

**Debt Policy of the City and County of San Francisco
Controller’s Office of Public Finance**

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Appendix A - Municipal Finance Disclosure Policies and Procedures

Appendix B - Use of Proceeds Designated Bonds

Table of Acronyms

AD	– Assessment District
BANs	– Bond Anticipation Notes
CAFR	– Comprehensive Annual Financial Report
CDIAC	– California Debt and Investment Advisory Commission
CFD	– Community Facilities District
CGOBOC	– Citizens’ General Obligation Bond Oversight Committee
COPs	– Certificates of Participation
CPC	– Capital Planning Committee / Program
DPWG	– Disclosure Practices Working Group
EMMA	– Electronic Municipal Marketplace Access
GANs	– Grant Anticipation Notes
GIC	– Guaranteed Investment Contract
GOs	– General Obligation Bonds
IAs	– Investment Agreements
IBA	– Independent Budget Analyst
IFD	– Infrastructure Financing District
LRBs	– Lease Revenue Bonds
MA	– Municipal Advisor
MOHCD	– Mayor’s Office of Housing and Community Development
MSRB	– Municipal Securities Rulemaking Board
NRSRO	– Nationally Recognized Statistical Rating Organization
OPF	– Controller’s Office of Public Finance
RFP/RFQ	– Request for Proposal / Request for Qualifications
SEC	– Securities Exchange Commission
SIFMA	– Securities Industry and Financial Markets Association
TIC	– True Interest Cost
TRANS	– Tax and Revenue Anticipation Notes

I. Scope and Application

This Debt Policy (“Policy”) establishes policies and procedures for financings managed by the Controller’s Office of Public Finance (“OPF”) and the Finance Corporation of the City and County of San Francisco (“Finance Corporation”), and pertains to obligations payable from the General Fund of the City and County of San Francisco (“City”) and such other obligations that are managed by OPF. This Policy is intended to establish debt policy objectives, improve the quality of decision-making processes, support strong internal controls, establish appropriate debt structures and demonstrate a commitment to best practices in municipal debt planning, issuance and management.

This Policy is intended to guide OPF in the issuance and management of bonds and other obligations. This Policy does not apply to other departments or enterprises of the City, including the Airport Commission, the Mayor’s Office of Housing and Community Development, the Municipal Transportation Agency, the Port Commission, or the Public Utilities Commission.

This Policy governs the issuance and management of all bonds and other forms of indebtedness of the City, together with any credit, liquidity or other security instruments and agreements that may be executed in connection with the issuance of bonds and other forms of indebtedness (“Bonds”). The Board of Supervisors may, in its sole discretion, approve Bonds that deviate from this Policy. Notwithstanding anything in this Policy to the contrary, the failure of the City to comply with any provision of this Policy shall not affect the authorization, validity or enforceability of any Bonds or other forms of indebtedness that are otherwise issued in accordance with law.

This Policy, and any subsequent amendments thereto, will be filed with OPF and made accessible at the City’s website. Copies of this Policy will be distributed to the City Controller, the Treasurer, the Mayor’s Budget Director, the President of the Board of Supervisors, the Chair of the Budget and Finance Committee of the Board of Supervisors, the Clerk of the Board of Supervisors and the Budget and Legislative Analyst to the Board of Supervisors.

II. Mission of the Office of Public Finance

The City utilizes long term debt issuances to finance capital assets with long useful lives and seeks to finance such assets at the lowest achievable financing costs. OPF’s mission is to plan, structure and manage debt financings on behalf of the City to support the City’s capital planning goals and objectives, including the acquisition and/or construction of capital projects and capital equipment that produce social and economic benefit to the City and its residents at a low cost of capital while managing market and credit risk with appropriate bond structures and internal controls.

Debt Management Objectives

- Maintain efficient access to capital markets through prudent debt management policies and practices.
- Maintain moderate debt and debt service levels with effective long-term strategic planning and coordination with City departments.
- Finance significant capital projects or improvements through long-term debt financing and, if cost effective, alternate financing mechanisms such as public/private partnerships.
- Support strong internal controls implemented by the Controller.
- Structure long-term financings to minimize transaction specific risk and total debt portfolio risk to the City.
- Maintain the highest practical credit ratings to ensure efficient access to capital markets at the lowest prevailing interest rates.
- Maintain good investor relationships through the timely dissemination of material financial information.
- Provide support for independent bond oversight committees.

- Maintain user friendly and publicly accessible electronic portal for the timely dissemination of material information concerning the financial condition of the City.

III. Independent Citizen Oversight – General Obligation Bond Oversight Committee

Pursuant to Proposition F (adopted by the voters on November 2, 2002, and codified under the Administrative Code Chapter 5, Article IV), the Citizens' General Obligation Bond Oversight Committee ("Committee") provides oversight to ensure that general obligation bond proceeds are expended in accordance with the applicable ballot measure and/or authorizing legislation, and in addition, ensures that such proceeds are not used for City administrative salaries or other operating expenses. On November 4, 2003, the voters approved Proposition C, which authorized the Committee to serve as an independent Citizens Audit Review Board to advise the Controller/City Services Auditor regarding complaints of wrongdoing and waste received through the City's whistleblower complaint programs. OPF will work closely with the Committee to ensure that the Committee receives timely reports as requested, and will adopt such policy recommendations, as the Committee shall make from time to time.

IV. Disclosure Policies and Procedures – Disclosure Practices Working Group

OPF will ensure that written disclosure policies and procedures are adopted and implemented to ensure City compliance with its disclosure obligations under federal securities laws. The implementation of such policies and procedures is facilitated by a Disclosure Practices Working Group ("DPWG"), consisting of the Controller, the Director of Public Finance, the Controller's Director of Budget, and a representative from the Treasurer's office. One or more Deputy City Attorney specializing in municipal finance transactions, together with the City's outside disclosure counsel will serve as advisors to the DPWG. The DPWG will meet as frequently as necessary to discuss and review the City's disclosure practices and policies. The City's Disclosure Policies and Procedures are attached hereto as Appendix A, which should be read in conjunction with this Policy.

V. Types and Purposes of Debt

A. Long Term Debt

Long term debt (debt with a term to maturity of greater than 5 years) will be issued to finance the acquisition, preservation, and/or construction of long-lived capital improvements (i.e. assets having a useful life greater than 5 years). Long-term debt financing shall not be used to fund operating costs or operating deficits of the City. The principal types of debt instruments used by OPF to finance long-term capital projects are general obligation bonds ("GOs"), lease revenue bonds ("LRBs"), certificates of participation ("COPs"), special tax bonds and capital leases. Such instruments may be refunded by the issuance of refunding obligations for economic savings and/or restructuring considerations.

1. General Obligation Bonds: GOs will be used to finance or refinance the acquisition, improvement, and/or construction of real property or real property improvements. Such facilities include but are not limited to libraries, hospitals, parks, public safety facilities, cultural, affordable housing, and educational facilities. GOs will be used to finance facilities or projects that benefit the public at large, or that achieve a particular public safety or social objective for City residents.
2. Lease Revenue Bonds: LRBs will be used to finance the acquisition, improvement, and/or construction of real property; the acquisition of capital equipment; and other capital projects that either (1) have an identified budgetary revenue stream for repayment (e.g. specified fees, tax receipts, etc.); (2) generate project revenue but rely on a broader pledge of General Fund revenues to reduce borrowing costs (e.g. parking garages); or (3) finance the acquisition and installation of equipment for the City's general governmental purposes.
3. Certificates of Participation: COPs will be used for the acquisition or improvement of existing facilities and/or construction of new facilities that result in immediate or future savings in lease payments currently made or to be made by the City's General Fund. For example, COPs may be used to provide funds to execute a lease purchase option for a facility whereby future savings accrue to the General Fund during the period for which the COPs and the lease would be outstanding. COPs also are appropriate for projects which will be matched with grant and other additional moneys, reduce operating costs to the City, address critical and urgent seismic and other public safety hazards for which no other sources are practically available, or provide for the delivery of services mandated by law.
4. Capital Leases: Capital equipment and personal property of a City department may be eligible for capital lease financing. Eligible equipment must have a per unit cost of at least \$100,000 unless it is an integral part of a system (such as a computer network) where the aggregate of the various components must total at least \$100,000. The useful life of the item must be in excess of three years and at least 120% of the financing and refinancing term.
5. Refunding Obligations: Refunding bonds will be issued typically to achieve debt service savings for the City, although other non-economic factors may support the issuance of such obligations. Pursuant to section Charter section 9.109 and section 43.8.4(b) of the City's Administrative Code, the Board of Supervisors will establish by resolution the minimum savings to be generated by the issuance of such refunding.

Absent any significant non-economic factors, it is the policy of the City that a refunding should produce minimum debt service savings of at least 3% of the par

value of the refunded bonds on a net present value basis, using the refunding issue's True Interest Cost ("TIC")¹ as the discount rate.

6. *Special Limited Obligations*: Special limited obligations are issued by the City, or by a joint powers authority on behalf of the City, to make proceeds available to finance the acquisition, construction, and/or improvement of capital assets and/or environmentally sustainable projects. The obligations represent special limited obligations of the City, or the joint powers authority.
 - i. Mello-Roos community facilities districts ("CFDs"), other special tax districts, and assessment districts ("ADs") (together "Land Secured Districts") provide methods to assist in the financing of public benefits, infrastructure and community facilities. The creation of Land Secured Districts may facilitate improvements to tangible or real property providing public benefits in connection with new development in the City.
 - ii. Infrastructure financing districts ("IFDs") may be formed for the purpose of financing public improvements to any real or other tangible property of localized significance. IFDs may be used where diversions of taxes from the general fund are offset by longer-term development benefits.

