Actuarial Value of Assets	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contributions in prior FY	Employer Contribution Rates[1] in prior FY
2011-12	$19,393,854	$15,293,724	$16,027,683	78.9%	82.6%	$608,957	18.09%
2012-13	20,224,777	17,011,545	16,303,397	84.1	80.6	701,596	20.71
2013-14	21,122,567	19,920,607	18,012,088	94.3	85.3	821,902	24.82
2014-15	22,970,892	20,428,069	19,653,339	88.9	85.6	894,325	26.76
2015-16	24,403,882	20,154,503	20,654,703	82.6	84.6	849,569	22.80

[1] Employer contribution rates for fiscal years 2016-17 and 2017-18 are 21.40% and 23.46%, respectively.

Sources: SFERS' audited year-end financial statements and required supplemental information
SFERS' annual July 1 actuarial valuation reports

Note: Information above reflects entire Retirement System, not just the City and County of San Francisco.
*Fiscal year 2016-17 financial statements not yet available.

As noted in the table above, that the Market Percent Funded ratio is lower than the Actuarial Percent Funded ratio for the first time in four years. The Actuarial Percent Funded ratio does not yet fully reflect all asset losses from the last five fiscal years.

The actuarial accrued liability is measured by an independent consulting actuary in accordance with Actuarial Standards of Practice. In addition, an actuarial audit is conducted every five years in accordance with Retirement Board policy.

Governmental Accounting Standards Board ("GASB") Disclosures

The Retirement System discloses accounting and financial reporting information under GASB Statement No. 67, *Financial Reporting for Pension Plans*. 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 the City Charter and are described in "Funding Practices" above.

Total Pension Liability reported under GASB Statements No. 67 and 68 differs from the Actuarial Liability calculated for funding purposes in several ways, including the following differences. First, Total Pension Liability measured at fiscal year-end is a roll-forward of liabilities calculated at the beginning of the year and is based upon a beginning of year census adjusted for significant events that occurred during the year. Second, Total Pension Liability is based upon a discount rate determined by a blend of the assumed investment return to the extent the fiduciary net position is available to make payments and a municipal bond rate to the extent that the fiduciary net position is unavailable to make payments. Differences between the discount rate and assumed investment return have ranged from zero to six basis points at the last five 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 Actuarial Liability 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

City and County of San Francisco
Employees' Retirement System (000s)
GASB 67/68 Disclosures

As of 6/30	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
2012-13	$20,785,417	7.52 %	$17,011,545	81.8 %	$3,773,872	$3,552,075
2013-14	21,691,042	7.58	19,920,607	91.8	1,770,435	1,660,365
2014-15	22,724,102	7.46	20,428,069	89.9	2,296,033	2,156,049
2015-16	25,967,281	7.50	20,154,503	77.6	5,812,778	5,476,653
2016-17	27,403,715	7.50	22,410,350	81.8	4,993,365	4,697,131

Sources: SFERS fiscal year-end GASB 67/68 Reports as of June 30, 2014, 2015, 2016 and 2017.
Notes: Collective amounts include all employees (City and County, SFUSD, SFCCD, Superior Courts)

The fiscal year 2017 decline in the City's net pension liability is due to investment return greater than expected.

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Asset Management

The assets of the Retirement System, (the "Fund") are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estates and an array of alternative investments including private equity and venture capital limited partnerships. For a breakdown of the asset allocation as of June 30, 2016, see Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2016," Page 72. Although the Fund did not hold hedge funds as of June 30, 2016, the Board approved a 5% allocation to absolute return/hedge funds at its February 2015 meeting. Implementation of this new allocation began during fiscal year 2016-17.

Annualized investment returns (net of fees and expenses) for the Retirement System for the five years ended June 30, 2016 were 7.53%. For the ten-year and twenty-year periods ended June 30, 2016, annualized investment returns were 5.85% and 7.66% respectively.

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

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. As detailed below, the most recent changes to SFERS plan benefits have been intended to reduce pension costs associated with future City employees.

Voters of San Francisco approved Proposition C in November 2011 which provided the following:

1. 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%;

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

3. 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

4. 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 in Proposition C that SFERS 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 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 its implementation increased the July 1, 2016 unfunded actuarial liability by $429.3 million for Supplemental COLAs granted retroactive to July 1, 2013 and July 1, 2014.

On July 13, 2016, the SFERS Board adopted a Resolution to exempt members who retired before November 6, 1996, from the "fully funded" provision related to payment of Supplemental COLAs under Proposition C. The Resolution directed that retroactive payments for Supplemental COLAs be made to these retirees. After the Board adopted the Resolution, the Retirement System published an actuarial study on the cost to the Fund of payments to the pre-1996 retirees. The study reports that the two retroactive supplemental payments will trigger immediate payments of $34 million, create additional liability for continuing payments of $114 million, and cause a new unfunded liability of $148 million. This liability does not include the Supplemental COLA payments that may be triggered in the future. Under the cost sharing formulas in Proposition C, the City and its employees will pay for these costs in the form of higher yearly contribution rates. The Controller has projected the future cost to the City and its employees to be $260 million, with over $200 million to be paid in the next five fiscal years. The City obtained a permanent injunction to prevent SFERS from making Supplemental COLA payments to these members who retired before November 6, 1996. The Retirement Board has appealed the Superior Court's injunction, and the schedule for that appeal is not yet known.

