

File No. 190358

Committee Item No. 3

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee

Date July 10, 2019

Board of Supervisors Meeting

Date _____

Cmte Board

- | | | |
|-------------------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____

Completed by: Linda Wong

Date July 5, 2019

Completed by: Linda Wong

Date _____

[Sale of General Obligation Bonds - (Embarcadero Seawall Earthquake Safety, 2018), Series 2019B - Not to Exceed \$50,000,000

Resolution authorizing the issuance and sale of not to exceed \$50,000,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018) Series 2019B; prescribing the form and terms of such bonds; providing for the appointment of depositories and other agents for such bonds; providing for the establishment of accounts and/or subaccounts related to such bonds; authorizing the sale of such bonds by competitive or negotiated sale; approving the forms of the Official Notice of Sale and Notice of Intention to Sell Bonds and directing the publication of the Notice of Intention to Sell Bonds; approving the form of the Purchase Contract; approving the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of such bonds; approving the form of the Continuing Disclosure Certificate; authorizing and approving modifications to such documents; ratifying certain actions previously taken, as defined herein; and granting general authority to City Officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of such bonds, as defined herein.

WHEREAS, By Resolution No. 183-18, adopted by the Board of Supervisors (the "Board of Supervisors") of the City and County of San Francisco (the "City") on June 12, 2018, and signed by the Mayor (the "Mayor") on June 20, 2018, it was determined and declared that public interest and necessity demand the construction, reconstruction, acquisition, improvement, demolition, seismic strengthening and repair of the Embarcadero Seawall and other critical infrastructure, as further therein described (the "Project"); and

1 WHEREAS, By Ordinance No. 146-18 passed by the Board of Supervisors on June 26,
2 2018, and signed by the Mayor on June 28, 2018, and Ordinance No. 178-18 passed by the
3 Board of Supervisors on July 24, 2018, and signed by the Mayor on July 26, 2018 (together,
4 the "Bond Ordinances"), the Board of Supervisors duly called a special election to be held on
5 November 6, 2018 (the "Bond Election"), for the purpose of submitting to the qualified voters
6 of the City such proposition ("Proposition A") to incur bonded indebtedness of the City in the
7 amount of \$425,000,000 to finance the Project, and such Proposition A was approved by two-
8 thirds of the qualified voters of the City voting on such proposition, and declaration of such
9 Bond Election results was made by the Board of Supervisors pursuant to Resolution No.
10 420-18 on December 4, 2018, and approved by the Mayor on December 12, 2018; and

11 WHEREAS, By Resolution No.____, adopted by the Board of Supervisors on ____
12 _____, 2019 and approved by the Mayor on _____, 2019 (the "Authorizing
13 Resolution"), the City was authorized to issue its General Obligation Bonds (Embarcadero
14 Seawall Earthquake Safety, 2018) (the "Bonds") in the not-to-exceed amount of
15 \$425,000,000; and

16 WHEREAS, It is necessary and desirable to issue the first series of the Bonds, in an
17 aggregate principal amount not to exceed \$50,000,000 (the "Series 2019B Bonds"), to finance
18 a portion of the costs of the Project; and

19 WHEREAS, The Series 2019B Bonds are being issued pursuant to the Authorizing
20 Resolution and Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the California Government
21 Code (the "Government Code"), the Charter of the City (the "Charter"), the Bond Ordinances
22 and the Bond Election; and

23 WHEREAS, Pursuant to the applicable provisions of the San Francisco Administrative
24 Code (the "Administrative Code") Sections 5.30-5.36, the Citizens' General Obligation Bond
25 Oversight Committee shall conduct an annual review of bond spending and shall provide an

1 annual report on the management of the program to the Mayor and the Board of Supervisors,
2 and, to the extent permitted by law, one tenth of one percent (0.1%) of the gross proceeds of
3 the Series 2019B Bonds shall be deposited in a fund established by the Office of the City
4 Controller (the "Controller") and appropriated by the Board of Supervisors at the direction of
5 the Citizens' General Obligation Bond Oversight Committee to cover the costs of such
6 committee and its review process; now, therefore, be it

7 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as
8 follows:

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

10 Section 2. Conditions Precedent. All conditions, things and acts required by law to
11 exist, to happen and to be performed precedent to and in connection with the issuance of the
12 Series 2019B Bonds exist, have happened and have been performed in due time, form and
13 manner in accordance with applicable law, and the City is now authorized pursuant to the
14 Bond Election, the Authorizing Resolution, the Charter and applicable law to incur
15 indebtedness in the manner and form provided in this Resolution.

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

19 Section 4. Issuance and Sale of Series 2019B Bonds; Determination of Certain Terms;
20 Designation. The Board of Supervisors authorizes the issuance and sale of not to exceed
21 \$50,000,000 in aggregate principal amount of Bonds to be designated as "City and County of
22 San Francisco General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018)
23 Series 2019B," for the purposes set forth in the Bond Ordinances and Proposition A approved
24 by the voters at the Bond Election.
25

1 The Director of Public Finance of the City or a designee thereof (the "Director of Public
2 Finance") is authorized to determine, for the Series 2019B Bonds, the sale date, the interest
3 rates, the definitive principal amount, the maturity dates and the redemption dates, if any, and
4 the terms of any optional or mandatory redemption, subject to the other specific provisions of
5 this Resolution, including the following terms and conditions: (a) the Series 2019B Bonds shall
6 not have a true interest cost (as such term is defined in the Official Notice of Sale (as defined
7 in Section 13) for the Series 2019B Bonds) in excess of 12%; and (b) the Series 2019B Bonds
8 shall not have a final maturity date more than 30 years from their date of issuance. The
9 Director of Public Finance is further authorized to give the Series 2019B Bonds such
10 additional or other series designation, or to modify such series designation, as may be
11 necessary or appropriate to distinguish the Series 2019B Bonds from every other series of
12 Bonds and from other Bonds issued by the City.

13 Section 5. Authentication and Registration of the Series 2019B Bonds. Each of the
14 Series 2019B Bonds shall be in fully registered form without coupons in denominations of
15 \$5,000 or any integral multiple of that amount. The officers of the City are directed to cause
16 the Series 2019B Bonds to be prepared in sufficient quantity for delivery to or for the account
17 of their purchaser and the Director, Controller's Office of Public Finance is directed to cause
18 the blanks in the Series 2019B Bonds to be completed in accordance with the Authorizing
19 Resolution, this Resolution, and the Bond Award or Purchase Contract (as defined below), to
20 procure their execution by the proper officers of the City (including by facsimile signature if
21 necessary or convenient, except that any signature for the Clerk of the Board of Supervisors
22 shall be required to be by manual signature) and authentication as provided in this Section,
23 and to deliver the Series 2019B Bonds when so executed and authenticated to the purchaser
24 in exchange for the purchase price, all in accordance with the Authorizing Resolution.
25

1 The Series 2019B Bonds and the certificate of authentication and registration, to be
2 manually executed by the Treasurer of the City or designee thereof (the "City Treasurer"), and
3 the form of assignment to appear on the Series 2019B Bonds shall be substantially in the form
4 attached as Exhibit A (a copy of which is on file with the Clerk of the Board of Supervisors and
5 which is declared to be a part of this Resolution as if fully set forth in this Resolution), with
6 necessary or appropriate variations, omissions and insertions as permitted or required by this
7 Resolution.

8 Only Series 2019B Bonds bearing a certificate of authentication and registration
9 executed by the City Treasurer shall be valid or obligatory for any purpose or entitled to the
10 benefits of the Authorizing Resolution and this Resolution, and such certificate of the City
11 Treasurer, executed as provided in this Resolution, shall be conclusive evidence that the
12 Series 2019B Bonds so authenticated have been duly authenticated and delivered under, and
13 are entitled to the benefits of, the Authorizing Resolution and this Resolution.

14 The Controller shall assign a distinctive letter, or number, or letter and number to each
15 Series 2019B Bond authenticated and registered by the City Treasurer and shall maintain a
16 record thereof which shall be available for inspection.

17 Section 6. Registration Books. The City Treasurer shall keep or cause to be kept, at
18 the office of the City Treasurer or at the designated office of any registrar appointed by the
19 City Treasurer, separate and sufficient books for the registration and transfer of Series 2019B
20 Bonds, which books shall at all times be open to inspection, and upon presentation for such
21 purpose, the City Treasurer shall, under such reasonable regulations as he or she may
22 prescribe, register or transfer or cause to be registered or transferred, on such books, Series
23 2019B Bonds as provided in this Resolution. The City and the City Treasurer may treat the
24 registered owner of each Series 2019B Bond as its absolute owner for all purposes, and the
25 City and the City Treasurer shall not be affected by any notice to the contrary.

1 Section 7. Transfer or Exchange of Series 2019B Bonds. Any Series 2019B Bond
2 may, in accordance with its terms, be transferred upon the books required to be kept pursuant
3 to the provisions of Section 6, by the person in whose name it is registered, in person or by
4 the duly authorized attorney of such person in writing, upon surrender of such Series 2019B
5 Bond for cancellation, accompanied by delivery of a duly executed written instrument of
6 transfer in a form approved by the City Treasurer.

7 Any Series 2019B Bond may be exchanged at the office of the City Treasurer for a like
8 aggregate principal amount of other authorized denominations of the same interest rate and
9 maturity.

10 Whenever any Series 2019B Bond shall be surrendered for transfer or exchange, the
11 designated City officials shall execute (as provided in Section 5) and the City Treasurer shall
12 authenticate and deliver a new Series 2019B Bond of the same interest rate and maturity in a
13 like aggregate principal amount. The City Treasurer shall require the payment by any bond
14 owner requesting any such transfer of any tax or other governmental charge required to be
15 paid with respect to such transfer or exchange.

16 No transfer or exchange of Series 2019B Bonds shall be required to be made by the
17 City Treasurer during the period from the Record Date (as defined in Section 8(b)) next
18 preceding each interest payment date to such interest payment date or after a notice of
19 redemption shall have been mailed with respect to such Series 2019B Bonds.

20 Section 8. Terms of the Series 2019B Bonds; General Redemption Provisions.

21 (a) Date of the Series 2019B Bonds. The Series 2019B Bonds shall be dated the
22 date of their delivery or such other date (the "Dated Date") as is specified in the Bond Award
23 or the Purchase Contract.

24 (b) Payment of the Series 2019B Bonds. The principal of the Series 2019B Bonds
25 shall be payable in lawful money of the United States of America to their owners, upon

1 surrender at maturity or earlier redemption at the office of the City Treasurer. The interest on
2 the Series 2019B Bonds shall be payable in like lawful money to the person whose name
3 appears on the bond registration books of the City Treasurer as the owner as of the close of
4 business on the last day of the month immediately preceding an interest payment date (the
5 "Record Date"), whether or not such day is a Business Day (as defined below).

6 Except as may be otherwise provided in connection with any book-entry-only system
7 applicable to the Series 2019B Bonds, payment of the interest on any Series 2019B Bond
8 shall be made by check mailed on the interest payment date to such owner at such owner's
9 address as it appears on the registration books as of the Record Date; provided, that if any
10 interest payment date occurs on a day that banks in California or New York are closed for
11 business or the New York Stock Exchange is closed for business, then such payment shall be
12 made on the next succeeding day that banks in both California and New York are open for
13 business and the New York Stock Exchange is open for business (each, a "Business Day");
14 and provided, further, that the registered owner of an aggregate principal amount of at least
15 \$1,000,000 of Series 2019B Bonds may submit a written request to the City Treasurer on or
16 before a Record Date preceding an interest payment date for payment of interest on the next
17 succeeding interest payment date and thereafter by wire transfer to a commercial bank
18 located within the United States of America.

19 For so long as any Series 2019B Bonds are held in book-entry form by a securities
20 depository selected by the City pursuant to Section 10, payment shall be made to the
21 registered owner of the Series 2019B Bonds designated by such securities depository by wire
22 transfer of immediately available funds.

23 (c) Interest on the Series 2019B Bonds. The Series 2019B Bonds shall bear
24 interest at rates to be determined upon the sale of the Series 2019B Bonds, calculated on the
25 basis of a 360-day year comprised of twelve 30-day months, payable on December 15, 2019

1 (or such other date as may be designated in the Bond Award or Purchase Contract), and
2 semiannually thereafter on June 15 and December 15 of each year. Each Series 2019B Bond
3 shall bear interest from the interest payment date next preceding the date of its authentication
4 unless it is authenticated as of a day during the period from the Record Date next preceding
5 any interest payment date to the interest payment date, inclusive, in which event it shall bear
6 interest from such interest payment date, or unless it is authenticated on or before the first
7 Record Date, in which event it shall bear interest from the Dated Date; provided, that if, at the
8 time of authentication of any Series 2019B Bond, interest is in default on the Series 2019B
9 Bonds, such Series 2019B Bond shall bear interest from the interest payment date to which
10 interest has previously been paid or made available for payment on the Series 2019B Bonds
11 or from the Dated Date if the first interest payment is not made.

12 (d) Optional Redemption. The Series 2019B Bonds shall be subject to optional
13 redemption prior to maturity as shall be provided in the Official Notice of Sale or the Purchase
14 Contract, as applicable.

15 (e) Mandatory Redemption. The Series 2019B Bonds shall be subject to mandatory
16 redemption as shall be designated by the purchaser pursuant to the terms of the Official
17 Notice of Sale or as designated in the Purchase Contract, as applicable.

18 The principal of and interest on the Series 2019B Bonds subject to mandatory
19 redemption shall be paid from the Series 2019B Bond Subaccount established in Section 9,
20 pursuant to Section 9. In lieu of any such mandatory redemption for Series 2019B Bonds, at
21 any time prior to the selection of Series 2019B Bonds for mandatory redemption, the City may
22 apply amounts on deposit in the Series 2019B Bond Subaccount to make such payment to
23 the purchase, at public or private sale, of Series 2019B Bonds subject to such mandatory
24 redemption, and when and at such prices not in excess of the principal amount thereof
25

1 (including sales commission and other charges but excluding accrued interest), as the City
2 may determine.

3 (f) Selection of Series 2019B Bonds for Redemption. Whenever less than all of the
4 outstanding Series 2019B Bonds are called for redemption on any date, the Director of Public
5 Finance will select the maturities of the Series 2019B Bonds to be redeemed in the sole
6 discretion of the Director of Public Finance. Whenever less than all of the outstanding Series
7 2019B Bonds maturing on any one date are called for redemption, the manner of selection of
8 the portion of such Series 2019B Bonds called for redemption shall be as specified in the
9 Official Statement for the Series 2019B Bonds.

10 (g) Notice of Redemption. The date on which Series 2019B Bonds that are called
11 for redemption are to be presented for redemption is called the "Redemption Date." The City
12 Treasurer shall mail, or cause to be mailed, notice of any redemption of Series 2019B Bonds,
13 postage prepaid, to the respective registered owners at the addresses appearing on the bond
14 registration books not less than 20 nor more than 60 days prior to the Redemption Date. The
15 notice of redemption shall: (i) state the Redemption Date; (ii) state the redemption price; (iii)
16 state the maturity dates of the Series 2019B Bonds to be redeemed and, if less than all of any
17 such maturity is called for redemption, the distinctive numbers of the Series 2019B Bonds of
18 such maturity to be redeemed, and in the case of any Series 2019B Bonds to be redeemed in
19 part only, the respective portions of the principal amount to be redeemed; (iv) state the CUSIP
20 number, if any, of each Series 2019B Bond to be redeemed; (v) require that such Series
21 2019B Bonds be surrendered by the owners at the office of the City Treasurer or his or her
22 agent; and (vi) give notice that interest on such Series 2019B Bonds or portions of Series
23 2019B Bonds to be redeemed will cease to accrue after the Redemption Date. Notice of
24 optional redemption may be conditional upon receipt of funds or other event specified in the
25 notice of redemption as provided in Section 8(j) below.

1 The actual receipt by the owner of any Series 2019B Bond of notice of such
2 redemption shall not be a condition precedent to redemption, and failure to receive such
3 notice, or any defect in such notice so mailed, shall not affect the validity of the proceedings
4 for the redemption of such Series 2019B Bonds or the cessation of accrual of interest on such
5 Series 2019B Bonds on the Redemption Date. Notice of redemption also shall be given, or
6 caused to be given by the City Treasurer, by: (i) registered or certified mail, postage prepaid;
7 (ii) confirmed facsimile transmission; (iii) overnight delivery service; or (iv) to the extent
8 acceptable to the intended recipient, email or similar electronic means, to (A) all organizations
9 registered with the Securities and Exchange Commission as securities depositories, and (B)
10 such other services or organizations as may be required in accordance with the Continuing
11 Disclosure Certificate described in Section 18.

12 The notice or notices required for redemption shall be given by the City Treasurer or
13 any agent appointed by the City. A certificate of the City Treasurer or such other appointed
14 agent of the City that notice of redemption has been given to the owner of any Series 2019B
15 Bond to be redeemed in accordance with this Resolution shall be conclusive against all
16 parties.

17 (h) Series 2019B Redemption Account. At the time the Director of Public Finance
18 determines to optionally call and redeem any of the Series 2019B Bonds, the Controller or his
19 or her agent shall establish a redemption account to be described or known as the "General
20 Obligation Bonds, Series 2019B Redemption Account" (the "Series 2019B Redemption
21 Account"), and prior to or on the Redemption Date there must be set aside in the Series
22 2019B Redemption Account moneys available for the purpose and sufficient to redeem, as
23 provided in this Resolution, the Series 2019B Bonds designated in such notice of redemption,
24 subject to the provisions of Section 8(j) below. Such moneys must be set aside in the Series
25 2019B Redemption Account solely for the purpose of, and shall be applied on or after the

1 Redemption Date to, payment of the redemption price of the Series 2019B Bonds to be
2 redeemed upon presentation and surrender of such Series 2019B Bonds. Any interest due on
3 or prior to the Redemption Date may be paid from the Series 2019B Bond Subaccount as
4 provided in Section 9 or from the Series 2019B Redemption Account. Moneys held from time
5 to time in the Series 2019B Redemption Account shall be invested by the City Treasurer
6 pursuant to the City's policies and guidelines for investment of moneys in the general fund
7 (the "General Fund") of the City. If, after all of the Series 2019B Bonds have been redeemed
8 and canceled or paid and canceled, there are moneys remaining in the Series 2019B
9 Redemption Account, such moneys shall be transferred to the General Fund of the City or to
10 such other fund or account as required by applicable law; provided, that if such moneys are
11 part of the proceeds of refunding Bonds, such moneys shall be transferred pursuant to the
12 resolution authorizing such refunding Bonds.

13 (i) Effect of Redemption. When notice of optional redemption has been given
14 substantially as provided in this Resolution, and when the amount necessary for the
15 redemption of the Series 2019B Bonds called for redemption (principal, premium, if any, and
16 accrued interest to such Redemption Date) is set aside for that purpose in the Series 2019B
17 Redemption Account, the Series 2019B Bonds designated for redemption shall become due
18 and payable on the Redemption Date, and upon presentation and surrender of such Series
19 2019B Bonds at the place specified in the notice of redemption, such Series 2019B Bonds
20 shall be redeemed and paid at the redemption price out of the Series 2019B Redemption
21 Account. No interest will accrue on such Series 2019B Bonds called for redemption after the
22 Redemption Date and the registered owners of such Series 2019B Bonds shall look for
23 payment of such Series 2019B Bonds only to the Series 2019B Redemption Account. All
24 Series 2019B Bonds redeemed shall be canceled immediately by the City Treasurer and shall
25 not be reissued.

1 (j) Conditional Notice of Redemption; Rescission of Redemption. Any notice of
2 optional redemption given as provided in Section 8(g) may provide that such redemption is
3 conditioned upon: (i) deposit in the Series 2019B Redemption Account of sufficient moneys to
4 redeem the Series 2019B Bonds called for optional redemption on the anticipated
5 Redemption Date, or (ii) the occurrence of any other event specified in the notice of
6 redemption. If conditional notice of redemption has been given substantially as provided in
7 this clause, and on the scheduled Redemption Date (A) sufficient moneys to redeem the
8 Series 2019B Bonds called for optional redemption on the Redemption Date have not been
9 deposited in the Series 2019B Redemption Account, or (B) any other event specified in the
10 notice of redemption as a condition to the redemption has not occurred, then (1) the Series
11 2019B Bonds for which conditional notice of redemption was given shall not be redeemed on
12 the anticipated Redemption Date and shall remain outstanding for all purposes of this
13 Resolution, and (2) the redemption not occurring shall not constitute a default under this
14 Resolution or the Authorizing Resolution.

15 The City may rescind any optional redemption and notice of it for any reason on any
16 date prior to any Redemption Date by causing written notice of the rescission to be given to
17 the owners of all Series 2019B Bonds so called for redemption. Notice of any such rescission
18 of redemption shall be given in the same manner notice of redemption was originally given.

19 The actual receipt by the owner of any Series 2019B Bond of notice of such rescission
20 shall not be a condition precedent to rescission, and failure to receive such notice or any
21 defect in such notice so mailed shall not affect the validity of the rescission.

22 Section 9. Series 2019B Bond Subaccount. There is established with the City
23 Treasurer a special subaccount in the General Obligation Bonds (Embarcadero Seawall
24 Earthquake Safety, 2018) Series 2019B Bond Account (the "Bond Account") created pursuant
25 to the Authorizing Resolution to be designated as the "General Obligation Bonds, Series

1 2019B Bond Subaccount" (the "Series 2019B Bond Subaccount"), to be held separate and
2 apart from all other accounts of the City. All interest earned on amounts on deposit in the
3 Series 2019B Bond Subaccount shall be retained in the Series 2019B Bond Subaccount.

4 On or prior to the date on which any payment of principal of or interest on the
5 Series 2019B Bonds is due, including any Series 2019B Bonds subject to mandatory
6 redemption on such date, the City Treasurer shall allocate to and deposit in the Series 2019B
7 Bond Subaccount, from amounts held in the Bond Account, an amount which, when added to
8 any available moneys contained in the Series 2019B Bond Subaccount, is sufficient to pay
9 principal of and interest on the Series 2019B Bonds on such date.

10 On or prior to the date on which any Series 2019B Bonds are to be redeemed at the
11 option of the City pursuant to this Resolution, the City Treasurer may allocate to and deposit
12 in the Series 2019B Redemption Account, from amounts held in the Bond Account pursuant to
13 Section 8 of the Authorizing Resolution, an amount which, when added to any available
14 moneys contained in the Series 2019B Redemption Account, is sufficient to pay principal,
15 interest and premium, if any, with respect to such Series 2019B Bonds on such date. The
16 City Treasurer may make such other provision for the payment of principal of and interest and
17 any redemption premium on the Series 2019B Bonds as is necessary or convenient to permit
18 the optional redemption of the Series 2019B Bonds.

19 Amounts in the Series 2019B Bond Subaccount may be invested in any investment of
20 the City in which moneys in the General Fund of the City are invested. The City Treasurer
21 may (a) commingle any of the moneys held in the Series 2019B Bond Subaccount with other
22 City moneys, or (b) deposit amounts credited to the Series 2019B Bond Subaccount into a
23 separate fund or funds for investment purposes only; provided, that all of the moneys held in
24 the Series 2019B Bond Subaccount shall be accounted for separately notwithstanding any
25 such commingling or separate deposit by the City Treasurer.

1 Section 10. Appointment of Depositories and Other Agents. The City Treasurer is
2 authorized and directed to appoint one or more depositories as he or she may deem desirable
3 and the procedures set forth in Section 5, Section 6, Section 7 and Section 8 relating to
4 registration of ownership of the Series 2019B Bonds and payments and redemption notices to
5 owners of the Series 2019B Bonds may be modified to comply with the policies and
6 procedures of such depository. The City will not have any responsibility or obligation to any
7 purchaser of a beneficial ownership interest in any Series 2019B Bonds or to any participants
8 in such a depository with respect to (a) the accuracy of any records maintained by such
9 securities depository or any participant therein; (b) any notice that is permitted or required to
10 be given to the owners of Series 2019B Bonds under this Resolution; (c) the selection by such
11 securities depository or any participant therein of any person to receive payment in the event
12 of a partial redemption of Series 2019B Bonds; (d) the payment by such securities depository
13 or any participant therein of any amount with respect to the principal or redemption premium,
14 if any, or interest due with respect to Series 2019B Bonds; (e) any consent given or other
15 action taken by such securities depository as the owner of Series 2019B Bonds; or (f) any
16 other matter.

17 The Depository Trust Company ("DTC") is appointed as depository for the Series
18 2019B Bonds. The Series 2019B Bonds shall be initially issued in book-entry form. Upon
19 initial issuance, the ownership of each Series 2019B Bond shall be registered in the bond
20 register in the name of Cede & Co., as nominee of DTC. So long as each Series 2019B Bond
21 is registered in book-entry form, each Series 2019B Bond shall be registered in the name of
22 Cede & Co. or in the name of such successor nominee as may be designated from time to
23 time by DTC or any successor as depository.

24 The City Treasurer is also authorized and directed to appoint one or more agents as he
25 or she may deem necessary or desirable, to the extent permitted by applicable law and under

1 the supervision of the City Treasurer, such agents may serve as paying agent, fiscal agent,
2 rebate calculation agent, escrow agent or registrar for the Series 2019B Bonds or may assist
3 the City Treasurer in performing any or all of such functions and such other duties as the City
4 Treasurer shall determine. Such agents shall serve under such terms and conditions as the
5 City Treasurer shall determine. The City Treasurer may remove or replace agents appointed
6 pursuant to this paragraph at any time.

7 Section 11. Defeasance Provisions. Payment of all or any portion of the Series 2019B
8 Bonds may be provided for prior to such Series 2019B Bonds' respective stated maturities by
9 irrevocably depositing with the City Treasurer (or any commercial bank or trust company
10 designated by the City Treasurer to act as escrow agent with respect thereto):
11 an amount of cash equal to the principal amount of all of such Series 2019B Bonds or a
12 portion thereof, and all unpaid interest thereon to maturity, except that in the case of Series
13 2019B Bonds which are to be redeemed prior to such Series 2019B Bonds' respective stated
14 maturities and in respect of which notice of such redemption shall have been given as
15 provided in Section 8 hereof or an irrevocable election to give such notice shall have been
16 made by the City, the amount to be deposited shall be the principal amount thereof, all unpaid
17 interest thereon to the Redemption Date, and any premium due on such Redemption Date; or
18 Defeasance Securities (as herein defined) not subject to call, except as provided below in the
19 definition thereof, maturing and paying interest at such times and in such amounts; together
20 with interest earnings and cash, if required, as will, without reinvestment, as certified by an
21 independent certified public accountant, be fully sufficient to pay the principal and all unpaid
22 interest to maturity, or to the Redemption Date, as the case may be, and any premium due on
23 the Series 2019B Bonds to be paid or redeemed, as such principal and interest come due;
24 provided, that, in the case of the Series 2019B Bonds which are to be redeemed prior to
25 maturity, notice of such redemption shall be given as provided in Section 8 hereof or an

1 irrevocable election to give such notice shall have been made by the City; then, all obligations
2 of the City with respect to such outstanding Series 2019B Bonds shall cease and terminate,
3 except only the tax covenants under Section 25 and the obligation of the City to pay or cause
4 to be paid from the funds deposited pursuant to clause (a) or (b) of this Section 11, to the
5 owners of such Series 2019B Bonds all sums due with respect thereto; and provided further,
6 that the City shall have received an opinion of nationally recognized bond counsel, that
7 provision for the payment of such Series 2019B Bonds has been made in accordance with
8 this Section 11.

9 For purposes of this Section 11, "Defeasance Securities" shall mean any of the
10 following that at the time are legal investments under the laws of the State of California for the
11 moneys proposed to be invested therein:

12 United States Obligations (as defined below); and

13 Pre-refunded fixed interest rate municipal obligations meeting the following conditions:

14 (A) the municipal obligations are not subject to redemption prior to maturity, or the trustee or
15 paying agent has been given irrevocable instructions concerning their calling and redemption
16 and the issuer has covenanted not to redeem such obligations other than as set forth in such
17 instructions; (B) the municipal obligations are secured by cash and/or United States
18 Obligations; (C) the principal of and interest on the United States Obligations (plus any cash in
19 the escrow fund or the redemption account) are sufficient to meet the liabilities of the
20 municipal obligations; (D) the United States Obligations serving as security for the municipal
21 obligations are held by an escrow agent or trustee; (E) the United States Obligations are not
22 available to satisfy any other claims, including those against the trustee or escrow agent; and
23 (F) the municipal obligations are rated (without regard to any numerical modifier, plus or
24 minus sign or other modifier), at the time of original deposit to the escrow fund, by any two
25

1 Rating Agencies (as defined below) not lower than the rating then maintained by such Rating
2 Agencies on such United States Obligations.

3 For purposes of this Section 11, "United States Obligations" means (i) direct and
4 general obligations of the United States of America, or obligations that are unconditionally
5 guaranteed as to principal and interest by the United States of America, including, without
6 limitation, the interest component of Resolution Funding Corporation ("REFCORP") bonds that
7 have been stripped by request to the Federal Reserve Bank of New York in book-entry form
8 or (ii) any security issued by an agency or instrumentality of the United States of America that
9 is selected by the Director of Public Finance that results in the escrow fund being rated by any
10 two Rating Agencies, at the time of the initial deposit to the escrow fund and upon any
11 substitution or subsequent deposit to the escrow fund, not lower than the rating then
12 maintained by the respective Rating Agency on United States Obligations described in clause
13 (i) above.

14 For purposes of this Section 11, "Rating Agencies" shall mean Moody's Investors
15 Service, Fitch Ratings, and S&P Global Ratings, or any other nationally-recognized bond
16 rating agency that is the successor to any of the foregoing rating agencies or that is otherwise
17 established after the date hereof.

18 Section 12. Sale of Series 2019B Bonds By Competitive or Negotiated Sale. The
19 Board of Supervisors authorizes the sale of the Series 2019B Bonds by solicitation of
20 competitive bids or by negotiated sale to one or more underwriters to be appointed in
21 accordance with City policies, if so determined by the Director of Public Finance.

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

23 (a) Official Notice of Sale. The form of proposed Official Notice of Sale inviting bids
24 for the Series 2019B Bonds (the "Official Notice of Sale") submitted to the Board of
25 Supervisors is approved and adopted as the Official Notice of Sale inviting bids for the Series

1 2019B Bonds, with such changes, additions and modifications as may be made in accordance
2 with Section 19. The Director of Public Finance is authorized and directed to cause to be
3 mailed or otherwise circulated to prospective bidders for the Series 2019B Bonds copies of
4 the Official Notice of Sale, subject to such corrections, revisions or additions as may be
5 acceptable to the Director of Public Finance.

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

8 (c) Bond Award. As provided in the Official Notice of Sale, the City may reject any
9 and all bids received for any reason. The Controller is authorized to award the Series 2019B
10 Bonds to the responsible bidder whose bid (i) is timely received and conforms to the Official
11 Notice of Sale, except to the extent informalities and irregularities are waived by the City as
12 permitted by the Official Notice of Sale; and (ii) represents the lowest true interest cost to the
13 City in accordance with the procedures described in the Official Notice of Sale. The award, if
14 made, shall be set forth in a certificate signed by the Controller setting forth the terms of the
15 Series 2019B Bonds and the original purchasers (the "Bond Award"). The Controller shall
16 provide a copy of the Bond Award as soon as practicable to the Director of Public Finance;
17 provided, that failure to provide such copy shall not affect the validity of the Bond Award.

18 Section 14 Publication of Notice of Intention to Sell Bonds. The form of proposed
19 Notice of Intention to Sell the Series 2019B Bonds (the "Notice of Intention to Sell Bonds")
20 submitted to the Board of Supervisors is approved and adopted as the Notice of Intention to
21 Sell the Series 2019B Bonds, and the Director of Public Finance is authorized and directed to
22 cause the Notice of Intention to Sell Bonds, subject to such corrections, revisions or additions
23 as may be made in accordance with Section 19, to be published once in *The Bond Buyer* or
24 another financial publication generally circulated throughout the State of California meeting
25 the requirements of Section 53692 of the Government Code at least five (5) days prior to the

1 date fixed for receipt of sealed proposals for the Series 2019B Bonds, or as otherwise set
2 forth in Section 53692 of the Government Code.

3 Section 15. Authorization of Negotiated Sale; Authorization to Select Underwriters;
4 Form of Purchase Contract Approval. The Controller, in consultation with the Director of
5 Public Finance, is hereby authorized to conduct the sale of the Series 2019B Bonds by
6 negotiated sale pursuant to one or more Purchase Contracts (each, a "Purchase Contract"),
7 each by and between the City and the underwriter(s) named therein (the "Underwriters"), if the
8 Controller determines that such manner of sale is in the best financial interest of the City, such
9 determination to be conclusively evidenced by the execution and delivery of such Purchase
10 Contract as hereinafter approved. The form of such Purchase Contract as presented to this
11 Board of Supervisors, a copy of which is on file with the Clerk of the Board of Supervisors, is
12 hereby approved. The Controller or the Director of Public Finance is hereby authorized to
13 execute such Purchase Contract with such changes, additions and modifications as the
14 Controller or the Director of Public Finance may make or approve in accordance with Section
15 19 hereof; provided however, that the Underwriters' discount under any such Purchase
16 Contract shall not exceed 2.0% of the principal amount of the Series 2019B Bonds. In order
17 to facilitate the sale of the Series 2019B Bonds by negotiated sale, the Controller or the
18 Director of Public Finance is hereby authorized and directed to appoint one or more financial
19 institutions to act as underwriter for the Series 2019B Bonds.

20 Section 16. Disposition of Proceeds of Sale. The proceeds of sale of the Series
21 2019B Bonds shall be applied by the City Treasurer as follows: (a) accrued interest, if any,
22 shall be deposited into the Series 2019B Bond Subaccount; (b) premium, if any, shall be
23 deposited into the Series 2019B Bond Subaccount in such amount not to exceed three years
24 of interest on the Series 2019B Bonds; and (c) remaining proceeds of sale shall be deposited
25 into the Project Account.

1 Section 17. Preliminary Official Statement and Official Statement. The form of
2 proposed Preliminary Official Statement describing the Series 2019B Bonds (the "Preliminary
3 Official Statement") submitted to the Board of Supervisors is approved and adopted as the
4 Preliminary Official Statement describing the Series 2019B Bonds, with such additions,
5 corrections and revisions as may be determined to be necessary or desirable made in
6 accordance with Section 19. The Controller is authorized to cause the distribution of a
7 Preliminary Official Statement deemed final for purposes of Securities and Exchange
8 Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as
9 amended (the "Rule"), and to sign a certificate to that effect. The Director of Public Finance is
10 authorized and directed to cause to be printed and mailed or electronically distributed to
11 prospective bidders for the Series 2019B Bonds the Preliminary Official Statement in
12 substantially the form of the Preliminary Official Statement approved and adopted by this
13 Resolution, as completed, supplemented, corrected or revised. The Controller is authorized
14 and directed to approve, execute, and deliver the final Official Statement with respect to the
15 Series 2019B Bonds, which final Official Statement shall be in the form of the Preliminary
16 Official Statement, with such additions, corrections and revisions as may be determined to be
17 necessary or desirable made in accordance with Section 19 and as are permitted under the
18 Rule. The Director of Public Finance is authorized and directed to cause to be printed and
19 mailed or electronically distributed the final Official Statement to all actual initial purchasers of
20 the Series 2019B Bonds.

21 Section 18. Continuing Disclosure Certificate. The form of Continuing Disclosure
22 Certificate (the "Continuing Disclosure Certificate"), to be signed by the City to permit the
23 original purchasers of the Series 2019B Bonds to comply with the Rule, submitted to the
24 Board of Supervisors is approved and adopted as the Continuing Disclosure Certificate, with
25 such additions, corrections and revisions as may be determined to be necessary or desirable

1 made in accordance with Section 19. The Controller is authorized and directed to execute the
2 Continuing Disclosure Certificate on behalf of the City and deliver the Continuing Disclosure
3 Certificate to the original purchasers of the Series 2019B Bonds.

4 Section 19. Modification to Documents. Any City official authorized by this Resolution
5 to execute any document is further authorized, in consultation with the City Attorney and co-
6 bond counsel, to approve and make such changes, additions, amendments or modifications to
7 the document or documents such official is authorized to execute as may be necessary or
8 advisable (provided, that such changes, additions, amendments or modifications shall not
9 authorize an aggregate principal amount of Series 2019B Bonds in excess of \$50,000,000 or
10 conflict with the provisions of Section 4). The approval of any change, addition, amendment
11 or modification to any of the aforementioned documents shall be evidenced conclusively by
12 the execution and delivery of the document in question.

13 Section 20. Ratification. All actions previously taken by officials, employees and
14 agents of the City with respect to the sale and issuance of the Series 2019B Bonds,
15 consistent with any documents presented and this Resolution, are approved, confirmed and
16 ratified.