OPF will work with elected officials and policymakers to ensure that appropriate goals and policies are developed concerning the use of special limited obligations, including, but not limited to, the adoption of the City's *Local Goals & Policies for CFDs* and the *Guidelines for the Establishment and Use of Infrastructure Financing Districts*, as appropriate.

B. Short Term Debt

Short-term debt (debt with a term to maturity of less than five years) may be issued to either 1) provide funds to finance operating fiscal year cash flow deficits; or 2) to acquire equipment and/or vehicles; or 3) to provide interim 'as needed' financing for long-lived capital projects, such short term obligations to be refunded by long-term debt financing described above.

1. *Tax and Revenue Anticipation Notes*: Tax and Revenue Anticipation Notes ("TRANS") may be used to fund operating cash flow deficits in a fiscal year. TRANS proceeds may be used and expended for any purpose, including current operating expenses, capital expenditure, repayment of indebtedness and investment and reinvestment. TRAN proceeds will be invested in accordance with federal tax law to minimize net interest costs.

¹ A measure of the interest cost of an issue that accounts for the time value of money. The TIC is the annual discount rate (yield) which, when used to discount all debt service payments to the date of issuance, results in the aggregate present value of such debt service payments being equal to the original purchase price of the issue.

2. Commercial Paper: The City may establish a commercial paper program (“Commercial Paper Program”) for the purpose of providing interim funds to finance the acquisition, construction, and rehabilitation of capital improvements and the financing of vehicles and equipment. The Commercial Paper Program will be utilized to provide interim financing for projects, subject to the conditions that the projects and interim project financing will have prior approval from CPC, the Board of Supervisors and Mayor.

The Director of Public Finance shall provide a written report to the Board of Supervisors twelve months following the initial issuance of commercial paper notes and annually thereafter through the final maturity of the last commercial paper note outstanding describing the notes issued since the date of the last report; summarizing average cost of funds, the status of projects currently financed with commercial paper; and identifying any long term obligation to refund commercial paper notes.

3. Bond or Grant Anticipation Notes: Pursuant to Chapter 43, Article XI of the City’s Administrative Code, the City may issue bond or grant anticipation notes (“BANs/GANs”) in anticipation of the issuance of general obligation bonds or other forms of indebtedness, or in anticipation of the receipt of grant funds. The BANs/GANs will have a final maturity within a period not to exceed five years of its issuance date, may be sold at a discount not to exceed 5%, and any renewal or refunding of BANs/GANs will be payable solely from the proceeds of the sale of bonds or receipt of grant funds, as appropriate.

C. Conduit Financings

From time to time, the City issues bond on behalf of local non-profit entities to assist them with the construction and/or acquisition of capital improvements. Bonds are issued by the City, and the proceeds are made available to a non-City conduit borrower in furtherance of a public purpose. Financing proceeds may be loaned to the conduit borrower (e.g., a private school) pursuant to a loan agreement between the City and the conduit borrower. The conduit borrower is responsible for the repayment obligations. No funds of the City will be pledged to or made available for the repayment of any conduit bonds.

1. Affordable Housing Nonprofits: The Mayor’s Office of Housing and Community Development (“MOHCD”), on behalf of the City, will serve as a conduit issuer and administrator for affordable housing nonprofits given the City’s significant interest in maintaining affordable housing in the City. MOHCD will manage all affordable housing conduit issuances, as applicable, pursuant to its own policies.
2. Other Private Parties Conduit Financings: The City will not generally serve as a conduit issuer for private parties given the lack of resources, lack of authority to

oversee such transactions, and availability to private parties of State and other conduit issuers.

D. Other Obligations

There may be special circumstances when other forms of financing are appropriately utilized by the City. OPF will evaluate such proposed transactions on a case-by-case basis. Such other forms include, but are not limited to, pension obligation bonds, Teeter (Property Tax) financings, long-term concession agreements, non-enterprise revenue bonds, and judgment or settlement obligation bonds.

VI. Debt Approval Procedures

A. Approval by Capital Planning Committee

Pursuant to the City's Administrative Code, Section 3.20 et. seq., all long-term financings for proposed capital improvements shall be reviewed and approved by the City's Capital Planning Committee ("CPC") prior to being presented to the Board for approval. For purposes of this paragraph, the term "long-term financing" means any financing that creates a repayment obligation beyond one fiscal year.

The CPC consists of the City Administrator as chair, the President of the Board, the Mayor's Budget Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the Municipal Transportation Agency, the General Manager of the Public Utilities System, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port of San Francisco. Proposed long-term financings are subject to the following:

1. *Board of Supervisors*: The Board of Supervisors shall not place on the ballot or authorize the issuance of any long-term financing until the CPC completes its review of the proposed project and project financing and submits its recommendation to the Board of Supervisors.
2. *Form of Proposal*: Each proposal shall be in form and substance satisfactory to the CPC and shall be accompanied by descriptive financial, architectural, and/or engineering data, and all other pertinent material in sufficiently complete detail to permit the CPC to review all aspects of the proposal.
3. *Capital Expenditure Plan*: The CPC shall submit a written report to the Mayor and the Board of Supervisors analyzing the feasibility, cost, and priority of each proposal relative to the City's capital expenditure plan.

B. Approval by the Board of Supervisors

All long-term financing transactions shall be adopted by ordinance or resolution (as appropriate) of the Board of Supervisors and approved by the Mayor. Bonds with prior approval for issuance by the voters will not be issued until the plan of finance has been reviewed by CPC, and approved by the Board of Supervisors.

1. General Obligation Bonds: Pursuant to the State Constitution, the California Government Code and the City's Administrative Code, the Board of Supervisors shall hold a minimum of two public hearings prior to placing a GO bond measure on the ballot. In accordance with the State constitution, GOs must be approved by 2/3rds vote of the City electorate voting on the measure. Prior to any issuance of any new money, refunding general obligation bonds, or general obligation BANs, the Board of Supervisors shall approve by majority vote, a resolution authorizing such issuance.
2. Lease Revenue Bonds: The Board of Supervisors shall hold a minimum of one public hearing to place a LRB measure on the ballot. In accordance with Section 9.017 of the City Charter, LRBs must be approved by majority vote. Subsequent to successful passage and prior to any issuance of new money, refunding lease revenue bonds, or commercial paper notes refinanced with lease revenue bonds, the Board of Supervisors shall approve by majority vote, a resolution authorizing such issuance.
3. Certificates of Participation: In accordance with Article IX of the City Charter, COPs may consist of lease financing agreements between the City and a for-profit lessor. All issuances of COPs shall be authorized by resolution or ordinance of the Board of Supervisors by majority vote and then, if necessary, validated as described in Section C below. COPs are not required to be approved by the electorate.
4. Capital Leases: Pursuant to Section 9.118 of the City Charter, all capital leases financing capital equipment with a term exceeding 10 years and requiring anticipated expenditures by the City exceeding \$10,000,000 shall be authorized by resolution of the Board of Supervisors by majority vote.
5. Refunding Obligations: Pursuant to Section 9.109 of the Charter, the Board of Supervisors is authorized to provide for the issuance of Bonds for the purpose of refunding any GO bond, lease revenue bond or COPs. No voter approval is required for the authorization, issuance and sale of refunding obligations which result in net present value savings to the City, as provided by Ordinance.
6. Special Limited Obligations: All issuances of special limited obligations shall be authorized by resolution of the Board of Supervisors by majority vote and then, if necessary, validated as described in Section C below. Mello-Roos debt requires

a two-thirds approval while assessment debt is subject to Proposition 218's "simple majority" approval provisions.

OPF will work with the Board's Independent Budget Analyst ("IBA") in its preparation of analysis of any proposed financing. OPF will promptly provide information to the IBA as it may request to complete its analysis. OPF will adopt such recommendations of the Independent Budget Analyst as approved by the Board of Supervisors.

C. Validation

Upon the advice of the City Attorney (in consultation with bond counsel), OPF may seek a judicial validation of a financing as provided under Section 860 of the Civil Code. Validation may be required because of the novelty of the financing or because of ambiguity surrounding the legal basis of the law authorizing the bonds. Validation proceedings will be adjudicated in the San Francisco Superior Court, and if unchallenged take approximately 120 to 150 days.

1. A validation action is a procedure under California law (Civil Code 860 *et seq.*) which allows an issuer to have the legality of a bond financing approved, including any issue regarding constitutionality of the bond issue, and accelerates any statute of limitations. Notice of the lawsuit is given by publication in the newspaper and by posting public notices. If no interested person comes forward and challenges the financing, a default judgment is given, binding all parties who may desire to challenge the financing. Once the court issues a judgment, and the 30-day appeal period expires, the financing cannot later be challenged in court.
2. No offering statement related to any financing subject to validation will be circulated prior to the conclusion of the 30-day appeal period.

VII. Debt Limitations

The Director of Public Finance shall determine whether proposed debt transactions comply with the debt limitations prescribed by the Policy. Proposed debt transactions that meet the limitations of the Policy will be subject to approval by resolution or ordinance of the Board of Supervisors and by the Mayor in accordance with State law, the City Charter and the City Administrative Code.