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 in the Economic Environment and the Impact on the Retirement System

As of June 30, 2016, the audited market value of Retirement System assets was $20.2 billion. As of June 30, 2017, the unaudited market value of SFERS' portfolio was $22.4 billion. These values represent, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could differ. 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, 2017, 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 San Francisco 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 San Francisco Health Service System (the "San Francisco Health Service System" or "SFHSS") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the San Francisco Health Service System also administers medical benefits to active and retired employees of SFUSD, SFCCD and the San Francisco Superior Court (collectively the "System's Other Beneficiaries"). However, the City is not required to fund medical benefits for the System's Other Beneficiaries and therefore this section focuses on the funding by the City of medical and dental benefits for City Beneficiaries.

The San Francisco 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 San Francisco Health Service System, active or retired, elected from among their members. The plans (the "SFHSS Medical Plans") for providing medical care to the City Beneficiaries and the System's Other Beneficiaries (collectively, the "SFHSS Beneficiaries") are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

The San Francisco Health Service System oversees a trust fund (the "Health Service Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the SFHSS Beneficiaries are funded. The San Francisco 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 SFHSS 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 SFHSS 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 "Other Post Employment Benefits trust fund"). Thus, the Health Service Trust Fund is not currently affected by 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 SFHSS Medical Plans for active employees and retirees 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 and is used to determine "the average contribution made by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County." 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 Memoranda of Understandings negotiated through collective bargaining in June 2014, the 10-County Average was eliminated in the calculation of premiums for active employees represented by most unions, and 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 10-County 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 SFHSS 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 San Francisco 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 most of the union agreements and, when applicable, the City contribution of the "10-County 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 10-County Average contribution, the City contributes additional amounts in respect of the Nonemployee City Beneficiaries sufficient to defray the difference in cost to the San Francisco 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

The election of a Republican President in November 2016 who promised to repeal "Obamacare" (or the Affordable Care Act ("ACA") combined with both Houses of Congress with Republican majorities who are equally set on repealing the ACA puts many of the fees and taxes in limbo until legislation is passed to "repeal and replace Obamacare" by the current Congress and signed by President Trump ("HealthReform 2.0"). The following discussion is based on the current status of the Patient Protection and Affordable Care Act (the "ACA"). Many attempts have been made to completely repeal the ACA however full appeal has been unsuccessful thus far. Two pieces of legislation, passed by Congress and signed by President Trump in December 2017 and January 2018, have chipped away at many of the fiscal requirements of the law.

In December 2017, Congress passed the Tax Cuts and Jobs Act (the "ACT") which was immediately signed by President Trump. The ACT eliminated the ACA's requirement which "zeroes out" the ACA individual mandate penalty effective beginning after December 31, 2018. This does not end the mandate, rather eliminates the tax penalty for violating the mandate. The ACA mandate that requires employers, with 50 or more full-time employees, to offer full-time workers ACA-compliant health coverage is still in place. Eligibility for health benefits is offered to employees who are employed, on average, at least 20 hours of service per week. In addition, the employer reporting obligations under the ACA remains unchanged. In January 2018, approximately 50,000 1095 forms were distributed to members documenting compliance to this mandate.

The potential impact with the repeal of the individual mandate may: 1) increase in uncompensated care costs, which is generally passed onto plan sponsors, employers and other payers, 2) destabilize the individual market leading to more employees and dependents electing COBRA instead of buying coverage elsewhere, and 3) limit the opportunity for plan sponsors/employers to leverage the healthcare marketplace as a coverage vehicle for groups such as part-time employees or pre-54 retirees.

On January 22, 2018 Congress approved the delay of three ACA taxes that impact SFHSS rates for medical coverage. The taxes are:

- **Excise Tax on High-cost Employer-sponsored Health Plans**

  The Excise Tax on High-cost Employer-sponsored Health Plans (Cadillac Tax) is a 40% excise tax on high-cost coverage health plans. Implementation of the tax has been delayed twice and is now effective in 2022. SFHSS continues to evaluate the future impact of the cost of medical benefits for all coverage tiers and it is expected that the plans for pre-65 retirees will trigger the tax first.

- **Health Insurance Tax** ("HIT")

  The ACA also imposed a tax on health insurance providers, which was passed on to employer sponsored fully-insured plans in the form of higher premiums. A moratorium on this tax was in place for 2017, and the spending bill passed by Congress in January 2018 includes another moratorium for 2019.

  The HIT tax is mandated for the 2018 plan year. The 2018 plan year premiums for Kaiser Permanente and City Health Plan (UHC) included the impact of the HIT tax. Late in 2016, Blue Shield and the California Department of Managed Health Care agreed that the HIT tax was not applicable to Blue Shield because SFHSS "flex funds" Blue Shield meaning that SFHSS is at risk directly for non-physician costs and thus it is not fully-insured. This resulted in a one-time refund for 2016 of $9.93 million which is applied to the 2018 rate stabilization reserve. The estimated impact of the HIT tax on the City was $10.98 million.

- **Medical Device Excise Tax**

  The ACA's medical device excise tax imposes a 2.3 percent tax on sales of medical devices (except certain devices sold at retail). Implementation of the tax is delayed until 2020.

  The Patient Centered Outcomes Research Institute ("PCORI") fee is still in place for 2018, however it sunsets in 2019. Beginning in 2013, the PCORI Fee was accessed at the rate of $2.00 per enrollee per year to all participants in the Self-Insured medical-only plan (approximately 8,600). PCORI was factored into the calculation of medical premium rates and premium equivalents for the 2018 plan year and the impact on the City is $0.31 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 San Francisco Health Service System is in compliance with Proposition C.