17 Section 21. Relationship to Authorizing Resolution. In the event of any conflict
18 between this Resolution and the Authorizing Resolution, the terms of this Resolution shall
19 control. Without limiting the foregoing and notwithstanding the provisions of the Authorizing
20 Resolution, the City is not obligated to transfer money from the General Fund of the City to the
21 Bond Account to pay the principal of or interest on the Series 2019B Bonds.

22 Section 22. Accountability Reports. The Series 2019B Bonds are subject to
23 accountability requirements under the Administrative Code and the Bond Ordinances. The
24 deadline for submission of the Accountability report(s) under Administrative Code
25 Sections 2.71(a) and 2.71(b) are hereby waived with respect to the Series 2019B Bonds.

1 Accountability report(s) with respect to the Series 2019B Bonds shall be submitted in all other
2 respects in the manner required by the Administrative Code and the Bond Ordinances.

3 Section 23. CEQA Determination. The Board of Supervisors hereby reaffirms and
4 incorporates by reference the CEQA findings and determinations set forth in the Bond
5 Ordinances as if set forth in full herein. The use of bond proceeds to finance any identified
6 project or portion of any identified project with bond proceeds will be subject, as necessary, to
7 approval of the Board of Supervisors upon completion of any planning and any further
8 required environmental review under CEQA for the individual facilities and projects.

9 Covenants to Maintain Tax-Exempt Status.

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

12 "*Closing Date*" means the date on which the Series 2019B Bonds are first
13 authenticated and delivered to the initial purchasers against payment therefor.

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

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

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

19 "*Gross Proceeds*" means any proceeds as defined in Section 1.148-1(b) of the
20 Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the
21 Regulations, of the Series 2019B Bonds.

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

23 "*Nonpurpose Investment*" means any investment property, as defined in Section 148(b)
24 of the Code, in which Gross Proceeds of the Series 2019B Bonds are invested and which is
25 not acquired to carry out the governmental purposes of the Series 2019B Bonds.

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

2 *"Regulations"* means any proposed, temporary, or final Income Tax Regulations issued
3 pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue
4 Code of 1954, which are applicable to the Series 2019B Bonds. Any reference to any specific
5 Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax
6 Regulation designed to supplement, amend or replace the specific Regulation referenced.

7 *"Yield"* of:

8 any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and
9 the Series 2019B Bonds has the meaning set forth in Section 1.148-4 of the
10 Regulations.

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

21 (c) No Private Use or Private Payments. Except as permitted by Section 141 of the
22 Code and the Regulations and rulings thereunder, the City shall at all times prior to the final
23 payment on the Series 2019B Bonds:

24 (i) exclusively own, operate and possess all property, the acquisition,
25 construction or improvement of which is to be financed or refinanced directly or indirectly with

1 Gross Proceeds of the Series 2019B Bonds, and not use or permit the use of such Gross
2 Proceeds (including all contractual arrangements with terms different than those applicable to
3 the general public) or any property acquired, constructed or improved with such Gross
4 Proceeds in any activity carried on by any person or entity (including the United States or any
5 agency, department and instrumentality thereof) other than a state or local government,
6 unless such use is solely as a member of the general public; and

7 (ii) not directly or indirectly impose or accept any charge or other payment by
8 any person or entity who is treated as using Gross Proceeds of the Series 2019B Bonds or
9 any property the acquisition, construction or improvement of which is to be financed or
10 refinanced directly or indirectly with such Gross Proceeds, other than taxes of general
11 application within the City or interest earned on investments acquired with such Gross
12 Proceeds pending application for their intended purposes.

13 (d) No Private Loan. Except to the extent permitted by Section 141 of the Code and
14 the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Series
15 2019B Bonds to make or finance loans to any person or entity other than a state or local
16 government. For purposes of the foregoing covenant, such Gross Proceeds are considered
17 to be "loaned" to a person or entity if: (i) property acquired, constructed or improved with such
18 Gross Proceeds is sold or leased to such person or entity in a transaction which creates a
19 debt for federal income tax purposes; (ii) capacity in or service from such property is
20 committed to such person or entity under a take-or-pay, output or similar contract or
21 arrangement; or (iii) indirect benefits, or burdens and benefits of ownership, of such Gross
22 Proceeds or any property acquired, constructed or improved with such Gross Proceeds are
23 otherwise transferred in a transaction which is the economic equivalent of a loan.

24 (e) Not to Invest at Higher Yield. Except to the extent permitted by Section 148 of
25 the Code and the Regulations and rulings thereunder, the City shall not at any time prior to

1 the final stated maturity of the Series 2019B Bonds directly or indirectly invest Gross
2 Proceeds in any Investment, if as a result of such investment the Yield of any Investment
3 acquired with Gross Proceeds, whether then held or previously disposed of, exceeds the Yield
4 of the Series 2019B Bonds.

5 (f) Not Federally Guaranteed. Except to the extent permitted by Section 149(b) of
6 the Code and the Regulations and rulings thereunder, the City shall not take or omit to take
7 any action which would cause the Series 2019B Bonds to be federally guaranteed within the
8 meaning of Section 149(b) of the Code and the Regulations and rulings thereunder.

9 (g) Information Report. The City shall timely file the information required by Section
10 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and
11 in such place as the Secretary may prescribe.

12 (h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in Section
13 148(f) of the Code and the Regulations and rulings thereunder:

14 (i) The City shall account for all Gross Proceeds (including all receipts,
15 expenditures and investments thereof) on its books of account separately and apart from all
16 other funds (and receipts, expenditures and investments thereof) and shall retain all records
17 of accounting for at least six years after the day on which the last outstanding Bond is
18 discharged. However, to the extent permitted by law, the City may commingle Gross
19 Proceeds of the Series 2019B Bonds with other money of the City; provided that the City
20 separately accounts for each receipt and expenditure of Gross Proceeds and the obligations
21 acquired therewith.

22 (ii) Not less frequently than each Computation Date, the City shall calculate
23 the Rebate Amount in accordance with rules set forth in Section 148(f) of the Code and the
24 Regulations and rulings thereunder. The City shall maintain such calculations with its official
25

1 transcript of proceedings relating to the issuance of the Series 2019B Bonds until six years
2 after the Final Computation Date.

3 (iii) As additional consideration for the purchase of the Series 2019B Bonds
4 by the initial purchasers and the loan of the money represented thereby and in order to induce
5 such purchase by measures designed to ensure the excludability of the interest thereon from
6 gross income for federal income tax purposes, the City shall pay to the United States the
7 amount that when added to the future value of previous rebate payments made for the Series
8 2019B Bonds equals (i) in the case of a Final Computation Date, 100% of the Rebate Amount
9 on such date; and (ii) in the case of any other Computation Date, 90% of the Rebate Amount
10 on such date. In all cases, the rebate payments shall be made at the times, in the
11 installments, to the place and in the manner as is or may be required by Section 148(f) of the
12 Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T
13 or such other forms and information as is or may be required by Section 148(f) of the Code
14 and the Regulations and rulings thereunder.

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

21 (i) Not to Divert Arbitrage Profits. Except to the extent permitted by Section 148 of
22 the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to
23 the final payment on the Series 2019B Bonds, enter into any transaction that reduces the
24 amount required to be paid to the United States pursuant to Section 25(h) above because
25 such transaction results in a smaller profit or a larger loss than would have resulted if the

1 transaction had been at arm's length and had the Yield of the Series 2019B Bonds not been
2 relevant to either party.

3 (j) Elections. The City directs and authorizes the Director of Public Finance and the
4 Controller, either or any combination of them, to make elections permitted or required
5 pursuant to the provisions of the Code or the Regulations, as they deem necessary or
6 appropriate in connection with the Series 2019B Bonds, in the Certificate as to Tax Exemption
7 or similar or other appropriate certificate, form or document.

8 Section 24. General Authority. The Clerk of the Board of Supervisors, the Mayor, the
9 City Treasurer, the Director of Public Finance, the City Attorney and the Controller are each
10 authorized and directed in the name and on behalf of the City to take any and all steps and to
11 issue, deliver or enter into any and all certificates, requisitions, agreements, notices, consents,
12 and other documents as may be necessary to give effect to the provisions of this Resolution,
13 including but not limited to tax compliance certificates and letters of representations to any
14 depository or depositories, which they or any of them might deem necessary or appropriate in
15 order to consummate the lawful issuance, sale and delivery of the Series 2019B Bonds. Any
16 such actions are solely intended to further the purposes of this Resolution, and are subject in
17 all respects to the terms of this Resolution. No such actions shall increase the risk to the City
18
19
20
21
22
23
24
25

1 or require the City to spend any resources not otherwise granted herein. Final versions of any
2 such documents shall be provided to the Clerk of the Board of Supervisors for inclusion in the
3 official file within 30 days (or as soon thereafter as final documents are available) of execution
4 by all parties.

5
6 APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

7
8
9
10 By



KENNETH D. ROUX
Deputy City Attorney

n:\financ\as2019\1800446\01348749.docx

EXHIBIT A

FORM OF BOND

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

Number

Principal Amount

R-__

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

\$_____

CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EMBARCADERO SEAWALL EARTHQUAKE SAFETY, 2018)
SERIES 2019B

Interest Rate

Maturity Date

Dated Date

CUSIP Number

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: _____

1 The City and County of San Francisco, State of California (the "City"), acknowledges itself
2 indebted to and promises to pay to the registered owner specified above or registered
3 assigns, on the maturity date specified above, the principal amount of this Bond specified
4 above in lawful money of the United States of America, and to pay interest on the principal
5 amount in like lawful money from the interest payment date (as defined below) next
6 preceding the date of authentication of this Bond (unless this Bond is authenticated as of the
7 day during the period from the last day of the month immediately preceding any Interest
8 Payment Date (the "Record Date") to such Interest Payment Date, inclusive, in which event it
9 shall bear from such Interest Payment Date, or unless this Bond is authenticated on or before
10 November 30, 2019, in which event it shall bear interest from its Dated Date (specified above)
11 until payment of such Principal Amount, at the Interest Rate per year specified above
12 calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on
13 December 15, 2019 and semiannually thereafter on June 15 and December 15 in each year
14 (each, an "Interest Payment Date"); *provided*, that if any Interest Payment Date occurs on a
15 day that banks in California or New York are closed for business or the New York Stock
16 Exchange is closed for business, then such payment shall be made on the next succeeding
17 day that banks in both California and New York are open for business and the New York
18 Stock Exchange is open for business (a "Business Day"). The Principal Amount of this Bond is
19 payable to the Registered Owner of this Bond upon the surrender of this Bond at the office of
20 the Treasurer of the City (the "City Treasurer") in San Francisco, California. The interest on
21 this Bond is payable to the person whose name appears on the Bond registration books of the
22 City Treasurer as the Registered Owner of this Bond as of the close of business on the
23 Record Date immediately preceding an Interest Payment Date, whether or not such day is a
24 Business Day, such interest to be paid by check mailed on the Interest Payment Date to such
25 Registered Owner at the owner's address as it appears on such registration books; *provided*,

1 that the Registered Owner of Bonds in an aggregate principal amount of at least \$1,000,000
2 may submit a written request to the City Treasurer on or before the Record Date preceding
3 any Interest Payment Date for payment of interest by wire transfer to a commercial bank
4 located in the United States of America.

5 This Bond is one of a duly authorized issue of Bonds (the "Bonds") of like tenor (except to
6 such variations, if any, as may be required to designate varying numbers, denominations,
7 interest rates and maturities), in the aggregate principal amount of \$_____, which is
8 part of a bond authorization in the aggregate original principal amount of \$425,000,000
9 authorized by the affirmative votes of more than two-thirds of the voters voting at a special
10 election duly and legally called, held and conducted in the City on November 6, 2018 and is
11 issued and sold by the city pursuant to and in strict conformity with the provisions of the
12 constitution and laws of the State of California, the charter of the City and a resolution of
13 necessity adopted by the board of supervisors of the City (the "Board of Supervisors") on June
14 12, 2018, and duly approved by the mayor of the City on June 20, 2018, and resolution no.
15 _____, adopted by the board of supervisors on _____, 2019 and duly approved by the
16 mayor of the City on _____, 2019 (together with the related certificate awarding the
17 Bonds and fixing definitive interest rates for the Bonds, dated _____, 2019, the
18 "resolutions").

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

1 This Bond is transferable by its Registered Owner, in person or by its attorney duly authorized
2 in writing, at the office of the City Treasurer, but only in the manner, subject to the limitations
3 and upon payment of the charges provided in the Resolutions, and upon surrender and
4 cancellation of this Bond. Upon such transfer, a new Bond or Bonds of authorized
5 denomination or denominations for the same interest rate and same aggregate principal
6 amount will be issued to the transferee in exchange for this Bond.

7 No transfer or exchange of the Bonds shall be required to be made by the City Treasurer
8 during the period from the Record Date next preceding each Interest Payment Date to such
9 Interest Payment Date or after a notice of redemption shall have been mailed with respect to
10 such Bonds.

11 Bonds maturing on and before June 15, 20__, will not be subject to optional
12 redemption prior to their respective maturity dates. The Bonds maturing on or after June 15,
13 20__ will be subject to optional redemption prior to their respective stated maturity dates, at
14 the option of the City, from any source of available funds, as a whole or in part on any date
15 (with the maturities to be redeemed to be determined by the City and by lot within a maturity),
16 on or after June 15, 20__, at the redemption price equal to the principal amount of the Bonds
17 redeemed, together with accrued interest to the date fixed for redemption, without premium. If
18 less than all of the outstanding Bonds are to be redeemed, they may be redeemed in any
19 order of maturity as determined by the Director of Finance. If less than all of the outstanding
20 Bonds of a maturity are to be redeemed, the Bonds or portions of Bonds of such maturity to
21 be redeemed shall be selected Director of Public Finance, in authorized denominations of
22 \$5,000 or integral multiples of that amount, from among Bonds of that maturity not previously
23 called for redemption, by lot, in any manner which the Director of Public Finance deems fair.

24 Bonds maturing on June 15, 20__, are subject to mandatory sinking fund redemption
25 on June 15 of each of the years 20__ through 20__, inclusive, and at maturity in the

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

3 Bonds maturing on June 15, 20__, are subject to mandatory sinking fund redemption
4 on June 15 of each of the years 20__ through 20__, inclusive, and at maturity in the
5 respective amount provided in the [Official Notice of Sale/the Purchase Contract] for the
6 Bonds.

7 Notice of the redemption of Bonds which by their terms shall have become subject to
8 redemption shall be given or caused to be given to the Registered Owner of each Bond or
9 portion of a Bond called for redemption not less than 20 or more than 60 days before any date
10 established for redemption of Bonds, by the City Treasurer on behalf of the City, first class
11 mail, postage prepaid, sent to the Registered Owner's last address, if any, appearing on the
12 registration books kept by the City Treasurer. Official notices of redemption will contain the
13 information specified in the Resolutions.

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

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

24 Any notice of optional redemption may provide that such redemption is conditional
25 upon occurrence of a specified event, as provided in the Resolutions. In the event that such

1 conditional notice of optional redemption has been given, and on the date fixed for redemption
2 such condition has not been satisfied, the Bonds for which notice of conditional optional
3 redemption was given shall not be redeemed and shall remain Outstanding for all purposes of
4 the Resolutions and the redemption not occurring shall not constitute an event of default
5 under the Resolutions.

6 The City may rescind any optional redemption and notice of it for any reason on any
7 date prior to any Redemption Date by causing written notice of the rescission to be given to
8 the owners of all Bonds so called for redemption. Notice of any such rescission of redemption
9 shall be given in the same manner notice of redemption was originally given.

10 The actual receipt by the owner of any Bond of notice of such rescission shall not be a
11 condition precedent to rescission, and failure to receive such notice or any defect in such
12 notice so mailed shall not affect the validity of the rescission.

13 The City and the City Treasurer may treat the Registered Owner of this Bond as the absolute
14 owner of this Bond for all purposes, and the City and the City Treasurer shall not be affected
15 by any notice to the contrary.

16 The City Treasurer may appoint agents to serve as bond registrar or paying agent, as
17 provided in the Resolutions.

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

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

1 IN WITNESS WHEREOF the Board of Supervisors has caused this Bond to be executed
2 by the Mayor of the City and to be countersigned by the Clerk of the Board of Supervisors, all
3 as of _____.

4
5 _____
6 Mayor of the City and
7 County of San Francisco

8 Countersigned:
9
10
11

12 _____
13 Clerk of the Board of Supervisors
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF REGISTRATION AND AUTHENTICATION

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

Date of Authentication: _____

Treasurer of the
City and County of San Francisco

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

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

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

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

NOTICE OF INTENTION TO SELL

\$ _____*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EMBARCADERO SEAWALL EARTHQUAKE SAFETY, 2018),
SERIES 2019B

NOTICE IS HEREBY GIVEN that the City and County of San Francisco (the “City”) intends to offer for public sale on _____, 2019, at 8:30 a.m. (California time), the \$ _____* aggregate principal amount of City and County of San Francisco General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018), Series 2019B (the “Bonds”) by sealed bids at the Controller’s Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, City Hall, Room 336, San Francisco, California 94102, and by electronic bids through Ipreo LLC’s BiDCOMP™/PARITY® System (“Parity”).

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

The Bonds will be offered for public sale subject to the terms and conditions of the Official Notice of Sale, dated on or around _____, 2019 (the “Official Notice of Sale”) relating to the Bonds. Additional information regarding the proposed sale of the Bonds, including copies of the Preliminary Official Statement for the Bonds, dated on or around _____, 2019 (the “Preliminary Official Statement”), and the Official Notice of Sale, are expected to be available electronically at Ipreo Prospectus: www.i-dealprospectus.com on or around _____, 2019, and may also be obtained from the City’s Municipal Advisor: Urban Futures, Inc., 455 Hickey Blvd., Suite 515, Daly City, CA 94015; telephone (650) 503-1500 (office), Attention: Jeff Pickett, Principal (e-mail: jeff@isomadvisors.com). Failure of any bidder to receive such notice shall not affect the legality of the sale.

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

Dated: _____, 2019

* Preliminary, subject to change.
93417808.3

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

This Appendix contains information that is current as of January 15, 2019.

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

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

TABLE OF CONTENTS

	<u>[Page]</u>
CITY GOVERNMENT.....	A-4
City Charter.....	A-4
Mayor.....	A-5
Board of Supervisors.....	A-5
Other Elected and Appointed City Officers.....	A-5
CITY BUDGET.....	A-7
Overview.....	A-7
Budget Process.....	A-7
Two-Year Budgetary Cycle.....	A-8
Role of Controller; Budgetary Analysis and Projections	A-8
General Fund Results; Audited Financial Statements.....	A-9
Five-Year Financial Plan.....	A-15
City Budget Adopted for Fiscal Years 2018-19 and 2019-20.....	A-16
Other Budget Updates.....	A-17
Impact of Potential Bankruptcy Filing by The Pacific Gas and Electric Company.....	A-17
Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances.....	A-17
Impact of the State of California Budget on Local Finances.....	A-18
Impact of Federal Government on Local Finances.....	A-19
Budgetary Reserves	A-20
Rainy Day Reserve.....	A-20
Budget Stabilization Reserve.....	A-21
THE SUCCESSOR AGENCY.....	A-22
Effect of the Dissolution Act.....	A-22

PROPERTY TAXATION.....	A-23
Property Taxation System – General.....	A-23
Assessed Valuations, Tax Rates and Tax Delinquencies.....	A-23
Tax Levy and Collection.....	A-27
Taxation of State-Assessed Utility Property.....	A-30
OTHER CITY TAX REVENUES.....	A-30
Business Taxes.....	A-30
Transient Occupancy Tax (Hotel Tax).....	A-31
Real Property Transfer Tax.....	A-32
Sales and Use Tax.....	A-33
Utility Users Tax.....	A-34
Access Line Tax	A-35
Sugar Sweetened Beverage Tax.....	A-35
Parking Tax.....	A-35
INTERGOVERNMENTAL REVENUES.....	A-35
State – Realignment.....	A-35
Public Safety Sales Tax.....	A-36
Other Intergovernmental Grants and Subventions.....	A-36
CITY GENERAL FUND PROGRAMS AND EXPENDITURES.....	A-37
General Fund Expenditures by Major Service Area.....	A-37
Baselines.....	A-38
EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS.....	A-40
Labor Relations.....	A-40
San Francisco Employees’ Retirement System (“SFERS” or “Retirement System”).....	A-43
Medical Benefits.....	A-50
Total City Employee Benefits Costs	A-57
INVESTMENT OF CITY FUNDS.....	A-57
CAPITAL FINANCING AND BONDS.....	A-59
Capital Plan.....	A-59
Tax-Supported Debt Service.....	A-61
General Obligation Bonds	A-63
Refunding General Obligation Bonds.....	A-65
Lease Payments and Other Long-Term Obligations.....	A-67
Commercial Paper Program.....	A-68
Transbay Transit Center Interim Financing.....	A-69
Board Authorized and Unissued Long-Term Obligations.....	A-69
Overlapping Debt.....	A-70
MAJOR ECONOMIC DEVELOPMENT PROJECTS.....	A-72
Hunters Point Shipyard (Phase 1 and 2) and Candlestick Point.....	A-72
Treasure Island.....	A-72
Mission Bay.....	A-73
Mission Bay Blocks 29-32-Warriors Multi-purpose Recreation and Entertainment Venue.....	A-73
Transbay Transit Center.....	A-73
Seawall Lot (SWL) 337 and Pier 48 (Mission Rock).....	A-74
Pier 70.....	A-74
Moscone Convention Center Expansion Project.....	A-74
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES.....	A-75
Article XIII A of the California Constitution	A-75
Article XIII B of the California Constitution	A-76
Articles XIII C and XIII D of the California Constitution	A-76

Statutory Limitations.....	A-77
Proposition 1A.....	A-78
Proposition 22.....	A-78
Proposition 26.....	A-79
Future Initiatives and Changes in Law.....	A-80
LITIGATION AND RISK MANAGEMENT.....	A-81
Pending Litigation.....	A-81
Risk Retention Program.....	A-81

CITY GOVERNMENT

City Charter

San Francisco is constituted as a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California (the "State") and is the only consolidated city and county in the State. In addition to its powers under its charter in respect of municipal affairs granted under the State Constitution, San Francisco generally can exercise the powers of both a city and a county under State law. On April 15, 1850, several months before California became a state, the original charter was granted by territorial government to the City. New City charters were adopted by the voters on May 26, 1898, effective January 8, 1900, and on March 26, 1931, effective January 8, 1932. In November 1995, the voters of the City approved the current charter, which went into effect in most respects on July 1, 1996 (the "Charter").

The City is governed by a Board of Supervisors consisting of eleven members elected from supervisorial districts (the "Board of Supervisors"), and a Mayor elected at large who serves as chief executive officer (the "Mayor"). Members of the Board of Supervisors and the Mayor each serve a four-year term. The Mayor and members of the Board of Supervisors are subject to term limits as established by the Charter. Members of the Board of Supervisors may serve no more than two successive four-year terms and may not serve another term until four years have elapsed since the end of the second successive term in office. The Mayor may serve no more than two successive four-year terms, with no limit on the number of non-successive terms of office. The City Attorney, Assessor-Recorder, District Attorney, Treasurer and Tax Collector, Sheriff, and Public Defender are also elected directly by the citizens and may serve unlimited four-year terms. The Charter provides a civil service system for most City employees. School functions are carried out by the San Francisco Unified School District (grades K-12) ("SFUSD") and the San Francisco Community College District (post-secondary) ("SFCCD"). Each is a separate legal entity with a separately elected governing board.

Under its original charter, the City committed to a policy of municipal ownership of utilities. The Municipal Railway, when acquired from a private operator in 1912, was the first such city-owned public transit system in the nation. In 1914, the City obtained its municipal water system, including the Hetch Hetchy watershed near Yosemite. In 1927, the City dedicated Mill's Field Municipal Airport at a site in what is now San Mateo County 14 miles south of downtown San Francisco, which would grow to become today's San Francisco International Airport (the "Airport"). In 1969, the City acquired the Port of San Francisco (the "Port") in trust from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. The Airport, the Port, the Public Utilities Commission ("PUC") (which now includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency ("MTA") (which operates the San Francisco Municipal Railway or "Muni" and the Department of Parking and Traffic ("DPT"), including the Parking Authority and its five public parking garages), and the City-owned hospitals (San Francisco General and Laguna Honda), are collectively referred to herein as the "enterprise fund departments," as they are not integrated into the City's General Fund operating budget. However, certain of the enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital and the MTA receive annually significant General Fund transfers.

The Charter distributes governing authority among the Mayor, the Board of Supervisors, the various other elected officers, the City Controller and other appointed officers, and the boards and commissions that oversee the various City departments. Compared to the governance of the City prior to 1995, the Charter

concentrates relatively more power in the Mayor and Board of Supervisors. The Mayor appoints most commissioners subject to a two-thirds vote of the Board of Supervisors, unless otherwise provided in the Charter. The Mayor appoints each department head from among persons nominated to the position by the appropriate commission and may remove department heads.

Mayor

Mayor London Breed is the 45th Mayor of San Francisco and the first African-American woman to serve in such capacity in the City's history. Mayor Breed won the June 4, 2018 special election to fulfill the remaining term of the late Mayor Edwin Lee. Mayor Breed will serve until January 2020. Prior to her election, Mayor Breed served as Acting Mayor, leading San Francisco following the sudden passing of Mayor Lee. Mayor Breed served as a member of the Board of Supervisors for six years, including the last three years as President of the Board.

Board of Supervisors

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

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO		
Board of Supervisors		
Name	First Elected or Appointed	Current Term Expires
Sandra Lee Fewer, <i>District 1</i>	2017	2021
Catherine Stefani, <i>District 2</i>	2018	2023
Aaron Peskin, <i>District 3</i>	2017	2021
Gordon Mar, <i>District 4</i>	2019	2023
Vallie Brown, <i>District 5</i>	2017	2021
Matt Haney, <i>District 6</i>	2019	2023
Norman Yee, Board President, <i>District 7</i>	2017	2021
Rafael Mandelman, <i>District 8</i>	2018	2023
Hillary Ronen, <i>District 9</i>	2017	2021
Shamann Walton, <i>District 10</i>	2019	2023
Ahsha Safai, <i>District 11</i>	2017	2021

Other Elected and Appointed City Officers

Dennis J. Herrera was re-elected to a four-year term as City Attorney in November 2015. The City Attorney represents the City in all legal proceedings in which the City has an interest. Mr. Herrera was first elected City Attorney in December 2001. Before becoming City Attorney, Mr. Herrera had been a partner in a private law firm and had served in the Clinton Administration as Chief of Staff of the U.S. Maritime Administration. He also served as president of the San Francisco Police Commission and was a member of the San Francisco Public Transportation Commission.

Carmen Chu was re-elected to a four-year term as Assessor-Recorder of the City in November 2018. The Assessor-Recorder administers the property tax assessment system of the City. Before becoming

Assessor-Recorder, Ms. Chu was elected in November 2008 and November 2010 to the Board of Supervisors, representing the Sunset/Parkside District 4 after being appointed by then-Mayor Gavin Newsom in September 2007.

José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2015. The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by then-Mayor Newsom. Prior to being appointed Treasurer, Mr. Cisneros served as Deputy General Manager, Capital Planning and External Affairs for the MTA.

Benjamin Rosenfield was appointed to a ten-year term as Controller of the City by then-Mayor Newsom in March 2008 and was confirmed by the Board of Supervisors in accordance with the Charter. Mr. Rosenfield was reappointed by then-Mayor Mark Farrell to a new 10-year term as Controller in 2017, and his nomination was confirmed by the Board of Supervisors on May 1, 2018.

The City Controller is responsible for timely accounting, disbursement, and other disposition of City moneys, certifies the accuracy of budgets, estimates the cost of ballot measures, provides payroll services for the City's employees, and, as the Auditor for the City, directs performance and financial audits of City activities. Before becoming Controller, Mr. Rosenfield served as the Deputy City Administrator under former City Administrator Edwin Lee from 2005 to 2008. He was responsible for the preparation and monitoring of the City's ten-year capital plan, oversight of a number of internal service offices under the City Administrator and implementing the City's 311 non-emergency customer service center. From 2001 to 2005, Mr. Rosenfield worked as the Budget Director for then-Mayor Willie L. Brown, Jr. and then-Mayor Newsom. As Budget Director, Mr. Rosenfield prepared the City's proposed budget for each fiscal year and worked on behalf of the Mayor to manage City spending during the course of each year. From 1997 to 2001, Mr. Rosenfield worked as an analyst in the Mayor's Budget Office and as a project manager in the Controller's Office.

Naomi M. Kelly was appointed to a five-year term as City Administrator by then-Mayor Lee in February of 2012, following her brief role as Acting City Administrator. Ms. Kelly was re-appointed for a second five-year term on February 8, 2017. As City Administrator, Ms. Kelly has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. Ms. Kelly oversees the General Services Agency consisting of 25 departments, divisions, and programs that include the Public Works Department, Department of Technology, Office of Contract Administration/Purchasing, Real Estate, County Clerk, Fleet Management, Convention Facilities, Animal Care and Control, Medical Examiner, and Treasure Island. Prior to her City Administrator position, Ms. Kelly was appointed City Purchaser and Director of the Office of Contract Administration by Mayor Newsom. She previously served as Special Assistant in the Mayor's Office of Neighborhood Services, and the Office of Policy and Legislative Affairs, under Mayor Brown. She also served as the City's Executive Director of the Taxicab Commission. Ms. Kelly, a native San Franciscan, is the first woman and African American to serve as City Administrator of the City. She received her undergraduate and law degrees, respectively, from New York University and the University of San Francisco. Ms. Kelly is a member of the California State Bar.

CITY BUDGET

Overview

The City manages the operations of its nearly 60 departments, commissions and authorities, including the enterprise fund departments, and funds such departments and enterprise through its annual budget process. On July 24, 2018, the City adopted its two-year budget. The City's fiscal year 2018-19 adopted budget appropriates annual revenues, fund balance, transfers and reserves of approximately \$11.04 billion, of which the City's General Fund accounts for approximately \$5.51 billion. In fiscal year 2019-20 appropriated revenues, fund balance, transfers and reserves total approximately \$11.10 billion, of which \$5.52 billion represents the General Fund budget. For a further discussion of the fiscal years 2018-19 and 2019-20 adopted budgets, see "City Budget Adopted for Fiscal Years 2018-19 and 2019-20" herein.

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

Budget Process

The City's fiscal year commences on July 1 and ends on June 30. The City's budget process for each fiscal year begins in the middle of the preceding fiscal year as departments prepare their budgets and seek any required approvals from the applicable City board or commission. Departmental budgets are consolidated by the City Controller, and then transmitted to the Mayor no later than the first working day of March. By the first working day of May, the Mayor is required to submit a proposed budget to the Board of Supervisors for certain specified departments, based on criteria set forth in the Administrative Code. On or before the first working day of June, the Mayor is required to submit a proposed budget, including all departments, to the Board of Supervisors.

Under the Charter, following the submission of the Mayor's proposed budget, the City Controller must provide an opinion to the Board of Supervisors regarding the economic assumptions underlying the revenue estimates and the reasonableness of such estimates and revisions in the proposed budget (the City Controller's "Revenue Letter"). The City Controller may also recommend reserves that are considered prudent given the proposed resources and expenditures contained in the Mayor's proposed budget. The City Controller's current Revenue Letter can be viewed online at www.sfcontroller.org. The Revenue Letter and other information from said website are not incorporated herein by reference. The City's Capital Planning Committee also reviews the proposed budget and provides recommendations based on the budget's conformance with the City's adopted ten-year capital plan. For a further discussion of the Capital Planning Committee and the City's ten-year capital plan, see "CAPITAL FINANCING AND BONDS – Capital Plan" herein.

The City is required by the Charter to adopt a budget which is balanced in each fund. During its budget approval process, the Board of Supervisors has the power to reduce or augment any appropriation in the proposed budget, provided the total budgeted appropriation amount in each fund is not greater than the total budgeted appropriation amount for such fund submitted by the Mayor. The Board of Supervisors must approve the budget by adoption of the Annual Appropriation Ordinance (also referred to herein as the "Original Budget") by no later than August 1 of each fiscal year.

The Annual Appropriation Ordinance becomes effective with or without the Mayor's signature after 10 days; however, the Mayor has line-item veto authority over specific items in the budget. Additionally, in the event the Mayor were to disapprove the entire ordinance, the Charter directs the Mayor to promptly return the ordinance to the Board of Supervisors, accompanied by a statement indicating the reasons for disapproval and any recommendations which the Mayor may have. Any Annual Appropriation Ordinance so disapproved by the Mayor shall become effective only if, subsequent to its return, it is passed by a two-thirds vote of the Board of Supervisors.

Following the adoption and approval of the Annual Appropriation Ordinance, the City makes various revisions throughout the fiscal year (the Original Budget plus any changes made to date are collectively referred to herein as the "Revised Budget"). A "Final Revised Budget" is prepared at the end of the fiscal year reflecting the year-end revenue and expenditure appropriations for that fiscal year.

Two-Year Budgetary Cycle

The City's budget involves multi-year budgeting and financial planning, including:

1. Fixed two-year budgets are approved by the Board of Supervisors for five departments: The Airport, Child Support Services, the Port, the PUC and MTA. All other departments prepared balanced, rolling two-year budgets.
2. Five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The most recent five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, the Budget Analyst for the Board of Supervisors and Controller's Office on January 4, 2019, for fiscal year 2019-20 through fiscal year 2023-24. See "Five Year Financial Plan" section below.
3. The Controller's Office proposes to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt and financial measures in the case of disaster recovery and requires the City to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1 of any subsequent fiscal year.
4. The City is required to submit labor agreements for all public employee unions by May 15.

Role of Controller; Budgetary Analysis and Projections

As Chief Fiscal Officer and City Services Auditor, the City Controller monitors spending for all officers, departments and employees charged with receipt, collection or disbursement of City funds. Under the Charter, no obligation to expend City funds can be incurred without a prior certification by the Controller that sufficient revenues are or will be available to meet such obligation as it becomes due in the then-current fiscal year, which ends June 30. The Controller monitors revenues throughout the fiscal year, and

if actual revenues are less than estimated, the City Controller may freeze department appropriations or place departments on spending “allotments” which will constrain department expenditures until estimated revenues are realized. If revenues are in excess of what was estimated, or budget surpluses are created, the Controller can certify these surplus funds as a source for supplemental appropriations that may be adopted throughout the year upon approval of the Mayor and the Board of Supervisors. The City’s annual expenditures are often different from the estimated expenditures in the Annual Appropriation Ordinance due to supplemental appropriations, continuing appropriations of prior years, and unexpended current-year funds.

In addition to the five-year planning responsibilities discussed above, Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. Each year, the Controller issues six-month and nine-month budget status reports to apprise the City’s policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The Controller issued the most recent of these reports, the fiscal year 2017-18 Nine Month Report (the “Nine Month Report”), on May 11, 2018. The City Charter also directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor’s proposed budget. On June 12, 2018 the Controller released the Discussion of the Mayor’s fiscal year 2018-19 and fiscal year 2019-20 Proposed Budget (the “Revenue Letter” as described in “Budget Process” above). All of these reports are available from the Controller’s website: www.sfcontroller.org. The information from said website is not incorporated herein by reference. The six-month budget status report for fiscal year 2018-19 is expected to be published in February 2019.

General Fund Results: Audited Financial Statements

The General Fund portions of the fiscal year 2018-19 and 2019-20 Original Budgets total \$5.51 billion and \$5.52 billion, respectively, including appropriations, reserves, and transfers out. These amounts do not include expenditures of the enterprise fund departments such as the Airport, the MTA, the PUC, the Port and the City-owned hospitals (San Francisco General and Laguna Honda). Table A-2 shows Final Revised Budget revenues and appropriations for the City’s General Fund for fiscal years 2015-16 and 2016-17 and the Original Budgets for fiscal years 2017-18, 2018-19, and 2019-20. See “PROPERTY TAXATION – Tax Levy and Collection,” “OTHER CITY TAX REVENUES” and “CITY GENERAL FUND PROGRAMS AND EXPENDITURES” herein.

The City’s most recently completed Comprehensive Annual Financial Report (the “CAFR,” which includes the City’s audited financial statements) for fiscal year 2016-17 was issued on December 29, 2017. The fiscal year 2016-17 CAFR reported that as of June 30, 2017, the General Fund balance available for appropriation in subsequent years was \$545.9 million (see Table A-4), of which \$183.3 million was assumed in the fiscal year 2017-18 Original Budget and \$288.2 million was assumed in the fiscal year 2018-19 Original Budget. This represents a \$110.7 million increase in available fund balance over the \$435 million available as of June 30, 2016 and resulted primarily from greater-than-budgeted additional tax revenue, particularly property, business and transfer tax revenues, partially offset by under performance in sales, hotel and parking tax revenues in fiscal year 2016-17.