In the event the Director of Public Finance and the Controller determine any proposed debt transaction exceeds limits established hereunder, the Board of Supervisors may approve such transaction, subject to limits established by the City Charter. The Director of Public Finance shall indicate prominently to the Board of Supervisors that such transactions exceeds the limits established by the Policy, and provide a rationale for waiving such limits.

A. General Obligation Bonds

Pursuant to Section 9.106 of the City Charter, outstanding general obligation bonded indebtedness shall not exceed three percent (3%) of the assessed valuation of taxable property within the boundaries of the City.

1. *Forward Debt Capacity*: OPF will maintain a 10-year forward debt capacity schedule that incorporates assumptions of growth in assessed valuation and reasonable estimates of new debt issuance and retirement. Such schedule shall be available to any interested parties in connection with the review of any GO bond measure or issuance of new GO bonds.

Bond Accountability Reports: Pursuant to Administrative Code Chapter 2 Article VIII (Section 2.70 *et seq.*), each department requesting sale of a series of voter-approved GO bonds shall file a Bond Accountability Report 60 days *prior to* the approval by the Board of Supervisors of the sale of the bonds, and within sixty (60) days after the date of all such appropriated bond proceeds have been expended. The Report shall detail original and current budget expenditure information for each project line item identified in any previous report. The Bond Accountability Report shall be filed with the Clerk of the Board of Supervisors, City Controller, City Treasurer, Director of the Office of Public Finance, Budget and Legislative Analyst of the Board of Supervisors with a copy to the Chair of the Citizens' General Obligation Bond Oversight Committee. The obligation to file such report is the responsibility of the requesting department. The Board of Supervisors may waive the 60-day deadline for a bond accountability report by resolution.

B. Certificates of Participation and Other Long Term Obligations

It is the policy of the City to identify specific revenue sources within the General Fund (e.g. transient occupancy taxes, tobacco settlement receipts, etc.) as internal repayment sources for COPs, and to ensure prudent repayment schedules are placed on the General Fund.

It is the policy of the City to maintain the percentage of the General Fund spent on General Fund secured debt service at or below 3.25% of General Fund discretionary revenues. Stated differently, if the 3.25% limitation is reached, then COPs and other lease financing debt will only be used as funding sources for capital projects when existing debt is retired and/or the City's aggregate General Fund discretionary revenues grow.

C. Capital Equipment

It is the policy of the City that the outstanding aggregate principal amount of lease revenue bonds financing capital equipment may not exceed \$20.0 million, such amount increasing by five percent each fiscal year starting fiscal year 1991. OPF will monitor lease revenue bonds outstanding financing capital equipment to ensure sufficient borrowing capacity.

VIII. Methods of Sale

There are three principal methods for the initial sale of Bonds: (i) competitive, (ii) negotiated, and (iii) private placement. The City shall utilize the method of sale that (a) is reasonably expected to produce the most advantageous debt service cost with respect to the Bonds, and (b) provides the City with the flexibility necessary or desirable in connection with the structuring, timing or terms of such sale.

Except as provided in Section B, the City's GO and general fund debt will typically be issued by competitive sale in accordance with the City's competitive bid policies. It is usually not feasible to issue bonds through a competitive sale for certain types of financings, such as variable rate debt, non-traditional structures, commercial paper and specialized financings like Mello-Roos.

The underwriter or underwriters for a negotiated sale of Bonds (the "Underwriters") shall be selected from a pre-qualified pool of underwriters which will be established via a competitive process.

A. Competitive Sale

The City may take bids in person or by electronic means. The timeliness of bids submitted in person will be determined by the Director of Public Finance, in consultation with the City Attorney.

1. *Marketing*: Bond sales will be advertised broadly, including advertising in an industry newspaper. The municipal advisor(s) for each transaction shall undertake to market the bonds to prospective bidders and investors as appropriate and in accordance with law.
2. *Amendments*: Terms of the bonds shall be amendable as late as possible and at least until 1:00 p.m. Pacific Time the day prior to the day bids are to be received.
3. *Cancellation*: Bond sales will be cancelable at any time prior to the time bids are to be received.
4. *Award*: The Bonds shall be awarded to the bidder whose conforming bid represents the lowest true interest cost to the City ("TIC"). The City may then restructure the bonds in accordance with the Official Notice of Sale.
 - i. the City, in its sole discretion, shall reserve the right to reject all bids or waive bid irregularities.
 - ii. the Controller or his/her designee shall make the award of general obligation bonds.

- iii. an officer of the Finance Corporation of the City and County of San Francisco or his/her designee shall award lease revenue bonds issued by the Finance Corporation.
 - iv. the Controller or his/her designee shall make the award of certificates of participation.
5. *Premium:* For each bond sale, OPF will establish maximum levels of premium that may be bid by prospective bidders, in consultation with the City's municipal advisor and bond counsel. Any premium received may be used, in accordance with legal requirements, for the construction or acquisition of the proposed project, or to pay for capitalized interest on the bonds, as determined by the Director of Public Finance.

B. Negotiated Sale

The Director of Public Finance, in consultation with the Controller, may determine to issue new money and refunding Bonds on a *negotiated basis* if one or more of the following factors is present:

1. There is significant deterioration in the City's overall credit rating or outlook,
2. There are market disruptions that are outside of the City's control, including new or proposed changes in taxation or sector risks, and
3. The transaction consists of (a) variable rate debt or commercial paper, (b) a non-traditional debt structure (e.g. forward delivery bonds, long-dated maturities or special call features), or (c) a public/private partnership.

All variable rate bonds, which may include variable rate demand notes, commercial paper, etc., are expected to be issued on a negotiated basis. The City shall retain a minimum of two broker/dealers or remarketing agents for each issuance of variable rate indebtedness exceeding \$100 million. The broker/dealers or remarketing agents shall be retained for a period co-terminus with the final maturity of any variable rate bonds provided that the City may replace a broker/dealer or remarketing agent with notice at any time for any reason in its sole discretion.

C. Private Placement

Any City obligations that lack an active and liquid secondary market, and / or have complex or unusual credit characteristics may be issued through a private placement pursuant to a bond purchase contract and placed with an "accredited investor" (as defined in Rule 501(a) of Regulation D under the Securities Act of 1933), subject to the Director of Public Finance finding, in consultation with the City's municipal advisor, that such a sale method would result in a lower overall cost than would be achieved by selling bonds at a public sale.

IX. Debt Structuring Practices

A. Standard Terms

The following terms shall be applied to the City's transactions as appropriate. Individual terms may change as dictated by the marketplace of the unique qualities of the transaction.

1. General Obligation Bonds:

- | | | |
|-------|--------------------------|--|
| i. | Term | Typically 20 to 30 years but up to 40 years may be considered; |
| ii. | Maximum Interest Rate | Not-to-exceed 12%; |
| iii. | Maximum Premium | Case by case determination; |
| iv. | Maximum Discount | Not less than par, unless market conditions dictate otherwise; |
| v. | Payment Dates – Fixed | June 15 (principal redemption and interest) and December 15 (interest only); the first payment may be extended by up to 18 months to ensure that a payment is not placed on the tax roll until after the bonds are issues; |
| vi. | Coupons | Fixed or variable; |
| vii. | Call Provisions | All debt will be callable at the earliest possible optional call date consistent with optimal pricing; |
| viii. | Structure of Debt | Level debt service; or structured to meet debt capacity constraints; |
| ix. | Project Fund | Gross funded; |
| x. | Debt Service Reserve | None; unless market conditions dictate otherwise; |
| xi. | Capitalized Interest | Case by case determination; |
| xii. | Reimbursement Resolution | Maximize capitalization of all appropriate costs into the cost of the asset; will adopt as appropriated; and |
| xiii. | Budgeting Debt Service | Debt service shall be included in the tax levy as needed to repay the bonds. |

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2. Lease Revenue Bonds/Certificates of Participation:

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|-------|--------------------------|--|
| i. | Term | Typically 20 to 30 years but up to 35 years depending on cash flow assumptions, construction timeline, and remaining useful life of the asset being financed; |
| ii. | Maximum Interest Rate | Not-to-exceed 12%; |
| iii. | Maximum Premium | Case by case, as recommended by MA; |
| iv. | Maximum Discount | Case by case, as recommended by MA; |
| v. | Payment Dates – Fixed | March /April 1 and September/October 1; equipment lease revenue bonds pay principal in both April and October; subject to change with revenues; |
| vi. | Coupons | Fixed or variable; |
| vii. | Call Provisions | All debt will be callable at the earliest possible optional call date consistent with optimal pricing; |
| viii. | Structure of Debt | Level debt service, unless otherwise dictated by revenues or underlying remaining useful life; |
| ix. | Debt Service Reserve | Lesser of 10% of principal amount, 125% average annual debt service or 100% maximum annual debt service. Surety policies or letters of credit may be used in lieu of cash funded debt service reserve. Prior to issuance of any bonds the Controller or Director of the Office of Public Finance may recommend a lower debt service reserve requirement, provided it is economic to do so; |
| x. | Capitalized Interest | Sized through substantial completion plus a minimum of six months unless other assets are available; liquidated damages of construction contract should include amount of daily debt service; |
| xi. | Net Funding | The project and capitalized interest funds may be net funded if investments are secured upon issuance of bonds; |
| xii. | Reimbursement Resolution | Maximize capitalization of all appropriate costs into the cost of the asset; will adopt as appropriated; and |
| xiii. | Budgeting Debt Service | Budget shall typically be for <u>gross</u> debt service. |