Employer Contributions for San Francisco Health Service System Benefits

For fiscal year 2016-17, based on the most recent audited financial statements, the San Francisco Health Service System received approximately $713.9 million from participating employers for San Francisco

Health Service System benefit costs. Of this total, the City contributed approximately $604.5 million; approximately $165.4 million of this $604.5 million amount was for health care benefits for approximately 21,410 retired City employees and their eligible dependents and approximately $439.1 million was for benefits for approximately 31,905 active City employees and their eligible dependents.

The 2018 aggregate plan costs for the City increased by 3.28%. This is due to a number of factors including aggressive contracting by SFHSS that maintains competition among the City's vendors, implementing Accountable Care Organizations that reduced utilization and increased use of generic prescription rates and changing the City's Blue Shield plan from a fully-funded to a flex-funded product and implementing a narrow network. Flex-funding allows lower premiums to be set by the City's 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 flattening 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:

1. 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,

2. 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,

3. 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. As of July 1, 2014, the most recent actuarial valuation date, the funded status of retiree health care benefits was 1.1%. The actuarial accrued liability for benefits was $4.26 billion, and the actuarial value of assets was $49.0 million, resulting in an unfunded actuarial accrued liability ("UAAL") of $4.21 billion. As of July 1, 2014, the estimated covered payroll (annual payroll of active employees covered by the plan) was $2.62 billion and the ratio of the UAAL to the covered payroll was 160.8%.

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 2016-17 annual OPEB cost was $401.4 million, of which the City funded $175.0 million which caused, among other impacts, the City's long-term liability to increase by $237.5 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, 2017, included as Appendix B to this Official Statement. Five-year trend information is displayed in Table A-18

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Five-year Trend
Fiscal Years 2012-13 to 2016-17
(000s)

Fiscal Year Ended	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
2012-13	$418,539	38.3%	$1,607,130
2013-14	353,251	47.2%	1,793,753
2014-15	363,643	46.0%	1,990,155
2015-16	326,133	51.8%	2,147,434
2016-17	401,402	43.6%	2,384,938

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, 2017, the fund balance in the Retiree Health Care Trust Fund established by Proposition B was $187.4 million, an increase of 63% versus the prior year. 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 is expected to 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, 2017 is approximately $187.4 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 2013-14 to fiscal year 2017-18.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2013-14 through 2017-18[1]
(000s)

	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Budget
SFERS and PERS Retirement Contributions	$535,309	$593,619	$531,821	$554,956	$597,176
Social Security & Medicare	160,288	171,877	184,530	196,914	207,108
Health - Medical + Dental, active employee	369,428	383,218	421,864	459,772	480,956
Health - Retiree Medical [2]	161,859	146,164	158,939	165,822	180,975
Other Benefits [3]	16,106	18,439	20,827	21,388	29,145
Total Benefit Costs	$1,242,990	$1,313,318	$1,317,981	$1,398,852	$1,495,360

[1]Fiscal year 2013-14 through fiscal year 2016-17 figures are audited actuals. Fiscal year 2017-18 figures are original budget.

[2] Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insurance.

[3] "Other Benefits" includes unemployment insurance premiums, life insurance and other miscellaneous employee benefits.

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

INVESTMENT OF CITY FUNDS

Investment Pool

The Treasurer of the City (the "Treasurer") is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4. In addition to the funds of the City, the funds of various City departments and local agencies located within the boundaries of the City, including the school and community college districts, airport and public hospitals, are deposited into the City and County's Pooled Investment Fund (the "Pool"). The funds are commingled for investment purposes.

Investment Policy

The management of the Pool is governed by the Investment Policy administered by the Office of the Treasurer and Tax Collector in accordance with California Government Code Sections 27000, 53601, 53635, et. al. In order of priority, the objectives of this Investment Policy are safety, liquidity and return on investments. Safety of principal is the foremost objective of the investment program. The investment portfolio maintains sufficient liquidity to meet all expected expenditures for at least the next six months. The Office of the Treasurer and Tax Collector also attempts to generate a market rate of return, without undue compromise of the first two objectives.

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designee; (e) the Chancellor of the Community College District or his/her designee; and (f) Members of the general public. A complete copy of the Treasurer's Investment Policy, dated February 2018, is included as an Appendix to this Official Statement. 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 January 31, 2018, 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 Janaury 31, 2018

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	$775,000,000	$771,528,747	$765,573,500
Federal Agencies	4,741,446,000	4,740,421,994	4,699,429,313
State and Local Obligations	165,633,823	167,726,719	164,431,463
Public Time Deposits	960,000	960,000	960,000
Negotiable Certificates of Deposit	1,932,838,000	1,932,838,000	1,932,243,836
Commercial Paper	871,900,000	865,232,951	868,280,421
Medium Term Notes	81,450,000	81,501,816	81,448,935
Money Market Funds	367,827,620	367,827,620	367,827,620
Supranationals	600,300,000	598,961,547	594,896,985
Total	$9,537,355,443	$9,526,999,394	$9,475,092,073

January 2018 Earned Income Yield: 1.60%

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 January 31, 2018

Maturity in Months			Par Value	Percentage
0	to	1	$945,417,620	9.9%
1	to	2	595,240,000	6.2%
2	to	3	539,470,000	5.7%
3	to	4	307,710,000	3.2%
4	to	5	579,500,000	6.1%
5	to	6	672,250,000	7.0%
6	to	12	1,578,545,000	16.6%
12	to	24	1,680,548,000	17.6%
24	to	36	1,380,200,000	14.5%
36	to	48	776,899,823	8.1%
48	to	60	481,575,000	5.0%
			$9,537,355,443	100.0%

Weighted Average Maturity:499 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, 2017 are described in Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017," 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 10 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 10 year capital plan every other fiscal year for approval by the Board of Supervisors. The Capital Plan is a fiscally constrained long-term finance strategy that prioritizes projects based on a set of funding principles. It provides an assessment of the City's infrastructure needs over 10 years, highlights investments required to meet these needs and recommends a plan of finance to fund these investments. Although the Capital Plan provides cost estimates and proposes methods to finance such costs, the document does not reflect any commitment by the Board of Supervisors to expend such amounts or to adopt any specific financing method. The Capital Plan is required to be updated and adopted biennially, along with the City's Five Year Financial Plan and the Five-Year Information & Communication Technology Plan. The CPC is also charged with reviewing the annual capital budget submission and all long-term financing proposals, and providing recommendations to the Board of Supervisors relating to the compliance of any such proposal or submission with the adopted Capital Plan.