The City transitioned to a new financial management software system at the start of fiscal year 2017-18. Due to this conversion, the City expects to complete its fiscal year 2017-18 CAFR in March 2019. Unaudited fiscal year 2017-18 expenditures are not expected to vary materially from the projections published in the City’s Nine Month Report, issued on May 11, 2018. Figures for fiscal year 2017-18 presented in this Official Statement are estimated and may change in the audited financial statements.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2015-16 through 2019-20
(000s)

	2015-16 Final Revised Budget	2016-17 Final Revised Budget	2017-18 Original Budget ²	2018-19 Original Budget ³	2019-20 Original Budget
Prior-Year Budgetary Fund Balance & Reserves	\$1,236,090	\$178,109	\$187,182	\$250,121	\$224,857
<u>Budgeted Revenues</u>					
Property Taxes	\$1,291,000	\$1,412,000	\$1,557,000	\$1,728,000	\$1,743,000
Business Taxes	634,460	669,450	750,820	879,380	914,710
Other Local Taxes	1,062,535	1,117,245	1,112,570	1,053,390	1,058,420
Licenses, Permits and Franchises	27,163	28,876	29,964	30,833	31,015
Fines, Forfeitures and Penalties	4,550	4,580	4,579	3,125	3,156
Interest and Investment Earnings	10,680	13,970	18,180	27,270	27,540
Rents and Concessions	15,432	16,140	14,088	14,769	15,016
Grants and Subventions	900,997	959,099	1,019,167	1,051,643	1,062,592
Charges for Services	219,628	236,102	242,817	261,294	247,781
Other	31,084	61,334	39,959	41,050	41,356
Total Budgeted Revenues	\$4,197,529	\$4,518,796	\$4,789,144	\$5,090,754	\$5,144,586
Bond Proceeds & Repayment of Loans	\$918	\$881	\$110	\$87	-
<u>Expenditure Appropriations</u>					
Public Protection	\$1,211,007	\$1,266,148	\$1,331,196	\$1,403,620	\$1,453,652
Public Works, Transportation & Commerce	138,288	166,295	170,949	183,703	170,150
Human Welfare & Neighborhood Development	892,069	978,126	995,230	1,053,814	1,083,329
Community Health	751,416	763,496	884,393	943,631	893,763
Culture and Recreation	125,253	139,473	162,622	165,784	166,575
General Administration & Finance	235,647	252,998	358,588	391,900	418,497
General City Responsibilities ¹	113,672	134,153	152,390	183,159	188,171
Total Expenditure Appropriations	\$3,467,352	\$3,700,689	\$4,055,368	\$4,325,611	\$4,374,137
Budgetary reserves and designations, net	\$9,907	\$9,868	\$58,730	\$21,410	\$14,200
Transfers In	\$235,416	\$246,779	\$171,122	\$170,671	\$153,213
Transfers Out	(962,511)	(857,528)	(1,033,460)	(1,164,612)	(1,134,320)
Net Transfers In/Out	(\$727,095)	(\$610,749)	(\$862,338)	(\$993,941)	(\$981,107)
Budgeted Excess (Deficiency) of Sources					
Over (Under) Uses	\$1,230,182	\$376,480	\$0	\$0	\$0
Variance of Actual vs. Budget	296,673	249,475			
Total Actual Budgetary Fund Balance	\$1,526,855	\$625,955	\$0	\$0	\$0

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

² Fiscal year 2017-18 Final Revised Budget will be available upon release of the fiscal year 2017-18 CAFR.

³ Fiscal year 2018-19 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget.

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

The City prepares its budget on a modified accrual basis. Accruals for incurred liabilities, such as claims and judgments, workers' compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. The audited General Fund balance as of June 30, 2017 was \$1.9 billion (as shown in Table A-3 and Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of \$4.5 billion. Audited General Fund balances are shown in Table A-3 on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2013 through June 30, 2017.

[Remainder of Page Intentionally Left Blank]

TABLE A-3

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

	2012-13	2013-14	2014-15	2015-16	2016-17 ¹
Restricted for rainy day (Economic Stabilization account) ²	\$23,329	\$60,289	\$71,904	\$74,986	\$78,336
Restricted for rainy day (One-time Spending account) ²	3,010	22,905	43,065	45,120	47,353
Committed for budget stabilization (citywide)	121,580	132,264	132,264	178,434	323,204
Committed for Recreation & Parks expenditure savings reserve	15,907	12,862	10,551	8,736	4,403
<u>Assigned, not available for appropriation</u>					
Assigned for encumbrances	\$74,815	\$92,269	\$137,641	\$190,965	\$244,158
Assigned for appropriation carryforward	112,327	159,345	201,192	293,921	434,223
Assigned for budget savings incentive program (Citywide)	24,819	32,088	33,939	58,907	67,450
Assigned for salaries and benefits	6,338	10,040	20,155	18,203	23,051
Total Fund Balance Not Available for Appropriation	\$382,125	\$522,062	\$650,711	\$869,272	\$1,222,178
<u>Assigned and unassigned, available for appropriation</u>					
Assigned for litigation & contingencies	\$30,254	\$79,223	\$131,970	\$145,443	\$136,080
Assigned for General reserve	21,818	-	-	-	-
Assigned for subsequent year's budget	122,689	135,938	180,179	172,128	183,326
Unassigned for General Reserve	-	45,748	62,579	76,913	95,156
Unassigned - Budgeted for use second budget year	111,604	137,075	194,082	191,202	288,185
Unassigned - Contingency for second budget year	-	-	-	60,000	60,000
Unassigned - Available for future appropriation	6,147	21,656	16,569	11,872	14,409
Total Fund Balance Available for Appropriation	\$292,512	\$419,640	\$585,379	\$657,558	\$777,156
Total Fund Balance, Budget Basis	\$674,637	\$941,702	\$1,236,090	\$1,526,830	\$1,999,334
<u>Budget Basis to GAAP Basis Reconciliation</u>					
Total Fund Balance - Budget Basis	\$674,637	\$941,702	\$1,236,090	\$1,526,830	\$1,999,334
Unrealized gain or loss on investments	(1,140)	935	1,141	343	(1,197)
Nonspendable fund balance	23,854	24,022	24,786	522	525
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(38,210)	(37,303)	(37,303)	(36,008)	(38,469)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(93,910)	(66,415)	(50,406)	(56,709)	(83,757)
Deferred Amounts on Loan Receivables	(20,067)	(21,670)	(23,212)	-	-
Pre-paid lease revenue	(4,293)	(5,709)	(5,900)	(5,816)	(5,733)
Total Fund Balance, GAAP Basis	\$540,871	\$835,562	\$1,145,196	\$1,429,162	\$1,870,703

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

¹ Fiscal year 2017-18 will be available upon release of the fiscal year 2017-18 CAFR.

² Additional information in City Budget - Rainy Day Reserves.

Table A-4, entitled "Audited Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's CAFR for the five most recent fiscal years. Audited financial statements for the fiscal year ended June 30, 2017 are included herein as Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2017." Prior years audited financial statements can be obtained from the City Controller's website. Information from the City Controller's website is not incorporated herein by reference. Excluded from this Statement of General Fund Revenues and Expenditures in Table A-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements.

[Remainder of Page Intentionally Left Blank]

TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
Audited Statement of Revenues, Expenditures and Changes in General Fund Balances
Fiscal Years 2012-13 through 2016-17 ¹
(000s)

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

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

² Fiscal year 2017-18 will be available upon release of the fiscal year 2017-18 CAFR.

³ Does not include business taxes allocated to special revenue fund for the Community Challenge Grant program.

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

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

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

Five-Year Financial Plan

The Five-Year Financial Plan ("Plan") is required under Proposition A, a charter amendment approved by voters in November 2009. The Charter requires the City to forecast expenditures and revenues for the next five fiscal years, propose actions to balance revenues and expenditures during each year of the Plan, and discuss strategic goals and corresponding resources for City departments. Proposition A required that a Plan be adopted every two years. The City currently updates the Plan annually.

On January 4, 2019, the Mayor, Budget Analyst for the Board of Supervisors, and the Controller's Office issued the Plan for fiscal years 2019-20 through 2023-24, which projects cumulative annual shortfalls of \$107.4 million, \$163.4 million, \$362.9 million, \$519.9 million, and \$643.9 million for fiscal years 2019-20 through 2023-24, respectively.

The Plan projects growth in General Fund revenues over the forecast period of 14%, primarily composed of growth in local tax sources. The revenue growth is offset by projected expenditure increases of 25% over the same period, primarily composed of growth in employee wages and health care costs, citywide operating expenses, and Charter mandated baselines and reserves. The City currently projects growth in General Fund sources of \$758.7 million over the Plan period, and expenditure growth of \$1.4 billion. Growth in salaries and benefits accounts for 43% or \$598.4 million of the cumulative shortfall. Growth in citywide operating costs accounts for 28.6% or \$400.6 million of the cumulative shortfall. Growth in Charter-mandated baselines and reserves accounts for 17% or \$238.9 million of the cumulative shortfall. Growth in individual department costs account for 11.7% or \$164.87 million of the cumulative shortfall. These figures incorporate the following key assumptions:

- **Changes in Employer Contribution Rates to City Retirement System:** Employer contribution rates are projected to increase during the first two years of the Plan and decline modestly in the final three years. This reflects the November 2018 decision of the San Francisco Retirement Board to lower the discount rate from 7.5% to 7.4%. The Plan does not assume any changes to existing funding policy, amortizes the 2018 supplemental COLA over five years per current policy, and assumes fiscal year 2018-19 investment returns at the 7.5% level.
- **Continued Increases in Wages and Health Care Costs:** The Plan assumes inflationary increases for most miscellaneous employees of 2.85% in fiscal year 2019-20, 3.08% in fiscal year 2020-21, 2.99% in fiscal year 2021-22, 3.03% in fiscal year 2022-23, and 3.01% in fiscal year 2023-24, as projected by the California Department of Finance and Moody's. For police officers and firefighters, the Plan assumes the cost of all negotiated terms, including wage rate increases of 3% in fiscal years 2019-20 and 2020-21, and increases of CPI, as above, thereafter. Final negotiated increases will increase or decrease projected shortfalls. The Plan assumes the employer share of health and dental insurance costs for active employees will increase by approximately 6% per year. For retiree health benefits, the Plan assumes the City will continue its pay-as-you-go practice of funding amounts currently due for retirees. The growth in the retiree obligation has been estimated based on projected cost increases of approximately 6% per year.
- **Voter Adopted Revenue and Spending Requirements:** This Plan reflects the outcome of several local measures from 2018 elections, including voter adoption of a gross receipts tax on cannabis (November Proposition D) and the dedication of a portion of hotel tax revenue to arts and cultural organizations (November Proposition E). The Plan does not assume changes related to voter-approved measures to create dedicated gross receipts taxes on the lease of commercial space to support child care and education (June Proposition C) or additional gross receipts and payroll taxes on certain large businesses dedicated to housing and homeless services (November Proposition C). With the exception of a portion of proceeds from the June 2018 measure, from

which 15% is allocated to the General Fund, revenue from these two measures is dedicated to specific purposes and subject to legal risk, as discussed below. Given current legal risks, revenue from these measures will be collected but will not be made available for appropriation.

- **Property Tax Shifts:** On November 29, 2018, the Controller's Office issued a memo notifying policymakers of a material update to current year revenue projections due to the reallocation of property tax revenue in the County's Educational Revenue Augmentation Fund (ERAF). The Controller estimates the City will recognize approximately \$415.0 million in excess ERAF property tax revenue in the current year, of which \$208.0 million is attributable to fiscal year 2017-18 and \$207.0 million to fiscal year 2018-19. Under Charter provisions adopted by the voters, approximately \$78.0 million must be allocated to various baselines and approximately \$156.0 million to Rainy Day Reserves, leaving approximately \$181.0 million available for any purpose. Beginning in January 2019 the Board of Supervisors will consider proposed supplemental appropriations to spend these funds.
- **In-Home Supportive Services (IHSS) Cost Shift:** IHSS is an entitlement program which provides homecare services to 22,000 elderly and disabled San Franciscans and is funded by federal, state, and county sources. Due to changes in the fiscal year 2017-18 enacted State budget, significant costs for this program were shifted from the state to counties. Cost increases are projected to grow from \$56.0 million in fiscal year 2019-20 to \$111.5 million in fiscal year 2023-24, due to the combined effects of a locally-approved minimum wage increase as well as the State's schedule of increasing cost shifts.

Beyond the IHSS Cost Shift, the Plan does not assume significant changes in funding at the state or federal levels. Although proposals that would have significant negative impact on the City budget have been discussed at both levels, it is unclear which will ultimately be adopted and what the specific impacts will be.

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

The Plan does not assume an economic downturn due to the difficulty of predicting recessions; however, the City has historically not experienced more than six consecutive years of economic expansion, and the current economic expansion has lasted over nine years.

City Budget Adopted for Fiscal Years 2018-19 and 2019-20

On July 31, 2018, Mayor Breed signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for the fiscal years ending June 30, 2019 and June 30, 2020. This is the seventh two-year budget for the entire City. The adopted budget closed the \$38 million and \$99 million General Fund shortfalls for fiscal years 2018-19 and 2019-20 identified in the City's March 31, 2018 update to the Five-Year Financial Plan through a combination of increased revenue and expendituresavings.

The Original Budget for fiscal year 2018-19 and fiscal year 2019-20 totals \$11.04 billion and \$11.10 billion respectively, representing a year over year increase of \$920 million in fiscal year 2018-19 and a year over year increase of \$59 million in fiscal year 2019-20. The General Fund portion of each year's budget is \$5.51 billion in fiscal year 2018-19 and \$5.52 billion in fiscal year 2019-20 representing year over year increases

of \$364 million and \$11 million, respectively. There are 31,220 funded full-time positions in the fiscal year 2018-19 Original Budget and 31,579 in the fiscal year 2019-20 Original Budget representing year-over-year increases of 385 and 359 positions, respectively.

Other Budget Updates

On June 12, 2018, the Controller's Office issued the Controller's Discussion of the Mayor's fiscal year 2018-19 and fiscal year 2019-20 Proposed Budget ("Revenue Letter"). The report found that the revenue assumptions in the proposed and now-adopted budget are reasonable, voter-required baseline and set-aside requirements are met or exceeded, and that code-mandated reserves are funded and maintained at required levels.

The letter also certified that the Original Budget for fiscal years 2018-19 and 2019-20 adheres to the City's policy limiting the use of certain nonrecurring revenues to nonrecurring expenses. The policy can only be suspended for a given fiscal year by a two-thirds vote of the Board. Specifically, this policy limited the Mayor and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance (defined as General Fund prior year unassigned fund balance before deposits to the Rainy Day Reserve or Budget Stabilization Reserve in excess of the average of the previous five years), the General Fund share of revenues from prepayments provided under long-term leases, concessions, or contracts, otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for or expectation of substantial ongoing costs, including but not limited to: discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City's capital plans, development of affordable housing, and discretionary payment of pension, debt or other long-term obligations.

Impact of Potential Bankruptcy Filing by The Pacific Gas and Electric Company (PG&E)

Taxes and fees paid by PG&E total approximately \$90 million annually and include property taxes, franchise fees and business taxes, as well as the utility user taxes it remits on behalf of its customers. A bankruptcy filing by PG&E could cause delays in payments of taxes to the City. The City can give no assurance regarding the effect of a bankruptcy filing by PG&E, including whether such filing could cause a delay in payments of taxes to the City.

Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances

On August 28, 2017, the California Supreme Court in *California Cannabis Coalition v. City of Upland* (August 28, 2017, No. S234148) interpreted Article XIII C, Section 2(b) of the State Constitution, which requires local government proposals imposing general taxes to be submitted to the voters at a general election (i.e. an election at which members of the governing body stand for election). The court concluded such provision did not to apply to tax measures submitted through the citizen initiative process. Under the Upland decision, citizens exercising their right of initiative may now call for general or special taxes on the ballot at a special election (i.e. an election where members of the governing body are not standing for election). The court did not, however, resolve whether a special tax submitted by voter initiative needs only simple majority voter approval, and not the super-majority (i.e. two-thirds) voter approval required of special taxes placed on the ballot by a governing body. On June 5, 2018 voters of the City passed by majority vote two special taxes submitted through the citizen initiative process: a Commercial Rent Tax for Childcare and Early Education ("June Proposition C") and a Parcel Tax for the San Francisco Unified School District ("Proposition G" and, together with June Proposition C, the "June Propositions C and G"). In addition, on November 6, 2018 voters passed by a majority vote a special tax submitted through the

citizen initiative process: a Homelessness Gross Receipts Tax ("November Proposition C") for homelessness prevention and services. The estimated annual values of June Propositions C and G are approximately \$146 million and \$50 million, respectively. The estimated annual value of November Proposition C is approximately \$250 million to \$300 million. Proceeds of these measures would need to be appropriated by the Board of Supervisors to be spent. The adopted fiscal year 2018-19 and 2019-20 budget does not appropriate any of these sources. Given current legal risks, the Controller's Office has not certified these funds as available for appropriation. There is a risk that a court in the future could invalidate the levy and collection of the taxes approved by the propositions on the grounds that they were not approved by a super-majority vote. If a court struck down the propositions, the City could be obligated to refund all, or a portion of any taxes levied and collected for the measures. The City is seeking judicial validation of the propositions under Civil Code section 860 et seq. The City cannot predict the outcome of any litigation to resolve this issue.

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 14% of the General Fund revenues appropriated in the Original Budget for fiscal years 2018-19 and 2019-20, and thus changes in State revenues could have a material impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

On June 27, 2018, the Governor signed the Fiscal Year 2018-19 State Budget (the "2018-19 State Budget"), appropriating \$201.4 billion from the State's General Fund and other State funds. In the 2018-19 State Budget, General Fund appropriations total \$138.7 billion, \$11.6 billion or 9% more than the 2017-18 budget. The State budget agreement focuses on maintaining fiscal prudence by continuing to pay down past budgetary borrowing and state employee pension liabilities and contributing to stabilization reserves. The budget increases funding to K-12 schools through the full implementation of the Local Control Funding Formula and increases funding to community colleges and the university systems. Among many investments to counteract poverty, the budget also includes \$500 million to assist local governments with efforts to address homelessness. Of the \$500 million the City is expected to receive approximately \$30 million, which is assumed in the City's budget. The State budget also continues to implement the Road Repair and Accountability Act of 2017 (SB1) providing \$55 billion of new transportation infrastructure funding over the next 10 years. The City's fiscal year 2018-19 budget assumes \$23.0 million of street-related capital funding and \$36.5 million for transit services and repair through the Road Repair and Accountability Act of 2017 (SB1). On November 6, 2018 voters rejected Proposition 6, which would have repealed the gas tax increase and resulted in a loss of these funds.

The final 2018-19 State Budget continues to re-base the In-Home Supportive Services Maintenance- of- Effort "IHSS MOE" agreement negotiated in 2012, as first proposed in the fiscal year 2017-18 budget. The City's budget assumes an additional General Fund cost of \$30.0 million in fiscal year 2018-19 or a total cost of \$67.9 million and an additional \$26.0 million or a total cost of \$86.8 million in fiscal year 2019- 20 to support the IHSS program, partially offset by health and welfare realignment subventions.

On January 10, 2019, the Governor proposed the State budget for fiscal year 2019-20 (the "2019-20 Proposed State Budget"). The 2019-20 Proposed State Budget assumes moderate growth in revenues of approximately \$5.24 billion, with projected general fund revenues and transfers available in fiscal year 2019-20 totaling approximately \$147.9 billion and expenditures in such fiscal year totaling approximately \$144.2 billion. As a part of the expenditures for fiscal year 2019-20, the 2019-20 Proposed State Budget

allocates approximately \$20.6 billion in discretionary spending, with approximately \$9.7 billion to pay down State liabilities, \$5.1 billion to one-time or temporary program spending and \$3 billion to discretionary reserves. The 2019-20 Proposed State Budget also estimates \$18.5 billion in reserves by the end of fiscal year 2019-20 which includes a balance of \$15.3 billion for the State's budget stabilization account, \$2.3 billion for the State's Constitutional rainy day fund and \$900 million for the State's safety net reserve which may be utilized for CalWORKS and Medi-Cal in the event of a recession.

Impact of Federal Government on Local Finances

The City is continuing to assess the potential material adverse changes in anticipated federal funding. Currently, these changes include, for example, potential increased costs associated with changes to or termination or replacement of the Affordable Care Act ("ACA"), potential withholding of federal grants or other federal funds flowing to "sanctuary jurisdictions," impact of new census questions related to immigration status, and the potential suspension or termination of other federal grants for capital projects. The scope and timing of such changes will not be known until the administration concretely proposes specific changes or Congress acts on such proposals, as applicable. As to potential withholding of funds for "sanctuary cities" the City has challenged in federal court the Presidential Executive Order that would cut funding from "sanctuary jurisdictions." The federal district court issued a permanent injunction in November 2017, and the case is currently on appeal at the Ninth Circuit. On August 1, 2018, the 9th Circuit Court of Appeal upheld the district's court's injunction against the President's Executive Order. The City will continue to monitor federal budget and policy changes but cannot at this time determine the financial impacts of any proposed federal budget changes. The fiscal year 2017-18 and 2018-19 budget created a \$50 million reserve to manage cost and revenue uncertainty related to potential federal and state changes to the administration and funding of the Affordable Care Act. In addition, the City's adopted fiscal year 2018-19 and 2019-20 budgets establish a \$40 million reserve to manage state, federal, and other revenue uncertainty and a \$70 million reserve to manage costs related to local wage and salary contingencies.

The effects of the federal tax reform approved by Congress on December 20, 2017 and effective on January 1, 2018 on San Francisco are not clear at this time. However, the local economy may be affected by the tax law's provisions, including: (1) creation of a \$10,000 cap on the state and local tax deduction, which will increase many residents' total tax liabilities and affect consumer spending; (2) repeal of the individual health insurance mandate under the ACA; (3) reduction in the mortgage interest tax deduction; and (4) reduction of corporate income tax rates.

The City receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the City's assets are also invested in securities of the United States government. The City's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending. For example, the City issued taxable obligations designated as "Build America Bonds," which BABs were entitled to receive a 35% subsidy payment from the federal government. In 2013, the United States federal government went through a period of sequestration and the 35% subsidy payment was reduced.

In the event Congress and the President fail to enact appropriations, budgets or debt ceiling increases on a timely basis in the future, such events could have a material adverse effect on the financial markets and economic conditions in the United States and an adverse impact on the City's finances. The City cannot predict the outcome of future federal budget deliberations and the impact that such budgets will have on the City's finances and operations.

Budgetary Reserves

Under the Charter, the Treasurer, upon recommendation of the City Controller, is authorized to transfer

legally available moneys to the City's operating cash reserve from any unencumbered funds then held in the City's pooled investment fund. The operating cash reserve is available to cover cash flow deficits in various City funds, including the City's General Fund. From time to time, the Treasurer has transferred unencumbered moneys in the pooled investment fund to the operating cash reserve to cover temporary cash flow deficits in the General Fund and other City funds. Any such transfers must be repaid within the same fiscal year in which the transfer was made, together with interest at the rate earned on the pooled funds at the time the funds were used. See "INVESTMENT OF CITY FUNDS – Investment Policy" herein.

The City maintains an annual General Reserve to be used for current-year fiscal pressures not anticipated during the budget process. The policy, originally adopted on April 13, 2010, set the reserve equal to 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues during economic downturns. The intent of this policy change is to increase reserves available during a multi-year downturn. The Original Budget for fiscal years 2018-19 and 2019-20 includes General Reserve starting balances of \$127.3 million and \$141.5 million, respectively.

In addition to the operating cash and general reserves, the City maintains two types of reserves to offset unanticipated expenses and which are available for appropriation to City departments by action of the Board of Supervisors. These include the Salaries and Benefit Reserve (Original Budget includes \$24.8 million for fiscal year 2018-19 and \$14.9 million in fiscal year 2019-20), and the Litigation Reserve (Original Budget includes \$10.9 million for fiscal year 2018-19 and \$11 million in fiscal year 2019-20). Balances in both reflect new appropriations to the reserves and do not include carry-forward of prior year balances. The Charter also requires set asides of a portion of departmental expenditure savings in the form of a citywide Budget Savings Incentive Reserve and a Recreation and Parks Budget Savings Incentive Reserve.

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

Rainy Day Reserve

The City maintains a Rainy Day Reserve. Charter Section 9.113.5 requires that if the Controller projects total General Fund revenues for the upcoming budget year will exceed total General Fund revenues for the current year by more than five percent, then the City's budget shall allocate the anticipated General Fund revenues in excess of that five percent growth into two accounts within the Rainy Day Reserve and for other lawful governmental purposes. Effective January 1, 2015, Proposition C passed by the voters in November 2014 divided the existing Rainy Day Economic Stabilization Account into a City Rainy Day Reserve ("City Reserve") and a School Rainy Day Reserve ("School Reserve") with each reserve account receiving 50% of the existing balance. Additionally, any deposits to the reserve subsequent to January 1, 2015 will be allocated as follows:

- 37.5 percent of the excess revenues to the City Reserve;
- 12.5 percent of the excess revenues to the School Reserve;
- 25 percent of the excess revenues to the Rainy Day One-Time or Capital Expenditures account; and
- 25 percent of the excess revenues to any lawful governmental purpose.

Fiscal year 2016-17 revenue exceeded the deposit threshold by \$8.9 million, generating a deposit of \$5.6 million to the City Reserves. The combined balances of the Rainy Day Reserve's Economic Stabilization account and the Budget Stabilization Reserve are subject to a cap of 10% of actual total General Fund

revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be allocated to capital and other one-time expenditures.

Monies in the City Reserve are available to provide a budgetary cushion in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Monies in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives. The fiscal year 2016-17 combined ending balance of the One-Time and Economic Stabilization portions of the Reserve was \$125.7 million. The Five-Year Financial Plan assumes a deposit of \$19.5 million in the City's Rainy Day Reserves at fiscal year-end 2017-18 and \$130.0 million at the end of the current fiscal year, resulting in ending reserve balances of \$145.2 million and \$275.2 million, respectively. The Charter stipulates that the City is eligible to withdraw from the Rainy Day Reserves only when revenues decline from the prior year. Given (unaudited) revenue growth in fiscal year 2017-18 and budgeted and projected revenue growth in the current year, the City is not eligible to withdraw from the reserves.

Budget Stabilization Reserve

The Budget Stabilization Reserve augments the existing Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues, including Real Property Transfer Tax ("RPTT") receipts in excess of the rolling five-year annual average (controlling for the effect of any rate increases approved by voters), funds from the sale of assets, and year-end unassigned General Fund balances beyond the amount assumed as a source in the subsequent year's budget.

Fiscal year 2016-17 RPTT receipts exceeded the five-year annual average by \$144.4 million and the ending general fund unassigned fund balance was \$57.6 million, triggering a \$57.6 million deposit. However, \$6.7 million of this deposit requirement was offset by the Rainy Day Reserve deposit, resulting in a \$144.8 million deposit to the Budget Stabilization Reserve and a fiscal year 2016-17 ending balance of \$323.3 million. The City estimates a fiscal year 2017-18 reserve deposit of \$60.0 million given unaudited actual revenue and expenditures, bringing the estimated ending balance to \$383.3 million. The fiscal year 2018-19 and 2019-20 budgets assume no reserve deposits given projected RPTT receipts. Under Board-adopted reserve policies, the City may withdraw from the Reserve only when revenues decline from the prior year. Given (unaudited) revenue growth in fiscal year 2017-18 and budgeted and projected revenue growth in the current year, the City is not eligible to withdraw from the reserves. The Controller's Office determines deposits during year end close based on actual receipts during the prior fiscal year.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues, or \$498 million given unaudited fiscal year 2017-18 revenues. Projected fiscal year 2018-19 deposits would increase the reserve above this 10% cap. Under the City's current policy, once this threshold is reached, amounts are deposited into a non-recurring expenditure reserve that may be appropriated for capital expenditures, prepayment of future debts or liabilities, or other non-recurring expenditures. Given current estimates the City will deposit \$30.0 million into the non-recurring expenditure reserve. The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve, however, there is no provision for allocations to the SFUSD. Withdrawals are structured to occur over a period of three years: in the first year of a downturn, a maximum of 30% of the combined value of the Rainy Day Reserve and Budget Stabilization Reserve could be drawn; in the second year, the maximum withdrawal is 50%; and, in the third year, the entire remaining balance may be drawn. No deposits are required in years when the City is eligible to withdraw.

The City's Five-Year Financial Plan shows the projected reserve balances in the City's maintained reserve categories at the close of fiscal year 2017-18 through fiscal year 2023-24. The information presented in Table 9 of the Five-Year Financial Plan may change in the audited financial statements for fiscal year 2017-18. See "CITY BUDGET – GENERAL FUND RESULTS: AUDITED FINANCIAL STATEMENTS" herein.

THE SUCCESSOR AGENCY

Effect of the Dissolution Act

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

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

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

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

PROPERTY TAXATION

Property Taxation System – General

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

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

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-5 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. The total tax rate shown in Table A-5 includes taxes assessed on behalf of the City as well as the SFUSD, County Office of Education (SFCOE), SFCCD, Bay Area Air Quality Management District ("BAAQMD"), and BART, all of which are legal entities separate from the City. See also, Table A-26: "Statement of Direct and Overlapping Debt and Long-Term Obligations" below. In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to the Successor Agency (OCII). Property tax revenues attributable to the growth in assessed value of taxable property (known as "tax increment") within the adopted redevelopment project areas may be utilized by OCII to pay for outstanding and enforceable obligations and a portion of administrative costs of the agency causing a loss of tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. The Successor Agency received \$153 million of property tax increment in fiscal year 2017-18, diverting about \$85 million that would have otherwise been apportioned to the City's discretionary general fund.

The percent collected of property tax (current year levies excluding supplemental) was 99.14% for fiscal year 2017-18. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 111 for fiscal year 2017-18 compared to 92 in fiscal year 2016-17. The trustee deeds recorded in fiscal year 2011-12, 2012-13, 2013-14, 2014-15, and fiscal year 2015-16 were 804, 363, 187, 102 and 212 respectively.

[Remainder of Page Intentionally Left Blank]

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2013-14 through 2018-19
(000s)

Fiscal Year	Net Assessed ¹ Valuation (NAV)	% Change from Prior Year	Total Tax Rate per \$100 ²	Total Tax Levy ³	Total Tax Collected ³	% Collected June 30
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.8%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.8%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.1%
2016-17	211,532,524	8.8%	1.179	2,492,789	2,471,486	99.1%
2017-18	234,074,597	10.7%	1.172	2,732,615	2,709,048	99.1%
2018-19	259,329,479 ⁴	10.8%	1.163	3,016,002	N/A	N/A

¹ Net Assessed Valuation (NAV) is Total Assessed Value for Secured and Unsecured Rolls, less Non-reimbursable Exemptions and Homeowner Exemptions.

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

³ The Total Tax Levy and Total Tax Collected through fiscal year 2017-18 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported to the State of California (available on the website of the California SCO). Total Tax Levy for fiscal year 2018-19 based upon initial assessed valuations times the secured property tax rate.

⁴ Based on initial assessed valuations for fiscal year 2018-19.

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

SCO source noted in (3): <http://www.sco.ca.gov/Files-ARD-Tax-Info/TaxDelinq/sanfrancisco.pdf>

At the start of fiscal year 2018-19, the total net assessed valuation of taxable property within the City was \$259.3 billion. Of this total, \$244.9 billion (94.4%) represents secured valuations and \$14.4 billion (5.6%) represents unsecured valuations. See "Tax Levy and Collection" below, for a further discussion of secured and unsecured property valuations.

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

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

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. Historically, during severe economic

downturns, partial reductions of up to approximately 30% of the assessed valuations appealed have been granted. Assessment appeals granted typically result in revenue refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. Other taxing agencies such as SFUSD, SFCOE, SFCCD, BAAQMD, and BART share proportionately in any refunds paid as a result of successful appeals. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year.

In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary General Fund appeals reserve fund for fiscal years 2013-14 through 2017-18 are listed in Table A-6 below.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
Fiscal Years 2013-14 through 2017-18
(000s)

Fiscal Year	Amount Refunded
2013-14	\$25,756
2014-15	16,304
2015-16	16,199
2016-17	33,397
2017-18 ¹	33,613

¹ Unaudited

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

As of July 1, 2018, the Assessor granted 4,719 temporary reductions in property assessed values worth a total of \$278.16 million (equating to a reduction of approximately \$3.25 million in general fund taxes), compared to 7,090 temporary reductions in property assessed values worth a total of \$194.9 million (equating to a reduction of approximately \$2.3 million in general fund taxes) as of July 1, 2017. Of the total reductions, only 697 temporary reductions were granted for residential or commercial properties. The remaining 4,021 reductions were for timeshares. The July 2018 temporary reductions of \$278.16 million represent 0.11% of the fiscal year 2018-19 Net Assessed Valuation of \$259.3 billion shown in Table A-5. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board ("AAB") within a certain period. For regular, annual secured property tax assessments, the period for property owners to file an appeal typically falls between July 2nd and September 15th.

As of June 30, 2018, the total number of open appeals before the AAB was 1,001, compared to 991 open AAB appeals as of June 30, 2017. As of June 30, 2018, there were 1,636 new applications filed during fiscal year 2017-18, compared to 1,499 new applications filed during the same period (June 30, 2017) of fiscal year 2016-17. Also, the difference between the current assessed value and the taxpayer's opinion of values for all the open appeals is \$13.4 billion. Assuming the City did not contest any taxpayer appeals

and the Board upheld all the taxpayer's requests, a negative potential total property tax impact of about \$158.3 million would result. The General Fund's portion of that potential \$158.3 million would be approximately \$75.7 million.

The volume of appeals is not necessarily an indication of how many appeals will be granted, nor of the magnitude of the reduction in assessed valuation that the Assessor may ultimately grant. City revenue estimates take into account projected losses from pending and future assessment appeals.

Tax Levy and Collection

As the local tax-levying agency under State law, the City levies property taxes on all taxable property within the City's boundaries for the benefit of all overlapping local agencies, including SFUSD, SFCCD, the Bay Area Air Quality Management District and BART. The total tax levy for all taxing entities in fiscal year 2017-18 was estimated to produce about \$2.7 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of total property tax revenues (including supplemental and escape property taxes), the City had budgeted to receive \$1.6 billion into the General Fund and \$201.5 million into special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD were estimated to receive about \$176.3 million and \$33.1 million, respectively, and the local ERAF was estimated to receive \$580.0 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency received \$153 million. The remaining portion was allocated to various other governmental bodies, various special funds, and general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD and BART may only be applied for that purpose.

Unaudited General Fund property tax revenues in fiscal year 2017-18 were \$1.66 billion, representing an increase of \$179.9 million (12.1%) over fiscal year 2016-17 actual revenue. Property tax revenue is budgeted at \$1.73 billion for fiscal year 2018-19 representing an increase of \$67.0 million (4.0%) over fiscal year 2017-18 unaudited actual. Fiscal year 2019-20 property tax revenue is budgeted at \$1.74 billion, \$15.0 million (or 0.9%) more than the fiscal year 2018-19 budget. Tables A-2 and A-4 set forth a history of budgeted and actual property tax revenues for fiscal years 2012-13 through 2016-17, and budgeted receipts for fiscal years 2017-18, 2018-19, and fiscal year 2019-20.

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

Generally, property taxes levied by the City on real property become a lien on that property by operation of law. A tax levied on personal property does not automatically become a lien against real property without an affirmative act of the City taxing authority. Real property tax liens have priority over all other liens against the same property regardless of the time of their creation by virtue of express provision of law.

Property subject to ad valorem taxes is entered as secured or unsecured on the assessment roll maintained by the Assessor-Recorder. The secured roll is that part of the assessment roll containing State-assessed property and property (real or personal) on which liens are sufficient, in the opinion of the Assessor-Recorder, to secure payment of the taxes owed. Other property is placed on the "unsecured roll."

The method of collecting delinquent taxes is substantially different for the two classifications of property. The City has four ways of collecting unsecured personal property taxes: 1) pursuing civil action against the taxpayer; 2) filing a certificate in the Office of the Clerk of the Court specifying certain facts, including the date of mailing a copy thereof to the affected taxpayer, in order to obtain a judgment against the taxpayer;

3) filing a certificate of delinquency for recording in the Assessor-Recorder's Office in order to obtain a lien on certain property of the taxpayer; and 4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the taxpayer. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes. Proceeds of the sale are used to pay the costs of sale and the amount of delinquent taxes.