3. Variable Rate Bonds: The City may elect to issue any bonds as variable rate bonds, which bonds may bear interest at daily, weekly, monthly, semi-annual or commercial paper segment rates.
- i. Purpose Reduce net borrowing costs; match of assets and liabilities;
 - ii. Max. Portfolio Allocation No more than 25% of the City’s outstanding debt portfolio shall be unhedged, variable rate short-term paper;
 - iii. Term Consistent with policies for underlying debt types;
 - iv. Maximum Interest Rate Not-to-exceed 12%;
 - v. Monitoring OPF shall monitor all variable rate bonds on a monthly basis and shall determine, from time to time, whether to change modes, alter hedging strategies and/or replace a broker-dealer or remarketing agent;
 - vi. Budgeting OPF will recommend annually budgeted debt service on any variable rate bonds, taking into account ongoing fees, historic interest rates, the effect of risk mitigation products, and the availability of fund balances carried forward from previous years’ savings. To protect against volatile interest rates, a cushion will be accounted for in the budgeted amount;
 - vii. Remarketing Provisions OPF shall endeavor to include a provision that requires the remarketing agent(s), in the event of a failed remarketing, to purchase the City’s bonds, at prevailing interest rates, for up to 30 days; the purpose of such provision is to allow the City ample time to convert illiquid bonds to an alternative, marketable mode before incurring liquidity rates, if market conditions allow;
 - viii. Call/Conversion Provisions On any date without penalty; no more than 10 days’ notice;
 - ix. Credit Facility A credit facility shall be obtained, either externally or internally, for all short-term indebtedness containing a put feature and may be considered as an alternative to short-term borrowing options. Credit facility providers shall maintain short-term

- x. Disclosure
 - ratings from at least two nationally recognized statistical rating organizations (“NRSRO”) equal to equivalent to or better than P-1/A-1/F1, and long-term ratings from at least two NRSRO equal to or better than A2/A/A;
 - If required by law, the City will provide continuing disclosure in accordance with its customary practices for any short-term debt with a final, stated maturity exceeding 3 years; and
- xi. Mode
 - All bonds issued as variable rate bonds shall be issued as “multi-modal” bonds.

B. Capitalized Interest Policy. The City will consider capitalizing interest during the construction period of a revenue producing asset, or alternatively for lease-lease back transactions, interest will be capitalized until the City has beneficial use and enjoyment of the asset.

C. Call Option Policy. For each transaction the Director of Public Finance will evaluate the appropriateness of call options. A call option gives the City the right to prepay or retire debt prior to its stated maturity. In the case of high interest debt, or debt with onerous covenants outdated provisions, the City may be able to achieve interest rate cost savings or otherwise obtain more advantageous bonding terms. Because investors would face reinvestment risk if called early, investors may seek an early call premium. Accordingly, for each transaction the Director of Public Finance will evaluate the cost of call options based on the cost of the option and market conditions, among other factors.

D. Debt Service Reserve Policy. The City does not establish a debt service reserve for general obligation bonds. For all other obligations, the City will determine the level of the debt service reserve in accordance with federal tax law, and other market conditions. Reserve funds are typically sized to equal the lesser of 10% of principal amount, 125% average annual debt service or 100% maximum annual debt service, although the City may seek to establish a lower funding amount, provided it is economic to do so.

X. Derivatives Policy

Properly used, interest rate swaps, and related financial instruments such as swap options, can be beneficial interest rate management tools that can assist the City as part of its overall debt and investment management program. Interest rate swaps are appropriate for use when they are designed to achieve specific financial objective(s) consistent with the City’s overall financial policy and strategy. However, these products also carry with them certain risks not faced in standard debt instruments which are often difficult to quantify. If there is a compelling risk management reason to utilize derivative products, OPF will review a proposed transaction and, where appropriate, provide analysis and recommend approval by

the Board of Supervisors. Prior to making such recommendation, OPF will submit to the Board for discussion a Derivatives Policy designed to ensure that adequate internal controls are in place to manage such instruments.

XI. Permitted Investments

All investments of bond proceeds and debt service reserve funds shall adhere to the Treasurer’s Investment Policy overseen by the County Treasury Oversight Committee. With the exception of Investment Agreements, investments shall not allow security types or credit standards less than those of the Treasurer’s Investment Policy. Investment agreements shall be selected as provided in subsection below.

1. Investment Agreements (“IAs”):

- | | | |
|------|----------------------------|--|
| i. | Purpose | a) maximize interest earnings, within the parameters permitted by law, thereby reducing net borrowing cost, b) match of assets and liabilities, and/or c) hedging; |
| ii. | Counterparty | Minimum rating of the second highest ranking from at least one major NRSRO; |
| iii. | Mandatory Termination | Limited to credit-related events and default; |
| iv. | Cure Provisions | Timelines on City’s obligations to cure must provide for appropriate legislative action; |
| v. | City’s Priority of Payment | Termination Payments - subordinate to related debt payments; |
| vi. | Procurement/Award | Award based on best bid as defined in bid form after limited negotiation of terms; and |
| vii. | Term | Not in excess of the term of the bonds. |

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XII. External Consultants

1. *Bond, Tax and Disclosure Counsel*: The City Attorney's Office shall select bond, tax and /or disclosure counsel for each transaction. The City Attorney's Office will periodically discuss the performance of Bond Counsel, Tax or Disclosure Counsel with OPF in terms of cost, quality and timeliness of legal services.
2. *Municipal Advisors*: OPF may determine to utilize the services of independent municipal advisor(s) and feasibility consultant(s) ("MA") on debt financing when prudent. OPF shall utilize a request for qualifications ("RFQ") and/or request for proposals ("RFP") selected pool of such municipal advisors to mitigate time constraints and reduce overhead costs of the City in procuring such services. Services shall be documented by contract and compensation shall be capped. All municipal advisors shall be registered with the Municipal Securities Rulemaking Board ("MSRB") as well as the Securities and Exchange Commission ("SEC"). No municipal advisor shall also serve as an underwriter on a given transaction. OPF will select a specific firm(s) to serve as the City's Independent Registered Municipal Advisor ("IRMA"), as defined by the SEC. In order to facilitate open communication with underwriters, the City will prepare and post on its website a letter stating that the City has an IRMA. Before acting on any proposal received from underwriters in the City's pool, the City may provide the proposal to the IRMA and consider all feedback received from the IRMA.
3. *Rebate Consultant*: Rebate consultant shall be selected from an established pool through an RFQ process. All rebate consulting contracts for tax-exempt long-term obligations will be for a set term with optional 1-year extensions. Rebate analyses will be performed annually at fiscal year-end by the rebate consultant and on every fifth anniversary of the bond issue until proceeds are fully expended.
4. *Secondary Market Dissemination Agents*: OPF will serve as dissemination agent for the City's secondary market obligations. OPF will evaluate from time to time the cost effectiveness of the use of outside consultants to serve as dissemination agent for the City's secondary market disclosure obligations and may appoint such outside consultant as dissemination agent.
5. *Fiscal & Tax Consultant*: For Land Secured District financings, OPF may select a consultant to provide services in connection with formation of tax districts; annexation of property into special tax districts; issuance of special tax bonds; ongoing administration of the special tax district, including calculations and preparation of the levy and tracking of tax collection; and other related tasks.

XIII. Counterparty and Fiduciary Relationships

1. *Broker-Dealers and Remarketing Agents*: For all variable rate bonds, OPF shall select by RFP broker-dealers or remarketing agents for each transaction and

monitor performance on a monthly basis. The City may replace a remarketing agent or broker-dealer with notice at any time.

2. *Investment Agreement Counterparties*: Selected by RFP in accordance with relevant bond documents and the Treasurer's Investment Policy.
 - a. *Collateralized Guaranteed Investment Contracts (GICs)/Full Flex Repurchase Agreements*: Investment of funds in GICs is permitted, as per Section 5922 of the Government Code, when collateralized by U.S. Government guaranteed and direct obligation securities. Collateral must be held by a third party institution, and must be marked to market on a weekly basis to a minimum of the value of the outstanding balance of the contract. The maximum maturity date on a GIC is limited to the final maturity date of the bonds being issued.
 - b. *Uncollateralized Guaranteed Investment Contracts (GICs)*: Investment of funds in GICs which are not initially collateralized is permitted, as per Section 5922 of the Government Code, only if (a) the term of the GIC does not exceed three (3) years, (b) the counterparty to the GIC is rated in the highest long-term rating category by two Nationally Recognized Statistical Rating Organizations (NRSROs) or whose payment obligations under such GIC are insured or guaranteed by an entity the unsecured obligations of which are so rated), and (c) the GIC requires that it be collateralized as described above within ten (10) of the rating agency publication of a downgrade of the counterparty's rating below the highest long-term rating category by any NRSRO.
 - c. *Repurchase and Forward Delivery Agreements*: Bond proceeds may be invested in term repurchase agreements or forward-delivery agreements with primary dealers of the Federal Reserve Bank of New York rated "A" or better by any NRSRO with which the City has entered into a Master Repurchase Agreement. This MRA will be modeled after the Securities Industry and Financial Markets Association (SIFMA)'s MRA. All collateral used to secure this type of transaction is to be delivered to a third party prior to release of funds. The third party will have an account in the name of the City. The market value of securities used as collateral for repurchase agreements shall be monitored on a daily basis by the Treasurer and will not be permitted to fall below 102 percent of the value of the repurchase agreement. Collateral shall not include strips, zero-coupon instruments or instruments with maturities in excess of five years. The right of substitution will be granted, provided that permissible collateral is maintained. In order to conform with provisions of the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be securities that are direct obligations of and guaranteed by the U.S. Government and Agency securities as permitted under this policy. The City will maintain a first

perfected security interest in the securities subject to the repurchase agreement and shall have a contractual right to liquidation of purchased securities upon the bankruptcy, insolvency or other default of the counterparty.