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal year 2018-2027 Capital Plan was approved by the CPC on February 27, 2017, and was adopted by the Board of Supervisors in April 2017. The Capital Plan contains $35.2 billion in capital investments over the coming decade for all City departments, including $5.25 billion in projects for General Fund-supported departments. The Capital Plan proposes $1.9 billion for General Fund pay-as-you-go capital projects over the next 10 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 2023-24. Major capital projects for General Fund-supported departments included in the Capital Plan consist of upgrades to public health, police, and fire facilities; improvements to homeless service sites; street and right-of-way improvements; the removal of barriers to accessibility; park improvements; the relocation of public health staff and services to improved spaces, among other capital projects. $2.1 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 $18.9 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 $12.3 billion of enterprise fund department capital projects is financed with revenue bonds. 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 $4.6 billion in capital needs including enhancements 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. The late Mayor Edwin Lee 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 March 1, 2018, the City had approximately $2.07 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 March 1, 2018 [1 2]

Fiscal Year	Principal	Interest	Annual Debt Service
2017-18	$123,873,225	$45,285,258	$169,158,483
2018-19	124,230,545	84,676,748	208,907,293
2019-20	123,541,232	78,649,111	202,190,343
2020-21	122,085,457	72,700,986	194,786,443
2021-22	128,083,401	67,121,223	195,204,624
2022-23	131,760,251	61,192,905	192,953,156
2023-24	134,366,206	54,907,030	189,273,236
2024-25	135,221,476	48,463,484	183,684,960
2025-26	130,491,279	42,140,369	172,631,648
2026-27	135,690,840	36,402,040	172,092,880
2027-28	140,604,035	30,447,874	171,051,909
2028-29	141,041,751	24,668,943	165,710,694
2029-30	137,285,095	18,856,513	156,141,608
2030-31	99,261,950	13,238,784	112,500,734
2031-32	102,620,000	9,573,281	112,193,281
2032-33	68,105,000	5,848,349	73,953,349
2033-34	43,770,000	3,291,929	47,061,929
2034-35	35,160,000	1,711,971	36,871,971
2035-36	12,680,000	475,476	13,155,476
TOTAL [3]	$2,069,871,743	$699,652,274	$2,769,524,017

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. On November 8, 2016, voters approved Proposition C, authorizing the use of Seismic Safety Bond Program to fund the purchase and improvement of buildings in need of safety upgrades in order to convert them into affordable housing.

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. The City issued the fourth and final series in the amount of approximately $8.7 million in January 2016.

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. The final series was issued in June 2016 in the amount of approximately $25 million.

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. The City issued the final series in June 2016 in the amount of approximately $109 million.

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. The City issued the second series of bonds in the amount of $43 million in January 2016. The third series is expected to be issued in April 2018.

In June 2014, voters approved Proposition A, which authorized the issuance of up to $400.0 million in general obligation bonds 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 incurring indebtedness of 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 issued the first series of bonds in the amount of $100.7 million in October 2014 and the second series of bonds in the amount of $109.6 million in April 2016.

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. The second series is expected to be issued in April 2018.

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. The City issued the first series of bonds under Proposition A in the amount of approximately $75 million in October 2016.

In June 2016, voters approved Proposition A, which authorized the issuance of up to $350 million in general obligation bonds to provide funds to protect public health and safety, improve community medical and mental health care services, earthquake safety and emergency medical response; to seismically improve, and modernize neighborhood fire stations and vital public health and homeless service sites; to construct a seismically safe and improved San Francisco Fire Department ambulance deployment facility; and to pay related costs. The City issued the first series of the bonds under Proposition A in the amount of approximately $173.1 million in February 2017.

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 four series of refunding bonds currently outstanding 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 March 1, 2018

Series Name	Date Issued	Principal Amount Issued	Amount Outstanding
2008-R1	May 2008	$232,075,000	$6,675,000
2008-R2	May 2008	39,320,000	5,680,000
2008-R3	July 2008	118,130,000	-
2011-R1	November 2011	339,475,000	202,220,000 [1]
2015-R1	February 2015	293,910,000	261,095,000 [2]

[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 Bonds in February 2015. Series 2008-R3 Bonds were partially refunded and are no longer outstanding.