A 10% penalty is added to delinquent taxes that have been levied on property on the secured roll. In addition, property on the secured roll with respect to which taxes are delinquent is declared "tax defaulted" and subject to eventual sale by the Treasurer and Tax Collector of the City. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month, which begins to accrue on such taxes beginning July 1 following the date on which the property becomes tax-defaulted.

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. Additionally, the Teeter Plan was extended to include the allocation and distribution of special taxes levied for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) in June 2017 (effective fiscal year 2017-18) and for the Bay Restoration Authority Parcel Tax, SFUSD School Facilities Special Tax, SFUSD School Parcel Tax, and City College Parcel Tax in October 2017 (effective fiscal year 2018-19). The Teeter Plan method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-7.

[Remainder of Page Intentionally Left Blank]

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2013-14 through 2017-18
(000s)

Year Ended	Amount Funded
2013-14	\$19,654
2014-15	20,569
2015-16	22,882
2016-17	24,882
2017-18 ¹	25,567

¹ Unaudited

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

Assessed valuations of the aggregate ten largest assessment parcels in the City for the fiscal year beginning July 1, 2018 are shown in Table A-8. The City cannot determine from its assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the Office of the Assessor-Recorder.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
July 1, 2018

Assessee	Location	Parcel Number	Type	Total Assessed Value ¹	% of Basis of Levy ²
TRANSBAY TOWER LLC	415 MISSION ST	3720 009	OFFICE	\$1,336,595,294	0.515%
SUTTER BAY HOSPITALS ³	1101 VAN NESS AVE	0695 006	HOSPITAL	1,182,540,579	0.456
HWA 555 OWNERS LLC	555 CALIFORNIA ST	0259 026	OFFICE	1,018,418,547	0.393
ELM PROPERTY VENTURE LLC	101 CALIFORNIA ST	0263 011	OFFICE	984,858,015	0.380
PPF PARAMOUNT ONE MARKET PLAZA OWNER LP	1 MARKET ST	3713 007	OFFICE	834,307,207	0.322
SHR ST FRANCIS LLC	301 - 345 POWELL ST	0307 001	HOTEL	738,069,300	0.285
SFDC 50 FREMONT LLC	50 FREMONT ST	3709 019	OFFICE	689,319,255	0.266
GSW ARENA LLC	300 16TH STREET	8722 021	ENTERTAINMENT COMP	659,966,629	0.254
KR MISSION BAY LLC	1800 OWENS ST	8727 008	OFFICE	558,150,177	0.215
P55 HOTEL OWNER LLC	55 CYRIL MAGNIN ST	0330 026	HOTEL	533,785,362	0.206
				\$8,536,010,365	

¹ Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which excludes assessments processed during the fiscal year.

TAV includes land & improvements, personal property, and fixtures.

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

³ Nonprofit organization that is exempt from property taxes.

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

Taxation of State-Assessed Utility Property

A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2018-19 valuation of property assessed by the State Board of Equalization is \$3.7 billion.

OTHER CITY TAX REVENUES

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

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

Business Taxes

Through tax year 2014 businesses in the City were subject to payroll expense and business registration taxes. Proposition E approved by the voters in the November 6, 2012 election changed business registration tax rates and introduced a gross receipts tax which phases in over a five-year period beginning January 1, 2014, replacing the current 1.5% tax on business payrolls over the same period. Overall, the ordinance increases the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 currently to 15,000. Current payroll tax exclusions will be converted into a gross receipts tax exclusion of the same size, terms and expiration dates.

The payroll expense tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. The 1.5% payroll tax rate in 2013 was adjusted to 1.35% in tax year 2014, 1.16% in tax year 2015, 0.829% in tax year 2016, 0.71% in tax year 2017, and 0.38% in tax year 2018. The gross receipts tax ordinance, like the current payroll expense tax, is imposed for the privilege of "engaging in business" in San Francisco. The gross receipts tax will apply to businesses with \$1 million or more in gross receipts, adjusted by the Consumer Price Index going forward. Proposition E also imposes a 1.4% tax on administrative office business activities measured by a company's total payroll expense within San Francisco in lieu of the Gross Receipts Tax and increases annual business registration fees to as much as \$35,000 for businesses with over \$200 million in gross receipts. Prior to Proposition E, business registration taxes varied from \$25 to \$500 per year per subject business based on the prior year computed payroll tax liability. Proposition E increased the business registration tax rates to between \$75 and \$35,000 annually.

Business tax revenue (unaudited) in fiscal year 2017-18 is \$899.1 million (all funds), representing an increase of \$196.8 million (28%) from fiscal year 2016-17. Business tax revenue is budgeted at \$879.4 million in fiscal year 2018-19 representing a decrease of \$19.8 million (-2.2%) over fiscal year 2017-18 unaudited revenue. Business tax revenue is budgeted at \$914.7 million in fiscal year 2019-20 representing an increase of \$35.3 million (4.0%) over fiscal year 2018-19 budget. As noted above, these figures do not assume gross receipts revenue related to either of the business tax measures approved by voters in 2018.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues
Fiscal Years 2014-15 through 2019-20
All Funds
(000s)

Fiscal Year ¹	Revenue	Change	
2014-15	\$611,932	\$48,525	8.6%
2015-16	660,926	48,994	8.0%
2016-17	702,331	41,405	6.3%
2017-18 <i>unaudited</i> ²	899,143	196,812	28.0%
2018-19 <i>budgeted</i> ³	881,480	(17,663)	-2.0%
2019-20 <i>budgeted</i> ³	916,810	35,330	4.0%

¹ Figures for fiscal years 2014-15 through 2016-17 are audited actuals.

Includes portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, Business Registration Tax, and beginning in fiscal year 2013-14, Gross Receipts Tax revenues.

² Figure for fiscal year 2017-18 is unaudited.

³ Figures for fiscal year 2018-19 and 2019-20 are Original Budget amounts.

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

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators to the City monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue growth is a function of changes in occupancy, average daily room rates ("ADR") and room supply. Revenue per available room (RevPAR), the combined effect of occupancy and ADR, experienced double-digit growth rates between fiscal years 2013-14 and 2014-15, driving an average annual increase of 28.5% in hotel tax revenue during this period. RevPAR growth began to slow in fiscal year 2015-16 and then declined in fiscal year 2016-17, due mainly to the partial-year closure of the Moscone Convention Center. The Moscone Center re-opened in the second quarter of fiscal year 2017-18, and RevPAR is expected to partially recover. Unaudited hotel tax revenue in fiscal year 2017-18 is projected to be \$385.5 million, an increase of \$10.2 million (2.7%) from fiscal year 2016-17. In fiscal year 2018-19, hotel tax revenue is budgeted to be \$397.9 million, representing growth of \$12.3 million (3.2%). In fiscal year 2019-20, hotel tax revenue is budgeted to be \$409.8 million, an increase of \$11.9 million (3.0%) from fiscal year 2018-19 budget. Budgeted hotel tax levels reflect the passage of a November 2018 ballot initiative (Proposition E) to shift a portion of hotel tax proceeds from the General Fund to arts and cultural programs effective January 1, 2019.

TABLE A-10

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues
Fiscal Years 2014-15 through 2019-20
All Funds
(000s)

Fiscal Year ¹	Tax Rate	Revenue	Change	
2014-15 ²	14.0%	\$399,364	\$86,226	27.5%
2015-16	14.0%	392,686	(6,678)	-1.7%
2016-17	14.0%	375,291	(17,395)	-4.4%
2017-18 <i>unaudited</i> ³	14.0%	385,551	10,260	2.7%
2018-19 <i>budgeted</i> ⁴	14.0%	397,896	12,345	3.2%
2019-20 <i>budgeted</i> ⁴	14.0%	409,840	11,945	3.0%

¹ Figures for fiscal year 2014-15 through fiscal year 2016-17 are audited actuals and include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds.

² Figures in fiscal year 2014-15 are substantially adjusted due to multi-year audit and litigation resolution.

³ Figure for fiscal year 2017-18 represent unaudited actuals

⁴ Figures for fiscal year 2018-19 and 2019-20 are Original Budget amounts. These amounts include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds, as well as the portion of hotel tax revenue dedicated to arts and cultural programming reflecting the passage of Proposition E in November 2018, which takes effect January 1, 2019.

Real Property Transfer Tax

A tax is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources. Prior to November 8, 2016, the rates were \$5.00 per \$1,000 of the sale price of the property being transferred for properties valued at \$250,000 or less; \$6.80 per \$1,000 for properties valued more than \$250,000 and less than \$999,999; \$7.50 per \$1,000 for properties valued at \$1.0 million to \$5.0 million; \$20.00 per \$1,000 for properties valued more than \$5.0 million and less than \$10.0 million; and \$25 per \$1,000 for properties valued at more than \$10.0 million. After the passage of Proposition W on November 8, 2016, transfer tax rates were amended, raising the rate to \$22.50 per \$1,000 for properties valued more than \$5.0 million and less than \$10.0 million; \$27.50 per \$1,000 for properties valued at more than \$10.0 million and less than \$25.0 million; and \$30.00 per \$1,000 for properties valued at more than \$25.0 million. This change resulted in an estimated additional \$30.3 million in transfer tax revenue in fiscal year 2017-18.

Unaudited real property transfer tax ("RPTT") revenue for fiscal year 2017-18 is \$280.4 million, a \$130.1 million (31.7%) decrease from fiscal year 2016-17 revenue. Fiscal year 2018-19 RPTT revenue is budgeted to be \$228.0 million, \$52 million (18.7%) less than unaudited fiscal year 2017-18 revenue primarily due to the assumption that RPTT collections will return to their historic average. For fiscal year 2019-20, RPTT revenue is budgeted to be \$228 million, unchanged from fiscal year 2018-19 budget.

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2014-15 through 2019-20
(000s)

Fiscal Year ¹	Revenue	Change	
2014-15	\$314,603	\$52,678	20.1%
2015-16	269,090	(45,513)	-14.5%
2016-17	410,561	141,471	52.6%
2017-18 <i>unaudited</i> ²	280,416	(130,145)	-31.7%
2018-19 <i>budgeted</i> ³	228,000	(52,416)	-18.7%
2019-20 <i>budgeted</i> ³	228,000	-	0.0%

¹ Figures for fiscal year 2014-15 through 2016-17 are audited actuals.

² Figures for fiscal year 2017-18 are unaudited actuals.

³ Figures for fiscal year 2018-19 and 2019-20 are Original Budget amounts.

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

Sales and Use Tax

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

Unaudited local sales tax for fiscal year 2017-18 is \$192.9 million, \$3.4 million (1.8%) more than fiscal year 2016-17. Fiscal year 2018-19 revenue is budgeted to be \$196.9 million, an increase of \$3.9 million (2.0%) from fiscal year 2017-18. Fiscal year 2019-20 revenue is budgeted to be \$198.8 million, an increase of \$2.0 million (1.0%) from fiscal year 2018-19 budget.

Historically, sales tax revenues have been highly correlated to growth in tourism, business activity and population. This revenue is significantly affected by changes in the economy. In recent years, online retailers have contributed significantly to sales tax receipts, offsetting sustained declines in point of sale purchases.

In June 2018, the United States Supreme Court ruled in favor of South Dakota in the case of *South Dakota v. Wayfair, Inc.*, requiring out-of-state online retailers to collect sales taxes on sales to in-state residents. The impact of this ruling on sales tax revenues in the City remains unknown due to various factors. In California and other states, many large online retailers already collect and remit state and local sales and use taxes, including Wayfair and Amazon. However, out-of-state retailers, who have no physical presence in California and no agreements with affiliates, are not required to collect California sales and use tax. On December 11, 2018, the California Department of Tax and Fee Administration (CDTFA) announced that beginning April 1, 2019, out of state retailers with sales for delivery into California exceeding \$100,000 or with 200 or more separate transactions must collect and remit sales tax. These are the same thresholds in place in South Dakota that were reviewed by the United States Supreme Court in the

Wayfair decision. It appears unlikely that Congress will adopt uniform national standards absent substantive issues at the state level, therefore the City expects actions adopted at the state level will remain in effect for the foreseeable future. The adopted budget does not assume revenue changes from this ruling or CDTFA action, however, it is likely to have a modest positive impact in the short term given the demographics and shopping patterns of City residents.

Table A-12 reflects the City's actual sales and use tax receipts for fiscal years 2014-15 through 2016-17, unaudited receipts for fiscal year 2017-18, and budgeted receipts for fiscal year 2018-19 and 2019-20. The fiscal year 2014-15 and 2015-16 figures include the imputed impact of the property tax shift made in compensation for the one-quarter sales tax revenue taken by the State's "Triple Flip."

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2014-15 through 2019-20
(000s)

Fiscal Year ¹	Tax Rate	City Share	Revenue	Change	
2014-15	8.75%	0.75%	140,146	6,441	4.8%
2014-15 adj. ²	8.75%	1.00%	186,891	9,592	5.4%
2015-16	8.75%	0.75%	167,915	27,769	19.8%
2015-16 adj. ³	8.75%	1.00%	204,118	17,227	9.2%
2016-17	8.75%	1.00%	189,473	(14,645)	-8.7%
2017-18 <i>unaudited</i> ⁴	8.50%	1.00%	192,945	3,472	1.8%
2018-19 <i>budgeted</i> ⁵	8.50%	1.00%	196,870	3,925	2.0%
2019-20 <i>budgeted</i> ⁵	8.50%	1.00%	198,840	1,970	1.0%

¹ Figures for fiscal year 2014-15 through fiscal year 2016-17 are audited actuals. In November 2012 voters approved Proposition 30, which temporarily increased the state sales tax rate by 0.25% effective January 1, 2013 through December 31, 2016. The City share did not change.

² Adjusted figures represent the value of the entire 1.00% local sales tax, which was reduced by 0.25% beginning in fiscal year 2004-05 through December 31, 2015 in order to repay the State's Economic Recovery Bonds as authorized under Proposition 57 in March 2004. This 0.25% reduction is backfilled by

³ The 2015-16 adjusted figures include the State's final payment to the counties for the lost 0.25% of sales tax, from July 1, 2015 through December 31, 2015. It also includes a true-up payment for April through

⁴ Figures for fiscal year 2017-18 are unaudited.

⁵ Figures for fiscal year 2018-19 and 2019-20 are Original Budget amounts.

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

Utility Users Tax

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

Unaudited fiscal year 2017-18 Utility User Tax ("UUT") revenues of \$94.5 million represent a decline of \$6.7 million (6.7%) from fiscal year 2016-17. Fiscal year 2018-19 UUT revenues are budgeted at \$99.1 million, a \$4.6 million (4.9%) increase from the 2017-18 unaudited revenues. Fiscal year 2019-20 revenues are budgeted at \$100.0 million, a \$0.9 million (1.0%) increase from the prior year budget.

Access Line Tax

The City imposes an Access Line Tax ("ALT") on every person who subscribes to telephone communications services in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. It applies to each telephone line in the City and is collected from telephone communications service subscribers by the telephone service supplier. Unaudited access Line Tax revenue for fiscal year 2017-18 of \$51.3 million represents a \$4.7 million (10.2%) increase over fiscal year 2016-17. Fiscal year 2018-19 revenue is budgeted at \$51.9 million, a \$0.6 million (1.2%) increase from fiscal year 2017-18 unaudited revenues. Fiscal year 2019-20 revenue is budgeted at \$53.5 million, a \$1.6 million (3.2%) increase from the prior year. Budgeted amounts in fiscal year 2018-19 assume annual inflationary increases to the access line tax rate as allowed under Business and Tax Regulation Code Section 784.

Sugar Sweetened Beverage Tax

On November 9, 2016 voters adopted Proposition V, a one cent per ounce tax on the distribution of sugary beverages. This measure took effect on January 1, 2018 and raised \$7.9 million in fiscal year 2017-18 (unaudited), \$0.4 million (5.5%) over budget. Fiscal year 2018-19 and 2019-20 revenues are budgeted at a combined \$15.0 million, a slight decline from annualized fiscal year 2017-18 amounts.

Parking Tax

A 25% tax is imposed on the charge for off-street parking spaces. The tax is paid by occupants and remitted monthly to the City by parking facility operators. Historically, parking tax revenue was positively correlated with business activity and employment, both of which are projected to increase over the next two years as reflected in increases in business and sales tax revenue projections. However, widespread use of ride-sharing services and redevelopment of surface lots and parking garages into office and other uses have led to declines in this source over the past two fiscal years.

Unaudited fiscal year 2017-18 parking tax revenue of \$83.5 million represents a \$0.8 million (0.9%) decrease from fiscal year 2016-17 revenue. Parking tax revenue is budgeted at \$85.5 million in fiscal year 2018-19 and fiscal year 2019-20, a \$2.0 million (2.5%) increase from unaudited fiscal year 2017-18 revenues.

Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit as mandated by Charter Section 16.110.

INTERGOVERNMENTAL REVENUES

State – Realignment

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

1991 Health & Welfare Realignment. In fiscal year 2017-18, the (unaudited) General Fund share of 1991 realignment revenue of \$197.9 million represents a \$5.8 million (3.0%) increase from

fiscal year 2016-17. The fiscal years 2018-19 and 2019-20 General Fund share of these revenues is budgeted at \$209.1 million and \$215.5 million, a net increase of \$11.2 million (5.6%) and \$6.4 million (3.1%) from the respective prior year, based on projected sales tax and VLF growth payments.

Since fiscal year 2014-15, the State has assumed that under the Affordable Care Act (ACA), counties will realize savings as a result of treating fewer uninsured patients. The State redirects these savings from realignment allocations to cover CalWORKs expenditures previously paid for by the State's General Fund. In fiscal year 2018-19, reductions to the City's allocation are assumed at \$12.0 million. However, they are projected to be offset by the true up payments from the State for fiscal year 2015-16. The fiscal year 2019-20 budget makes the same assumption as fiscal year 2018-19, projecting reductions to the City's allocation that are fully offset by true up payments from fiscal year 2016-17. Future budget adjustments could be necessary depending on final State determinations of ACA savings amounts, which are expected in January 2020 and January 2021 for fiscal year 2017-18 and fiscal year 2018-19, respectively. The fiscal year 2018-19 and 2019-20 realignment budget assumes the redirection of sales tax and VLF growth distributions from health and mental health allocations to social service allocations, consistent with IHSS assumptions enacted in the Governor's 2018-19 budget.

Public Safety Realignment. Public Safety Realignment (AB 109), enacted in early 2011, transfers responsibility for supervising certain kinds of felony offenders and state prison parolees from state prisons and parole agents to county jails and probation officers. Unaudited fiscal year 2017-18 revenue of \$37.4 million represents a \$2.1 million (5.5%) increase from fiscal year 2016-17 actuals. Based on the State's adopted budget for fiscal year 2018-19, this revenue is budgeted at \$39.0 million in fiscal year 2018-19, a \$1.6 million (4.2%) increase over fiscal year 2017-18, reflecting increased State funding to support implementation of AB109. The fiscal year 2019-20 budget assumes a \$1.2 million (3.1%) increase from the fiscal year 2018-19 budget.

Public Safety Sales Tax

State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. This revenue is a function of the City's proportionate share of Statewide sales activity. Unaudited fiscal year 2017-18 revenue of \$104.9 million represents a \$4.4 million (4.4%) increase from fiscal year 2016-17 revenues. In fiscal years 2018-19 and 2019-20, this revenue is budgeted at \$104.7 million and \$106.2 million, respectively, essentially flat in 2018-19 and representing growth of \$1.6 million (1.5%) in fiscal year 2019-20. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above and are used to fund police and fire services. Disbursements are made to counties based on the county ratio, which is the county's percent share of total statewide sales taxes in the most recent calendar year. The county ratio for San Francisco in fiscal year 2016-17 is almost 3% and is expected to decline slightly in fiscal years 2017-18, 2018-19, and 2019-20.

Other Intergovernmental Grants and Subventions

In addition to those categories listed above, the City received \$626.37 million (unaudited) of funds in fiscal year 2017-18 from grants and subventions from the State and federal governments to fund public health, social services and other programs in the General Fund. This represents a \$3.8 million (0.6%) decrease from fiscal year 2016-17. The fiscal year 2018-19 budget of \$686.7 million is an increase of \$64.1 million (10.3%) over fiscal year 2017-18. The fiscal year 2019-20 budget is \$698.2 million, an increase of \$11.5 million (1.7%) over fiscal year 2018-19.

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

Unique among California cities, San Francisco as a charter city and county must provide the services of both a city and a county. Public services include police, fire and public safety; public health, mental health and other social services; courts, jails, and juvenile justice; public works, streets, and transportation, including port and airport; construction and maintenance of all public buildings and facilities; water, sewer, and power services; parks and recreation; libraries and cultural facilities and events; zoning and planning, and many others. Employment costs are relatively fixed by labor and retirement agreements, and account for approximately 50% of all City expenditures. In addition, the Charter imposes certain baselines, mandates, and property tax set-asides, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including MTA, children's services and public education, and libraries. Budgeted baseline and mandated funding is \$1.5 billion in fiscal year 2018-19 and \$1.5 billion in fiscal year 2019-20.

General Fund Expenditures by Major Service Area

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

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO					
Expenditures by Major Service Area					
Fiscal Years 2015-16 through 2019-20					
(000s)					
Major Service Areas	2015-16 Final Budget	2016-17 Final Budget	2017-18 Original Budget ¹	2018-19 Original Budget	2019-20 Original Budget
Public Protection	\$1,223,981	\$1,298,185	\$1,331,196	\$1,403,620	\$1,453,652
Human Welfare & Neighborhood Development	857,055	176,768	995,230	1,053,814	1,083,329
Community Health	787,554	970,679	884,393	943,631	893,763
General Administration & Finance	286,871	786,218	358,588	391,900	418,497
Culture & Recreation	137,062	158,954	162,622	165,784	166,575
General City Responsibilities	186,068	349,308	152,390	183,159	188,171
Public Works, Transportation & Commerce	161,545	154,344	170,949	183,703	170,150
Total*	\$3,640,137	\$3,894,456	\$4,055,368	\$4,325,611	\$4,374,137

*Total may not add due to rounding

¹ Fiscal year 2017-18 Final Revised Budget will be available upon release of the fiscal year 2017-18 CAFR.

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

Public Protection primarily includes the Police Department, the Fire Department and the Sheriff's Office. These departments are budgeted to receive \$485 million, \$255 million and \$193 million of General Fund support respectively in fiscal year 2018-19 and \$514 million, \$265 million, and \$193 million, respectively in fiscal year 2019-20. Within Human Welfare & Neighborhood Development, the Department of Human Services, which includes aid assistance and aid payments and City grant programs, is budgeted to receive \$272 million of General Fund support in the fiscal year 2018-19 and \$286 million in fiscal year 2019-20.

The Public Health Department is budgeted to receive \$738 million in General Fund support for public health programs and the operation of San Francisco General Hospital and Laguna Honda Hospital in fiscal year 2018-19 and \$751 million in fiscal year 2019-20.

For budgetary purposes, enterprise funds are characterized as either self-supported funds or General Fund-supported funds. General Fund-supported funds include the Convention Facility Fund, the Cultural and Recreation Film Fund, the Gas Tax Fund, the Golf Fund, the Grants Fund, the General Hospital Fund, and the Laguna Honda Hospital Fund. The MTA is classified as a self-supported fund, although it receives an annual general fund transfer equal to 80% of general fund parking tax receipts pursuant to the Charter. This transfer is budgeted to be \$68.4 million in both fiscal years 2017-18 and 2018-19.

Baselines

The Charter requires funding for baselines and other voter-mandated funding requirements. The chart below identifies the required and budgeted levels of funding for key baselines and mandates. Revenue-driven baselines are based on the projected aggregate City discretionary revenues, whereas expenditure-driven baselines are typically a function of total spending. Table A-14 reflects fiscal year 2018-19 spending requirements at the time the fiscal year 2018-19 and fiscal year 2019-20 budget was finally adopted.

[Remainder of Page Intentionally Left Blank]

TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO
Baselines & Set-Asides
Fiscal Year 2018-19
(millions)

Baselines & Set-Asides	2018-19 Required Baseline	2018-19 Original Budget
<u>Municipal Transportation Agency (MTA)</u>		
Municipal Railway Baseline	\$244.6	\$244.6
Parking and Traffic Baseline	\$91.7	\$91.7
Population Adjustment	\$50.9	\$50.9
Children's Services	\$176.7	\$182.2
Transitional Aged Youth	\$21.2	\$28.1
Library Preservation	\$83.6	\$83.6
Recreation and Park Maintenance of Effort	\$73.2	\$75.5
Dignity Fund	\$47.1	\$47.1
Street Treet Maintenance Fund	\$19.8	\$19.8
City Services Auditor	\$18.8	\$18.8
Human Services Homeless Care Fund	\$17.6	\$17.6
<u>Public Education Enrichment Funding</u>		
Unified School District	\$74.6	\$74.6
Office of Early Care and Education	\$37.3	\$37.3
Public Education Baseline Services	\$10.6	\$10.6
<u>Property Tax Related Set-Asides</u>		
Municipal Symphony	\$3.2	\$3.2
Children's Fund Set-Aside	\$101.7	\$101.7
Library Preservation Set-Aside	\$63.6	\$63.6
Open Space Set-Aside	\$63.6	\$63.6
<u>Staffing and Service-Driven</u>		
Police Minimum Staffing	Requirement met	
Total Baseline Spending	\$1,199.8	\$1,214.6

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

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

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents slightly less than half of the City's expenditures, totaling \$5.2 billion in the fiscal year 2018-19 Original Budget (all-funds), and \$5.4 billion in the fiscal year 2019-20 Original Budget. Looking only at the General Fund, the combined salary and benefits budget was \$2.3 billion in the fiscal year 2017-18 Original Budget and \$2.4 billion in the fiscal year 2018-19 Original Budget. This section discusses the organization of City workers into bargaining units, the status of employment contracts, and City expenditures on employee-related costs including salaries, wages, medical benefits, retirement benefits and the City's retirement system, and post-retirement health and medical benefits. Employees of SFUSD, SFCCD and the San Francisco Superior Court are not City employees.

Labor Relations

The City's budget for fiscal years 2018-19 and 2019-20 includes 31,220 and 31,579 budgeted and funded City positions, respectively. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021 ("SEIU"), the International Federation of Professional and Technical Engineers, Local 21 ("IFPTE"), and the unions representing police, fire, deputy sheriffs, and transit workers.

The wages, hours and working conditions of City employees are determined by collective bargaining pursuant to State law (the Meyers-Milias-Brown Act, California Government Code Sections 3500-3511) and the City Charter. San Francisco is unusual among California's cities and counties in that nearly all of its employees, even managers, are represented by labor organizations. Further, the City Charter provides a unique impasse resolution procedure. In most cities and counties, when labor organizations cannot reach agreement on a new contract, there is no mandatory procedure to settle the impasse. However, in San Francisco, nearly all of the City's contracts advance to interest arbitration in the event the parties cannot reach agreement. This process provides a mandatory ruling by an impartial third-party arbitrator, who will set the terms of the new agreement. Except for nurses and less than one-hundred unrepresented employees, the Charter requires that bargaining impasses be resolved through final and binding interest arbitration conducted by a tripartite mediation and arbitration panel. The award of the arbitration panel is final and binding. Wages, hours and working conditions of nurses are not subject to interest arbitration but are subject to Charter-mandated economic limits. Strikes by City employees are prohibited by the Charter. Since 1976, no City employees have participated in a union-authorized strike.

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

In February 2017, the City negotiated two-year contract extensions (for fiscal years 2017-18 and 2018-19) with most of its labor unions. The parties agreed to a wage increase schedule of 3% on July 1, 2017 and 3% on July 1, 2018, with a provision to delay the fiscal year 2018-19 adjustment by six months if the City's deficit for fiscal year 2018-2019, as projected in the March 2018 Update to the Five Year Financial Plan, exceeds \$200 million (the March 2018 Update projected a \$37.9 million deficit for fiscal year 2018-19). MTA and TWU, along with unions representing MTA service critical employees, agreed to two-year contract extensions with the same wage provisions and term as those contracts covering City employees. The agreement with supervising nurses expires in June 2019.

In May 2018, the City negotiated three-year agreements (for fiscal years 2018-19 through 2020-21) with the Police Officers' Association ("POA") and the Municipal Executives' Association ("MEA") –

Police Chiefs. The POA contract was resolved through interest arbitration. The POA and MEA – Police contracts included a wage schedule increase of 3% (July 1, 2018), 3% (July 1, 2019), 2% (July 1, 2020), and 1% (January 1, 2021). The final two increases are subject to a six-month delay if the March 2020 Five-Year Financial Plan update projects a budget deficit of more than \$200 million.

The City also negotiated three-year agreements with the Firefighters Local 798 (“798”) and the MEA – Fire Chiefs in May 2018. The 798 contract was a mediated arbitration award. The 798 and MEA – Fire contracts included a wage schedule increase of 3% (July 1, 2018), 3% (July 1, 2019), and 3% (July 1, 2020). The final increase is subject to a six-month delay if the March 2020 Five-Year Financial Plan projects a budget deficit of more than \$200 million.

Also, in May 2018, the City negotiated contract extensions with the Union of American Physicians and Dentists (“UAPD”) and SEIU – H-1 Fire Rescue Paramedics. UAPD agreed to a one-year extension with a wage increase of 3% on July 1, 2018. The H-1 Fire Rescue Paramedics agreed to a two-year extension with a wage increase schedule of 3% (July 1, 2018) and 3% (July 1, 2019).

Except for the safety unions, the City will negotiate new contracts with all unions in the Spring of 2019. The MTA will also negotiate new contracts at that time. The MTA is responsible for negotiating contracts for the transit operators and employees in service-critical bargaining units pursuant to Charter Section 8A.104. These contracts are subject to approval by the MTA Board. Table A-15 shows the membership of each operating employee bargaining unit and the date the current labor contract expires.

[Remainder of Page Intentionally Left Blank]

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of July 1, 2018

Organization	City Budgeted Positions	Expiration Date of MOU
Auto Machinist, Lodge 1414	495	30-Jun-19
BrickLayers, Local 3 / Hod Carriers, Local 36	10	30-Jun-19
Building Inspectors Association	93	30-Jun-19
CAIR/CIR (Interns & Residents)	0	30-Jun-21
Carpenters, Local 22	114	30-Jun-19
Carpet, Linoleum & Soft Tile	3	30-Jun-19
Cement Masons, Local 300	45	30-Jun-19
Electrical Workers, Local 6	949	30-Jun-19
Firefighters, Local 798	1,887	30-Jun-21
Glaziers, Local 718	13	30-Jun-19
Hod Carriers, Local 36	8	30-Jun-19
Iron Workers, Local 377	15	30-Jun-19
Laborers, Local 261	1,141	30-Jun-19
Municipal Attorneys Association	470	30-Jun-19
Municipal Exec Assoc - Fire	9	30-Jun-21
Municipal Exec Assoc - Misc	1,390	30-Jun-19
Municipal Exec Assoc - Police	16	30-Jun-21
Operating Engineers, Local 3	65	30-Jun-19
Physician/Dentists, UAPD	204	30-Jun-19
Pile Drivers, Local 34	37	30-Jun-19
Plasterers & Shphnds, Local 66	0	30-Jun-19
Plumbers, Local 38	350	30-Jun-19
Police Officers Association	2,584	30-Jun-21
Prof & Tech Eng, Local 21	6,254	30-Jun-19
Roofers, Local 40	13	30-Jun-19
SEIU 1021, H-1 Paramedics	1	30-Jun-20
SEIU 1021, Misc.	12,547	30-Jun-19
SEIU 1021, Staff & Per Diem RNs	1,720	30-Jun-19
SF City Workers United	133	30-Jun-19
SF Deputy Sheriffs Assn	819	30-Jun-19
SF Probation Off Assoc	153	30-Jun-19
SF Sheriff's Managers and Supv	109	30-Jun-19
SFDA Investigators Assn	45	30-Jun-19
SFIPOA, Op Eng, Local 3	1	30-Jun-19
Sheet Metal Workers, Local 104	41	30-Jun-19
Stationary Engineers, Local 39	694	30-Jun-19
Sup Probation Ofcr, Op Eng 3	32	30-Jun-19
Teamsters, Local 853	174	30-Jun-19
Teamsters, Local 856 Multi-Unit	111	30-Jun-19
Teamsters, Local 856 Spv Nurses	127	30-Jun-19
Theatrical Stage Emp, Local 16	27	30-Jun-19
TWU Local 200	374	30-Jun-19
TWU Local 250-A, AutoServWrkr	141	30-Jun-19
TWU Local 250-A, Misc	110	30-Jun-19
TWU Local 250-A, TranFareInsp	50	30-Jun-19
TWU Local 250-A, TransitOpr	2,615	30-Jun-19
Unrepresented Employees	89	30-Jun-19
	36,276 ¹	

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

Budgeted positions include authorized positions that are not currently funded.

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

San Francisco City and County Employees' Retirement System ("SFERS" or "Retirement System")

History and Administration

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

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

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

In 2014, the Retirement System filed an application with the Internal Revenue Service ("IRS") for a Determination Letter. In July 2014, the IRS issued a favorable Determination Letter for SFERS. Issuance of a Determination Letter constitutes a finding by the IRS that operation of the defined benefit plan in accordance with the plan provisions and documents disclosed in the application qualifies the plan for federal tax-exempt status. A tax qualified plan also provides tax advantages to the City and to members of the Retirement System. The favorable Determination Letter included IRS review of all SFERS provisions, including the provisions of Proposition C approved by the City voters in November 2011. This 2014 Determination Letter has no operative expiration date pursuant to Revenue Procedure 2016-37. The IRS does not intend to issue new determination letters except under special exceptions.

Membership

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

The Retirement System estimates that the total active membership as of July 1, 2017 is 41,867, compared to 40,051 at July 1, 2016. Active membership at July 1, 2017 includes 7,381 terminated vested members and 1,039 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. Monthly retirement allowances are paid to approximately 29,127 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-16 shows total Retirement System participation (City, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2013 through July 1, 2017.

TABLE A-16

**City and County of San Francisco
Employees' Retirement System
July 1, 2013 through July 1, 2017**

As of July 1st	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
2013	28,717	4,933	1,040	34,690	26,034	1.103
2014	29,516	5,409	1,032	35,957	26,852	1.099
2015	30,837	5,960	1,024	37,821	27,485	1.122
2016	32,406	6,617	1,028	40,051	28,286	1.146
2017	33,447	7,381	1,039	41,867	29,127	1.148

Sources: SFERS' annual Actuarial Valuation Report dated July 1st.
See <http://mysfers.org/resources/publications/sfers-actuarial-valuations/>. The information therein is not incorporated by reference in this Official Statement.

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

Funding Practices

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

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

At the November 2018 Retirement Board meeting, the Board voted to lower the assumed long-term investment earnings assumption from 7.50% to 7.40%, maintain the long-term wage inflation assumption at 3.50%, and lower the long-term consumer price inflation assumption from 3.00% to 2.75%. These economic assumptions will be in effect for the July 1, 2018 actuarial valuation. The Board had previously lowered the long-term wage inflation assumption from 3.75% to 3.50% at its November 2017 meeting effective for the July 1, 2017 actuarial valuation. In November 2015 the Board voted to update demographic assumptions, including mortality, after review of a new demographic assumptions study by the consulting actuarial firm.

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

Prospective purchasers of the City's debt obligations should carefully review and assess the assumptions

regarding the performance of the Retirement System. Audited financials and actuarial reports may be found on the Retirement System's website, mysfers.org, under Publications. The information on such website is not incorporated herein by reference. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the City's debt obligations are cautioned that the information and assumptions speak only as of the respective dates contained in the underlying source documents and are therefore subject to change.

Employer Contribution History and Annual Valuations

Fiscal year 2015-16 total City employer contributions were \$496.3 million which included \$215.2 million from the General Fund. Fiscal year 2016-17 total City employer contributions were \$519.1 million which included \$230.1 million from the General Fund. For fiscal year 2017-18, total City employer contributions to the Retirement System are budgeted at \$568.7 million which includes \$265.8 million from the General Fund. These budgeted amounts are based upon the fiscal year 2017-18 employer contribution rate of 23.46% (estimated to be 20.1% after taking into account the 2011 Proposition C cost-sharing provisions). The fiscal year 2018-19 employer contribution rate is 23.31% (estimated to be 19.8% after cost-sharing). The slight decrease in employer contribution rate from 23.46% to 23.31% reflects investment returns better than assumed and the reduction in wage inflation from 3.75% to 3.50% offset by a new Supplemental COLA effective July 1, 2017 and the continued phase-in of the 2015 assumption changes approved by the Retirement Board. As discussed under "City Budget – Five Year Financial Plan" increases in retirement costs are projected in the City's Five Year Financial Plan.