3. Credit Enhancement Providers:

- a. *Bond Insurance* – All or any portion of an issue of Bonds may be credit enhanced by bond insurance provided by municipal bond insurers (“Bond Insurers”) if it is economically advantageous to do so, or if it is otherwise deemed necessary or desirable in connection with a particular issue of Bonds. The relative cost or benefit of bond insurance may be determined by comparing the amount of the bond insurance premium to the present value of the estimated interest savings to be derived as a result of the insurance.

A surety bond, a form of insurance provided by Bond Insurers, can be purchased to meet the debt service reserve fund requirement on an issue of Bonds. Under this arrangement, instead of depositing Bond proceeds in the debt service reserve fund, the City buys a surety policy by paying a one-time premium equal to a percentage of the face amount of the policy. The City may use a surety policy in lieu of a debt service reserve fund when available and economically feasible.

- b. *Credit Facilities* – The issuance of certain types of Bonds may require a letter of credit or liquidity facility or a revolving line of credit for short-term borrowings may be considered from a qualified financial institution to provide liquidity and / or credit support (each a “Credit Facility”). A Credit Facility may be necessary for credit support on commercial paper and variable rate bonds with a tender option, , as an alternative to other short-term borrowing options, and Bonds that could not receive an investment grade credit rating in the absence of such Credit Facility.

The Director of Public Finance shall consider the likely remedial strategies in the event of a material decline in the Credit Facility provider’s credit quality.

The criteria for selection of a Credit Facility provider shall include the following:

- i. Long-term ratings from at least two NRSROs equal to or better than A2/A/A or equivalent;
- ii. Short-term ratings from at least two NRSROs equal to or better than P-1 / A-1 / F1;
- iii. Experience providing such facilities to state and local government issuers;

- iv. Fees, including without limitation initial and ongoing costs of the Credit Facility; draw, transfer, and related fees; counsel fees; termination fees and any trading differential; and
 - v. Willingness and ability to agree to the terms and conditions required by the City.
- c. *Selection* – Credit Facility providers will be selected by RFP issued by OPF or its agent and subject to negotiation of terms. To the extent necessary or desirable, and in accordance with City’s debt approval procedures, the Director of Public Finance may elect to extend the term of an existing Credit Facility on or before the expiration date. The decision to extend such Credit Facility shall be supported by a review of the Credit Facility market and available alternatives.
- d. *Replacement* – In the event that a Credit Facility provider experiences financial or other distress, such as a material credit rating downgrade below the thresholds detailed in this Section XIII., the Director of Public Finance, to the extent necessary or desirable, shall seek to replace the related provider subject to any required approvals by the Board of Supervisors. The Director of Public Finance shall take into consideration:
- i. The impact on the City’s own credit rating;
 - ii. The remaining value of the existing Credit Facility;
 - iii. The financial impact of any replacement; and
 - iv. Any other material financial or other consideration.
4. *Trustees*: The Trustee shall have a combined capital and surplus of at least \$50,000,000 and be subject to supervision or examination by federal or state authority.
5. *Underwriters*: OPF may determine to retain underwriters for negotiated and private placement bond transactions. OPF will utilize an RFP-selected pool of such underwriters advisors to mitigate time constraints and reduce overhead costs of the City in procuring such services. Services shall be documented by contract and compensation shall be capped. Underwriters may be required to execute confidentiality agreements with the City prior to the commencement of work.

XIV. Post Issuance Debt Administration and Secondary Market Disclosure

1. *Secondary Market Disclosure; Annual Report; Material Event Notices; Voluntary Event Disclosure*: OPF shall comply with all contractual obligations with respect to the provision of annual operating data and financial information in order to comply with federal securities disclosure laws. OPF will also strive to maintain good investor relations through the timely filing with the Electronic Municipal Marketplace Access (EMMA) of material financial information. The City will covenant to provide annual disclosure in accordance with SEC Rule

15c2-12. The City will also covenant to provide its annual disclosure report (the “Annual Report”) no later than 270 days following the end of the fiscal year, but the City will strive to issue the Annual Report as soon as practical following the issuance of the City’s Comprehensive Annual Financial Report (“CAFR”). The Annual Report shall include CUSIPs, trustee and City contacts, and applicable project status as required, for all transactions subject to annual reporting.

OPF will also timely file with EMMA:

- Event Notices: The City will, or cause its dissemination agent to, disseminate timely event notices with EMMA in accordance with the provisions of SEC Rule 15c2-12. Prior to the dissemination of any event notice, OPF may convene a meeting of DPWG to discuss any event and the process for timely and appropriate disclosure to the marketplace. OPF will consult with the City Attorney and Disclosure Counsel prior to the dissemination of any notice to EMMA.
 - Voluntary Event Disclosure: The City shall, or cause its dissemination agent to, submit its 6-month Budget Report, 9-month Budget Report, and 5-year Financial Plan to EMMA as soon as practical.
2. OPF Website: OPF will maintain its website to include information on the 1) City’s GO ratings, 2) debt issuance statistics, 3) official statements when available, 4) notices for upcoming bond sales; and 5) other miscellaneous reports, notices, and disclosures required by law.
 3. State Reporting Requirements: The City will submit or cause to be submitted timely reports to the California Debt and Investment Advisory Commission (CDIAC) or California Controller’s Office pursuant to State law, including SB 1029 and AB 1666. These include submission of 1) Report of Proposed Issuance; 2) Report of Final Sale; and 3) any annual reports required for compliance with SB 1029, as well as any Mello-Roos district reports required by AB 1666. In accordance with SB 1029, OPF will work with the Controller’s office to ensure that appropriate internal controls have been adopted and implemented by the City.
 4. Insurance Certifications: The City (through its Risk Manager) will agree to provide annual insurance certification to the Trustee and Bond Insurer on lease revenue bonds and COP financings as and when required.
 5. Annual Budgetary Certifications: The City will agree to covenant to provide annual budgetary certifications to interested parties, if requested, no less than 60 days following the adoption of the City’s budget. Pursuant to the City Charter, the Board must adopt the annual budget by each July 31st and the Mayor must sign it 10 days thereafter.

6. Ratings: OPF's current practice is to secure underlying ratings on all newly issued obligations from at least two major nationally recognized statistical rating organizations, provided it is economical to do so. OPF may pursue additional ratings as circumstances warrant. OPF will promptly provide financial information to such rating agencies in order to maintain the rating on the bonds.
7. Rating Agency Coordination; Annual Rating Agency Meeting: It is the policy of the City to maintain the highest practical credit ratings without compromising other City policy objectives. By maintaining the highest practical credit ratings, the City can issue debt at the lowest possible interest costs. The Director of Public Finance will be the point of contact with the rating agencies and will promptly provide financial and operating data to the rating agencies as requested. The Director of Public Finance will offer to meet with each rating agency which maintains a rating on the City's bonds at least annually.
8. Citywide Ratings Notification: OPF will promptly provide notice of any changes in City ratings or outlook to the Mayor, the Mayor's Budget Director and Press Secretary, City Controller, City Treasurer, Chief Investment Officer, President of the Board of Supervisors, Chair of the Budget and Finance Committee of the Board of Supervisors, Budget Analyst to the Board of Supervisors and the DPWG. OPF will work with the City Attorney and Disclosure Counsel to ensure that material event notices regarding such rating action is timely filed with EMMA.
9. Training: OPF will work with the City Attorney's office to ensure that training is conducted for City officials and staff regarding the disclosure obligations of City officials in connection with the issuance of bonds. The purpose of the training is to ensure that City officials and staff are aware of their respective legal obligations under the federal securities laws in connection with the issuance of bonds. City officials or employees will be required to attend disclosure training sessions as provided in the City's Disclosure Controls and Procedures attached hereto as Appendix A.
10. Relationship with Other City Entities: The Director of Public Finance will maintain communications with the City's related issuers of long-term obligations, including through periodic meetings, conference calls and status reports, and may consult with such issuers regarding the proposed issuance of Bonds, the use of derivatives, credit and rating strategies, and other related matters.
11. Bi-Annual Review of Policy: OPF will conduct a bi-annual review and evaluation of this Policy. As appropriate, OPF shall amend the Policy to be consistent with changes in the federal and state securities laws, pronouncements of the Securities and Exchange Commission and such other matters as the Director of Public Finance deems necessary or desirable, in consultation with the City Attorney (as necessary).

XV. Post Issuance Arbitrage Rebate Tax Compliance

OPF will manage post issuance tax compliance matters relating to the obligations issued by the City. The person(s) who hold the following title(s) shall be responsible for monitoring ongoing tax compliance matters relating to the Bonds, including compliance with the arbitrage rebate requirements of Section 148 of the Code, as set forth in these Procedures, which are intended to satisfy Section 7.2.3.4.4 of the Internal Revenue Manual: Director of Public Finance of the City and County of San Francisco.