Table A-24 below lists for each of the City's voter-authorized general obligation bond programs 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 March 1, 2018, the City had authorized and unissued general obligation bond authority of approximately $1.37 billion.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of March 1, 2018

Description of Issue (Date of Authorization)	Series	Issued	Outstanding [1]	Authorized & Unissued
Seismic Safety Loan Program (11/3/92)	2007A	$30,315,450	$21,461,743	
	2015A	24,000,000	24,000,000	$260,684,550
Clean & Safe Neighborhood Parks (2/5/08)	2010B	24,785,000	5,120,000	
	2010D	35,645,000	35,645,000	
	2012B	73,355,000	50,675,000	
	2016A	8,695,000	7,825,000	
San Francisco General Hospital and Trauma Center (11/4/08)	2009A	131,650,000	10,790,000	
	2010A	120,890,000	24,980,000	
	2010C	173,805,000	173,805,000	
	2012D	251,100,000	163,495,000	
	2014A	209,955,000	169,055,000	
Earthquake Safety and Emergency Response Bond (6/8/10)	2010E	79,520,000	43,175,000	
	2012A	183,330,000	127,945,000	
	2012E	38,265,000	31,400,000	
	2013B	31,020,000	18,320,000	
	2014C	54,950,000	43,665,000	
	2016C	25,215,000	23,260,000	
Road Repaving & Street Safety (11/8/11)	2012C	74,295,000	51,880,000	
	2013C	129,560,000	76,465,000	
	2016E	44,145,000	40,715,000	
Clean & Safe Neighborhood Parks (11/6/12)	2013A	71,970,000	42,490,000	
	2016B	43,220,000	25,395,000	79,810,000
Earthquake Safety and Emergency Response Bond (6/3/14)	2014D	100,670,000	79,970,000	
	2016D	109,595,000	78,475,000	189,735,000
Transportation and Road Improvement (11/4/14)	2015B	67,005,000	45,375,000	432,995,000
Affordable Housing Bond (11/3/15)	2016F	75,130,000	53,060,000	234,870,000
Public Health and Safety Bond (6/7/16)	2017A	173,120,000	125,760,000	176,880,000
SUB TOTALS		$2,385,205,450	$1,594,201,743	$1,374,974,550
General Obligation Refunding Bonds:				
Series 2008-R1 issued 5/29/08		232,075,000	6,675,000	
Series 2008-R2 issued 5/29/08		39,320,000	5,680,000	
Series 2011-R1 issued 11/9/12		339,475,000	202,220,000	
Series 2015-R1 issued 2/25/15		293,910,000	261,095,000	
SUB TOTALS		904,780,000	475,670,000	
TOTALS		$3,289,985,450	$2,069,871,743	$1,374,974,550

[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.

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

Lease Payments and Other Long-Term Obligations

The Charter requires that any lease-financing agreements with a nonprofit corporation or another public agency must be approved by a majority vote of the City's electorate, except (i) leases approved prior to April 1, 1977, (ii) refunding lease financings expected to result in net savings, and (iii) certain lease financing for capital equipment. The Charter does not require voter approval of lease financing agreements with for-profit corporations or entities.

Table A-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 March 1, 2018. 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 March 1, 2018

Fiscal Year	Principal	Interest	Annual Payment Obligation
2017-18	$36,485,000	$30,609,485	$67,094,485
2018-19	63,790,000	62,426,217	126,216,217
2019-20	49,630,000	59,788,198	109,418,198
2020-21	58,345,000	57,310,890	115,655,890
2021-22	58,775,000	54,742,504	113,517,504
2022-23	61,390,000	52,119,175	113,509,175
2023-24	63,620,000	49,374,771	112,994,771
2024-25	63,985,000	46,505,114	110,490,114
2025-26	64,500,000	43,645,624	108,145,624
2026-27	67,545,000	40,628,011	108,173,011
2027-28	68,940,000	37,474,005	106,414,005
2028-29	72,160,000	34,218,461	106,378,461
2029-30	72,540,000	30,826,226	103,366,226
2030-31	64,540,000	27,588,665	92,128,665
2031-32	54,320,000	24,737,593	79,057,593
2032-33	55,495,000	22,446,642	77,941,642
2033-34	57,755,000	19,918,261	77,673,261
2034-35	46,410,000	17,650,673	64,060,673
2035-36	45,695,000	15,599,242	61,294,242
2036-37	44,775,000	13,589,230	58,364,230
2037-38	46,595,000	11,612,665	58,207,665
2038-39	48,485,000	9,553,956	58,038,956
2039-40	50,470,000	7,407,472	57,877,472
2040-41	52,520,000	5,172,668	57,692,668
2041-42	19,400,000	3,007,611	22,407,611
2042-43	10,125,000	1,242,000	11,367,000
2043-44	8,555,000	818,000	9,373,000
2044-45	8,895,000	475,800	9,370,800
2045-46	1,470,000	120,000	1,590,000
2046-47	1,530,000	61,200	1,591,200
TOTAL [1]	$1,418,740,000	$780,670,359 [2]	$2,199,410,359

[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 March 1, 2018 the total authorized amount for such financings was $71.1 million. The total principal amount outstanding as of March 1, 2018 was $1.4 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. The former Series 1 and 1-T and Series 2 and 2-T letters of credit issued in 2010 by J.P. Morgan Chase Bank, N.A. and U.S. Bank National Association expired in June 2016. In May 2016, the City obtained renewal credit facilities securing the CP Notes issued by State Street Bank and Trust Company with a maximum principal amount of $75 million and by U.S. Bank National Association with a maximum principal amount of $75 million. The renewal credit facilities will expire in May 2021.

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 February 1, 2018, the outstanding principal amount of CP Notes is $21.0 million. The weighted average interest rate for CP Notes is approximately 1.04%.

Transbay Transit Center Interim Financing

The Board authorized on May 3, 2016 and the Mayor approved on May 13, 2016 the establishment of a not-to-exceed $260.0 million Lease Revenue Commercial Paper Certificates of Participation ("short-term certificates") to meet cash flow needs during the construction of the Transbay Transit Center. The short-term certificates are expected to be repaid in part from Transbay Transit Center CFD special taxes and tax increment. Long-term debt will be issued to retire the short-term certificates, and such long-term debt is also expected to be repaid from such sources.