Table A-17 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2012-13 through 2016-17. Information is shown for all employers in the Retirement System (City, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the total of mandated employee contributions and employer contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

[Remainder of Page Intentionally Left Blank]

TABLE A-17

City and County of San Francisco
Employees' Retirement System
Fiscal Years 2012-13 through 2016-17
(000s)

As of July 1st	Actuarial Liability	Market Value of Assets	Actuarial Value of Assets	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contributions in prior FY	Employer Contribution Rates ¹ in prior FY
2013	\$20,224,777	\$17,011,545	\$16,303,397	84.1%	80.6%	\$701,596	20.71%
2014	21,122,567	19,920,607	18,012,088	94.3	85.3	821,902	24.82
2015	22,970,892	20,428,069	19,653,339	88.9	85.6	894,325	26.76
2016	24,403,882	20,154,503	20,654,703	82.6	84.6	849,569	22.80
2017	25,706,090	22,410,350	22,185,244	87.2	86.3	868,653	21.40

¹ Employer contribution rates for fiscal years 2017-18 and 2018-19 are 23.46% and 23.31%, respectively.

Sources: SFERS' audited year-end financial statements and required supplemental information.
SFERS' annual Actuarial Valuation Report dated July 1st.
see <http://mysfers.org/resources/publications/>. The information on such website is not incorporated hereinto by reference.

Note: Information above reflects entire Retirement System, not just the City and County of San Francisco.

As shown in the table above as of July 2017, the Market Percent Funded ratio is higher than the Actuarial Percent Funded ratio in 2017. The Actuarial Percent Funded ratio does not yet fully reflect the net asset gains from the last five fiscal years.

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

Governmental Accounting Standards Board ("GASB") Disclosures

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

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

is that Total Pension Liability includes a provision for Supplemental COLAS that may be granted in the future, while Actuarial Liability for funding purposes includes only Supplemental COLAS that have been already been granted.

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

TABLE A-17A

City and County of San Francisco Employees' Retirement System GASB 67/68 Disclosures Fiscal Years 2012-13 through 2016-17 (000s)						
As of June 30th	Collective Total Pension Liability (TPL)	Discount Rate	Plan Fiduciary Net Position	Plan Net Position as % of TPL	Collective Net Pension Liability (NPL)	City and County's Proportionate Share of NPL
2013	\$20,785,417	7.52 %	\$17,011,545	81.8 %	\$3,773,872	\$3,552,075
2014	21,691,042	7.58	19,920,607	91.8	1,770,435	1,660,365
2015	22,724,102	7.46	20,428,069	89.9	2,296,033	2,156,049
2016	25,967,281	7.50	20,154,503	77.6	5,812,778	5,476,653
2017	27,403,715	7.50	22,410,350	81.8	4,993,365	4,697,131

Sources: SFERS fiscal year-end GASB 67/68 Reports as of June 30, 2013, 2014, 2015, 2016 and 2017.

Notes: Collective amounts include all employees (City and County, SFUSD, SFCCD, Superior Courts)

The fiscal year 2017 decline in the City's net pension liability is due to investment return during the fiscal year that exceeded the assumed 7.50%.

[Remainder of Page Intentionally Left Blank]

Asset Management

The assets of the Retirement System, (the "Fund") are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships. For a breakdown of the asset allocation as of June 30, 2017, see Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017," page 63.

Annualized investment returns (net of fees and expenses) for the Retirement System for the five years ending June 30, 2017 were 9.98%. For the ten-year and twenty-year periods ending June 30, 2017, annualized investment returns were 5.40% and 7.46% respectively.

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

2011 Voter Approved Changes to the Retirement Plan

The levels of SFERS plan benefits are established under the Charter and approved directly by the voters, rather than through the collective bargaining process. Changes to retirement benefits require a voter-approved Charter amendment. As detailed below, the most recent changes to SFERS plan benefits have been intended to reduce pension costs associated with future City employees.

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

1. New SFERS benefit plans for Miscellaneous and Safety employees commencing employment on or after January 7, 2012, which raise the minimum service retirement age for Miscellaneous members from 50 to 53; limit covered compensation to 85% of the IRC §401(a)(17) limits for Miscellaneous members and 75% of the IRC §401(a)(17) limits for Safety members; calculate final compensation using highest three-year average compensation; and decrease vesting allowances for Miscellaneous members by lowering the City's funding for a portion of the vesting allowance from 100% to 50%;
2. Employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;
3. Cost-sharing provisions which increase or decrease employee contributions to SFERS on and after July 1, 2012 for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. For example, Miscellaneous employees hired on or after November 2, 1976 pay a Charter-mandated employee contribution rate of 7.5% before-cost-sharing. However, after cost-sharing those who earn between \$50,000 and \$100,000 per year pay a fluctuating rate in the range of 3.5% to 11.5 and those who earn \$100,000 or more per year pay a fluctuating rate in the range of 2.5% to 12.5%. Similar fluctuating employee contributions are also required from Safety employees; and

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

A retiree organization has brought a legal action against the requirement in Proposition C that SFERS be fully funded in order to pay the Supplemental COLA. In that case, *Protect our Benefits (POB) v. City of San Francisco* (1st DCA Case No. A140095), the Court of Appeals held that changes to the Supplemental COLA adopted by the voters in November 2011 under Proposition C could not be applied to current City employees and those who retired after November 1996 when the Supplemental COLA provisions were originally adopted, but could be applied to SFERS members who retired before November 1996. This decision is now final and its implementation increased the July 1, 2016 unfunded actuarial liability by \$429.3 million for Supplemental COLAs granted retroactive to July 1, 2013 and July 1, 2014.

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

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

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

As of June 30, 2017, the audited market value of Retirement System assets was \$22.4 billion. As of December 31, 2018, the unaudited market value of SFERS' portfolio was \$24.1 billion. These values represent, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be more or less. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are audited at each fiscal year end as part of the annual audit of the Retirement System's financial statements.

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

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

Other Employee Retirement Benefits

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates determined by the CalPERS board. Such payment from the General Fund equaled \$19.2 million in fiscal year 2012-13 and \$20.0 million in fiscal year 2013-14. For fiscal year 2014-15, the City prepaid its annual CalPERS obligation at a level of \$25.2 million. Further discussion of the City's CalPERS plan obligations is summarized in Note 9 to the City's CAFR, as of June 30, 2017, attached to this Official Statement as Appendix B. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – *Post-Employment Health Care Benefits and GASB 45.*"

Medical Benefits

Administration through San Francisco Health Service System; Audited System Financial Statements

Medical and COBRA benefits for eligible active City employees and eligible dependents, for retired City employees and eligible dependents, and for surviving spouses and domestic partners of covered City employees (the "City Beneficiaries") are administered by the San Francisco Health Service System (the "San Francisco Health Service System" or "SFHSS") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the San Francisco Health Service System also administers medical benefits to active and retired employees of SFUSD, SFCCD and the San Francisco Superior Court (collectively the "System's Other Beneficiaries"). However, the City is not required to fund medical benefits for the System's Other Beneficiaries and therefore this section focuses on the funding by the City of medical and dental benefits for City Beneficiaries.

The San Francisco Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The seven member Health Service Board is composed of members including a seated member of the City's Board of Supervisors, appointed by the Board President; an individual who regularly consults in the health care field, appointed by the Mayor; a doctor of medicine, appointed by the Mayor; a member nominated by the Controller and approved by the Health Service Board, and three members of the San Francisco Health Service System, active or retired, elected from among their members. The plans (the "SFHSS Medical Plans") for providing medical care to the City Beneficiaries and the System's Other Beneficiaries (collectively, the "SFHSS Beneficiaries") are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

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

As presently structured under the City Charter, the Health Service Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "Other Post-Employment Benefits Trust Fund"). Thus, the Health Service Trust Fund is not currently affected by GASB Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 45"), or GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which applies to OPEB trust funds.

Determination of Employer and Employee Contributions for Medical Benefits

According to the City Charter Section A8.428, the City's contribution towards SFHSS Medical Plans for active employees and retirees is determined by the results of a survey annually of the amount of premium contributions provided by the 10 most populous counties in California (other than the City). The survey is commonly called the 10-County Average Survey and is used to determine "the average contribution made by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County." Under City Charter Section A8.428, the City is required to contribute to the Health Service Trust Fund an amount equal to such "average contribution" for each City Beneficiary.

In the Memoranda of Understandings negotiated through collective bargaining in June 2014, the 10-County Average was eliminated in the calculation of premiums for active employees represented by most unions and exchanged for a percentage-based employee premium contribution. The long-term impact of the premium contribution model is anticipated to be a reduction in the relative proportion of the projected increases in the City's contributions for healthcare, stabilization of the medical plan membership and maintenance of competition among plans. The contribution amounts are paid by the City into the Health Service Trust Fund. The 10-County Average is still used as a basis for calculating all retiree premiums. To the extent annual medical premiums exceed the contributions made by the City as required by the Charter and union agreements, such excess must be paid by SFHSS Beneficiaries or, if elected by the Health Service Board, from net assets also held in the Health Service Trust Fund. Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and surviving domestic partners of City retirees) ("Nonemployee City Beneficiaries") are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The San Francisco Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under "*Post-Employment Health Care Benefits and GASB 45.*"

Contributions relating to Nonemployee City Beneficiaries are also based on the negotiated methodologies found in most of the union agreements and, when applicable, the City contribution of the "10-County average contribution" corresponding to such Nonemployee City Beneficiaries as described in Charter Section A8.423 along with the following:

Monthly contributions from Nonemployee City Beneficiaries in amounts equal to the monthly contributions required from active employees excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining. However, such monthly contributions from Nonemployee City Beneficiaries covered under Medicare are reduced by an amount equal to the amount contributed monthly by such persons to Medicare. In addition to the 10-County Average contribution, the City contributes additional amounts in respect of the Nonemployee City Beneficiaries sufficient to defray the difference in cost to the San Francisco Health Service System in providing the same health coverage to Nonemployee City Beneficiaries as is provided for active employee City Beneficiaries, excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining.

After application of the calculations described above, the City contributes 50% of monthly contributions required for the first dependent.

City Contribution for Retirees

The City contributes the full employer contribution amount for medical coverage for eligible retirees who were hired on or before January 9, 2009. For retirees who were hired on or after January 10, 2009, there are five coverage / employer contribution classifications based on certain criteria outlined in the table below. In 2019, the provision for retirees who have at least 10 but less than 15 years of Credited Service with the Employers will apply for the first time.

Retiree Medical Coverage / Employer Contribution for Those Hired On or After January 10, 2009	
Years of Credited Service at Retirement	Percentage of Employer Contribution Established in Charter Section A8.428 Subsection (b)(3)
Less than 5 year of Credited Service with the Employers (except for the surviving spouses or surviving domestic partners of active employees who died in the line of duty)	No Retiree Medical Benefits Coverage
At least 5 but less than 10 years of Credited Service with the Employers; or greater than 10 years of Credited Service with the Employers but not eligible to receive benefits under Subsections (a)(4), (b)(5) (A8.428 Subsection (b)(6))	0% - Access to Retiree Medical Benefits Coverage. Including Access to Dependent Coverage
At least 10 but less than 15 years of Credited Service with the Employers (AB.428 Subsection (b)(5))	50%
At least 15 but less than 20 years pf Credited Service with the Employers (AB.428 Subsection (b)(5))	75%
At least 20 years of Credited Service with the Employer; Retired Persons who retired for disability; surviving spouses or surviving domestic partners of active employees who died in the line of duty (AB.428 Subsection (b)(4))	100%

Health Care Reform

The following discussion is based on the current status of the Patient Protection and Affordable Care Act (the "ACA"). Many attempts have been made to completely repeal the ACA, however full repeal has been unsuccessful thus far. Two pieces of legislation, passed by Congress in December 2017 and January 2018, respectively, have amended and repealed some of the fiscal requirements of the law.

In December 2017, Congress passed the Tax Cuts and Jobs Act (the "ACT"). The ACT eliminated the ACA's individual mandate penalty effective beginning after December 31, 2018. This does not end the mandate, rather eliminates the tax penalty for violating the mandate. The ACA mandate that requires employers, with 50 or more full-time employees, to offer full-time workers ACA-compliant health coverage is still in

place. Eligibility for health benefits is offered to employees who are employed, on average, at least 20 hours of service per week. In addition, the employer reporting obligations under the ACA remains unchanged. In January 2018, approximately 50,000 1095 forms were distributed to SFHSS members documenting compliance to this mandate.

The potential impact with the repeal of the individual mandate may: 1) increase uncompensated care costs, which is generally passed onto plan sponsors, employers and other payers, 2) destabilize the individual market leading to more employees and dependents electing high cost, limit duration COBRA benefits instead of buying coverage elsewhere, and 3) limit the opportunity for plan sponsors/employers to leverage the healthcare marketplace as a coverage vehicle for groups such as part-time employees or pre-65 retirees. In addition, the overall cost of health care may increase as a result of changes in risk pools due to the young, healthy population not electing coverage.

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

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

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

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

The ACA also imposed a tax on health insurance providers, which was passed on to employer sponsored fully-insured plans in the form of higher premiums. A moratorium on this tax was in place for 2017, and the spending bill passed by Congress in January 2018 includes another moratorium for 2019.

- **Medical Device Excise Tax**

The ACA's medical device excise tax imposes a 2.3 percent tax on sales of medical devices (except certain devices sold at retail). Implementation of the tax is delayed until 2020.

The Patient Centered Outcomes Research Institute ("PCORI") fee is a provision of the Affordable Care Act and sunsets after the 2018 plan year. Beginning in 2013, the PCORI Fee was assessed at the rate of \$2.00 per enrollee per year to all participants in the Self-Insured medical-only plan. The 2018 plan year PCORI fee is \$2.39 per enrollee per year and was factored into the calculation of medical premium rates and premium equivalents for the 2018 plan year. The final payment for the PCORI fee, due in July 2019, will be approximately \$6,000.

State Legislation

Beginning in 2019, the California Managed Care Organization (MCO) Tax will apply to all managed care plans which include the City's Blue Shield plans. The MCO tax was enacted by California Senate Bill X2-2 (Hernandez, Chapter 2, Statutes 2016) effective for the taxing period spanning July 1, 2016 through June 30, 2019. The average fee is \$1.30 per covered life per month for January 2019 until its sunsets and in 2019 the obligation is expected to be approximately \$0.6 million for the City and County of San Francisco.

Local Elections:

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

On June 3, 2008, the San Francisco voters approved Proposition B, a charter amendment that changed the way the City and current and future employees share in funding SFERS pension and health benefits. With regard to health benefits, elected officials and employees hired on or before January 9, 2009, contribute up to 2% of pre-tax compensation toward their retiree health care, and the City contributes up to 1%. The impact of Proposition B on standard retirements occurred in 2014.

Proposition C (2011) City Pension and Health Care Benefit

As mentioned above, on November 8, 2011, the San Francisco voters approved Proposition C, a charter amendment that made additional changes to the way the City and current and future employees share in funding SFERS pension and health benefits. The Proposition limits the 50% coverage for dependents to employees who left the workforces (without retiring) prior to 2001. In addition, the Proposition requires employee hired on or before January 9, 2009 contribute 0.25% of compensation into the Retiree Health Care Trust Fund beginning July 1, 2016. The contribution requirement increased to 0.50% effective July 1, 2017, 0.75% effective July 1, 2018 and will cap out at 1.00% on July 1, 2019. The San Francisco Health Service System is in compliance with Proposition C.

Employer Contributions for San Francisco Health Service System Benefits

For fiscal year 2017-18, based on the most recent audited financial statements, the San Francisco Health Service System received approximately \$758.8 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately \$642.5 million; approximately \$178.5 million of this \$642.5 million amount was for health care benefits for approximately 21,970 retired City employees and their eligible dependents and approximately \$464.0 million was for benefits for approximately 32,597 active City employees and their eligible dependents.

The 2019 aggregate cost of benefits offered by SFHSS to the City increased by 2.47%. This increase is due to several factors including aggressive contracting by SFHSS that maintains competition among the City's vendors, implementing Accountable Care Organizations that reduced utilization and increased use of generic prescription rates and changing the City's Blue Shield plan from a fully-funded to a flex-funded product and implementing a narrow network. Flex-funding allows lower premiums to be set by the City's actuarial consultant, Aon, without the typical margins added by Blue Shield; however, more risk is assumed by the City and reserves are required to protect against this risk. In 2019, the initial estimated aggregate cost of benefits offered by SFHSS to the City, before any negotiations with the plans, show an increase of 7.4%.

Post-Employment Health Care Benefits

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

Proposition A, passed by San Francisco voters on November 5, 2013, restricted the City's ability to

withdraw funds from the retiree health trust fund. The restrictions allow payments from the fund only when two of the three following conditions are met:

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

GASB 45 Reporting Requirements

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

GASB 75 Reporting Requirements

In June 2015, GASB issued Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB 75"). GASB 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with OPEBs. The new standard is effective for periods beginning after June 15, 2017. The City is implementing the provisions of GASB 75 in its audited financial statements for Fiscal Year 2017-18. According to GASB's Summary of GASB 75, GASB 75 will require recognition of the entire OPEB liability, a more comprehensive measure of OPEB expense, and new note disclosures and required supplementary information to enhance decision-usefulness and accountability. The GASB 75 Summary also states that the consistency, comparability, and transparency of the information reported will be improved through the following requirements:

- The use of a discount rate that considers the availability of the OPEB plan's fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources, rather than utilizing only the long-term expected rate of return regardless of whether the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return;
- A single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations;
- Immediate recognition in OPEB expense, rather than a choice of recognition periods, of the effects of changes of benefit terms; and,
- Recognition of OPEB expense that incorporates deferred outflows of resources and deferred inflows of resources related to OPEB over a defined, closed period, rather than a choice between an open or closed period.

City's Estimated Liability

The City is required by GASB 45 to prepare a new actuarial study of its post-retirement benefits obligation every two years. As of July 1, 2014, the most recent actuarial valuation date, the funded status of retiree health care benefits was 1.1%. The actuarial accrued liability for benefits was \$4.26 billion, and the actuarial value of assets was \$49.0 million, resulting in an unfunded actuarial accrued liability ("UAAL") of \$4.21 billion. As of July 1, 2014, the estimated covered payroll (annual payroll of active employees covered by the plan) was \$2.62 billion and the ratio of the UAAL to the covered payroll was 160.8%.

The difference between the estimated annual required contribution ("ARC") and the amount expended on post-retirement medical benefits in any year is the amount by which the City's overall liability for such benefits increases in that year. The City's most recent CAFR estimated that the 2016-17 annual OPEB cost was \$401.4 million, of which the City funded \$175.0 million which caused, among other impacts, the City's long-term liability to increase by \$237.5 million (as shown on the City's balance sheet and below). The annual OPEB cost consists of the ARC, one year of interest on the net OPEB obligation and recognition of one year of amortization of the net OPEB obligation. While GASB 45 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost are recorded as increases or decreases in the net OPEB obligation. See Note 9(b) to the City's CAFR, as of June 30, 2017, included as Appendix B to this Official Statement. Five-year trend information is displayed in Table A-18.

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO			
Five-year Trend			
Fiscal Years 2012-13 to 2016-17 ¹			
(000s)			
Fiscal Year	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
2012-13	\$418,539	38.3%	\$1,607,130
2013-14	353,251	47.2%	1,793,753
2014-15	363,643	46.0%	1,990,155
2015-16	326,133	51.8%	2,147,434
2016-17	401,402	43.6%	2,384,938

¹ Fiscal year 2017-18 will be available upon release of the fiscal year 2017-18 CAFR.

Actuarial projections of the City's OPEB liability will be affected by Proposition B as well as by changes in the other factors affecting that calculation. For example, the City's actuarial analysis shows that by 2031, Proposition B's three-percent of salary funding requirement will be sufficient to cover the cost of retiree health benefits for employees hired after January 10, 2009. See "Retirement System – Recent Voter Approved Changes to the Retirement Plan" above. In accordance with GASB 75, the City's actuarial analysis is updated every two years. As of June 30, 2017, the fund balance in the Retiree Health Care Trust Fund established by Proposition B was \$187.4 million, an increase of 63% versus the prior year. See "– Local Elections: Proposition C (2011)."

Total City Employee Benefits Costs

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

The balance in the Retiree Health Care Trust Fund as of June 30, 2018 is approximately \$240.1 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Table A-19 provides a five-year history for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-19 below provides a summary of the City's employee benefit actual and budgeted costs from fiscal years 2014-15 to fiscal year 2019-20.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO						
Employee Benefit Costs, All Funds						
Fiscal Years 2014-15 through 2019-20						
(000s)						
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual ¹	Actual ¹	Actual ¹	Unaudited ⁴	Budget ⁵	Budget ⁵
SFERS and PERS Retirement Contributions	\$593,619	\$531,821	\$554,956	\$624,482	\$628,601	\$628,601
Social Security & Medicare	171,877	184,530	196,914	\$214,624	\$215,164	\$215,164
Health - Medical + Dental, active employees ²	383,218	421,864	459,772	\$497,541	\$508,108	\$508,108
Health - Retiree Medical ²	146,164	158,939	165,822	\$178,381	\$186,742	\$186,742
Other Benefits ³	18,439	20,827	21,388	\$24,920	\$21,229	\$21,229
Total Benefit Costs	\$1,313,318	\$1,317,981	\$1,398,852	\$1,539,948	\$1,559,844	\$1,559,844

¹ Fiscal year 2014-15 through fiscal year 2016-17 figures are audited actuals.

² Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insurance.

³ "Other Benefits" includes unemployment insurance premiums, life insurance and other miscellaneous employee benefits.

⁴ Fiscal year 2017-18 figures are unaudited actuals. Final actuals will be available upon release of the fiscal year 2017-18 CAFR.

⁵ Figures for fiscal years 2018-19 and 2019-20 are Original Budget amounts.

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

INVESTMENT OF CITY FUNDS

Investment Pool

The Treasurer of the City (the "Treasurer") is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4. In addition to the funds of the City, the funds of various City departments and local agencies located within the boundaries of the City, including the school and community college districts, airport and public hospitals, are deposited into the City and County's Pooled Investment Fund (the "Pool"). The funds are commingled for investment purposes.

Investment Policy

The management of the Pool is governed by the Investment Policy administered by the Office of the Treasurer and Tax Collector in accordance with California Government Code Sections 27000, 53601, 53635, et. al. In order of priority, the objectives of this Investment Policy are safety, liquidity and return on investments. Safety of principal is the foremost objective of the investment program. The investment portfolio maintains sufficient liquidity to meet all expected expenditures for at least the next six months. The Office of the Treasurer and Tax Collector also attempts to generate a market rate of return, without undue compromise of the first two objectives.

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designee; (e) the Chancellor of the Community College District or his/her designee; and (f) Members of the general public. A complete copy of the Treasurer's Investment Policy, dated February 2018, is included as an Appendix to this Official Statement. The Investment Policy is also posted at the Treasurer's website. The information available on such website is not incorporated herein by reference.

Investment Portfolio

As of December 31, 2018, the City's surplus investment fund consisted of the investments classified in Table A- 20, and had the investment maturity distribution presented in Table A-21.

TABLE A-20

City and County of San Francisco
Investment Portfolio
Pooled Funds
As of December 31, 2018

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	\$975,000,000	\$964,127,970	\$964,105,700
Federal Agencies	5,194,930,000	5,190,379,716	5,160,726,787
State and Local Obligations	140,080,225	141,657,723	139,044,262
Public Time Deposits	35,240,000	35,240,000	35,240,000
Negotiable Certificates of Deposit	1,972,838,000	1,972,838,000	1,973,920,123
Commercial Paper	1,018,000,000	1,001,397,123	1,007,217,121
Medium Term Notes	98,463,000	98,305,050	98,167,851
Money Market Funds	468,669,088	468,669,088	468,669,088
Supranationals	829,478,000	825,556,749	824,120,790
Total	\$10,732,698,313	\$10,698,171,419	\$10,671,211,722

December 2018 Earned Income Yield: 2.346%

Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.

TABLE A-21

City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of December 31, 2018

Maturity in Months			Par Value	Percentage
0	to	1	\$1,003,939,088	9.35%
1	to	2	432,000,000	4.03%
2	to	3	302,338,000	2.82%
3	to	4	532,979,000	4.97%
4	to	5	483,880,000	4.51%
5	to	6	683,200,000	6.37%
6	to	12	2,894,311,000	26.97%
12	to	24	2,073,025,000	19.32%
24	to	36	1,570,451,228	14.63%
36	to	48	506,575,000	4.72%
48	to	60	250,000,000	2.33%
			<u>\$10,732,698,316</u>	<u>100.0%</u>

Weighted Average Maturity: 440 Days

Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.

Further Information

A report detailing the investment portfolio and investment activity, including the market value of the portfolio, is submitted to the Mayor and the Board of Supervisors monthly. The monthly reports and annual reports are available on the Treasurer's web page: www.sftreasurer.org. The monthly reports and annual reports are not incorporated by reference herein.

Additional information on the City's investments, investment policies, and risk exposure as of June 30, 2017 are described in Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017," Notes 2(d) and 5.

CAPITAL FINANCING AND BONDS

Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a 10-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("CPC") and the Capital Planning Program ("CPP"). The CPC, composed of other City finance and capital project officials, makes recommendations to the Mayor and Board of Supervisors on all of the City's capital expenditures. To help inform CPC recommendations, the CPP staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

The City Administrator, in conjunction with the CPC, is directed to develop and submit a 10-year capital plan every other fiscal year for approval by the Board of Supervisors. The Capital Plan is a fiscally

constrained long-term finance strategy that prioritizes projects based on a set of funding principles. It provides an assessment of the City's infrastructure and other funding needs over 10 years, highlights investments required to meet these needs and recommends a plan of finance to fund these investments. Although the Capital Plan provides cost estimates and proposes methods to finance such costs, the document does not reflect any commitment by the Board of Supervisors to expend such amounts or to adopt any specific financing method. The Capital Plan is required to be updated and adopted biennially, along with the City's Five Year Financial Plan and the Five-Year Information & Communication Technology Plan. The CPC is also charged with reviewing the annual capital budget submission and all long-term financing proposals and providing recommendations to the Board of Supervisors relating to the compliance of any such proposal or submission with the adopted Capital Plan.

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal year 2018-2027 Capital Plan was approved by the CPC on February 27, 2017 and was adopted by the Board of Supervisors in April 2017. The Capital Plan contains \$35.2 billion in capital investments over the coming decade for all City departments, including \$5.25 billion in projects for General Fund-supported departments. The Capital Plan proposes \$1.9 billion for General Fund pay-as-you-go capital projects over the next 10 years. The amount for General Fund pay-as-you-go capital projects is assumed to grow to over \$200 million per year by fiscal year 2023-24. Major capital projects for General Fund-supported departments included in the Capital Plan consist of upgrades to public health, police, and fire facilities; improvements to homeless service sites; street and right-of-way improvements; the removal of barriers to accessibility; park improvements; the relocation of public health staff and services to improved spaces, among other capital projects. \$2.1 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long-term obligations. The balance is expected to be funded by federal and State funds, the General Fund and other sources.

In addition to the City General Fund-supported capital spending, the Capital Plan recommends \$18.9 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as the Central Subway project, runway and terminal upgrades at San Francisco International Airport, Pier 70 infrastructure investments and the Sewer System Improvement Program, among others. Approximately \$12.3 billion of enterprise fund department capital projects are anticipated to be financed with revenue bonds. The balance is expected to be funded by federal and State funds, user/operator fees, General Fund and other sources.

While significant investments are proposed in the City's adopted Capital Plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over \$4.6 billion in capital needs including enhancements are deferred from the plan's horizon. Over two-thirds of these unfunded needs are for the City's transportation and waterfront infrastructure, where core maintenance investments have lagged for decades. The late Mayor Edwin Lee convened a taskforce to recommend funding mechanisms to bridge a portion of the gaps in the City's transportation needs, but it is likely that significant funding gaps will remain even assuming the identification of significant new funding sources for these needs.

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

Tax-Supported Debt Service

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds") can only be authorized with a two-thirds approval of the voters. As of December 31, 2018, the City had approximately \$2.46 billion aggregate principal amount of general obligation bonds outstanding.

Table A-22 shows the annual amount of debt service payable on the City's outstanding general obligation bonds.

[Remainder of Page Intentionally Left Blank]

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of December 31, 2018^{1 2}

Fiscal Year	Principal	Interest	Annual Debt Service
2018-19 ³	\$234,965,545	\$52,674,789	\$287,640,334
2019-20	138,676,232	94,565,441	\$233,241,673
2020-21	136,930,457	87,917,066	\$224,847,523
2021-22	143,653,400	81,593,303	\$225,246,703
2022-23	148,110,251	74,875,635	\$222,985,886
2023-24	151,526,206	67,762,310	\$219,288,516
2024-25	153,236,476	60,452,315	\$213,688,791
2025-26	149,411,279	53,210,200	\$202,621,479
2026-27	155,555,840	46,508,996	\$202,064,836
2027-28	161,134,035	39,874,779	\$201,008,814
2028-29	162,221,751	33,430,897	\$195,652,648
2029-30	159,235,095	26,830,558	\$186,065,653
2030-31	121,936,950	20,469,219	\$142,406,169
2031-32	126,050,000	16,033,542	\$142,083,542
2032-33	92,320,000	11,510,799	\$103,830,799
2033-34	68,910,000	8,019,895	\$76,929,895
2034-35	61,250,000	5,464,843	\$66,714,843
2035-36	41,440,000	3,214,795	\$44,654,795
2036-37	29,740,000	2,885,808	\$32,625,808
2037-38	19,730,000	1,403,610	\$21,133,610
TOTAL⁴	\$2,456,033,517	\$788,698,800	\$3,244,732,317

¹ This table includes the City's General Obligation Bonds shown in Table A-24
and does not include any overlapping debt, such as any assessment district indebtedness
or any redevelopment agency indebtedness.

² Totals reflect rounding to nearest dollar.

³ Excludes payments made to date in current fiscal year

⁴ Section 9.106 of the City Charter limits issuance of general obligation
bonds of the City to 3% of the assessed value of all real and personal
assessment district indebtedness or any redevelopment agency indebtedness.

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

General Obligation Bonds

Certain general obligation bonds authorized by the City's voters as discussed below have not yet been issued. Such bonds may be issued at any time by action of the Board of Supervisors, without further approval by the voters.

In November 1992, voters approved Proposition A, which authorized the issuance of up to \$350.0 million in general obligation bonds to provide moneys to fund the City's Seismic Safety Loan Program (the "Loan Program"). The purpose of the Loan Program was to provide loans for the seismic strengthening of privately-owned unreinforced masonry buildings in San Francisco for affordable housing and market-rate residential, commercial and institutional purposes. In April 1994, the City issued \$35.0 million in taxable general obligation bonds to fund the Loan Program and in October 2002, the City redeemed all outstanding bonds remaining from such issuance. In February 2007, the Board of Supervisors approved the issuance of additional indebtedness under this authorization in an amount not to exceed \$35.0 million. Such issuance would be achieved pursuant to the terms of a Credit Agreement with Bank of America, N.A. (the "Credit Bank"), under which the Credit Bank agreed to fund one or more loans to the City from time to time as evidenced by the City's issuance to the Credit Bank of the Taxable General Obligation Bond (Seismic Safety Loan Program), Series 2007A. The funding by the Credit Bank of the loans at the City's request and the terms of repayment of such loans are governed by the terms of the Credit Agreement. Loan funds received by the City from the Credit Bank are in turn used to finance loans to Seismic Safety Loan Program borrowers. Between March 2007 and November 2011, the City initiated a total amount of \$26,695,228 of borrowing to fund Seismic Safety Loans under this Credit Agreement with the Credit Bank, of which \$20,093,517 remains outstanding. In August 2015, the City issued \$24.0 million in Series 2015A taxable general obligation bonds under the Seismic Safety Loan Program authorization. The full \$24.0 million obligation was redeemed on November 1, 2018 through repayment of the Seismic Safety Loan. On November 8, 2016, voters approved Proposition C, authorizing the use of the remaining \$260,684,000 Seismic Safety Bond Program bond authorization to fund the acquisition, improvement, and rehabilitation of at-risk multi-unit residential buildings in order to convert them into permanent affordable housing.

In February 2008, voters approved Proposition A (the "2008 Parks Proposition") that authorized the issuance of up to \$185.0 million in general obligation bonds for the construction, reconstruction, purchase, and/or improvement of park and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under the 2008 Parks Proposition in the amount of approximately \$42.5 million in August 2008. The City issued the second series in the amount of approximately \$60.4 million in March 2010 and the third series in the amount of approximately \$73.4 million in March 2012. The City issued the fourth and final series in the amount of approximately \$8.7 million in January 2016.

In June 2010, voters approved Proposition B (the "2010 ESER Proposition"), which authorized the issuance of up to \$412.3 million in general obligation bonds to provide funds to finance the construction, acquisition, improvement and retrofitting of neighborhood fire and police stations, the auxiliary water supply system, a public safety building, and other critical infrastructure and facilities for earthquake safety and related costs. The City issued the first series of bonds under the 2010 ESER Proposition in the amount of \$79.5 million in December 2010 and the second series of bonds in the amount of \$183.3 million in March 2012. The City issued the third series in the amount of approximately \$38.3 million in August 2012 and the fourth series of bonds in the amount of \$31.0 million in June 2013, and the fifth series in the amount of \$54.9 million was issued in October 2014. The final series was issued in June 2016 in the amount of approximately \$25.0 million.

In November 2011, voters approved Proposition B (the "2011 Roads & Streets Proposition"), which

authorized the issuance of up to \$248.0 million in general obligation bonds to provide funds to repair and repave City streets and remove potholes; strengthen and seismically upgrade street structures; redesign street corridors by adding or improving pedestrian signals, lighting, sidewalk extensions, bicycle lanes, trees and landscaping; construct and renovate curb ramps and sidewalks to increase accessibility and safety for everyone, including persons with disabilities; and add and upgrade traffic signals to improve MUNI service and traffic flow. The City issued the first series of bonds under the 2011 Roads & Streets Proposition in the amount of approximately \$74.3 million in March 2012 and the second series of bonds in the amount of \$129.6 million in June 2013. The City issued the final series in June 2016 in the amount of approximately \$44.1 million.

In November 2012, voters approved Proposition B (the “2012 Parks Proposition”), which authorized the issuance of up to \$195.0 million in general obligation bonds to provide funds for the construction, reconstruction, renovation, demolition, environmental remediation and/or improvement of park, open space and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under the 2012 Parks Proposition in the amount of approximately \$71.9 million in June 2013. The City issued the second series of bonds in the amount of \$43.0 million in January 2016. The third series of bonds under the 2012 Parks Proposition authorization was issued in April 2018 in the amount of approximately \$76.7 million.

In June 2014, voters approved Proposition A (the “2014 ESER Proposition”), which authorized the issuance of up to \$400.0 million in general obligation bonds to improve fire, earthquake and emergency response by improving and/or replacing deteriorating cisterns, pipes, and tunnels, and related facilities to ensure firefighters a reliable water supply for incurring indebtedness of fires and disasters; improving and/or replacing neighborhood fire and police stations; replacing certain seismically unsafe police and medical examiner facilities with earthquake-safe buildings and to pay related costs. The City issued the first series of bonds under the 2014 ESER Proposition authorization in the amount of \$100.7 million in October 2014 and the second series of bonds in the amount of \$109.6 million in April 2016. The third and final series was issued in May 2018 in the amount of \$189.7 million.

In November 2014, voters approved Proposition A (the “2014 Transportation Proposition”), which authorized the issuance of up to \$500.0 million in general obligation bonds to provide funds to finance the construction, acquisition and improvement of certain transportation and transit related improvements and other related costs. The City issued the first series of bonds under the 2014 Transportation Proposition in the amount of approximately \$67.0 million in June 2015. The second series of bonds under the 2014 Transportation Proposition authorization was issued in April 2018 in the amount of approximately \$174.4 million.

In November 2015, voters approved Proposition A (the “2015 Affordable Housing Proposition”) which authorized the issuance of up to \$310.0 million in general obligation bonds to provide funds to finance the construction, development, acquisition and preservation of housing affordable to low- and middle-income households and to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents; to repair and reconstruct dilapidated public housing; to fund a middle-income rental program; and to provide for homeownership down payment assistance opportunities for educators and middle-income households. The City issued the first series of bonds under the 2015 Affordable Housing Proposition in the amount of approximately \$75.0 million in October 2016. The second series was issued in May 2018 in the amount of \$142.1 million.

In June 2016, voters approved Proposition A (the “2016 Public Health & Safety Proposition”), which authorized the issuance of up to \$350.0 million in general obligation bonds to provide funds to protect public health and safety, improve community medical and mental health care

services, earthquake safety and emergency medical response; to seismically improve, and modernize neighborhood fire stations and vital public health and homeless service sites; to construct a seismically safe and improved San Francisco Fire Department ambulance deployment facility; and to pay related costs. The City issued the first series of the bonds under the 2016 Public Health & Safety Proposition authorization in the amount of approximately \$173.1 million in February 2017. The second series was issued in May 2018 in the amount of \$49.9 million.