A. External Advisors / Documentation

The Director of Public Finance, to the extent necessary, will consult with the City Attorney, bond counsel and other legal counsel and advisors following issuance of the Bonds to ensure that all applicable post-issuance requirements in fact are met. Such consultation will include, without limitation, questions about future contracts with respect to the use of Bond-financed or refinanced assets.

The Director of Public Finance, will from time to time engage expert advisors (each a “Rebate Service Provider”) to assist in the calculation of arbitrage rebate payable in respect of the investment of Bond proceeds as required under the Code.

The Director of Public Finance will prepare (or cause to be prepared) regular, periodic statements regarding the investments and transactions involving Bond proceeds and such statements shall be delivered to the Rebate Service Provider if it so requests.

B. Arbitrage Rebate and Yield

In connection with Bonds subject to this Debt Policy, the Director of Public Finance shall be responsible for:

- engaging the services of a Rebate Service Provider and, prior to each rebate calculation date, causing the trustee or other account holder to deliver periodic statements concerning the investment of Bond proceeds to the Rebate Service Provider;
- providing to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider;
- monitoring efforts of the Rebate Service Provider;
- assuring payment of required rebate amounts, if any, no later than 60 days after each 5-year anniversary of the issue date of the Bonds, and no later than 60 days after the last Bond of each issue is redeemed;

- during the construction period of each capital project financed in whole or in part by Bonds, monitoring the investment and expenditure of Bond proceeds and consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements during each 6-month spending period up to 6 months, 18 months or 24 months, as applicable, following the issue date of the Bonds; and
- retaining copies of all arbitrage reports and account statements.

C. Use of Bond Proceeds and Bond-Financed or Refinanced Assets

The Director of Public Finance, together with the Controller's Office and applicable City departments, shall be responsible for:

- monitoring the expenditure of Bond proceeds and the use of Bond-financed or refinanced assets (e.g., facilities, furnishings or equipment) throughout the term of the Bonds to ensure compliance with covenants and restrictions set forth in any tax agreement relating to the Bonds;
- maintaining records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of Bonds, including a final allocation of Bond proceeds as described below under "Record Keeping Requirements";
- consulting with the City Attorney, bond counsel or other legal counsel and advisers in the review of any contracts or arrangements involving use of Bond-financed or refinanced assets to ensure compliance with all covenants and restrictions set forth in the Tax Agreement relating to the Bonds;
- maintaining records for any contracts or arrangements involving the use of Bond-financed or refinanced assets as described below under "Record Keeping Requirements";
- conferring at least annually with personnel responsible for Bond-financed or refinanced assets to identify and discussing any existing or planned use of Bond-financed or refinanced assets, to ensure that those uses are consistent with all covenants and restrictions set forth in the Tax Agreement relating to the Bonds; and
- to the extent that OPF, or any City department, discovers that any applicable tax restrictions regarding use of Bond proceeds and Bond-financed or refinanced assets will or may be violated, consult promptly with the City Attorney, bond counsel and other legal counsel and advisers to determine a course of action to remediate all nonqualified bonds, if such counsel advises that a remedial action is necessary.

D. Record Keeping

The Director of Public Finance will keep and maintain the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least six years:

- a copy of the Bond closing transcript(s) and other relevant documentation delivered to the City at or in connection with closing of the issue of Bonds, including any elections made by the City in connection therewith;
- a copy of all material documents relating to capital expenditures financed or refinanced by Bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, draw requests for Bond proceeds and evidence as to the amount and date for each draw down of Bond proceeds, as well as documents relating to costs paid or reimbursed with Bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with Bond proceeds, including a final allocation of Bond proceeds;
- a copy of all contracts and arrangements involving the use of Bond-financed or refinanced assets; and
- a copy of all trustee statements, including record of investments, investment agreements, arbitrage reports and underlying documents in connection with any investment agreements, and copies of all bidding documents, if any.

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APPENDIX A
Municipal Finance Disclosure Policies and Procedures

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Article I
General

Section 1.1. Purpose. The purpose of the City and County of San Francisco Disclosure Policies and Procedures (these “Procedures”) is to establish processes and controls to (i) ensure that the financial disclosures that the City and County of San Francisco (the “City”) makes are accurate and comply with all applicable federal and state securities laws, and (ii) promote best practices regarding disclosures relating to securities issued by the City.

These Procedures do not apply to other departments or enterprises of the City, including the Airport Commission, the Mayor’s Office of Housing and Community Development, the Municipal Transportation Agency, the Port Commission, or the Public Utilities Commission. These Procedures are being adopted by the Office of Public Finance (“OPF”) as a debt issuance and disclosure best practice.

These Procedures should be read in conjunction with Article XIV of the Debt Policy of the City and County of San Francisco (the “Debt Policy”).

The failure of OPF to comply with any provision of these Procedures shall not affect the authorization or the validity or enforceability of any bonds, notes or other forms of indebtedness that are otherwise issued by the City in accordance with law.

Section 1.2. Disclosure Practices Working Group. To better carry out the purposes set forth in Section 1.1 of these Procedures, a Disclosure Practices Working Group (f “DPWG”) is established. Membership of the DPWG shall consist of (1) the Director of Public Finance, (2) the Controller (or the Controller’s designee), (3) the Treasurer (or the Treasurer’s designee), and (4) the Controller’s Budget Director (or the Controller’s Budget Director’s designee). The City Attorney or the City Attorney’s designee, who shall be a Deputy City Attorney specializing in public finance, together with the City’s outside disclosure counsel, shall be legal advisors to the DPWG. The City Attorney and the City’s outside disclosure counsel shall participate in all meetings of the DPWG and advise the DPWG on requirements of the federal securities laws.

Section 1.3. Definitions. Unless otherwise defined in this document, initially capitalized terms used in these Procedures shall have the meanings set forth below:

“*CAFR*” means the City’s Comprehensive Annual Financial Report.

“*City*” means the City and County of San Francisco, California.

“*City Financial Statements*” means that portion of the CAFR that are the audited financial statements

“*Contributors*” means those persons contacted by the Disclosure Coordinator or the Disclosure Practices Working Group, or assigned by a department director, to assist with the review or preparation of a Disclosure Document as described in Section 3.3.

“*Debt Policy*” means the Debt Policy of the City and County of San Francisco.

“*Disclosure Coordinator*” means the City official designated by the Controller from time to time to administer these Procedures. The Disclosure Coordinator shall be the Director of Public Finance. The Disclosure Coordinator may designate another member of the DPWG to preside over meetings if she is unable to attend a meeting.

“*Disclosure Documents*” means those documents defined as such in Article II.

“*Disclosure Practice Working Group*” or “*DPWG*” means the Disclosure Practice Working Group as identified under Section 1.2 of these Procedures.

“*Dissemination Agent*” means the dissemination agent appointed by the City to disseminate reports and post notices on EMMA pursuant to the City’s secondary market obligations. The Dissemination Agent may be an employee of the OPF or a third-party dissemination agent. If the Dissemination Agent is an employee of the City, the Disclosure Coordinator shall, at all times, have access to the City’s account on EMMA.

“*EMMA*” means the Electronic Municipal Market Access system of the MSRB.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive filings pursuant to Rule 15c2-12 under the federal Securities Exchange Act of 1934, as the same may be amended and modified from time to time.

“*Preparer*” means those persons defined as such in Section 3.3(A).

“*Procedures*” means these Municipal Finance Disclosure Policies and Procedures, as the same may be supplemented and amended from time to time.

Section 1.4. Meetings of the Disclosure Practices Working Group. The DPWG shall meet as often as necessary to fulfill its obligations, but generally shall plan to meet at least once a calendar year to discuss matters related to these Procedures. A bond due diligence session will satisfy such meeting requirement, provided the Director, one or more deputy City Attorneys and the City’s outside disclosure counsel is in attendance at such session, and it is understood by the parties that the due diligence session is serving as a meeting of the DPWG. Meetings of the DPWG are intended to be internal meetings of City staff and shall not be deemed to be public meetings for purposes of the Brown Act or Sunshine Ordinance.

Any member of the DPWG may request that the Disclosure Coordinator convene a meeting of the DPWG. Members of the DPWG should, to the extent practicable, attend meetings in person but may participate in meetings by telephone. As necessary, the Disclosure Coordinator will distribute an agenda for each DPWG meeting. The agenda shall be prepared in consultation with members of the DPWG. Any member or ex officio participant of the DPWG may place an item on the agenda. The Disclosure Coordinator shall be required to keep a record of meetings and a brief summary of the matters discussed.

Section 1.5. Meetings; Delegation. The attendance of the Controller, the Director of Public Finance, one or more Deputy City Attorneys, and the City’s outside disclosure counsel is required at any meeting of the DPWG at which City Official Statements are finalized. The individuals identified in Section 1.2 above shall identify appropriate alternate individuals to attend DPWG meetings in the event that the designated individual is not able to attend.