The short-term certificates consists of $160 million direct placement revolving certificates with Wells Fargo, expiring January 10, 2020 and $100 million direct placement revolving certificates with Bay Area Toll Authority expiring September 1, 2021.

As of February 1, 2018, the TJPA had drawn a total of $103,000,000 from the Wells Fargo financing facility, at a weighted average interest rate of 1.85%.

Board Authorized and Unissued Long-Term Obligations

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.

The Board of Supervisors authorized on November 29, 2016 and the Mayor approved on December 1, 2016 the issuance of not to exceed $60.5 million of City and County of San Francisco Certificates of Participation (Animal Care and Control Renovation Project) to finance the costs acquisition, construction, and improvement of an animal care and control facility. The City anticipates issuing the certificates in the summer of 2019.

The Board of Supervisors authorized on June 6, 2017 and the Mayor approved on June 15, 2017 the issuance of not to exceed $321.8 million of City and County of San Francisco Certificates of Participation (1500 Mission Project) to finance a portion of the development costs, including construction and improvement, and related FF&E (furniture, fixture, or other equipment), technology, and moving costs for the 1500 Mission Street office building. The City anticipates issuing the certificates in the Fall of 2019.

Overlapping Debt

Table A-26 shows bonded debt and long-term obligations as of March 1, 2018 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
As of March 1, 2018

2017-18 Assessed Valuation (net of non-reimbursable & homeowner exemptions):	$234,074,596,933
DIRECT GENERAL OBLIGATION BOND DEBT	
General City Purposes Carried on the Tax Roll	$2,069,871,743
GROSS DIRECT DEBT	$2,069,871,743
DIRECT LEASE PAYMENT AND LONG-TERM OBLIGATIONS	
San Francisco Finance Corporation, Equipment LRBs Series 2012A, and 2013A	$1,450,000
San Francisco Finance Corporation Emergency Communication Refunding Series, 2010-R1	9,975,000
San Francisco Finance Corporation Moscone Expansion Center, Series, 2008-1, 2008-2	96,020,000
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007	43,940,000
San Francisco Finance Corporation LRBs Library Preservation Fund Series, 2009A	27,030,000
San Francisco COPs, Series 2009A Multiple Capital Improvement Projects (Laguna Honda Hospital)	125,570,000
San Francisco COPs, Series 2009B Multiple Capital Improvement Projects (Street Improvement Project)	31,190,000
San Francisco COPs, Series 2009C Office Project (525 Golden Gate Avenue) Tax Exempt	19,835,000
San Francisco COPs, Series 2009D Office Project (525 Golden Gate Avenue) Taxable BABs	129,550,000
San Francisco Refunding Certificates of Participation, Series 2010A	100,575,000
San Francisco COPs, Refunding Series 2011AB (Moscone)	25,515,000
San Francisco COPs, Series 2012A Multiple Capital Improvement Projects (Street Improvement Project)	36,815,000
San Francisco COPs, Series 2013BC Port Facilities	31,170,000
San Francisco COPs, Series 2014-R1 (Courthouse Project), 2014-R2 (Juvenile Hall Project)	38,350,000
San Francisco COPs, Series 2015AB War Memorial Veterans Building Seismic Upgrade and Improvements	127,810,000
San Francisco Refunding COPs, Series 2015-R1 (City Office Buildings-Multiple Properties Project)	118,100,000
San Francisco COPs, Series 2016A War Memorial Veterans Building Seismic Upgrade and Improvements	15,170,000
San Francisco COPs Series 2017A (Hope SF)	28,320,000
San Francisco COPs Series 2017B (Moscone Convention Center Expansion)	412,355,000
LONG-TERM OBLIGATIONS	$1,418,740,000
GROSS DIRECT DEBT & LONG-TERM OBLIGATIONS	$3,488,611,743
OVERLAPPING DEBT & LONG-TERM OBLIGATIONS	
Bayshore Hester Assessment District	$510,000
San Francisco Bay Area Rapid Transit District (33%) Sales Tax Revenue Bonds	72,628,333
San Francisco Bay Area Rapid Transit District (29%) General Obligation Bonds, Series 2005A, 2007B	100,763,400
San Francisco Community College District General Obligation Bonds (2001, 2005)	247,520,000
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds (2011)	30,995,000
San Francisco Redevelopment Agency Obligations (Property Tax Increment)	920,054,677
San Francisco Redevelopment Agency Obligations (Special Tax Bonds)	148,875,249
Association of Bay Area Governments Obligations (Special Tax Bonds)	17,795,000
Special Tax District No. 2009-1 Improvement Area 1, 2 SF Sustainable Financing	2,906,624
San Francisco Unified School District General Obligation Bonds (2003, 2006, 2011, 2015R, 2016, 2017)	1,021,010,000
San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Series 2017A, 2017B	207,500,000
TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS	$2,770,558,283
GROSS COMBINED TOTAL OBLIGATIONS	$6,259,170,026 [1]

Ratios to Assessed Valuation:	**Actual Ratio**	**Charter Req.**
Gross Direct Debt (General Obligation Bonds)	0.88%	< 3.00% [2]
Gross Direct Debt & Long-Term Obligations	1.49%	n/a
Gross Combined Total Obligations	2.67%	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 taxable real and personal property, located within the City and County.

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.