In November 2018, voters approved Proposition A (“the 2018 Seawall Proposition”), authorizing the issuance of up to \$425.0 million in general obligation bonds to fund repairs and improvement projects along the City’s Embarcadero and Seawall to protect the waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding, and sea level rise. Bonds have not been issued yet under this authorization.

Refunding General Obligation Bonds

The Board of Supervisors adopted and the Mayor approved Resolution No. 272-04 in May of 2004 (the “2004 Resolution”). The 2004 Resolution authorized the issuance of \$800.0 million of general obligation refunding bonds from time to time in one or more series for the purpose of refunding all or a portion of the City’s outstanding General Obligation Bonds. On November of 2011, the Board of Supervisors adopted, and the Mayor approved, Resolution No. 448-11 (the “2011 Resolution,” and together with the 2004 Resolution, the “Refunding Resolutions”). The 2011 Resolution authorized the issuance \$1.356 billion of general obligation refunding bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City. The following refunding bonds remain currently outstanding, under the Refunding Resolutions, as shown in Table A-23 below.

TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds
As of January 15, 2019

Series Name	Date Issued	Principal Amount Issued	Amount Outstanding
2008-R1	May 2008	\$232,075,000	\$5,110,000
2011-R1	November 2011	339,475,000	176,360,000 ¹
2015-R1	February 2015	293,910,000	248,035,000 ²

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

² Series 2006-R1, 2006-R2, and 2008-R3 Bonds were refunded by the 2015-R1 Bonds in February 2015.

Table A-24 below lists for each of the City’s voter-authorized general obligation bond programs the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued and does not refer to any particular series. As of January 15, 2019, the City had authorized and unissued general obligation bond authority of approximately \$1.17 billion, including the most recent \$425.0 million authorization for the 2018 Seawall Proposition.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of January 15, 2019

Description of Issue (Date of Authorization)	Series	Issued	Outstanding ¹	Authorized & Unissued ³
Seismic Safety Loan Program (11/3/92)	2007A	\$30,315,450 ²	\$20,093,517	
	2015A	24,000,000	-	\$260,684,550
Clean & Safe Neighborhood Parks (2/5/08)	2010B	24,785,000	2,610,000	
	2010D	35,645,000	35,645,000	
	2012B	73,355,000	48,035,000	
	2016A	8,695,000	7,520,000	--
San Francisco General Hospital and Trauma Center (11/4/08)	2009A	131,650,000	5,525,000	
	2010A	120,890,000	12,735,000	
	2010C	173,805,000	173,805,000	
	2012D	251,100,000	155,825,000	
	2014A	209,955,000	161,730,000	--
Earthquake Safety and Emergency Response Bond (6/8/10)	2010E	79,520,000	40,815,000	
	2012A	183,330,000	121,625,000	
	2012E	38,265,000	29,925,000	
	2013B	31,020,000	17,540,000	
	2014C	54,950,000	41,925,000	
	2016C	25,215,000	22,370,000	--
Road Repaving & Street Safety (11/8/11)	2012C	74,295,000	49,175,000	
	2013C	129,560,000	73,205,000	
	2016E	44,145,000	39,155,000	--
Clean & Safe Neighborhood Parks (11/6/12)	2013A	71,970,000	40,680,000	
	2016B	43,220,000	24,400,000	
	2018A	76,710,000	46,485,000	3,100,000
Earthquake Safety and Emergency Response Bond (6/3/14)	2014D	100,670,000	76,780,000	
	2016D	109,595,000	75,465,000	
	2018C	189,735,000	189,735,000	--
Transportation and Road Improvement (11/4/14)	2015B	67,005,000	43,665,000	
	2018B	174,445,000	105,715,000	258,550,000
Affordable Housing Bond (11/3/15)	2016F	75,130,000	50,795,000	
	2018D	142,145,000	142,145,000	92,725,000
Public Health and Safety Bond (6/7/16)	2017A	173,120,000	121,450,000	
	2018E	49,955,000	49,955,000	126,925,000
SUBTOTAL		\$3,018,195,450	\$2,026,528,517	\$741,984,550
<u>General Obligation Refunding Bonds:</u>				
Series 2008-R1 issued 5/29/08		232,075,000	5,110,000	n/a
Series 2011-R1 issued 11/9/12		339,475,000	176,360,000	n/a
Series 2015-R1 issued 2/25/15		293,910,000	248,035,000	n/a
SUBTOTAL		865,460,000	429,505,000	
TOTALS		\$3,883,655,450	\$2,456,033,517	\$741,984,550

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

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

³ Authorized & Unissued total does not include \$425,000,000 of the 2018 Seawall Proposition A General Obligation Bond authority approved by the voters in November 2018. If the \$425,000,000 authorization is included in this total, the Authorized & Unissued total would be \$1.17 billion.

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

Lease Payments and Other Long-Term Obligations

The Charter requires that any lease-financing agreements with a nonprofit corporation or another public agency must be approved by a majority vote of the City's electorate, except (i) leases approved prior to April 1, 1977, (ii) refunding lease financings expected to result in net savings, and (iii) certain lease financing for capital equipment. The Charter does not require voter approval of lease financing agreements with for-profit corporations or entities. Table A-25 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding long-term lease revenue bonds and certificates of participation as of December 31, 2018.

TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of December 31, 2018¹

Fiscal Year	Principal	Interest ³	Annual Payment Obligation
2018-19	\$36,715,000	31,192,156	\$67,907,156
2019-20	48,645,000	60,400,479	\$109,045,479
2020-21	57,065,000	57,858,122	\$114,923,122
2021-22	57,475,000	55,229,005	\$112,704,005
2022-23	60,050,000	52,544,025	\$112,594,025
2023-24	62,250,000	49,734,442	\$111,984,442
2024-25	62,580,000	46,795,478	\$109,375,478
2025-26	63,035,000	43,879,843	\$106,914,843
2026-27	66,010,000	40,815,367	\$106,825,367
2027-28	62,830,000	37,615,118	\$100,445,118
2028-29	68,910,000	34,260,761	\$103,170,761
2029-30	72,335,000	30,884,851	\$103,219,851
2030-31	62,040,000	27,588,665	\$89,628,665
2031-32	51,690,000	24,737,593	\$76,427,593
2032-33	52,545,000	22,446,642	\$74,991,642
2033-34	54,795,000	19,918,261	\$74,713,261
2034-35	45,615,000	17,650,673	\$63,265,673
2035-36	44,865,000	15,599,242	\$60,464,242
2036-37	43,915,000	13,589,230	\$57,504,230
2037-38	45,705,000	11,612,665	\$57,317,665
2038-39	47,555,000	9,553,956	\$57,108,956
2039-40	49,500,000	7,407,472	\$56,907,472
2040-41	51,515,000	5,172,668	\$56,687,668
2041-42	45,550,000	3,007,611	\$48,557,611
2042-43	10,125,000	1,242,000	\$11,367,000
2043-44	8,555,000	818,000	\$9,373,000
2044-45	8,895,000	475,800	\$9,370,800
2045-46	1,470,000	120,000	\$1,590,000
2046-47	1,530,000	61,200	\$1,591,200
TOTAL ²	\$1,343,765,000	\$722,211,324	\$2,065,976,324

¹ Excludes payments made to date in current fiscal year

² Totals reflect rounding to nearest dollar.

³ For purposes of this table, the interest rate on the Lease Revenue Bonds Series 2008-1, and 2008-2 (Moscone Center Expansion Project) is assumed to be 3.25%. These bonds are in variable rate mode.

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

The City electorate has approved several lease revenue bond propositions, some of which have authorized but unissued bonds. The following lease programs have remaining authorization:

In 1987, voters approved Proposition B, which authorizes the City to lease finance (without limitation as to maximum aggregate par amount) the construction of new parking facilities, including garages and surface lots, in eight of the City's neighborhoods. In July 2000, the City issued \$8.2 million in lease revenue bonds to finance the construction of the North Beach Parking Garage, which was opened in February 2002. There is no current plan to issue any more bonds under Proposition B.

In 1990, voters approved Proposition C, which amended the Charter to authorize the City to lease-purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed \$20.0 million, with such amount increasing by five percent each fiscal year. As of December 31, 2018, the total authorized amount for such financings was \$78.4 million. The total principal amount outstanding as of December 31, 2018 was \$450.0 million.

In 1994, voters approved Proposition B, which authorized the issuance of up to \$60.0 million in lease revenue bonds for the acquisition and construction of a combined dispatch center for the City's emergency 911 communication system and for the emergency information and communications equipment for the center. In 1997 and 1998, the Corporation issued \$22.6 million and \$23.3 million of Proposition B lease revenue bonds, respectively, leaving \$14.0 million in remaining authorization. There is no current plan to issue additional series of bonds under Proposition B.

In March 2000, voters approved Proposition C, which extended a two- and one-half cent per \$100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). Proposition C also authorizes the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. The City issued approximately \$27.0 million and \$42.4 million of such Open Space Fund lease revenue bonds in October 2006 and October 2007, respectively. The City issued refunding lease revenues bonds for the remaining outstanding amounts of the Series 2006 and Series 2007 Open Space Fund lease revenue bonds in August 2018.

In November 2007, voters approved Proposition D, which amended the Charter and renewed the Library Preservation Fund. Proposition D continued the two- and one-half cent per \$100.0 in assessed valuation property tax set-aside and establishes a minimum level of City appropriations, moneys that are maintained in the Library Preservation Fund. Proposition D also authorized the issuance of revenue bonds or other evidences of indebtedness. The City issued the first series of lease revenue bonds in the amount of approximately \$34.3 million in March 2009. The City issued refunding lease revenues bonds for the remaining outstanding amounts of the Series 2009A Branch Library Improvement Project lease revenue bonds in August 2018.

Commercial Paper Program

In March of 2009, the Board authorized and the Mayor approved a not-to-exceed \$150.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 1 and 1-T and Series 2 and 2-T (the "Original CP Program"). Commercial Paper Notes (the "CP Notes") are issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles in anticipation of long-term or other take-out financing to be issued when market conditions are favorable. Projects are eligible to access the

CP Program once the Board and the Mayor have approved the project and the long-term, permanent financing for the project. The original Series 1 and 1-T and Series 2 and 2-T letters of credit issued in 2010 by J.P. Morgan Chase Bank, N.A. and U.S. Bank National Association were scheduled to expire in June of 2016. In May of 2016, the City obtained renewal credit facilities to secure the CP Notes from: (i) State Street Bank and Trust Company (with a maximum principal amount of \$75 million) and (ii) U.S. Bank National Association (with a maximum principal amount of \$75 million). These credit facilities expire in May of 2021.

In July of 2013, the Board authorized, and the Mayor approved an additional \$100.0 million of Lease Revenue Commercial Paper Certificates of Participation, Series 3 and 3-T and Series 4 and 4-T (the "Second CP Program" and together with the Original CP Program, the "City CP Program") that increased the total authorization of the City CP Program to \$250.0 million. The Series 3 and 3-T and 4 and 4-T are secured by a letter of credit issued by State Street Bank and Trust Company initially scheduled to expire in February of 2019. In December 2018, the City extended the original letter of credit issued by State Street Bank and Trust Company by three years, expiring in February of 2022.

As of January 15, 2019, the outstanding principal amount of CP Notes is \$30.5 million. The weighted average interest rate for the outstanding CP Notes is approximately 2.12%.

Transbay Transit Center Interim Financing

In May of 2016, the Board authorized, and the Mayor approved the establishment of a not-to-exceed \$260.0 million Lease Revenue Commercial Paper Certificates of Participation (the "Short-Term Certificates") to meet cash flow needs during the construction of phase one of the Transbay Transit Center. The Short-Term Certificates are expected to be repaid in part from Transbay Transit Center CFD bond proceeds (secured by special taxes) and tax increment. It is anticipated that long-term debt will be issued to retire the Short-Term Certificates, and such long-term debt is also expected to be repaid from such sources.

The Short-Term Certificates consist of \$160.0 million of direct placement revolving certificates with Wells Fargo, expiring in January of 2020 and \$100.0 million of direct placement revolving certificates with Bay Area Toll Authority expiring September 1, 2021.

As of January 15, 2019, the TJPA had drawn a total of \$103.0 million from the Wells Fargo financing facility, at a current interest rate of 3.08%.

Board Authorized and Unissued Long-Term Obligations

In October of 2013, the Board authorized, and the Mayor approved the issuance of not to exceed \$13.5 million of City and County of San Francisco Certificates of Participation (Treasure Island Improvement Project) to finance the cost of additions and improvements to the utility infrastructure at Treasure Island. It is anticipated that a portion of these certificates will be issued in the summer of 2019.

In November 2016, the Board authorized, and the Mayor approved the issuance of not to exceed \$60.5 million of City and County of San Francisco Certificates of Participation (Animal Care and Control Renovation Project) to finance the costs acquisition, construction, and improvement of an animal care and control facility. The City anticipates issuing the certificates in the summer of 2019.

In June of 2017, the Board authorized and the Mayor approved the issuance of not to exceed \$321.8 million of City and County of San Francisco Certificates of Participation (49 South Van Ness Project, formerly referred to as "1500 Mission Project") to finance a portion of the development costs, including

construction and improvement, and related FF&E (furniture, fixture, or other equipment), technology, and moving costs for the 1500 Mission Street office building. The City anticipates issuing the certificates in the Fall of 2019.

Overlapping Debt

Table A-26 shows bonded debt and long-term obligations as of December 31, 2018 sold in the public capital markets by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

[Remainder of Page Intentionally Left Blank]

TABLE A-26

CITY AND COUNTY OF SAN FRANCISCO
Statement of Direct and Overlapping Debt and Long-Term Obligations
As of December 31, 2018

2018-19 Assessed Valuation (net of non-reimbursable & homeowner exemptions): \$259,329,479,498

DIRECT GENERAL OBLIGATION BOND DEBT

General City Purposes Carried on the Tax Roll

\$2,456,033,517

GROSS DIRECT DEBT

\$2,456,033,517

DIRECT LEASE PAYMENT AND LONG-TERM OBLIGATIONS

San Francisco Finance Corporation, Equipment LRBs Series 2013A	\$450,000
San Francisco Finance Corporation Emergency Communication Refunding Series, 2010-R1	8,545,000
San Francisco Finance Corporation Moscone Expansion Center, Series, 2008-1, 2008-2	85,300,000
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007	-
San Francisco Finance Corporation LRBs Library Preservation Fund Series, 2009A	-
San Francisco COPs, Series 2009A Multiple Capital Improvement Projects (Laguna Honda Hospital)	119,130,000
San Francisco COPs, Series 2009B Multiple Capital Improvement Projects (Street Improvement Project)	30,075,000
San Francisco COPs, Series 2009C Office Project (\$25 Golden Gate Avenue) Tax Exempt	16,255,000
San Francisco COPs, Series 2009D Office Project (\$25 Golden Gate Avenue) Taxable BABs	129,550,000
San Francisco Refunding Certificates of Participation, Series 2010A	95,880,000
San Francisco COPs, Refunding Series 2011AB (Moscone)	13,825,000
San Francisco COPs, Series 2012A Multiple Capital Improvement Projects (Street Improvement Project)	35,460,000
San Francisco COPs, Series 2013BC Port Facilities	31,170,000
San Francisco COPs, Series 2014-R1 (Courthouse Project), 2014-R2 (Juvenile Hall Project)	35,150,000
San Francisco COPs, Series 2015AB War Memorial Veterans Building Seismic Upgrade and Improvements	125,295,000
San Francisco Refunding COPs, Series 2015-R1 (City Office Buildings-Multiple Properties Project)	115,140,000
San Francisco COPs, Series 2016A War Memorial Veterans Building Seismic Upgrade and Improvements	14,305,000
San Francisco COPs Series 2017A (Hope SF)	27,575,000
San Francisco COPs Series 2017B (Moscone Convention Center Expansion)	412,355,000
San Francisco Finance Corporation Refunding Bonds, Emergency Open Space, Series 2018A	34,950,000
San Francisco Finance Corporation Refunding, Branch Library Improvement, Series 2018B	13,355,000
LONG-TERM OBLIGATIONS	\$1,343,765,000

GROSS DIRECT DEBT & LONG-TERM OBLIGATIONS

\$3,799,798,517

OVERLAPPING DEBT & LONG-TERM OBLIGATIONS

Bayshore Hester Assessment District	\$510,000
San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds (29.27%)	148,123,091
San Francisco Bay Area Rapid Transit District General Obligation Bonds (34.14%)	276,523,180
San Francisco Community College District General Obligation Bonds (2001, 2005)	231,675,000
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds (2011)	27,715,000
San Francisco Redevelopment Agency Obligations (Property Tax Increment)	859,949,677
San Francisco Redevelopment Agency Obligations (Special Tax Bonds CFD #4, #6, #7)	182,261,505
Association of Bay Area Governments Obligations Special Tax Bonds, Series 2004-1, 2006-1, 2006-1	17,985,000
Special Tax District No. 2009-1 Improvement Area 1, 2 SF Sustainable Financing	2,807,577
San Francisco Unified School District General Obligation Bonds (2003, 2006, 2011, 2015R, 2016, 2017)	968,915,000
San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Series 2017A, 2017B	206,930,000
TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS	\$2,923,395,030 ¹

GROSS COMBINED TOTAL OBLIGATIONS

\$6,723,193,547 ²

Ratios to Assessed Valuation:

	<u>Actual Ratio</u>	<u>Charter Req.</u>
Gross Direct Debt (General Obligation Bonds)	0.95%	< 3.00% ³
Gross Direct Debt & Long-Term Obligations	1.47%	n/a
Gross Combined Total Obligations	2.59%	n/a

¹ Does not include CCSF Lease Revenue Direct Placement Revolving COPs (Transbay Interim Financing).

² Excludes revenue and mortgage revenue bonds and non-bonded third party financing lease obligations. Also excludes tax allocation bonds sold in August, 2009.

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

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

MAJOR ECONOMIC DEVELOPMENT PROJECTS

Numerous development and construction projects are in progress throughout the City at any given time. This section describes several of the most significant privately owned and managed real estate developments currently under way in the City in which there is City participation, generally in the form of a public/private partnership. The information in this section has been prepared by the City based on City-approved plans as well as unofficial plans and representations of the developer in each case and includes forward-looking statements. These forward-looking statements consist of expressions of opinion, estimates, predictions, projections, plans and the like; such forward-looking statements in this section are those of the developers and not of the City. The City makes no prediction, representation or assurance that the plans and projects described will actually be accomplished, or the time frame in which the developments will be completed, or as to the financial impact on City real estate taxes, developer fees, other tax and fee income, employment, retail or real estate activity, or other consequences that might be expected or projected to result from the successful completion of each development project. Completion of development in each case may depend on the local economy, the real estate market, the financial health of the developer and others involved in the project, specific features of each development and its attractiveness to buyers, tenants and others, as well as the financial health of such buyers, tenants, and others. Completion and success of each development will also likely depend on other factors unknown to the City.

Hunters Point Shipyard (Phase 1 and 2) and Candlestick Point

The Hunters Point Shipyard Phase 1 and 2 and Candlestick Point project area will deliver approximately 12,100 new homes, approximately 32 percent of which will be below market rate and will include the rebuilding of the Alice Griffith public housing development consistent with the City's HOPE SF program, up to 4.4 million square feet of research and development space, and more than 350 acres of new parks in the southeast portion of San Francisco (the "Project"). In total, the Project will generate over \$6 billion of new economic activity to the City, more than 15,000 permanent jobs, hundreds of new construction jobs each year, new community facilities, new transit infrastructure, and provide approximately \$90 million in community benefits. The Project's full build out will occur over 20 to 30 years. In the next five years over 1,000 units of housing and 26 acres of parks will be completed in the first phase of the Shipyard.

The first phase of development has begun at the Hunters Point Shipyard site with 439 completed units and 66 units currently under construction. An additional 174 units were expected to begin construction in 2018. On Candlestick Point, 306 housing units are now complete which includes a mix of public housing replacement and new, affordable units, with an additional 31 units in construction. In 2016, horizontal infrastructure construction commenced in Candlestick Point to support additional residential and commercial development; designs in the former Candlestick Point site for a mixed-use residential, office, retail, hotel and film and arts center are currently underway.

Treasure Island

Former Naval Station Treasure Island is located in the San Francisco Bay and connected to the City by the San Francisco-Oakland Bay Bridge. The former base, which ceased operations in 1997, consists of approximately 404 acres on Treasure Island and 94 acres on adjoining Yerba Buena Island. Development plans for the islands include up to 8,000 new homes, 2,173 of which will be offered at below-market rates; up to 500 hotel rooms; an expanded marina; restaurants; 140,000 sf of retail and entertainment venues; 311,000 sf of adaptive reuse of historic structures; and a world-class 300-acre parks and open space system including shoreline access and cultural uses such as a museum. The compact mixed-use transit-oriented development is centered around a new ferry terminal connecting the island to downtown San Francisco.

and is designed.

Mission Bay

The development plans for Mission Bay include a new University of California-San Francisco ("UCSF") research campus containing 3.15 million square feet of building space on 46 acres of land, of which 43 acres were donated by the Mission Bay Master Developer and the City; UCSF's 550-bed hospital; 3.4 million square feet of biotech, 'cleantech' and health care office space; 6,500 housing units, with 1,850 (29%) affordable to moderate-, low-, and very low-income households; 425,000 square feet of retail space; a 250-room hotel with up to 25,000 square feet of retail entertainment uses; 49 acres of public open space, including parks along Mission Creek and San Francisco Bay and eight acres of open space within the UCSF campus; a new 500-student public school; and a new fire and police station and police headquarters. Mission Bay is approximately 70% complete.

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

The Golden State Warriors, a National Basketball Association team, is developing a multi-purpose recreation and entertainment venue and associated development in Mission Bay. The site is bordered by Third Street to the West, Terry Francois Boulevard to the East, 16th Street to the South and South Street to the North. The Warriors project includes a state-of-the-art multi-purpose recreation and entertainment venue for Warriors' home games, concerts and family shows. The site will also have restaurants, retail, office space, bike valet, public plazas and a limited amount of parking. Environmental review has been completed for the site and was upheld in a November 2016 decision. The project began construction in January 2017 and the event center is scheduled to open in time for the 2019-20 basketball season. Over 5,646 units have been completed with an additional 262 units under construction, along with several new parks. In the past 6 months, a 119-unit affordable housing project and a 250 room have broken ground.

Salesforce Transit Center

The Transbay Project Redevelopment Project Area was adopted in 2005 with the purpose of redeveloping 10 acres of property owned by the State in order to generate funding for the new Salesforce Transit Center. In 2012 the Transit Center District Plan, the guiding document for the area surrounding the transit center, was approved by the Planning Commission and by the Board of Supervisors and includes additional funding sources for the Salesforce Transit Center. The Salesforce Transit Center replaces the former Transbay Terminal at First and Mission Streets with a modern transit hub and includes a future extension of the Caltrain commuter rail line underground 1.3 miles into the Financial District. The Salesforce Transit Center broke ground on August 11, 2010 and opened in August 2018.

The Pelli Clarke Pelli Architects-designed transit center was designed to serve more than 100,000 people per day through 11 transportation systems, including future California High Speed Rail, which will be designed to connect San Francisco to Los Angeles in less than 2-1/2 hours. The center was designed to embrace the goals of green architecture and sustainability. The heart of the Salesforce Transit Center is Salesforce Park, a 5.4-acre public park atop the facility that serves as a living "green roof" for the transit facility. The Salesforce Transit Center will have a LEED rating of at least Silver due to its sustainable design features and its related facilities, including Salesforce Park. Construction and operation of the Salesforce Transit Center is funded by various public funding partners, including the federal government, the State, the Metropolitan Transportation Commission, the San Francisco County and San Mateo County Transportation Authorities, AC Transit and the Successor Agency (OCII) among others.

The 10 acres of property formerly owned by the State surrounding the Salesforce Transit Center is being

redeveloped with plans for 3,300 new homes, of which 1,300 will be affordable below-market rate homes, over 2.4 million square feet of new office space, over 9 acres of new parks and open space, and a new retail boulevard on Folsom Street. Of the parcels over which OCII has jurisdiction, four parcels are fully complete, and six parcels are in various stages of pre-development and development. Three of those parcels are currently under construction and will provide over 1,400 housing units within the next year. The sale of various sites has generated more than \$600 million in funding for construction of the Salesforce Transit Center.

In September 2018, construction crews discovered two steel beams with fissures in the ceiling of the third-level bus deck on the eastern side of the Salesforce Transit Center near Fremont Street. After several inspections and out of an abundance of caution, the TJPA temporarily closed the Salesforce Transit Center. Two shoring systems were installed, one at Fremont Street and as a proactive measure, one at First Street, a similarly designed area of the Salesforce Transit Center. Additional inspections and continued monitoring have revealed no additional issues. The City has no indication that there is a regional settling or subsidence issue that contributed to the fissures.

At the TJPA Board meeting on December 13, 2018 LPI, Inc. a specialist in laboratory testing and simulations, presented a preliminary root cause assessment of the girder fissures. The TJPA is evaluating whether the cause of the fissures is related to, among other causes, the design, a defect in materials, fabrication or installation of such girders. An independent Peer Review Panel requested by San Francisco Mayor London Breed and Oakland Mayor Libby Schaaf is undertaking a review of any preliminary findings and the remediation work at First and Fremont Streets, and is overseeing the TJPA's review of all building-wide shop drawings, inspection reports, design documents, etc. to determine if other reviews or inspections will be necessary before reopening the Salesforce Transit Center.

The Peer Review Panel approved the permanent repair for the fissures near Fremont Street and a reinforcement at First Street. The material procurement process is now underway. Under the oversight of the TJPA and the Peer Review Panel, the TJPA's general contractor began repairs in January 2019, with a final repair schedule to be reported shortly. The TJPA expects the repairs will be made by the general contractor, and that associated costs will be covered by the responsible party.

It is expected that at the next TJPA Board meeting on or about February 14, 2019, the Peer Review Panel will present on the status of their efforts regarding the cause of the fissures in the girders.

While the Salesforce Transit Center remains closed, transit agencies are providing bus service out of the Temporary Terminal at Howard and Main streets.

Seawall Lot (SWL) 337 and Pier 48 (Mission Rock)

Mission Rock is a mixed-use development at Seawall Lot 337 and Pier 48, Port-owned property comprising approximately 28 acres. The Port's development partner on the project is a partnership between the San Francisco Giants and Tishman Speyer (called Mission Rock Partners). The approved development for Mission Rock includes: approximately 8 acres of new public parks and open spaces, including a 5-acre regional waterfront park; approximately 1,500 new rental housing units, 40 percent of which will be affordable to low- and moderate-income households; 1.0 to 1.4 million square feet of commercial space; 250,000 square feet of restaurant and retail space, approximately 3,000 parking spaces within a dedicated parking structure which will serve patrons of the San Francisco Giants' Ballpark as well as Mission Rock occupants and visitors; and the rehabilitation and reuse of historic Pier 48.

On November 3, 2015, 74% of San Francisco voters approved the Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative (Proposition D), which authorized increased height limits on the

Project Site. Environmental review for the project was successfully completed in October 2017. The Port Commission approved the project's CEQA findings and transaction documents in January 2018 and the Mayor signed legislation approving the project and all associated transaction documents in March 2018. In April 2018, State Lands Commission made determinations required under California statutes regarding the Mission Rock development. Site preparation and ground improvement work is planned for Fall 2019, and full project buildout is anticipated to occur in four phases over 15 to 30 years.

Pier 70

Plans for Pier 70 call for substantial new development, new parks, and adaptive reuse of historic structures, on this 69-acre site. Goals of the plans are to preserve and reuse historic structures, retain ship repair operations, provide new open space, reactivate the site. Achieving these goals requires site remediation and substantial new infrastructure. Some of the planning objectives have already been achieved – including the complete rehabilitation of 6 very significant historic buildings (through a Master Lease with Orton Development, Inc.) and site preparation for the new Crane Cove Park. Rehabilitation of two more historic structures are underway and will be complete in 2020. Construction of Crane Cove Park is underway and anticipated to be opened around the same time.

Located on the largest undeveloped portion of the site, the Port, OEWD, and Brookfield Properties (formerly, Forest City), completed all project approvals in February 2018 for new mixed-use neighborhood on a 28-acre portion of Pier 70 known as the Waterfront Site. Approvals included: passage of Proposition F by San Francisco voters in November 2014 – the Union Iron Works Historic District Housing, Waterfront Parks, Jobs, and Preservation Initiative – which allowed for an increase in height limits on the Waterfront Site to up to 90 feet; Mayoral signature on legislation approving the project in late 2017; and State Lands Commission action on the project in February 2018. The Special Use District for the neighborhood includes 9 acres of new parks, 1,600 to 3,000 residential units with 30% affordable housing, rehabilitation and reuse of three historic buildings in the Union Iron Works Historic District, almost 500,000 square feet of retail, arts, and light industrial space, and 1.1 to 1.7 million square feet of commercial office. The project is anticipated to be developed in 3 phases over 15 to 25 years. The Brookfield team completed site preparations in 2018 and anticipates beginning Phase 1 infrastructure construction in early 2019. The first buildings at the site are planned to be completed as early as 2021.

Moscone Convention Center Expansion Project

The Moscone Center Expansion Project will add approximately 300,000 square feet and re-purpose an additional 120,000 square feet to the portion of the existing Moscone Center located on Howard Street between 3rd and 4th Streets in the Yerba Buena Gardens neighborhood of San Francisco. Nearly 140,000 square feet of this additional space would be created by excavating and expanding the existing below-grade exhibition halls that connect the Moscone North and South buildings under Howard Street, with the remaining consisting of new and repurposed lobby area, new multi-purpose/meeting room area, and new and re-purposed building support area.

The project proposes a new mid-block pedestrian entrance from Third Street and a replacement pedestrian bridge connecting Yerba Buena Gardens with the cultural facilities and children's playground to the south. An additional enclosed pedestrian bridge would provide enhanced circulation for Moscone convention attendees and reduce on-street congestion.

A May 2012 analysis by Jones Lang LaSalle Hotels estimated that the City would forego up to \$2 billion in revenue over the next decade if Moscone were not expanded. The project allows the City to recover approximately \$734 million of this future revenue and create 3,480 local jobs through a phased construction schedule that keeps Moscone in continuous revenue generating operation.

The project is a joint partnership between the City and the hotel industry, acting through the Tourist Improvement District Management Corporation, with the City paying approximately one-third of all expansion costs and the hotel community paying approximately two-thirds. The Board of Supervisors unanimously approved the creation of the Moscone Expansion District and the issuance of \$507 million in Certificates of Participation on February 5, 2013 and the Planning Commission unanimously approved the project on August 15, 2014. On July 6, 2017, the City issued \$412.0 million in Certificates of Participation for the Moscone Convention Center Expansion Project, and there are no plans to issue any subsequent certificates for the expansion project. Project development began in December 2012, with major construction starting in November 2014. The project achieved substantial completion on December 31, 2018.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

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

Article XIII A of the California Constitution

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

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

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be assessed when purchased, newly constructed

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

Article XIII B of the California Constitution

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

Articles XIII C and XIII D of the California Constitution

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

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

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

of the City with respect to such taxes which are pledged as security for payment of those bonds.

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

Statutory Limitations

On November 4, 1986, California voters adopted Proposition 62, an initiative statute that, among other things, requires (i) that any new or increased general purpose tax be approved by a two-thirds vote of the local governmental entity's legislative body and by a majority vote of the voters, and (ii) that any new or increased special purpose tax be approved by a two-thirds vote of the voters.

In *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the "*Santa Clara* decision"), the California Supreme Court upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a "special tax" as required by Proposition 62. The *Santa Clara* decision did not address the question of whether it should be applied retroactively. In *McBrearty v. City of Brawley*, 59 Cal. App. 4th 1441 (1997), the Court of Appeal, Fourth District, concluded that the *Santa Clara* decision is to be applied retroactively to require voter approval of taxes enacted after the adoption of Proposition 62 but before the *Santa Clara* decision.

The *Santa Clara* decision also did not decide, and the California Supreme Court has not otherwise decided, whether Proposition 62 applies to charter cities. The City is a charter city. Cases decided by the California Courts of Appeal have held that the voter approval requirements of Proposition 62 do not apply to certain taxes imposed by charter cities. See *Fielder v. City of Los Angeles*, 14 Cal. App. 4th 137 (1993) and *Fisher v. County of Alameda*, 20 Cal. App. 4th 120 (1993).

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. Since it is a statute, it is subordinate to the authority of charter cities to impose taxes derived from the State Constitution. Proposition 218 (discussed above), however, incorporates the voter approval requirements initially imposed by Proposition 62 into the State Constitution.

Even if a court were to conclude that Proposition 62 applies to charter cities, the City's exposure under Proposition 62 may not be significant. The effective date of Proposition 62 was November 1986. Proposition 62 contains provisions that apply to taxes imposed on or after August 1, 1985. Since August 1, 1985, the City has collected taxes on businesses, hotel occupancy, utility use, parking, property transfer, stadium admissions and vehicle rentals. See "OTHER CITY TAX REVENUES" herein. Only the hotel and stadium admissions taxes have been increased since that date. The increases in these taxes were ratified by the voters on November 3, 1998 pursuant to the requirements of Proposition 218. With the exception of the vehicle rental tax, the City continues to collect all of the taxes listed above. Since these remaining taxes were adopted prior to August 1, 1985, and have not been increased, these taxes would not be subject to Proposition 62 even if Proposition 62 applied to a charter city.

Proposition 1A

Proposition 1A, a constitutional amendment proposed by the State Legislature and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate, or change the allocation of local sales tax revenues, subject to certain exceptions. As set forth under the laws in effect as of November 3, 2004, Proposition 1A generally prohibits the State from shifting any share of property tax revenues allocated to local governments for any fiscal year to schools or community colleges. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

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

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

Proposition 22

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

Due to the prohibition with respect to the State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A (2004). However, borrowings and reallocations from local governments during 2009 are not subject to Proposition 22 prohibitions. In addition, Proposition 22 supersedes Proposition 1A of 2006. Accordingly,

the State is prohibited from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedures involving public notices and hearings.

Proposition 26

On November 2, 2010, the voters approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIII and XIII of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

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

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

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

Future Initiatives and Changes in Law

The laws and Constitutional provisions described above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and

impact of these measures cannot be anticipated by the City.

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

LITIGATION AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City, including those summarized in Note 18 to the City's CAFR as of June 30, 2017. Included among these are a number of actions which if successful would be payable from the City's General Fund. In the opinion of the City Attorney, such suits and claims presently pending will not materially impair the ability of the City to pay debt service on its General Fund lease obligations or other debt obligations, nor have an adverse impact on City finances.

Millennium Tower is a 58-story luxury residential building completed in 2009 and located at 301 Mission Street in downtown San Francisco. On August 17, 2016, some owners of condominiums in Millennium Tower filed a lawsuit, San Francisco Superior Court No. 16-553758 (the "Lehman Lawsuit") against the Transbay Joint Powers Authority ("TJPA") and the individual members of the TJPA, including the City. The TJPA is a joint exercise of powers authority created by the City, the Alameda-Contra Costa Transit District, the Peninsula Corridor Joint Powers Board, and Caltrans (ex officio). The TJPA is responsible under State law for developing and operating the Transbay Transit Center, which will be a new regional transit hub located near the Millennium Tower. See "MAJOR ECONOMIC DEVELOPMENT PROJECTS—Transbay".

The TJPA began excavation and construction of the Transbay Transit Center in 2010, after the Millennium Tower was completed. In brief, the Lehman Lawsuit claims that the construction of the Transbay Transit Center harmed the Millennium Tower by causing it to settle into the soil more than planned and tilt toward the west/northwest, and the owners claim unspecified monetary damages for inverse condemnation and nuisance. The TJPA has asserted that the Millennium Tower was already sinking more than planned and tilting before the TJPA began construction of the Transbay Transit Center and that the TJPA took precautionary efforts to avoid exacerbating the situation. In addition to the Lehman Lawsuit, several other lawsuits have been filed against the TJPA related to the subsidence and tilting of the Millennium Tower. In total, eight lawsuits have been filed against TJPA, and a total of four of those name the City.

In addition to the Lehman Lawsuit, the City is named as a defendant in a lawsuit filed by the owners of a single unit, the Montana Lawsuit, San Francisco Superior Court Case No. 17-558649, and in two lawsuits filed by owners of multiple units, the Ying Lawsuit (Case No. 17-559210) and the Turgeon Lawsuit (Case No. 18-564417). The Montana, Ying and Turgeon Lawsuits contain similar claims as the Lehman Lawsuit. The City continues to evaluate the lawsuits, and the subject matter of the lawsuits, and is engaged in discovery, but cannot now make any prediction as to the outcome of the lawsuits, or whether the lawsuits, if determined adversely to the TJPA or the City, would have a material adverse impact on City finances.