Article II
Disclosure Documents

Section 2.1. Disclosure Documents. For purposes of these Procedures, the term “Disclosure Documents” shall mean (i) the City’s documents and materials prepared or distributed in connection with the City’s disclosure obligations under applicable federal and state securities laws relating to its securities and (ii) other disclosure that the DPWG shall determine to review and approve. Disclosure Documents shall include, but not be limited to, the following:

- (A) Preliminary and final Official Statements, and preliminary and final Private Placement Memoranda, including but not limited to any City financial information included therein, relating to the City’s securities, together with any supplements;
- (B) the City’s Financial Statements, including but not limited to the MM&D and Notes thereto; and
- (C) any filing made by the City with the MSRB, whether made under a continuing disclosure agreement to which the City is a party or made voluntarily.

The term “Disclosure Documents” shall also include any other disclosure that the DPWG shall determine is reasonably likely to reach the investors or the securities markets and may be material to investors, including but not limited to press releases, web site postings, and other communications required to be certified by the Controller or the Director as representations of the City’s financial condition to investors or the securities markets. See Section 3.1 below.

Article III
Review Process

Section 3.1. Determination of “Disclosure Document”. Whether a particular document or written, posted or other form of communication is a Disclosure Document shall be determined by the DPWG, including but not limited to, the determination as to whether a document should be filed voluntarily with the MSRB (as provided in Section 2.1(C) above) or whether a communication is reasonably likely to reach investors or the securities markets and may be material to investors. Any member of the DPWG may

seek the advice of the DPWG to determine whether any document should be treated as a Disclosure Document.

Section 3.2. Review of Form and Content of Disclosure Documents. The DPWG shall critically review the form and content of each Disclosure Document. The DPWG may require the attendance of all persons responsible for the preparation or review of the Disclosure Document.

Before submitting an Official Statement to the Board of Supervisors for consideration, the Controller or the Director of Public Finance shall make the certification to the Board of Supervisors, in the form attached as Exhibit E, and such certification shall be attached to the Official Statement when the same is submitted to the Board of Supervisors. Any ordinance or resolution may include a delegation to the Controller or the Director of Public Finance to finalize any offering document to, among other things, include the most recent City financial information or other material information relevant to investors, and to otherwise make corrections and clarifications to ensure that such offering document complies with federal securities laws.

(A) Disclosure Coordinator. The Disclosure Coordinator shall work with the bond financing team (i.e., bond counsel and/or disclosure counsel, underwriter(s), underwriter's counsel, municipal advisors, and appropriate City staff), the City's outside disclosure counsel, and such other individuals as appropriate given the nature of the financing, to ensure that these Procedures are followed with respect to the preparation and/or dissemination of any Disclosure Document.

(1) The Disclosure Coordinator shall be responsible for soliciting material information from City departments and shall identify Contributors who may have information necessary to prepare or who should review portions of the Disclosure Document. These Contributors should be timely contacted and informed that their assistance will be needed for the preparation of the Disclosure Document. See Exhibit A for the form of Request for Information from Contributors.

(2) The Disclosure Coordinator shall contact the individuals and departments identified as Contributors as soon as possible to provide adequate time for such individuals to perform a thoughtful and critical review or draft of those portions of the Disclosure Document assigned to them.

(3) The Disclosure Coordinator shall maintain or cause to be maintained a general log of all individuals or departments that were requested to review or draft in connection with a Disclosure Document, including what sections such individuals or department prepared or reviewed.

(4) The Disclosure Coordinator shall confirm to and advise the DPWG that each section of and all financial and operating information contained in the Disclosure Document has been critically reviewed by an appropriate person. To the extent practicable, the Disclosure Coordinator shall endeavor to establish an

“audit trail” with respect to the preparation of any disclosure document. Of paramount importance is that the “Appendix A” and other information concerning the City’s financial condition is thoroughly and critically compared for accuracy against the City’s Financial Statements, including the notes of said financial statements, and the other financial reports prepared and released by the Controller and the Mayor’s Office.

(5) The Disclosure Coordinator or another member of the DPWG shall report any significant disclosure issues, if any, and concerns to the DPWG. The DPWG shall critically review the material submitted and undertake to devise appropriate disclosures.

(6) As required, the Disclosure Coordinator shall advise the municipal advisor and the underwriter(s) and their counsel, if any, that they must execute upon their selection a confidentiality agreement.

(B) Responsibilities of Contributors. Contributors shall assist in reviewing and preparing the Disclosure Document using their knowledge of the City and by discussing the Disclosure Document with other members of the department in an attempt to ensure the accuracy of the information and to determine whether any other information should be discussed or disclosed. Once Contributors are notified of their need to participate in preparing a Disclosure Document, each of the Contributors and their department directors shall cooperate with DPWG requests. Each Contributor shall represent to the Controller (in a form satisfactory to the Controller) the accuracy and completeness of the section or sections for which the Contributor is responsible. See Exhibit B herein.

Section 3.3. Review of Disclosure Documents other than Official Statements; Dissemination of Disclosure Documents. The following procedures shall apply to those Disclosure Documents that are not addressed in Section 2.1:

(A) Determination of Disclosure Document. Any City employee preparing (the “Preparer”) any information for release to the public that could be considered a Disclosure Document, shall notify the DPWG of such information. The DPWG shall timely make a determination whether such information is a Disclosure Document under Section 2.1.

(B) Notify Disclosure Practices Working Group. If the DPWG determines that a document is a Disclosure Document, the Preparer shall inform the DPWG of the (i) expected completion date of the Disclosure Document and (ii) the expected dissemination date of the Disclosure Document to the DPWG. The DPWG shall be provided with a reasonable opportunity to review such Disclosure Document.

(C) Involvement of Deputy City Attorney. The Deputy City Attorney specializing in municipal finance whom the City Attorney assigns to work on the financing, in consultation with the City’s outside disclosure counsel, shall assist the Preparer to:

- (1) identify material information that should be disclosed;
- (2) identify other persons that may have material information or knowledge of any information omitted from such Disclosure Document; and
- (3) determine when the Disclosure Document is final and ready for review by the DPWG.

(D) Prepare Source List. The Preparer shall keep a list of individuals or groups that have contributed to the preparation of the Disclosure Document and a list of sources from which the information summarized or updated in the Disclosure Document was derived. These lists shall be submitted to the DPWG along with the Disclosure Document.

(E) Dissemination of Disclosure Document. The Disclosure Coordinator shall cause the Dissemination Agent to timely file the Disclosure Document on EMMA, as described in Article XIV of the Debt Policy.

Article IV *Training Policy*

Section 4.1. Training Sessions.

(A) City officials or employees with responsibility for collecting or analyzing information that may be material to the preparation of a Disclosure Document, as designated under Paragraph (B) below, shall attend disclosure training sessions as conducted from time to time. The Controller and/or the Director of Public Finance shall cause training material to be distributed to new employees of the City who will participate in the preparation of Disclosure Documents. New employees, not including the Mayor and members of the Board of Supervisors, shall be provided with disclosure training materials within three months of their first day of employment. Such training materials shall include information on the City's disclosure obligations under applicable federal and state securities laws and such individual's responsibilities and potential liability regarding such obligations. Such training sessions may be conducted by videotape, if available. The Director of Public Finance shall present such training material to the DPWG for its review and approval.

(B) The determination as to whether a class of employees shall receive such training shall be made by the Controller, in consultation (if necessary) with the City Attorney. The DPWG may also require training for a particular employee not otherwise specified.

(C) At the request of the DPWG, the City's outside disclosure counsel shall conduct separate training sessions for the Mayor and members of the Board of Supervisors; provided however such training should be undertaken no less than once every three years. The Director of Public Finance shall endeavor to video tape any such training for members of the Board of Supervisors.

(D) The DPWG will convene as necessary to discuss and develop training material for new developments under federal securities laws, or otherwise, to ensure that the City maintains the best practices regarding its disclosure obligations.

Article V
Document Retention Policies

Section 5.1. Official Statements.

(A) Materials retained. For a Disclosure Document that is an Official Statement or placement memorandum as referenced in Section 2.1(A), the OPF, on behalf of the DPWG, shall maintain a central depository with the following materials, for a period of five years from the date of delivery of the securities referenced in such Disclosure Document.

(1) the printed copy of the preliminary and final Official Statement (or preliminary and final Offering Memoranda);

(2) the “deemed final” certification provided by a City official to the underwriter of the securities in accordance with paragraph (b)(1) of Rule 15c2-12;

(3) any executed copies of the letters, requests, and certifications prepared and/or delivered in connection the offering;

(4) the information and related sources referenced in the materials described in (3) above;

(5) the bond purchase agreement or official notice of sale, as applicable; and

(6) any written certification or opinions executed by a City official relating to disclosure matters, delivered at the time of delivery of the related securities.

(B) Materials not retained. These Procedures shall not require the DPWG to retain after the date of delivery of the related securities the drafts of any of the materials referenced in subsection (A) above.

Section 5.2. Disclosure Documents other than Official Statements. For Disclosure Documents other than those described in Section 5.1(A) above, the Office of Public Finance, on behalf of the DPWG, shall maintain a central depository with the following materials, for a period of five years from the date the respective Disclosure Document is published, posted, or otherwise made publicly available:

(1) the final version of the Disclosure Document,

(2) final versions of all transmittal letters, requests, and certifications relating to information in the Disclosure Document,

(3) the information and related sources referenced in the materials described in (2) above, and

(4) if the Disclosure Document is posted on EMMA, a copy of the receipt of filing generated by EMMA.

The DPWG shall not retain the drafts of any such materials.