On November 8, 2016, voters approved Proposition A. Proposition A of 2016 authorized the SFUSD to issue an aggregate principal amount not to exceed $744.25 million of general obligation bonds to repair and rehabilitate San Francisco Unified School District facilities to current accessibility, health, safety, seismic and instructional standards, replace worn-out plumbing, electrical, HVAC, and major building systems, renovate outdated classrooms and training facilities, construct school facilities and replace aging modular classrooms, improve information technology systems and food service preparation systems. The SFUSD issued the first series in the aggregate principal amount of $180.0 million under the Proposition A of 2016 authorization in March 2017.

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 375 completed units and 198 units currently under construction. An additional 478 units are expected to begin construction in 2018. On Candlestick Point, 306 housing units are now complete which includes a mix of public housing replacement and new, affordable units, with an additional 31 units in construction. In 2016, horizontal infrastructure construction commenced to support additional residential and commercial development; designs for approximately 1260 housing units, 220 hotel rooms, and a 62,000 sf film and arts center are currently underway.

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") occurred in May 2015 and included the northern half of Yerba Buena Island and more than half of the area of Treasure Island. The developer, Treasure Island Community Development ("TICD"), received its first land transfer in February 2016, and demolition and initial infrastructure improvements under contract are currently underway. 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 15 to 20 years.

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

The Golden State Warriors, a National Basketball Association team, is developing a multipurpose recreation and entertainment venue and associated development 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 project includes a state-of-the-art multi-purpose recreation and entertainment venue for Warriors' home games, concerts and family shows. The site will also have restaurants, retail, office space, bike valet, public plazas and a limited amount of parking, and trigger the construction of a new 5 acre Bay Front Park between the new event center and the Bay. Environmental review has been completed for the site, and was upheld in a November 2016 decision. The project began construction in January 2017 and the event center is scheduled to open in time for the 2019-2020 basketball season.

Transbay Transit Center

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 Salesforce 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 Salesforce Transit Center. The Transbay Program will replace the former 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 Salesforce Transit Center broke ground on August 11, 2010, and is scheduled to commence operations in Spring 2018. Demolition of existing structures on the site was completed in August 2011.

The 10 acres of property formerly owned by the State surrounding the Transbay Transit Center is being redeveloped with plans for 3,300 new homes, 1,400 to be affordable below-market rate homes, over 2 million square feet of new office space, over 9 acres of new parks and open space, and a new retail boulevard on Folsom Street. Of the parcels over which OCII has jurisdiction, two parcels are fully complete and six parcels are in various stages of development and pre-development. Five of those parcels are current under construction and will provide over 1600 housing units and 760,000 of commercial space within the next 2 years. The sale of various sites has generated more than $600 million in funding for construction of the Transbay Transit Center.

The Pelli Clarke Pelli Architects-designed transit center will serve more than 100,000 people per day through 11 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 Salesforce Transit Center, "Salesforce Park," a 5.4-acre public park atop the facility, that will serve as a living green roof for the transit facility. The center will have a LEED rating of at least Silver. The $6 billion Transbay Program is funded by various public funding partners, including the federal government, the State, the Metropolitan Transportation Commission, the San Francisco County and San Mateo County Transportation Authorities, AC Transit and the Successor Agency 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 5,296 units have been completed with an additional 493 units under construction, along with several new parks. Another 119 affordable housing units, a 250-room hotel and the mixed-use Chase Event Center project will house the Golden State Warriors broke ground in 2017.

Seawall Lot (SWL) 337 and Pier 48 (Mission Rock)

Mission Rock is a mixed-use development at Seawall Lot 337 and Pier 48, Port-owned property comprising approximately 28 acres. The development plan for Mission Rock includes: approximately 8 acres of public parks and open spaces, including a 5-acre regional waterfront park; approximately 1,500 new rental housing units, 40 percent of which will be affordable to low- and moderate-income households; 1.0 to 1.4 million square feet of commercial space; 250,000 square feet of restaurant and retail space, approximately 3,000 parking spaces within a dedicated parking structure which will serve patrons of AT&T Park as well as Mission Rock occupants and visitors; and the rehabilitation and reuse of historic Pier 48.

On November 3, 2015, 74% of San Francisco voters approved the Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative (Proposition D), which authorized increased height limits on the Project Site. Environmental review for the project was successfully completed in October 2017. The Port Commission approved the project's CEQA findings and transaction documents in January 2018 and the Mayor signed legislation approving the project and all associated transaction documents in March 2018. In spring 2018, the project team will seek State Lands Commission approvals, which has jurisdiction over tidelands and submerged lands in the State. Site preparation and ground improvement work is planned for fall 2018 and full project buildout is anticipated to occur in four phases over 15 to 30 years.

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, OEWD, in its capacity as lead City negotiator, and the City's development partner, Forest City, completed project approvals in February 2018 for new mixed-use neighborhood on a 28-acre portion of Pier 70 known as the Waterfront Site. Approvals included: passage of Proposition F by San Francisco voters in November 2014 – the Union Iron Works Historic District Housing, Waterfront Parks, Jobs, and Preservation Initiative – which allowed for an increase in height limits on the Waterfront Site to up to 90 feet; Mayoral signature on legislation approving the project in late 2017; and State Lands Commission action on the project in February 2018.

The Special Use District for the neighborhood includes 9 acres of parks, 1,600 to 3,000 residential units and 30% affordable housing, rehabilitation and reuse of three historic buildings in the Union Iron Works Historic District, almost 500,000 square feet of retail, arts, and light industrial space, 1.1 to 1.7 million square feet of commercial office. The project is anticipated to be developed in 3 phases over 15 to 25 years. The Forest City team has submitted its phase 1 application and anticipates breaking ground on Phase 1 in the first half of 2018.