Risk Retention Program

Citywide risk management is coordinated by the Risk Management Division which reports to the Office of the City Administrator. With certain exceptions, it is the general policy of the City not to purchase commercial liability insurance for the risks of losses to which it is exposed but rather to first evaluate self-insurance for such risks. The City believes that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e., "self-insurance"). The City obtains commercial insurance in certain circumstances, including when required by bond or lease financing covenants and for other limited purposes. The City actuarially determines liability and workers' compensation risk exposures as permitted under State law. The City does not maintain commercial earthquake coverage, with certain minor exceptions.

The City's decision to obtain commercial insurance depends on various factors including whether the

facility is currently under construction or if the property is owned by a self-supporting enterprise fund department. For new construction projects, the City has utilized traditional insurance, owner-controlled insurance programs or contractor-controlled insurance programs. Under the latter two approaches, the insurance program provides coverage for the entire construction project. When a traditional insurance program is used, the City requires each contractor to provide its own insurance, while ensuring that the full scope of work be covered with satisfactory limits. The majority of the City's commercial insurance coverage is purchased for enterprise fund departments and other similar revenue-generating departments (i.e. the Airport, MTA, the PUC, the Port and Convention Facilities, etc.). The remainder of the commercial insurance coverage is for General Fund departments that are required to provide coverage for bond-financed facilities, coverage for collections at City-owned museums and to meet statutory requirements for bonding of various public officials, and other limited purposes where required by contract or other agreement.

Through coordination between the City Controller and the City Attorney's Office, the City's general liability risk exposure is actuarially determined and is addressed through appropriations in the City's budget and also reflected in the CAFR. The appropriations are sized based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The City actuarially estimates future workers' compensation costs to the City according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the department's payroll. The administration of workers' compensation claims, and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. The Workers' Compensation Division determines and allocates workers' compensation costs to departments based upon actual payments and costs associated with a department's injured workers' claims. Statewide workers' compensation reforms have resulted in some City budgetary savings in recent years. The City continues to develop and implement programs to lower or mitigate workers' compensation costs. These programs focus on accident prevention, transitional return to work for injured workers, improved efficiencies in claims handling and maximum utilization of medical cost containment strategies.

The City's estimated liability and workers' compensation risk exposures are summarized in Note 18 to the City's CAFR.



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Anna Van Degna, Director of the Office of Public Finance
Vishal Trivedi, Office of Public Finance

DATE: Friday, March 29, 2018 *AND*

SUBJECT: Master Resolution Authorizing the Issuance of General Obligation Bonds (Proposition A, 2018) – Not to Exceed \$425,000,000;

Resolution Authorizing the Sale of General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018) Series 2019B – Not to Exceed \$50,000,000;

Ordinance Appropriating Proceeds of General Obligation Bonds, Series 2019B

We respectfully request that the Board of Supervisors (the "Board") consider for review and adoption the resolutions authorizing the issuance of general obligation bonds for the Embarcadero Seawall Earthquake Safety Program in an aggregate amount of \$425,000,000 and the sale of a not-to-exceed par amount of \$50,000,000 in City and County of San Francisco Taxable General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018), Series 2019B (the "Bonds"), which will be used to finance planning, design, and some initial construction projects to inform the first phase of needed seismic improvements to the Embarcadero Seawall.

In connection with this request, legislation authorizing the issuance of the bonds, a resolution approving the sale, a supplemental appropriation ordinance to appropriate the bond proceeds, and related supporting documents are expected to be introduced at the Board of Supervisors meeting on Tuesday, April 2, 2019. We respectfully request that the items be heard at the scheduled May 8, 2019 meeting of the Budget and Finance Committee.

Background:

Proposition A, 2018: Approved by San Francisco voters on November 6, 2018, the Embarcadero Seawall Earthquake Safety program authorized the sale of up to \$425,000,000 of general obligation bonds intended to finance the construction, reconstruction, acquisition, improvement, demolition, seismic strengthening and repair of the Embarcadero Seawall and other critical infrastructure. The purpose of the program was to protect the waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding,

2 / Resolutions Authorizing Issuance and Sale of General Obligation Bonds (Embarcadero Seawall Earthquake Safety) & Ordinance Appropriating the Proceeds

and rising seas by: repairing the 100-year-old Embarcadero Seawall; strengthening the Embarcadero; and fortifying transit infrastructure and utilities serving residents and businesses.

Proceeds from the bonds will partially reimburse planning funds already expended for the initial scoping and development of the seawall improvements, continued planning and design work for the larger seawall improvement program, as well as some pilot projects intended to guide the subsequent phases of the project.

Financing Parameters

The proposed legislation will authorize the issuance of bonds for the purposes allowed under the November 2018 Proposition A, approve the sale of the first series of bonds under the program, and approve the appropriation of bond proceeds from that sale. Table 1 below outlines the not-to-exceed sources and uses for the Bonds, based on an estimate provided by Urban Futures Inc., a municipal advisory firm registered with the Municipal Securities Rulemaking Board (MSRB). The information below is intended to advise the Board of Supervisors regarding the proposed financing in accordance with Section 5852.1 of the California Government Code.

Table 1: Estimated Sources and Uses from the Bonds

Estimated Sources:	
Par Amount	\$47,010,000
Total Estimated Sources:	\$47,010,000
Estimated Uses:	
Project Fund Deposits:	
Project Fund	\$45,800,000
CSA Audit Fee	91,600
Total Project Fund Deposits:	\$45,891,600
Delivery Expenses:	
Costs of Issuance	\$601,290
GOBOC Fee	47,010
Underwriter's Discount	470,100
Total Delivery Expenses	\$1,118,400
Total Estimated Uses	\$47,010,000
Reserve for Market Uncertainty	\$2,990,000
Maximum Not-to-Exceed Par Amount	\$50,000,000

Source: Urban Futures, Inc.

Based upon an estimated market interest rate of 3.94% for tax exempt general obligation bonds, the Office of Public Finance estimates an average annual debt service of approximately \$3,400,000. The estimated

3 / Resolutions Authorizing Issuance and Sale of General Obligation Bonds (Embarcadero Seawall Earthquake Safety) & Ordinance Appropriating the Proceeds

par amount of \$47,010,000 is estimated to generate approximately \$21,700,000 in interest payments and approximately \$68,300,000 in total debt service over the anticipated 20-year term of the Bonds. The Bonds are expected to mature on or before June 15, 2039.

In addition, a portion of the Bonds will pay certain expenses incurred in connection with their issue and delivery, and the periodic oversight and review of the Projects by City Services Auditor ("CSA Audit") the Citizens' General Obligation Bond Oversight Committee ("CBOB"). Detailed descriptions of the Projects financed with proceeds of the Bonds are included in the Bond Reports to be prepared by the Port of San Francisco.

Property Tax Impact

For Series 2019B, repayment of annual debt service on the Bonds will be recovered through increases in the annual property tax rate, which is estimated to average \$0.00132 per \$100 of assessed value or \$1.32 per \$100,000 of assessed value over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of \$600,000, assuming a homeowner's exemption of \$7,000, would pay average additional property taxes to the City of approximately \$7.81 per year if the anticipated \$47,010,000 Bonds are sold.

Debt Limit:

The City Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is 3.00% of the assessed value of property in the City. For purposes of this provision of the Charter, the City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's general obligation debt limit for fiscal year 2018-19 is approximately \$7.78 billion, based on a net assessed valuation of approximately \$259.3 billion. As of March 1, 2019, the City had outstanding approximately \$2.53 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.97% of the net assessed valuation for fiscal year 2018-19. If all of the City's voter-authorized and unissued general obligation bonds were issued, the total debt burden would be 1.40% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the Bonds, the debt ratio would increase by approximately 0.02% to 0.99%— within the 3.00% legal debt limit.

Capital Plan:

The Capital Planning Committee approved a financial constraint regarding the City's planned use of general obligation bonds such that debt service on approved and issued general obligation bonds would not increase property owners' long-term property tax rates above fiscal year 2006 levels. The fiscal year 2006 property tax rate for the general obligation bond fund was \$0.1201 per \$100 of assessed value. If the Board of Supervisors approves the issuance of the Bonds, the property tax rate for general obligation bonds for fiscal year 2018-19 would be maintained below the fiscal year 2006 rate and within the Capital Planning Committee's approved financial constraint.

Additional Information

The legislation is expected to be introduced at the Board of Supervisors meeting on Tuesday, April 2, 2019. The forms of the related financing documents—including the Notice of Intention to Sell, Official Notice of Sale, Official Statement, Appendix A and Continuing Disclosure Certificate and related documents—will also be submitted.

Official Notice of Sale: The Official Notice of Sale announces the date and time for a competitive bond sale, including the terms relating to sale of the Bonds; form of bids, and delivery of bids; and closing procedures

4 / Resolutions Authorizing Issuance and Sale of General Obligation Bonds (Embarcadero Seawall Earthquake Safety) & Ordinance Appropriating the Proceeds.

and documents.

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

Notice of Intention to Sell: The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell the 2019B Bonds. Such Notice of Intention to Sell would be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

Bond Purchase Agreement: The City intends to pursue a competitive sale of the 2019B Bonds; but if market conditions should necessitate a negotiated sale with an underwriter, the Purchase Contract details the terms, covenants, and conditions for the sale of the Bonds through selected underwriter(s), as well as agreements regarding expenses, closing and disclosure documents.

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

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

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

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

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

5 / Resolutions Authorizing Issuance and Sale of General Obligation Bonds (Embarcadero Seawall Earthquake Safety) & Ordinance Appropriating the Proceeds

Financing Timeline:

Milestones:

Capital Planning Committee
Board of Supervisors Introduction
Budget & Finance Committee Hearing
Board Approval of Resolutions; 1st Reading of Appropriation Ordinance
Final Board Approval of Appropriation Ordinance (2nd Reading)
Estimated Sale & Closing

Dates*:

March 25
April 2
May 8
May 14
May 21
June 2019

*Please note that dates are preliminary and may change.

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna at 415-554-5956 (anna.vandegna@sfgov.org), Vishal Trivedi at 415-554-4862 (vishal.trivedi@sfgov.org) or Bridget Katz at 415-554-6240 (bridget.katz@sfgov.org) if you have any questions.

CC: Ben Rosenfield, Controller
Angela Calvillo, Clerk of the Board
Harvey Rose, Budget Analyst
Ken Roux, City Attorney
Kelly Kirkpatrick, Mayor's Budget Office
Andres Power, Mayor's Office
Katharine Petrucione, Port of San Francisco
Meghan Wallace, Port of San Francisco
Brad Benson, Port of San Francisco

OFFICIAL NOTICE OF SALE

and

OFFICIAL BID FORM

\$50,000,000*

**CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS**

consisting of

(EMBARCADERO SEAWALL EARTHQUAKE SAFETY, 2018),
SERIES 2019B

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

SALE DATE: _____, 2019*
(Subject to postponement, cancellation, modification or
amendment in accordance with this Official Notice of Sale)

TIME: 8:30 a.m.*, California time

PLACE: Controller's Office of Public Finance
1 Dr. Carlton B. Goodlett Place, Room 336,
San Francisco, California 94102

DELIVERY DATE: _____, 2019*

NOTICE IS HEREBY GIVEN that electronic bids will be received through Ipreo at www.newissuehome.i-deal.com and the Parity electronic bid submission system ("**Parity**") for the purchase of \$50,000,000* principal amount of City and County of San Francisco's (the "City's") General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018), Series 2019B (the "**Bonds**"). Bidding procedures and sale terms are as follows:

- Issue:** The Bonds are described in the City's Preliminary Official Statement for the Bonds dated _____, 2019 (the "**Preliminary Official Statement**").
- Time:** Bids for the Bonds must be received electronically by 8:30 a.m., California time, on _____, 2019*.
- Manner:** Bidders may only submit electronic bids in the manner and subject to the terms and conditions described under "TERMS OF SALE—Form of Bids; Delivery of Bids" below, but no bid will be received after the time for receiving bids specified above.

THE RECEIPT OF BIDS ON _____, 2019* MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY THE CITY THROUGH THOMSON REUTERS AND BLOOMBERG BUSINESS NEWS (COLLECTIVELY, THE "NEWS SERVICES") AND/OR PARITY (AS DESCRIBED IN "TERMS OF SALE—FORM OF BIDS; DELIVERY OF BIDS" BELOW) AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION. Notice of the new date and time for receipt of bids shall be given through Parity and/or the News Services as soon as practicable following a postponement and no later than 1:00 p.m., California time, on the business day preceding the new date for receiving bids.

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice from the City's Municipal Advisor: Urban Futures, Inc., 455 Hickey Blvd., Suite 515, Daly City, CA 94015; telephone (650) 503-1500 (office), Attention: Jeff Pickett, Principal (e-mail: jeff@isomadvisors.com) (the "**Municipal Advisor**"); provided, however, that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE—Postponement or Cancellation of Sale."

The City reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the principal amount; provided, that any such modification or amendment will be communicated to potential bidders through the News Services and/or Parity not later than 1:00 p.m., California time, on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or

* Preliminary, subject to change.
74208393.6

amendment will not affect the sufficiency of any such notice or the legality of the sale. Bidders are required to bid upon the Bonds as so modified or amended. See “TERMS OF SALE—Right to Modify or Amend.”

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

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

TERMS RELATING TO THE BONDS

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

Issue. The Bonds will be issued as fully registered bonds without coupons in book-entry form in denominations of \$5,000 or any integral multiple of that amount, as designated by the successful bidder (the “**Purchaser**”), all dated the date of delivery, which is expected to be _____, **2019***. If the sale is postponed, notice of the new date of the sale will also set forth the new expected date of delivery of the Bonds.

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

* Preliminary, subject to change.
74208393.6

Interest Rates. Interest on the Bonds will be payable on December 15, 2019, and semiannually thereafter on June 15 and December 15 of each year (each an “**Interest Payment Date**”). Interest shall be calculated on the basis of a 30-day month, 360-day year from the dated date of the Bonds. Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided:

- (i) each interest rate specified in any bid for the Bonds must be a multiple of one-eighth or one-twentieth of one percent ($1/8$ or $1/20$ of 1%) per annum;
- (ii) the maximum interest rate bid for any maturity shall not exceed 8 percent (8%) per annum;
- (iii) no Bond shall bear a zero rate of interest;
- (iv) each Bond shall bear interest from its dated date to its stated maturity date at the single rate of interest specified in the bid; and
- (v) all Bonds maturing at any one time shall bear the same rate of interest.

See the Preliminary Official Statement – “THE BONDS – Payment of Interest and Principal.”

Principal Payments. The Bonds shall be serial and/or term Bonds, as specified by each bidder, and principal shall be payable on June 15 of each year, commencing on June 15, 2020 as shown below. Subject to the City’s right to modify or amend this Official Notice of Sale (see “TERMS OF SALE—Right to Modify or Amend”), the final maturity of the Bonds shall be June 15, 20____. The principal amount of the Bonds maturing or subject to mandatory sinking fund redemption in any year shall be in integral multiples of \$5,000. For any term Bonds specified, the principal amount for a given year may be allocated only to a single term Bond and must be part of an uninterrupted annual sequence from the first mandatory sinking fund payment to the term Bond maturity. The aggregate amount of the principal amount of the serial maturity or mandatory sinking fund payment for the Bonds is shown below for information purposes only. **Bidders for the Bonds will provide bids for all of the Bonds Principal Amounts.**

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

Principal Payment Date (June 15)	Series 2019B Bonds Principal Amount *
2020	
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	
2031	
2032	
2033	
2034	
2035	
2036	
2037	
2038	
2039	
2040	
TOTAL	\$50,000,000*

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the City with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. **The City reserves the right to change the principal payment schedule set forth above after the determination of the successful bidder, by adjusting one or more of the principal payments of the Bonds, in increments of \$5,000, as determined in the sole discretion of the City. Any such adjustment will not change the average per Bond dollar amount of the underwriter's discount. If there is any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no successful bid may be withdrawn.**

* Preliminary, subject to change.
74208393.6

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

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

Redemption.

(i) Optional Redemption of the Bonds. The Bonds maturing on or before June 15, 2027* will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after June 15, 2028* will be subject to optional redemption prior to their respective stated maturity dates, at the option of the City, from any source of available funds, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and by lot within a maturity), on or after June 15, 2027*, at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption, without premium. See the Preliminary Official Statement – “THE BONDS—Redemption—Optional Redemption of the Bonds.”

(ii) Mandatory Redemption. The Bonds will not be subject to redemption prior to their respective stated maturity dates from mandatory sinking fund payments prior to June 15, 20___. Term Bonds, if any, are subject to redemption prior to their respective stated maturity dates, in part, by lot from mandatory sinking fund payments, on each June 15 on or after June 15, 20___, designated by the successful bidder as a date upon which a mandatory sinking fund payment is to be made, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. No term Bonds may be redeemed from mandatory sinking fund payments until all term Bonds maturing on preceding term maturity dates, if any, have been retired. See the Preliminary Official Statement – “THE BONDS—Redemption—Mandatory Redemption.”

Legal Opinions and Tax Matters. Upon delivery of the Bonds, Norton Rose Fulbright US LLP and Amira Jackmon, Attorney at Law, Co-Bond Counsel to the City (“**Co-Bond Counsel**”), will deliver their legal opinions that, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes, subject to the matters described in “TAX MATTERS” in the Preliminary Official Statement; and (ii) interest on the Bonds is exempt from present State of California personal income taxes.

* Preliminary, subject to change.
74208393.6

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

See the Preliminary Official Statement – “TAX MATTERS.”

TERMS OF SALE

Par and Premium Bids; No Net Discount Bids. All bids for the Bonds shall be for par or more, but shall not exceed ____% of the par amount and shall not include more than three (3) years of capitalized interest. No net discount bids for the Bonds will be accepted. Individual maturities of the Bonds may be reoffered at par, a premium or a discount.

Form of Bids; Delivery of Bids. Each bid for the Bonds must be: (1) for not less than all of the Bonds offered for sale, (2) unconditional, and (3) submitted via Parity, together with any adjustments made by the City pursuant hereto, by not later than 11:00 a.m., California time, on the sale date. Bids must conform to the procedures established by Parity.

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

Electronic bids will be received exclusively through Parity in accordance with this Official Notice of Sale. For further information about Parity, potential bidders may contact either of the Municipal Advisor at the number provided above or Parity at: (212) 404-8107.

Warnings Regarding Electronic Bids. Bids for the Bonds must be submitted electronically via Parity. None of the City, the City Attorney, the Municipal Advisor or Co-Bond Counsel assumes any responsibility for any error contained in any bid submitted electronically or for failure of any bid to be transmitted, received or opened by the time for receiving bids, and each bidder expressly assumes the risk of any incomplete, illegible, untimely or nonconforming bid submitted by electronic transmission by such bidder, including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause arising from submission by electronic transmission.

If a bidder submits an electronic bid for the Bonds through Parity, such bidder thereby agrees to the following terms and conditions: (1) if any provision in this Official Notice of Sale with respect to the Bonds conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through Parity and/or the News Services, will control; (2) each bidder will be solely

responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale; (3) the City will not have any duty or obligation to provide or assure access to Parity to any bidder, and the City will not be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or untimely bid submitted by any bidder through Parity; (4) the City is permitting use of Parity as a communication mechanism, and not as an agent of the City, to facilitate the submission of electronic bids for the Bonds; Parity is acting as an independent contractor, and is not acting for or on behalf of the City as an agent; and (5) the City is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity.

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

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

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

Good Faith Deposit. To secure the City from any loss resulting from the failure of the apparent winning bidder to comply with the terms of its bid, a good faith deposit in the amount of \$[500,000] (the "**Good Faith Deposit**") must be provided to the City by the apparent winning bidder.

Upon the determination by the City of the apparent winning bidder of the Bonds, the Municipal Advisor will (i) provide to the apparent winning bidder of the Bonds the wire transfer information and (ii) request the apparent winning bidder to immediately wire the Good Faith Deposit to the City. No later than ninety (90) minutes after the time the Municipal Advisor request the apparent winning bidder to wire the Good Faith Deposit to the City, the apparent winning bidder of the Bonds must wire the Good Faith Deposit to the City and provide the Federal wire reference number of such Good Faith Deposit to the Municipal Advisor. If the apparent winning bidder does not wire the Good Faith Deposit to the City or does not provide the Federal wire reference number of such Good Faith Deposit to the Municipal Advisor within the

time specified above, the City may reject the bid of the apparent winning bidder and award Bonds to a responsible bidder that submitted a conforming bid that represents the next lowest true interest cost to the City.

No interest will be paid upon the Good Faith Deposit made by any bidder. The Good Faith Deposit of the Purchaser will immediately become the property of the City. The Good Faith Deposit will be held and invested for the exclusive benefit of the City. The Good Faith Deposit, without interest thereon, will be credited against the purchase price of the Bonds purchased by the Purchaser at the time of delivery thereof.

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

Establishment of Issue Price (Hold-the-Offering Price Rule Will Apply if Competitive Sale Requirements are Not Satisfied).

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City by Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (i) the City shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (ii) all bidders shall have an equal opportunity to bid;
- (iii) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (iv) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

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

(c) If the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. In such event, the City intends to treat the initial offering price to the public as of the sale date of each maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"). The City shall promptly advise the winning bidder, at or before the time of award of the Bonds, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Bonds. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies.

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

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

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

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

with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(f) By submitting a bid, each bidder confirms that, with respect to any hold-the-price maturities: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the Bonds of each maturity allotted to it until it is notified by the winning bidder that the hold-the-offering-price rule no longer applies to such maturity and (B) to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that the hold-the-offering-price rule no longer applies to such maturity and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

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

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as

applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

- (iv) “sale date” means the date that the Bonds are awarded by the City to the winning bidder.

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

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

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

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

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

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. Delivery of the Bonds will be made through the facilities of DTC in New York, New York, and is presently expected to take place on or about _____, 2019*. Payment for the Bonds (including any premium) must be made at the time of delivery in immediately available funds to the City Treasurer. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The City will deliver to the Purchaser, dated as of the delivery date, the legal opinions with respect to the Bonds described in APPENDIX F – “PROPOSED FORM OF OPINION OF CO-BOND COUNSEL” to the Preliminary Official Statement.

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

No Litigation. The City will deliver a certificate stating that no litigation of any nature is pending, or to the actual knowledge of the officer of the City executing such certificate, threatened, restraining or enjoining the sale, issuance or delivery of the Bonds or any part thereof, or the entering into or performance of any obligation of the City, or concerning the validity of the Bonds, the ability of the City to levy and collect the *ad valorem* tax required to pay debt service on the Bonds, the corporate existence or the boundaries of the City, or the entitlement of any officers of the City who will execute the Bonds to their respective offices.

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

CUSIP Numbers. It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for a failure or refusal by the Purchaser of the Bonds to accept delivery of and pay for such Bonds in accordance with the terms of this contract. The Purchaser, at its sole cost, will obtain separate CUSIP numbers for each maturity of the Bonds. CUSIP is a registered trademark of American Bankers Association. CUSIP data is provided by CUSIP Global Services managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers

* Preliminary, subject to change.
74208393.6

Association. CUSIP data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. The City takes no responsibility for the accuracy of such CUSIP numbers. CUSIP numbers are provided only for the convenience of the Purchaser of the Bonds.

Expenses of the Successful Bidder. CUSIP Service Bureau charges, California Debt and Investment Advisory Commission fees (under California Government Code Section 8856), Depository Trust Company charges and all other expenses of the successful bidder will be the responsibility of the successful bidder. Pursuant to Section 8856 of the California Government Code, the Purchaser must pay to the California Debt and Investment Advisory Commission, within sixty (60) days from the sale date, the statutory fee for the Bonds purchased.

Official Statement. Copies of the Preliminary Official Statement with respect to the Bonds will be furnished or electronically transmitted to any potential bidder upon request to the Office of Public Finance or the Municipal Advisor. (The contact information for the Municipal Advisor is set forth above in this Official Notice of Sale.) In accordance with Rule 15c2-12 of the Securities and Exchange Commission, as amended ("**Rule 15c2-12**"), the City deems the Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. Within seven business days after the date of award of the Bonds, the Purchaser of the Bonds will be furnished with a reasonable number of copies (not to exceed 50) of the final Official Statement, without charge, for distribution in connection with the resale of the Bonds. The Purchaser of the Bonds must notify the City in writing within two (2) days of the sale of the Bonds if the Purchaser requires additional copies of the final Official Statement to comply with applicable regulations. The cost for such additional copies will be paid by the Purchaser requesting such copies.

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

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

Certificate Regarding Official Statement. At the time of delivery of the Bonds, the Purchaser will receive a certificate, signed by an authorized representative of the City, confirming to the Purchaser that (i) such authorized representative has determined that, to the best of such authorized representative's knowledge and belief, the final Official Statement (excluding reoffering information, information relating to The Depository Trust Company and its book-entry system, as to which no view will be expressed) did not as of its date, and does not as of the date of closing, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances

under which they were made, not misleading, (ii) such authorized representative knows of no material adverse change in the condition or affairs of the City that would make it unreasonable for such Purchaser of the Bonds to rely upon the final Official Statement in connection with the resale of the Bonds, and (iii) the City authorizes the Purchaser of the Bonds to distribute copies of the final Official Statement in connection with the resale of the Bonds.

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

- (i) The Purchaser has provided to the City the initial reoffering prices or yields on the Bonds as printed in the final Official Statement, and the Purchaser has made a bona fide offering of the Bonds to the public at the prices and yields so shown.
- (ii) The Purchaser has not undertaken any responsibility for the contents of the final Official Statement. The Purchaser, in accordance with and as part of its responsibilities under the federal securities laws, has reviewed the information in the final Official Statement and has not notified the City of the need to modify or supplement the final Official Statement.
- (iii) The foregoing statements will be true and correct as of the date of closing.

Continuing Disclosure. To assist bidders in complying with Rule 15c2-12, the City will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information, operating data and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. Except as otherwise disclosed in the Official Statement under the heading "CONTINUING DISCLOSURE," for the past five years, the City has been in compliance in all material respects with its continuing disclosure obligations under Rule 15c2-12.

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

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

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

Dated: _____, 2019.

EXHIBIT A

FORM OF ISSUE PRICE CERTIFICATE

(IF 3 BIDS FROM COMPETITIVE PROVIDERS ARE RECEIVED)

\$50,000,000

CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EMBARCADERO SEAWALL EARTHQUAKE SAFETY, 2018),
SERIES 2019B

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

1. *Reasonably Expected Initial Offering Price.*

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

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

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

2. *Defined Terms.*

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

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

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2019.

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

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

[NAME OF PURCHASER]

By: _____

Name: _____

Title: _____

Dated: _____, 2019

SCHEDULE A
EXPECTED OFFERING PRICES
(Attached)

SCHEDULE B
COPY OF PURCHASER'S BID
(Attached)

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

\$50,000,000
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EMBARCADERO SEAWALL EARTHQUAKE SAFETY, 2018),
SERIES 2019B

ISSUE PRICE CERTIFICATE

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

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

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

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

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

3. ***Defined Terms.***

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

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

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

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

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

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2019.

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

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

[NAME OF PURCHASER]

By: _____

Name: _____

Title: _____

Dated: _____, 2019

SCHEDULE A

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

(Attached)

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2019

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Moody's: ____

S&P: ____

Fitch: ____

(See "Ratings" herein)

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, and subject to the matters described in "TAX MATTERS" herein, interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes and is not included in the federal alternative minimum taxable income of the owners thereof. It is also the opinion of Co-Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California. See "TAX MATTERS" herein. The Bonds will not be designated as "qualified tax-exempt obligations" for financial institutions.



\$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EMBARCADERO SEAWALL EARTHQUAKE SAFETY, 2018)
SERIES 2019B

Dated: Date of Delivery

Due: June 15, as shown in the inside cover

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

The City and County of San Francisco (the "City") is issuing its General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018), Series 2019B (the "Bonds") under the Government Code of the State of California and the Charter of the City and County of San Francisco (the "Charter"). The Bonds are being issued pursuant to certain resolutions adopted by the Board of Supervisors of the City and duly approved by the Mayor of the City. The issuance of the Bonds has been authorized at elections of the registered voters of the City on November 6, 2018, at which more than two-thirds of the persons voting on Proposition A voted to authorize the issuance and sale of the Bonds, as further described under "THE BONDS – Authority for Issuance; Purposes." The proceeds of the Bonds are expected to be used to (i) finance the construction, reconstruction, acquisition, improvement, demolition, seismic strengthening and repair of the Embarcadero Seawall and other critical infrastructure, and (ii) pay certain costs related to the issuance of the Bonds. See "THE BONDS – Authority for Issuance; Purposes" and "SOURCES AND USES OF FUNDS."

The Bonds will be dated and bear interest from their date of delivery until paid in full at the rates shown in the maturity schedule on the inside cover hereof. Interest on the Bonds will be payable on June 15 and December 15 of each year, commencing December 15, 2019. Principal will be paid at maturity as shown on the inside cover. See "THE BONDS – Payment of Interest and Principal." The Bonds will be issued only in fully registered form without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases of the Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by the City Treasurer, as paying agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Form and Registration."

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

The Board of Supervisors at the time of fixing the general tax levy will fix, and in the manner provided for such general tax levy, levy and collect annually until the Bonds are paid, an *ad valorem* tax upon the taxable property of the City, without limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds as they become due. See "SECURITY FOR THE BONDS."

BIDS FOR THE PURCHASE OF THE BONDS WILL BE RECEIVED BY THE CITY AT 8:30 A.M. PACIFIC TIME ON MAY __, 2019, AS PROVIDED IN THE OFFICIAL NOTICE OF SALE INVITING BIDS DATED MAY __, 2019, UNLESS POSTPONED AS SET FORTH IN SUCH OFFICIAL NOTICE OF SALE. See "SALE OF THE BONDS" herein.

MATURITY SCHEDULE

(See Inside Cover)

The Bonds are offered when, as and if issued by the City and accepted by the initial purchasers, subject to the approval of legality by Norton Rose Fulbright US LLP, Los Angeles, California and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by its City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about June __, 2019.

Dated: May __, 2019.

* Preliminary, subject to change.

\$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EMBARCADERO SEAWALL EARTHQUAKE SAFETY, 2018)
SERIES 2019B

MATURITY SCHEDULE
(Base CUSIP[†] Number: _____)

\$_____ Serial Bonds

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

\$_____ % Term Bonds due June 15, 20__ Yield/Price _____ CUSIP[†] No. _____

* Preliminary, subject to change.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. The City does not take any responsibility for the accuracy of such numbers.

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

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

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

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

In connection with the offering of the Bonds, the underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The underwriters may offer and sell the Bonds to certain dealers and dealer banks at prices lower than the initial public offering prices stated on the inside cover hereof. Such initial public offering prices may be changed from time to time by the underwriters.

This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes in social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, seismic events and various other events, conditions and circumstances, many of which are beyond the control of the City. These forward-looking statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the City with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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

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



CITY AND COUNTY OF SAN FRANCISCO

MAYOR

London N. Breed

BOARD OF SUPERVISORS

Norman Yee, *Board President, District 7*

Sandra Lee Fewer, *District 1*

Catherine Stefani, *District 2*

Aaron Peskin, *District 3*

Gordon Mar, *District 4*

Vallie Brown, *District 5*

Matt Haney, *District 6*

Rafael Mandelman, *District 8*

Hillary Ronen, *District 9*

Shamann Walton, *District 10*

Ahsha Safai, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Naomi M. Kelly, *City Administrator*

Benjamin Rosenfield, *Controller*

Anna Van Degna, *Director, Controller's Office of Public Finance*

PROFESSIONAL SERVICES

Paying Agent and Registrar

Treasurer of the City and County of San Francisco

Co-Bond Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Amira Jackmon, Attorney at Law
Berkeley, California

Municipal Advisor

Urban Futures, Inc.
Daly City, California

Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California



TABLE OF CONTENTS

INTRODUCTION.....	1
THE CITY AND COUNTY OF SAN FRANCISCO	1
THE BONDS.....	3
Authority for Issuance; Purposes.....	3
Form and Registration	3
Payment of Interest and Principal.....	4
Redemption	4
Project Account	6
Defeasance	6
SOURCES AND USES OF FUNDS	8
DEBT SERVICE SCHEDULE	9
SECURITY FOR THE BONDS	10
General	10
Flow of Funds Under the Resolutions	10
Property Taxation	12
Pledge	13
Statutory Lien on Taxes (Senate Bill 222)	14
CERTAIN RISK FACTORS.....	14
Factors Affecting Property Tax Security for the Bonds	14
City Long-Term Financial Challenges	15
Seismic Risks	16
Climate Change, Risk of Sea Level Rise and Flooding Damage	18
Cybersecurity	19
Limitation on Remedies; Bankruptcy.....	20
Other Events.....	22
TAX MATTERS	22
Tax Exemption.....	22
Tax Accounting Treatment of Discount and Premium on Certain Bonds.....	23
OTHER LEGAL MATTERS	24
PROFESSIONALS INVOLVED IN THE OFFERING	25
ABSENCE OF LITIGATION.....	25
CONTINUING DISCLOSURE	25
RATINGS.....	26
SALE OF THE BONDS.....	26
MISCELLANEOUS.....	27

APPENDICES

APPENDIX A – CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES
APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2018
APPENDIX C – CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY
APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE
APPENDIX E – DTC AND THE BOOK ENTRY ONLY SYSTEM
APPENDIX F – PROPOSED FORM OF OPINION OF CO-BOND COUNSEL



OFFICIAL STATEMENT

\$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EMBARCADERO SEAWALL EARTHQUAKE SAFETY, 2018)
SERIES 2019B

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the public offering by the City and County of San Francisco (the "City") of its City and County of San Francisco General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018), Series 2019B (the "Bonds"). The Board of Supervisors at the time of fixing the general tax levy will fix, and in the manner provided for such general tax levy, levy and collect annually until the Bonds are paid, an *ad valorem* tax upon the taxable property of the City, without limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds as they become due. See "SECURITY FOR THE BONDS."

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

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

THE CITY AND COUNTY OF SAN FRANCISCO

General. The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour's drive to the north. According to the State Department of Finance, the City's population as of July 1, 2018 was 887,540.

The San Francisco Bay Area consists of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (collectively, the "Bay Area"). The economy of the Bay Area includes a wide range of industries, supplying local needs as well

* Preliminary, subject to change.

as the needs of national and international markets. Major business sectors in the Bay Area include technology, retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising and higher education. The California State Supreme Court is also based in San Francisco.

The City is a major convention and tourist destination. According to the San Francisco Travel Association, a nonprofit membership organization, during the calendar year 2017, approximately 25.5 million tourists visited the City, with total direct spending estimated at \$9.1 billion. Direct spending from conventions, trade shows and group meetings generated approximately \$687.4 million in 2017.

The City is also a leading center for financial activity in the State. The headquarters of the Twelfth Federal Reserve District and the Eleventh District Federal Home Loan Bank are located in the City.

The City benefits from a highly skilled, educated and professional labor force. According to the U.S. Department of Commerce Bureau of Economic Analysis, the per-capita personal income of the City for calendar year 2017 was \$119,868. According to the U.S. Department of Labor Bureau of Labor Statistics, the average unemployment rate for calendar year 2018 was 2.4%. The San Francisco Unified School District ("SFUSD"), which is a separate legal entity from the City, operates 14 transitional kindergarten schools, 64 elementary schools serving grades TK-5, 8 schools serving grades TK-8, 13 middle schools serving grades 6-8, 15 high schools serving grades 9-12, 12 early education schools, and 14 active charter schools authorized by SFUSD. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, the California Culinary Academy, and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County and owned and operated by the City, is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific Rim traffic. In fiscal year 2017-18, SFO serviced approximately 58 million passengers and handled 561,150 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District ("BART," an electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway ("Muni"), operated by the San Francisco Municipal Transportation Agency ("SFMTA"), provides bus and streetcar service within the City. The Port of San Francisco (the "Port"), which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities, and natural resource protection.

Government. San Francisco is a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California, and is the only consolidated city and county in the State. Voters approved the City's current Charter at the November 1995 election. The City is governed by a Board of Supervisors elected from 11 districts to serve 4-year terms, and a Mayor who serves as chief executive officer, elected citywide to a 4-year term. The City's original budget for fiscal years 2018-19 and 2019-20 totals \$11.04 billion and \$11.10 billion, respectively. The General Fund portion of each year's original budget is \$5.51 billion in fiscal year 2018-19 and \$5.52 billion in fiscal year 2019-20, with the balance being allocated to all other funds, including enterprise fund departments, such as SFO, SFMTA, the Port Commission and the San Francisco Public Utilities Commission ("SFPUC"). The City employed [32,749] full-time-equivalent employees at the end of fiscal year [2016-17], of which [2,124] positions were funded from sources other than the City's General Fund. According to the Controller of the City (the "Controller"), the fiscal year 2018-19 net total assessed valuation of taxable property in the City is approximately \$259.3 billion.