Article VI
Confidential Submissions

Section 6.1. Whistle Blower Complaint's Program. The City shall encourage City employees to contact the Controller's Whistle Blower Complaint program with any significant disclosure questions or concerns. The Controller's office shall contact the DPWG as soon as practical for any matter which would have a serious impact on the City's Disclosure Documents.

Article VII
Annual Review

Section 7.1. Annual Review. The DPWG shall conduct a bi-annual review and evaluation of these Disclosure Policies and Procedures. As appropriate, the DPWG shall amend these Disclosure Policies and Procedures to be consistent with changes in the federal and state securities laws, pronouncements of the Securities and Exchange Commission and such other matters as the DPWG deems necessary or desirable.

Table of Exhibits

- A. Request for Information from Contributors
- B. Transmittal by Departmental Director to Disclosure Coordinator
- C. Underwriter's/Municipal Advisor's Confidentiality Agreement
- D. Municipal Finance Disclosure Reference Materials
- E. Transmittal of Official Statement by Disclosure Coordinator to DPWG

Request for Information from Contributors

The Office of Public Finance is requesting information from [department or division name] to be included in a detailed disclosure of the City's financial and operating data for an [official statement] [annual report] to be issued by the City in connection with [the sale of bonds or other securities] [federal annual reporting requirements for municipal securities]. This information will be disseminated publicly to the investing public, including bondholders, rating agencies, municipal advisors and other members of the investment community.

Federal securities laws require that the information be complete, accurate, and in no way misleading. Please review carefully and critically the information you are providing to be certain, to the best of your knowledge after reasonable inquiry of the appropriate persons, that it is accurate, complete and not misleading. Please be certain that the source documentation is reliable and auditable, should any future inquiry arise. Please provide a copy of all source documentation. Please describe any exceptions or other caveats to the information you are providing.

Please review the information in its entirety, rather than simply updating that which has already been provided, to determine whether any material changes have occurred or if any new or additional information should be included to make the information you are providing not misleading and as complete and accurate as possible.

Please provide the information by no later than [X date], and please advise of any subsequent changes to such information through [Y date].

If you require additional information regarding this request for information, please contact _____, at x_____. Thank you for your assistance.

**Transmittal by Department Director
to Disclosure Coordinator**

I am the [Department Director] responsible for reviewing the portion of the Disclosure Document that is attached. I have reviewed this disclosure and have made certain that each identified Contributor also reviewed the disclosure and that it was discussed at a meeting of the _____ department. I have also attached copies of any materials that were a source for all or a portion of this disclosure. I have reviewed and complied with the procedures set forth in subsection Section 3.2 B of the Disclosure Policies and Procedures. In the event of any material change to the attached disclosure between the date of this letter and the scheduled delivery date for the bonds (X date), I shall promptly advise the Financing Group.

[Department Director]

Attachments

- reviewed disclosure
- source materials
- list of Contributors

[Underwriter's/Municipal Advisor's] Confidentiality Agreement

The [Underwriter/Municipal Advisor] acknowledges, represents and warrants to the City that in connection with the preparation for and offering and sale of the Bonds, the [Underwriter/Municipal Advisor], its agents, employees and counsel involved in the offering have been and will be provided non-public information by or on behalf of the City, including but not limited to drafts of the Preliminary Official Statement and Official Statement; the [Underwriter/Municipal Advisor], its agents, employees and counsel involved in the offering have been and will be provided such information for the purpose of the offering and sale of the Bonds and not for any other purpose; and the Preliminary Official Statement and Official Statement, and any supplements or amendments in accordance with the provisions of the Bond Purchase Agreement, constitute the only documents authorized by the City for dissemination of such information.

The [Underwriter/Municipal Advisor] covenants and agrees to protect and maintain the confidentiality of such information and to take appropriate steps to assure that its agents, employees and counsel involved in the offering will not make use of such information for any purpose other than the offer and sale of the Bonds.

Notwithstanding the preceding two paragraphs, the [Underwriter/Municipal Advisor] has the right to use or to disclose any information that: (i) is, at the time of disclosure, generally known or available to the public (other than as a result of a breach of this Agreement); (ii) becomes, at a later date, generally known or available to the public through no fault of the [Underwriter/Municipal Advisor] and then only after said later date; (iii) is disclosed to the [Underwriter/Municipal Advisor] in good faith by a third party who, to [Underwriter/Municipal Advisor]'s knowledge, has an independent right to such information and is under no known obligation not to disclose it to the [Underwriter/Municipal Advisor]; (iv) is possessed by the [Underwriter/Municipal Advisor], as evidenced by such [Underwriter/Municipal Advisor]'s written or other tangible evidence, before receipt thereof from the City; (v) to the extent expressly required by any governmental, judicial, supervisory or regulatory authorities under federal or state law, subpoena or similar legislative, administrative or judicial process; (vi) in connection with the offering and sale of the Bonds if the [Underwriter/Municipal Advisor] or its counsel determines is material (within the meaning of the federal securities laws) and therefore must be disclosed in connection with the offering and sale of the Bonds, provided, that the [Underwriter/Municipal Advisor] shall provide prior written notice to the City (to the extent permitted by law), including a copy of the proposed disclosure or other use, and shall have obtained the City's written consent to such use if the offering has not commenced; or (vii) the use of which is consented to by the express prior written consent of the City.

The [Underwriter/Municipal Advisor] shall return all confidential material to the City when the bond transaction is completed, or their services are otherwise completed.

Municipal Finance Disclosure Reference Materials

1. Disclosure Roles of Counsel in State and Local Government Securities Offerings, Third Edition, ABA Section of State and Local Government Law; ABA Section of Business Law; Committee of Federal Regulation of Securities; and National Association of Bond Lawyers, 2009.
2. Public Finance Criteria, Standard & Poor's (see www.standardandpoors.com, click on "Criteria and Definitions" under "Credit Ratings").
3. Questions to Ask Before You Approve a Bond Issue: A Pocket Guide for Elected and Other Public Officials, National League of Cities; National Association of Counties; National Association of State Auditors, Comptrollers, and Treasurers; and the Government Finance Officers Association, Dec. 1996
4. Recommended Best Practices in Disclosure, National Federation of Municipal Analysts, 2004.
5. Making Good Disclosure: The Role and Responsibilities of State and Local Officials Under the Federal Securities Laws, Government Finance Officers Association, 2001.
6. Disclosure Guidelines for State and Local Government Securities, Government Finance Officers Association, 1991.

Certification by Controller Regarding Official Statements

Board of Supervisors:

I have reviewed the [description of Official Statement or Offering Memorandum] and compared the City Financial Statements with the Disclosure Document. In addition, I have reviewed the Disclosure Document in full to identify any misstatement or omission in any sections that contain or omit descriptions of information prepared by or of interest to the Controller. I hereby certify that, to the best of my knowledge:

1. the Disclosure Document fairly presents, in all material respects, the financial condition and results of operations of the City;
2. the Disclosure Document does not make any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and
3. that the financial statements and other financial information from the City Financial Statements included in such Disclosure Document, if any, fairly present in all material respects the financial condition and results of operations of the City as of, and for, the periods presented in the City Financial Statements.

Controller

APPENDIX B

Use of Proceeds Designated Bonds

For bond funded projects with qualifying use of proceeds (“UoP Designated Bonds”), the Office of Public Finance shall consider, as appropriate, designating such bonds as “Green Bonds,” “Social Bonds” or “Sustainable Bonds.” In considering the designation of such bonds, OPF shall evaluate the associated costs and benefits, as well as generally accepted market best practices, around such designation.

UoP Designated Bond Considerations:

Proceeds from UoP Designated Bonds, as defined below, are typically earmarked for sustainably oriented social and/or green projects (such as Green Bonds issued to fund environmentally beneficial projects). OPF may consider UoP Designation Bonds to aid investors in identifying City-issued bonds that may align with their Environmental Social Governance (ESG) goals.

For such financings, OPF will periodically update its internal policies and procedures and strive to:

- a) Make a per issuance (or program) determination whether to self-certify the bonds or retain an independent consultant to certify the Bonds.
- b) Report on the status of spending of such UoP Designated Bond proceeds during the construction period of the funded projects.
- c) Conform with established UoP international standards as they develop, such as the recently-established Green Bond Principles.
- d) Refrain from assigning a UoP designation to Bonds if, during the life of the Bonds, such designation is likely to impede or restrict the ability of the City to use the projects for other future civic purposes that may not fall under the latest International Capital Markets Association (or other generally accepted market standard).

UoP Designated Bond Definitions:

Social Bonds – Bonds designated as such, whereby project proceeds are used to finance or refinance projects considered to be “Social Projects.” Social Projects, as defined by the June 2018 Social Bond Principles (or other such generally accepted market guidelines), directly aim to address or mitigate a special social issue and/or seek to achieve positive social outcomes especially but not exclusively for a target population(s).

Green Bonds (or Climate Bonds) – Bonds designated as such, whereby project proceeds are used to finance or refinance qualified projects that have environmental and/or climate change mitigation or adaptation benefits. These may or may not include projects certified

by the Climate Bonds Initiative or in alignment with the International Capital Markets Association Green Bond Principles, as adopted by San Francisco in September 2018.

Sustainable Bonds – Bonds designated as such, whereby project proceeds are used to finance or refinance projects that OPF would consider for designation as both “Social Bonds” and “Green Bonds.”