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 Street 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 were 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 XIIIA of the California Constitution

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

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

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

Article XIIIB of the California Constitution

Article XIIIB was enacted by California voters as an initiative constitutional amendment in November 1979. Article XIIIB limits the annual appropriations from the proceeds of taxes of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the governmental entity. However, no limit is imposed on the appropriation of local revenues and taxes to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters. Article XIIIB includes a requirement that if an entity's 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 XIIIC and XIIID of the California Constitution

Proposition 218, an initiative constitutional amendment, approved by the voters of the State in 1996, added Articles XII C and XIIID to the State Constitution, which affect the ability of local governments, including charter cities such as the City, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 does not affect the levy and collection of taxes for voter-approved debt. However, Proposition 218 affects the City's finances in other ways. Article XIIIC requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes require a two-thirds vote. Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if voters subsequently approved such taxes by November 6, 1998. All of the City's local taxes subject to such approval have been either reauthorized in accordance with Proposition 218 or discontinued. The voter approval requirements of Article 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 XIIIC addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIIIC, the voters of the City could, by initiative, repeal, reduce or limit any existing or future local tax, assessment, fee or charge, subject to certain limitations imposed by the courts and additional limitations with respect to taxes levied to repay bonds. The City raises a substantial portion of its revenues from various local taxes which are not levied to repay bonded indebtedness and which could be reduced by initiative under Article XIIIC. No assurance can be given that the voters of the City will 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 XIIID contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIIID) for local services and programs. The City has created a number of special assessment districts both for neighborhood business improvement purposes and community benefit purposes, and has caused limited obligation bonds to be issued in 1996 to finance construction of a new public right of way. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

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 XIII and XIII 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 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 18 to the City's CAFR as of June 30, 2017, 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 materially impair the ability of the City to pay debt service on the Certificates, its General Fund lease or other debt obligations, nor materially impair the City's ability to fund current operations.

Millennium Tower is a 58-story luxury residential building completed in 2009 and located at 301 Mission Street in downtown San Francisco. On August 17, 2016, some owners of condominiums in Millennium Tower filed a lawsuit, San Francisco Superior Court No. 16-553758 (the "Lehman Lawsuit") against the Transbay Joint Powers Authority ("TJPA") and the individual members of the TJPA, including the City. The TJPA is a joint exercise of powers authority created by the City, the Alameda-Contra Costa Transit District, the Peninsula Corridor Joint Powers Board, and Caltrans (ex officio). The TJPA is responsible under State law for developing and operating the Transbay Transit Center, which will be a new regional transit hub located near the Millennium Tower. See "MAJOR ECONOMIC DEVELOPMENT PROJECTS—Transbay".

The TJPA began excavation and construction of the Transbay Transit Center in 2010, after the Millennium Tower was completed. In brief, the Lehman Lawsuit claims that the construction of the Transbay Transit Center harmed the Millennium Tower by causing it to settle into the soil more than planned and tilt toward the west/northwest, and the owners claim unspecified monetary damages for inverse condemnation and nuisance. The TJPA has asserted that the Millennium Tower was already sinking more than planned and tilting before the TJPA began construction of the Transbay Transit Center and that the TJPA took precautionary efforts to avoid exacerbating the situation. In addition to the Lehman Lawsuit, several other lawsuits have been filed against the TJPA related to the subsidence and tilting of the Millennium Tower. In total, seven lawsuits have been filed against TJPA, and a total of three of those name the City.

In addition to the Lehman Lawsuit, the City is named as a defendant in a lawsuit filed by the owners of a single unit, the Montana Lawsuit, San Francisco Superior Court Case No. 17-558649, and in a lawsuit filed by owners of multiple units, Case No. 17-559210, the Ying Lawsuit. The Montana and Ying Lawsuits contain the same claims as the Lehman Lawsuit. The City continues to evaluate the lawsuits, and the subject matter of the lawsuits, and is engaged in discovery, but cannot now make any prediction as to the outcome of the lawsuits, or whether the lawsuits, if determined adversely to the TJPA or the City, would have a material adverse impact on City finances.

Risk Retention Program

Citywide risk management is coordinated by the Risk Management Division which reports to the Office of the City Administrator. With certain exceptions, it is the general policy of the City not to purchase commercial liability 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 limits to protect the City from 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 some 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

MARK FARRELL
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Mayor Farrell
RE: Earthquake Safety and Emergency Response, Affordable Housing, Public Health and Safety General Obligation Bonds
DATE: April 3, 2018

Attached for introduction to the Board of Supervisors are 3 resolutions authorizing the sale of general obligation bonds financing the Earthquake Safety & Emergency Response, Affordable Housing, and Public Health & Safety programs and 3 supplemental ordinances to appropriate the bond proceeds:

1. Sale of Tax-Exempt General Obligation Bonds (Public Health and Safety, 2016), Series 2018E - Not to Exceed $52,500,000
2. Sale of Tax-Exempt General Obligation Bonds (Earthquake Safety And Emergency Response Bonds, 2014), Series 2018C - Not to Exceed $189,735,000
3. Sale of Taxable General Obligation Bonds (Affordable Housing, 2015), Series 2018D - Not to Exceed $146,000,000
4. Appropriation – General Obligation Bond Proceeds - Public Health and Safety Projects – FY2017-18 - $52,500,000
5. Appropriation - Proceeds from Earthquake Safety and Emergency Response General Obligation Bonds of $189,735,000 - FY 2017-2018
6. Appropriation – Proceeds from General Obligation Housing Bond of $146,000,000 – FY2017-2018

I respectfully request that the 3 resolutions be heard in Budget & Finance Committee on April 12, 2018.

Should you have any questions, please contact Andres Power (415) 554-5168.

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