More detailed information about the City's governance, organization and finances may be found in APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

THE BONDS

Authority for Issuance; Purposes

The Bonds will be issued under the Government Code of the State and the Charter. The City authorized the issuance of the Bonds by Resolution No. ____-19 (the "Authorizing Resolution") and Resolution No. ____-19 (the "Sale Resolution," and together with the Authorizing Resolution, the "Resolutions"), both adopted by the Board of Supervisors of the City on _____, 2019, and duly approved by the Mayor of the City on _____, 2019.

On November 6, 2018, more than two-thirds of the voters of the City who voted at such election approved Proposition A ("Proposition A (2018)"). Proposition A (2018) authorized the City to incur bonded indebtedness of up to \$425,000,000 for capital improvements to protect the waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding and rising seas by repairing the 100-year old Embarcadero Seawall; strengthening the Embarcadero; and fortifying transit infrastructure and utilities serving residents and businesses.

The Bonds will constitute the first series of bonds to be issued under Proposition A (2018). Pursuant to the Resolutions, the City plans to use the proceeds of the Bonds to (i) finance the construction, reconstruction, acquisition, improvement, demolition, seismic strengthening and repair of the Embarcadero Seawall and other critical infrastructure, and (ii) pay certain costs related to the issuance of the Bonds. Upon the issuance of the Bonds, \$ _____* in general bond authorization provided by Proposition A (2018) will remain authorized but unissued and available to the City.

The Administrative Code of the City (the "Administrative Code") and Proposition A (2018) provide that, to the extent permitted by law, 0.1% of the gross proceeds of all proposed bonds, including the Bonds, be deposited by the Controller and used to fund the costs of the City's independent citizens' general obligation bond oversight committee. The committee was created by the adoption by the voters in 2002 of Proposition F (adopted by the voters March 5, 2002), which established the committee to review and oversee the delivery of general obligation bond-funded projects. A year later, the voters passed Proposition C, which authorized the committee to review and give input on the work of the City services auditor, including the City's whistleblower program. The committee has nine members appointed by the Mayor, Board of Supervisors, Controller and the Civil Grand Jury. The purpose of the committee is to inform the public concerning the expenditure of general obligation bond proceeds in accordance with the voter authorization.

Form and Registration

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

* Preliminary, subject to change.

Payment of Interest and Principal

Interest on the Bonds will be payable on each June 15 and December 15 to maturity or prior redemption, commencing December 15, 2019, at the interest rates shown on the inside cover hereof. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The City Treasurer will act as paying agent and registrar with respect to the Bonds. The interest on the Bonds will be payable in lawful money of the United States to the Registered Owner whose name appears on the Bond registration books of the City Treasurer as the owner thereof as of the close of business on the last day of the month immediately preceding an interest payment date (the "Record Date"), whether or not such day is a business day. Each Bond authenticated on or before November 30, 2019 will bear interest from the date of delivery. Every other Bond will bear interest from the interest payment date next preceding its date of authentication unless it is authenticated as of a day during the period from the Record Date next preceding any interest payment date to the interest payment date, inclusive, in which event it will bear interest from such interest payment date; provided, that if, at the time of authentication of any Bond, interest is then in default on the Bonds, such Bond will bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Bonds or from the date of delivery of the Bonds if the first interest payment is not made.

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

Redemption*

Optional Redemption of the Bonds

The Bonds maturing on or before June 15, 20__ will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after June 15, 20__ will be subject to optional redemption prior to their respective stated maturity dates, at the option of the City, from any source of available funds, as a whole or in part on any date, on or after June 15, 20__, at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption (the "Redemption Date"), without premium.

Mandatory Redemption

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

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

* Preliminary, subject to change.

Selection of Bonds for Redemption

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

If the Bonds to be optionally redeemed are also subject to mandatory redemption, the Director of Public Finance will designate the mandatory sinking fund payment or payments (or portions thereof) against which the principal amount of the Bonds optionally redeemed will be credited.

Notice of Redemption

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

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

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

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

Effect of Notice of Redemption

When notice of optional redemption has been given as described above, and when the amount necessary for the redemption of the Bonds called for redemption (principal, premium, if any and accrued interest to the Redemption Date) is set aside for that purpose in the redemption account for the Bonds (the "Series 2019B Redemption Account") established under the Resolutions, the Bonds designated for redemption will become due and payable on the Redemption Date, and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, those Bonds will be redeemed and paid at said redemption price out of the Series 2019B Redemption Account. No interest will accrue on such Bonds called for redemption after the Redemption Date and the registered owners of such Bonds will look for payment of such

Bonds only to the Series 2019B Redemption Account. Moneys held in the Series 2019B Redemption Account will be invested by the City Treasurer pursuant to the City's policies and guidelines for investment of moneys in the General Fund of the City. See APPENDIX C – "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY."

Conditional Notice; Right to Rescind Notice of Optional Redemption

Any notice of optional redemption may provide that such redemption is conditioned upon: (i) deposit of sufficient moneys in the Series 2019B Redemption Account to redeem the applicable Bonds called for redemption on the anticipated Redemption Date, or (ii) the occurrence of any other event specified in the notice of redemption. In the event that such conditional notice of optional redemption has been given and on the scheduled Redemption Date (i) sufficient moneys to redeem the Bonds have not been deposited or (ii) any other event specified in the notice of redemption did not occur, such Bonds for which notice of conditional optional redemption was given will not be redeemed on the anticipated Redemption Date and will remain Outstanding for all purposes of the Resolutions and the redemption not occurring will not constitute a default under the Resolutions.

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

Project Account

The Authorizing Resolution establishes a project account designated as the "General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018) Project Account" (the "Project Account"). The Project Account will be maintained by the City Treasurer as a separate account, segregated and distinct from all other accounts. The City Treasurer may establish such accounts and subaccounts within the Project Account as may be necessary or convenient in connection with the administration of projects or the bonds issued under the Authorizing Resolution.

All of the proceeds of the sale of bonds issued under the Authorizing Resolution (excluding any premium and accrued interest received thereon, unless otherwise determined by the Director of Public Finance) will be deposited by the City Treasurer to the credit of the Project Account and will be applied exclusively to the objects and purposes specified in Proposition A (2018). When such objects and purposes have been accomplished, any moneys remaining in such account will be transferred to the Bond Account (as defined in "SECURITY FOR THE BONDS – Flow of Funds Under the Resolutions") and applied to the scheduled payment of the principal of and interest on any series of bonds issued under the Authorizing Resolution. Amounts in the Project Account may be applied to the payment of costs of issuance of bonds issued under the Authorizing Resolution, including, without limitation, bond and financial printing expenses, mailing and publication expenses, rating agency fees, and the fees and expenses of paying agents, registrars, financial consultants, bond counsel and disclosure counsel.

Defeasance

Payment of all or any portion of the Bonds may be provided for prior to such Bonds' respective stated maturities by irrevocably depositing with the City Treasurer (or any commercial bank or trust company designated by the City Treasurer to act as escrow agent with respect thereto): (a) an amount of cash equal to the principal amount of all of such Bonds or a portion thereof, and all unpaid interest thereon to maturity, except that in the case of Bonds which are to be redeemed prior to such Bonds' respective stated maturities and in respect of which notice of such redemption will have been given as described above or an irrevocable

election to give such notice will have been made by the City, the amount to be deposited will be the principal amount thereof, all unpaid interest thereon to the Redemption Date, and premium, if any, due on such Redemption Date; or (b) Defeasance Securities (as defined below) not subject to call, except as described in the definition below, maturing and paying interest at such times and in such amounts, together with interest earnings and cash, if required, as will, without reinvestment, as certified by an independent certified public accountant, be fully sufficient to pay the principal and all unpaid interest to maturity, or to the Redemption Date, as the case may be, and any premium due on the Bonds to be paid or redeemed, as such principal and interest come due; provided, that, in the case of the Bonds which are to be redeemed prior to maturity, notice of such redemption will be given as described above or an irrevocable election to give such notice will have been made by the City; then, all obligations of the City with respect to said outstanding Bonds will cease and terminate, except only the obligation of the City to pay or cause to be paid from the funds deposited as described in this paragraph, to the owners of said Bonds all sums due with respect thereto, and the tax covenant obligations of the City with respect to the Bonds; provided, that the City will have received an opinion of nationally recognized bond counsel that provision for the payment of said Bonds has been made as required by the Resolutions.

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

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

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

“Rating Agencies” means Moody’s Investors Service, Fitch Ratings, and S&P Global Ratings, or any other nationally-recognized bond rating agency that is the successor to any of the foregoing rating agencies or that is otherwise recognized as a national rating agency after the date of adoption of the Resolutions.

SOURCES AND USES OF FUNDS

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

Sources

Principal Amount of Bonds

Net Original Issue Premium/(Discount) _____

Total Sources of Funds

Uses

Deposit to Project Account⁽¹⁾

Deposit to Series 2019B Bond Subaccount

Oversight Committee⁽²⁾

Underwriter's Discount

Costs of Issuance⁽³⁾ _____

Total Uses of Funds

-
- (1) Of the total Project Account deposit, \$ _____ will be used to pay project costs and \$ _____ (representing 0.2% of the Project Account for project costs) will be used to pay the City's Office of the Controller's audit fee.
- (2) See "THE BONDS – Authority for Issuance; Purposes – Bond Oversight."
- (3) Includes fees for services of rating agencies, Municipal Advisor, Co-Bond Counsel, Disclosure Counsel, costs to the City, printing costs, other miscellaneous costs associated with the issuance of the Bonds, and rounding amounts.

[Remainder of Page Intentionally Left Blank.]

DEBT SERVICE SCHEDULE

The scheduled debt service payable with respect to the Bonds is shown in the table below (assuming no early redemptions). For debt service payable with respect to the City's other general obligation bonds, see Table A-22 under APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Tax-Supported Debt Service."

**City and County of San Francisco
General Obligation Bonds
(Embarcadero Seawall Earthquake Safety, 2018)
Series 2019B**

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>	<u>Fiscal Year Total</u>
---------------------	------------------	-----------------	---	--------------------------

Total

SECURITY FOR THE BONDS

General

Pursuant to the Resolutions, for the purpose of paying the principal of and interest on the Bonds, the Board of Supervisors annually will fix, levy and collect until the Bonds are paid, or until there is a sum set apart for that purpose in the Treasury of the City sufficient to meet all sums coming due for payment of principal of and interest on the Bonds, an *ad valorem* tax sufficient to pay the annual principal of and interest on the Bonds as the same become due. In fixing such tax levy for each fiscal year, the Board of Supervisors will take into account amounts then on deposit in the Tax Revenues Subaccount (as defined under "Flow of Funds Under the Resolutions"), if such amounts will be available to pay debt service on the Bonds. Said tax will be in addition to all other taxes levied for City purposes, will be collected at the time and in the same manner as other taxes of the City are collected, and will be used only for the payment of the Bonds and the interest thereon. Under the framework of the constitutional provisions and statutes applicable to California general obligation bonds, including the Bonds, taxes levied to pay debt service on the Bonds may not be used for any other purpose and are not available to support general City operations. See "Property Taxation" below.

Pursuant to Section 53515 of the California Government Code, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* taxes levied for the Bonds. See "Statutory Lien on Taxes (Senate Bill 222)" below.

Pursuant to the Resolutions, the City will pledge the Bond Account (as defined under "Flow of Funds Under the Resolutions") and all subaccounts and amounts on deposit therein for the payment of the principal of and interest on bonds issued under the Authorizing Resolution (including the Bonds) when and as the same become due. See "Pledge" below.

Flow of Funds Under the Resolutions

Bond Account. The Authorizing Resolution provides that there will be established with the City Treasurer a special account to be designated as the "General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018) Bond Account" (the "Bond Account"). The Bond Account and all subaccounts therein will be administered by the City Treasurer with all disbursements of funds therefrom subject to authorization of the Controller. The Bond Account will be kept separate and apart from all other accounts, and each subaccount therein will be kept separate and apart from all other subaccounts. Pursuant to the applicable sale resolution, the Controller may establish such additional accounts and subaccounts within the Bond Account or with any agent, including but not limited to any paying agent or fiscal agent, as may be necessary or convenient in connection with the administration of any series of bonds issued under the Authorizing Resolution, to provide for the payment of principal and interest on such series of bonds.

The City Treasurer will deposit in the Bond Account from the proceeds of sale of bonds issued pursuant to the Authorizing Resolution, any moneys received on account of original issue premium and interest accrued on bonds issued under the Authorizing Resolution to the date of payment of the purchase price thereof, and such other moneys, if any, as may be specified in the applicable sale resolution. So long as any of the bonds issued under the Authorizing Resolution are outstanding, moneys in the Bond Account will be used and applied by the City Treasurer solely for the purpose of paying the principal of and interest on such bonds as such principal and interest become due and payable, or for purchase of such bonds if permitted by the applicable sale resolution; provided, however, that when all of the principal of and interest on such bonds have been paid, any moneys then remaining in said Bond Account will be transferred to the City for any legally permitted purpose. The Board of Supervisors will take such actions annually as are necessary or appropriate to cause the debt service on the bonds issued under the Authorizing Resolution due in any fiscal year to be included in the budget for such fiscal year and to make the necessary appropriations therefor.

Pursuant to the Authorizing Resolution, all *ad valorem* taxes collected by the City for the payment of debt service on the Bonds as described herein will be deposited in a special subaccount within the Bond Account to be designated as the "Tax Revenues Subaccount."

Series 2019B Bond Subaccount. The Sale Resolution provides that there will be established with the City Treasurer a special subaccount in the Bond Account to be designated as the "General Obligation Bonds, Series 2019B Bond Subaccount" (the "Series 2019B Bond Subaccount"), to be held separate and apart from all other accounts of the City.

The Sale Resolution provides that (i) on or prior to the date on which any payment of principal of or interest on the Bonds is due, including any Bonds subject to mandatory redemption on said date, the City Treasurer will allocate to and deposit in the Series 2019B Bond Subaccount, from amounts held in the Tax Revenues Subaccount of the Bond Account, an aggregate amount which, when added to any available moneys contained in the Series 2019B Bond Subaccount, is sufficient to pay principal of and interest on the Bonds on such date, and (ii) on or prior to the date on which any Bonds are to be redeemed at the option of the City, the City Treasurer may allocate to and deposit in the Series 2019B Redemption Account, from amounts held in the Bond Account, an amount which, when added to any available moneys contained in the Series 2019B Redemption Account, is sufficient to pay principal, interest and premium, if any, with respect to such Bonds on such date. The City Treasurer may make such other provision for the payment of principal of and interest and any redemption premium on the Bonds as is necessary or convenient to permit the optional redemption of the Bonds.

Amounts in the Series 2019B Bond Subaccount may be invested in any investment of the City in which moneys in the General Fund of the City are invested. The City Treasurer may (i) commingle any of the moneys held in the Series 2019B Bond Subaccount with other City moneys or (ii) deposit amounts credited to the Series 2019B Bond Subaccount into a separate fund or funds for investment purposes only; provided, that all of the moneys held in the Series 2019B Bond Subaccount will be accounted for separately notwithstanding any such commingling or separate deposit by the City Treasurer. See APPENDIX C – "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY." All interest earned on amounts on deposit in the Series 2019B Bond Subaccount will be retained in the Series 2019B Bond Subaccount.

Interest. On or before June 15 and December 15 in each year that any of the bonds issued under the Authorizing Resolution are outstanding (or, for any series of bonds bearing interest at variable rates, on such other dates as may be provided by the applicable sale resolution), the City Treasurer will set aside in the Bond Account and the appropriate subaccounts therein relating to each series of the bonds an amount which, when added to the amount contained in the Bond Account and subaccounts therein on that date, if any, will be equal to the aggregate amount of the interest becoming due and payable on each series of such bonds outstanding on such interest payment date.

Principal. On or before June 15 in each year that any of the bonds issued under the Authorizing Resolution are outstanding, the City Treasurer will set aside in the Bond Account and the appropriate subaccounts therein relating to each series of such bonds an amount which will be equal to the principal on each series of such bonds outstanding that will become due and payable on said June 15, including those bonds subject to mandatory redemption on such date pursuant to the provisions of the applicable sale resolution.

All moneys in the Bond Account will be used and withdrawn by the City Treasurer solely for the purpose of paying the principal of and interest on each series of bonds issued under the Authorizing Resolution as the same become due and payable. On June 15 and December 15 in each year that any such bond is outstanding, the City Treasurer will allocate, transfer and apply to the various subaccounts in the Bond Account created pursuant to the applicable sale resolution, on such date on which payment of principal or interest on any series of bonds is due, from moneys on deposit in the Bond Account, an amount equal to the amount of principal of, premium, if any, or interest due on said date with respect to each series of the bonds

then outstanding. Unless other provision is made pursuant to the Authorizing Resolution for the payment of any bond, all amounts held in the various subaccounts of the Bond Account created pursuant to a sale resolution will be used and applied by the City Treasurer to pay principal of, premium, if any, and interest due on the series of the bonds to which such subaccount relates, as and when due.

Property Taxation

General. The City levies property taxes for general operating purposes as well as for the payment of voter-approved general obligation bonds. Taxes levied to pay debt service for general obligation bonds may only be applied for that purpose. As a county under State law, the City also levies property taxes on behalf of all local agencies with overlapping jurisdiction within the boundaries of the City. Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the City. At the start of fiscal year 2018-19, the total net assessed valuation of taxable property within the City was approximately \$259.3 billion. For additional information on the property taxation system, assessed values and appeals to assessed values, see APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Property Taxation.”

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

Of the \$259.3 billion total net assessed valuation of taxable property within the City, \$244.9 billion (94.4%) represents secured valuations and \$14.4 billion (5.6%) represents unsecured valuations. Proposition 13 limits to 2% per year any increase in the assessed value of property, unless it is sold or the structure is improved. The total net assessed valuation of taxable property therefore does not generally reflect the current market value of taxable property within the City and is in the aggregate substantially less than current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in aggregate market values of property.

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

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year.

In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years’ budget projections of property tax revenues. Historical information on refunds of prior years’ property taxes from the discretionary General Fund appeals reserve fund are listed in Table A-6 of APPENDIX A attached hereto.

Tax Levy and Collection Process. Generally, property taxes levied by the City on real property becomes a lien on that property by operation of law. A tax levied on personal property does not automatically become a lien against real property without an affirmative act of the City taxing authority. Real property tax liens have priority over all other liens against the same property regardless of the time of their creation by virtue of express provision of law.

Property subject to *ad valorem* taxes is entered as secured or unsecured on the assessment roll maintained by the Assessor-Recorder. The secured roll is that part of the assessment roll containing State-assessed property and property (real or personal) on which liens are sufficient, in the opinion of the Assessor-Recorder, to secure payment of the taxes owed. Other property is placed on the "unsecured roll." The method of collecting delinquent taxes is substantially different for the two classifications of property.

The City has four ways of collecting unsecured personal property taxes: 1) pursuing civil action against the taxpayer; 2) filing a certificate in the Office of the Clerk of the Court specifying certain facts, including the date of mailing a copy thereof to the affected taxpayer, in order to obtain a judgment against the taxpayer; 3) filing a certificate of delinquency for recording in the Assessor-Recorder's Office in order to obtain a lien on certain property of the taxpayer; and 4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the taxpayer.

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes. Proceeds of the sale are used to pay the costs of sale and the amount of delinquent taxes. A 10% penalty is added to delinquent taxes that have been levied on property on the secured roll. In addition, property on the secured roll with respect to which taxes are delinquent is declared "tax defaulted" and subject to eventual sale by the Treasurer and Tax Collector of the City. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month, which begins to accrue on such taxes beginning July 1 following the date on which the property becomes tax-defaulted.

Teeter Plan. In October 1993, the Board of Supervisors of the City passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). The Teeter Plan method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan. Information on this Reserve is as shown on Table A-7 in APPENDIX A attached hereto.

Taxation of Utility Property. A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2018-19 valuation of property assessed by the State Board of Equalization is \$3.7 billion.

Pledge

Pursuant to the Resolutions, the City will pledge the Bond Account and all subaccounts and amounts on deposit therein for the payment of the principal of and interest on bonds issued under the Authorizing Resolution (including the Bonds) when and as the same become due, including the principal of any term bonds required to be paid upon the mandatory sinking fund redemption thereof. In addition, the payment of such principal and interest will be secured by the statutory lien of California Government Code Section 53515, to the extent applicable to the amounts of *ad valorem* taxes on deposit in the Bond Account. Each and every

series of bonds issued under the Authorizing Resolution will be equally and ratably secured by this pledge, the foregoing statutory lien, and the taxes collected as described above.

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the California Government Code, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* taxes levied for the Bonds. Section 53515 of the California Government Code provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time such bonds are executed and delivered. Section 53515 of the California Government Code further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act. See “CERTAIN RISK FACTORS – Limitation on Remedies; Bankruptcy.”

CERTAIN RISK FACTORS

Factors Affecting Property Tax Security for the Bonds

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

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

Total Assessed Value of Taxable Property in the City. The greater the assessed value of taxable property in the City, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on bonds. The net total assessed valuation of taxable property in the City in fiscal year 2018-19 is approximately \$259.3 billion. During economic downturns, declining market values of real estate, increased foreclosures, and increases in requests submitted to the Assessor and the Assessment Appeals Board for reductions in assessed value have generally caused a reduction in the assessed value of some properties in the City. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Property Taxation – Assessed Valuations, Tax Rates and Tax Delinquencies.”

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

Concentration of Taxable Property Ownership. The more property (by assessed value) owned by any single assessee, the more exposure of tax collections to weakness in that taxpayer's financial situation and ability or willingness to pay property taxes. As of July 1, 2018, no single assessee owned more than 0.52% of the total taxable assessed value in the City. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Property Taxation – Tax Levy and Collection."

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

Debt Burden on Owners of Taxable Property in the City. Another measure of the debt burden on local taxpayers is total debt as a percentage of taxable property value. Issuance of general obligation bonds by the City is limited under Section 9.106 of the Charter to 3.00% of the assessed value of all taxable real and personal property located within the City's boundaries. For purposes of this provision of the Charter, the City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's gross general obligation debt limit for fiscal year 2018-19 is approximately \$7.8 billion, based on a net total assessed valuation of approximately \$259.3 billion. As of [March 12, 2019], the City had outstanding approximately \$[2.528] billion in aggregate principal amount of general obligation bonds, which equals approximately [0.97]% of the net assessed valuation for fiscal year 2018-19. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds."

Additional Debt; Authorized but Unissued Bonds. Issuance of additional authorized bonds can cause the overall property tax rate to increase. As of [March 12, 2019], the City had voter approval to issue up to \$[1.09] billion in additional aggregate principal amount of new bonds payable from *ad valorem* property taxes. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – General Obligation Bonds." In addition, the City expects that it will propose further bond measures to the voters from time to time to help meet its capital needs. The City's most recent adopted 10-year capital plan identifies \$[35.2] billion of capital needs for all City departments. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Capital Plan."

Limitations on Development. Construction and development in the City could be limited by governmental or legal limits on growth and/or challenges in the approval of certain residential and commercial projects. For example, San Francisco voters passed Proposition M in November 1986 which created an annual limit on the construction of new office space throughout the City (i.e., 950,000 square feet per year). Proposition M amended the Office Development Annual Limit Program (the "Annual Limit Program") under the City's Planning Code, which Annual Limit Program governs the approval of all development projects that contain more than 25,000 gross square feet of office space. The central provision of the Annual Limit Program is a "metering limit" designed to restrict the amount of office space authorized in a given year. No office project subject to the metering limit can be entitled without receiving an allocation under the Annual Limit Program. In doing so, the Annual Limit Program aims to ensure a manageable rate of new development and to guard against typical "boom and bust" cycles, among other goals.

City Long-Term Financial Challenges

The following discussion highlights certain long-term challenges facing the City and is not meant to be an exhaustive discussion of challenges facing the City (see, for example, "Seismic Risks" and "Climate Change, Risk of Sea Level Rise and Flooding Damage" below). Notwithstanding the City's strong economic and financial performance during the recent recovery and despite significant City initiatives to improve public

transportation systems, expand access to healthcare and modernize parks and libraries, the City faces several long-term financial challenges and risks described below.

Significant capital investments are proposed in the City's adopted 10-year capital plan. The City's most recent adopted 10-year capital plan sets forth \$[35.2] billion of capital needs for all City departments. However identified funding resources are below those necessary to maintain and enhance the City's physical infrastructure. As a result, over \$[4.6] billion in capital needs are deferred from the capital plan's 10-year horizon. Over two-thirds of these unfunded needs relate to the City's transportation and waterfront infrastructure, where state of good repair investment has lagged for decades.

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

Lastly, while the City has adopted a number of measures to better position its operating budget for future economic downturns, these measures may not be sufficient. Economic stabilization reserves have grown significantly during the last seven fiscal years. [As of June 30, 2018, the unaudited, estimated balance for such reserves is approximately \$472.6 million, which is approximately 9.5% of discretionary General Fund revenues, and is below adopted target levels of 10% of discretionary General Fund revenues. However, the City expects that meeting the 10% adopted target level of reserves will not eliminate the need to cut expenditures in a recession to balance the City's budget.]

There is no assurance that other challenges not discussed in this Official Statement may become material to investors in the future. For more information, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Seismic Risks

General. The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes within about three miles of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. Significant seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

California Earthquake Probabilities Study. In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that

one or more quakes of about magnitude 6.7 (the magnitude of the 1994 Northridge earthquake) or larger will occur in the San Francisco Bay Area before the year 2045. In addition, the U.S.G.S. released a report in April 2017 entitled *The HayWired Earthquake Scenario*, which estimates that property damage and direct business disruption losses from a magnitude 7.0 earthquake on the Hayward Fault would be more than \$82 billion (in 2016 dollars). Most of the losses are expected to be attributable to shaking damage, liquefaction, and landslides (in that order). Eighty percent of shaking damage is expected to be caused by the magnitude 7.0 mainshock, with the rest of the damage resulting from aftershocks occurring over a 2-year period thereafter. Such earthquakes could be very destructive. In addition to the potential damage to City-owned buildings and facilities (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City's economy, tax receipts, and residential and business real property values.

Vulnerability Study of the Northern Waterfront Seawall. In early 2016, the Port Commission of the City commissioned an earthquake vulnerability study of the Northern Waterfront Seawall. The three-mile Seawall was constructed over 100 years ago and sits on reclaimed land, rendering it vulnerable to seismic risk. The Seawall provides flood and wave protection to downtown San Francisco, and stabilizes hundreds of acres of filled land. Preliminary findings of the study indicate that a strong earthquake may cause most of the Seawall to settle and move outward toward the Bay, which would significantly increase earthquake damage and disruption along the waterfront. The Port Commission estimates that seismic retrofitting of the Seawall could cost as much as \$3 billion, with another \$2 billion or more needed to prepare the Seawall for rising sea levels. The study estimates that approximately \$1.6 billion in Port assets and \$2.1 billion of rents, business income, and wages are at risk from major damage to the Seawall. The Bonds will be issued for the purpose of funding, in part, repairs and improvements to the Embarcadero Seawall and Embarcadero infrastructure and utilities for earthquake and flood safety. See "Climate Change, Risk of Sea Level Rise and Flooding Damage" below.

Tall Buildings Safety Strategy Report and Executive Directive. The City commissioned a first in the nation "Tall Buildings Study" by the Applied Technology Council to consider the impact of earthquakes on buildings higher than 240 feet. The final report following the study, released in January 2019, evaluates best practices for geotechnical engineering, seismic risks, standards for post-earthquake structural evaluations, barriers to re-occupancy, and costs and benefits of higher performance goals for new construction. The study estimates that for a tall building designed to current seismic standards, it might take two to six months to mobilize for and repair damage from a major earthquake, depending on the building location, geologic conditions, and the structural and foundation systems. The report identifies and summarizes sixteen recommendations for reducing seismic risk prior to earthquakes for new and existing buildings, reducing seismic risk following earthquakes, and improving the City's understanding of its tall building seismic risk.

On January 24, 2019, Mayor London N. Breed issued an executive directive instructing City departments to work with community stakeholders, develop regulations to address geotechnical and engineering issues, clarify emergency response and safety inspection roles, and establish a Disaster Recovery Task Force for citywide recovery planning, including a comprehensive recovery plan for the financial district and surrounding neighborhoods by the end of the year.

The City obtains commercial insurance only in certain limited circumstances, including when required by bond or lease financing transactions and for other limited purposes. The City does not maintain commercial earthquake coverage, with certain minor exceptions. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Litigation and Risk Management."

Climate Change, Risk of Sea Level Rise and Flooding Damage

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution.

The *Fourth National Climate Assessment*, published by the U.S. Global Change Research Program in November 2018 (NCA4), finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years. NCA4 states that rising temperatures, sea level rise, and changes in extreme events are expected to increasingly disrupt and damage critical infrastructure and property and regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages and service disruptions. NCA4 states that the continued increase in the frequency and extent of high-tide flooding due to sea level rise threatens coastal public infrastructure. NCA4 also states that expected increases in the severity and frequency of heavy precipitation events will affect inland infrastructure, including access to roads, the viability of bridges and the safety of pipelines.

Sea levels will continue to rise in the future due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting into the ocean. Between 1854 and 2016, sea level rose about nine inches according to the tidal gauge at Fort Point, a location underneath the Golden Gate Bridge. Weather and tidal patterns, including 100-year or more storms and king tides, may exacerbate the effects of climate related sea level rise. Coastal areas like the City are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. As a result, the City could lose considerable tax revenues and many residents, businesses, and governmental operations along the waterfront could be displaced, and the City could be required to mitigate these effects at a potentially material cost.

Adapting to sea level rise is a key component of the City's policies. The City and its enterprise departments have been preparing for future sea level rise for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled "Sea Level Rise Action Plan," identifying geographic zones at risk of sea level rise and providing a framework for adaptation strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise, including the effects of temporary flooding due to a 100-year storm, of up to 108 inches above the 2015 average high tide. To implement this Plan, the Mayor's Sea Level Rise Coordinating Committee, co-chaired by the Planning Department and the Port of San Francisco, joined a number of other public agencies to create "Adapt SF," which is now drafting a Citywide Sea Level Rise Vulnerability Assessment, a Citywide Sea Level Rise Risk Assessment, a Sea Level Rise Adaptation Plan, public maps and tools to communicate sea level rise impacts and implementation of near-term adaptation projects. The City's Sea Level Rise Action Plan states that one key missing piece of information is an understanding of the effects of climate change on precipitation. Certain City departments are engaging a consultant team to model future storm events, quantify how climate change impacts extreme storms, and prepare an action plan for addressing climate change for use by the City departments. The consultants' study is expected to be completed in 2019.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resource Agency, the Governor's Office of Planning and Research, and the California Energy Commission) published a report, that was formally adopted in March 2018, entitled "Rising Seas in California: An Update on Sea Level Rise Science" (the "Sea Level Rise Report") to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to state and local agencies for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and

increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline.

The City has already incorporated site specific adaption plans in the conditions of approval for certain large waterfront development projects, such as the Candlestick/Hunters Point Shipyard, Treasure Island, Pier 70 and Mission Rock projects. Also, the City has started the process of planning to fortify the Port's seawall from sea level rise, including an initial investment of about \$8 million during fiscal year 2017-18 and consideration of financing options. The City expects short term upgrades to cost over \$500 million and long term upgrades to cost more than \$5 billion.

Portions of the San Francisco Bay Area, including the City, are built on fill that was placed over saturated silty clay known as "Bay Mud." This Bay Mud is soft and compressible, and the consolidation of the Bay Mud under the weight of the existing fill is ongoing. A report issued in March 2018 by researchers at UC Berkeley and the University of Arizona suggests that flooding risk from climate change could be exacerbated in the San Francisco Bay Area due to the sinking or settling of the ground surface, known as subsidence. The study claims that the risk of subsidence is more significant for certain parts of the City built on fill.

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

In September 2017, the City filed a lawsuit against the five largest investor-owned oil companies seeking to have the companies pay into an equitable abatement fund to help fund investment in sea level rise adaptation infrastructure. In July 2018, the United States District Court, Northern District of California denied the plaintiffs' motion for remand to state court, and then dismissed the lawsuit. The City appealed these decisions to the United States Court of Appeals for the Ninth Circuit, which is pending. While the City believes that its claims are meritorious, the City can give no assurance regarding whether it will be successful and obtain the requested relief from the courts, or contributions to the abatement fund from the defendant oil companies.

Proceeds of bonds issued under Proposition A (2018), including the Bonds, are intended to fund the first of three repair and construction phases for the Embarcadero Seawall, which spans the northern shoreline of San Francisco from Fisherman's Wharf to China Basin.

Cybersecurity

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the City has been the subject of cybersecurity incidents that have resulted in or could have resulted in adverse consequences to the City's Systems Technology and that required a response action to mitigate the consequences. For example, in November 2016, the San Francisco Metropolitan Transportation Agency (the "SFMTA") was subject to a ransomware attack which disrupted some of the SFMTA's internal

computer systems. Although the attack neither interrupted Muni train services nor compromised customer privacy or transaction information, SFMTA took the precaution of turning off the ticket machines and fare gates in the Muni Metro subway stations from Friday, November 25 until the morning of Sunday, November 27.

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

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

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

Limitation on Remedies; Bankruptcy

General. The rights of the owners of the Bonds are subject to limitations on legal remedies against the City, including applicable bankruptcy or similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise, and consequently may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the City were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the parties to the proceedings may be prohibited from taking any action to collect any amount from the City (including *ad valorem* tax revenues) or to enforce any obligation of the City, without the bankruptcy court's permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, the City may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, in such a proceeding, as part of such a plan, the City may be able to eliminate the obligation of the City to raise taxes if necessary to pay the Bonds. There also may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any City bankruptcy proceeding, the fact of a City bankruptcy proceeding, could have an adverse effect on the liquidity and market price of the Bonds.

As stated above, if the City were to go into bankruptcy, the bankruptcy petition would be filed under Chapter 9 of the Bankruptcy Code. Chapter 9 provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in such state in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. For purposes of the language of Chapter 9, the City is a municipality. State law provides that the *ad valorem* taxes levied to pay the principal and interest on the Bonds shall be used for the payment of principal and interest of the City's general obligation bonds and for no other purpose. If this restriction on the expenditure of such *ad valorem* taxes is respected in a bankruptcy case, then the *ad valorem* tax revenue could not be used by the City for any purpose other than to make payments on the Bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

Statutory Lien. Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016, as part of Senate Bill 222), the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* taxes levied for the Bonds. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. See "SECURITY FOR THE BONDS." Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the City, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed (unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code).

Special Revenues. If the tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The City has specifically pledged the taxes for payment of the Bonds. Additionally, the *ad valorem* taxes levied for payment of the Bonds are permitted under the State Constitution only where the applicable bond proposition is approved by at least two-thirds of the votes cast. State law prohibits the use of the tax proceeds for any purpose other than payment of the bonds and the bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

In addition, even if the *ad valorem* tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the City is entitled to use the *ad valorem* tax revenues to pay necessary operating expenses of the City before the remaining revenues are paid to the owners of the Bonds.

Possession of Revenues; Remedies. If the City goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the City does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

Other Events

Seismic events, wildfires, tsunamis, and other natural or man-made events may adversely impact persons and property within San Francisco, and damage City infrastructure and adversely impact the City's ability to provide municipal services. For example, in August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area included portions of the City's Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water), hydroelectric generation and transmission facilities and water transmission facilities. SFPUC is currently conducting an overall conditions assessment of all dams in its system. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately \$40 million in damage to parts of the City's water and power infrastructure located in the region. Certain portions of the Hetch Hetchy Project such as Mountain Tunnel, an 18.9-mile water conveyance facility, are old and deteriorating, and outages at critical points of the project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to the City. SFPUC's adopted fiscal year 2019-28 capital plan includes approximately \$211 million for improvements to Mountain Tunnel to mitigate these vulnerabilities.

In September 2010, a PG&E high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. PG&E owns, operates and maintains numerous gas transmission and distribution pipelines throughout the City.

With certain exceptions, the City believes that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e., "self-insurance"). The City obtains commercial insurance in certain circumstances, including when required by bond or lease financing transactions and for other limited purposes. The City does not maintain commercial earthquake coverage, with certain minor exceptions. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Litigation and Risk Management."

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Co-Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The delivery of the Bonds is also subject to the delivery of the opinion of Co-Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the Bonds is exempt from personal income taxes of the State of California. The form of Co-Bond Counsel's opinion is set forth in APPENDIX F. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Co-Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Resolutions subsequent to the issuance of the Bonds. The Resolutions contain covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of

arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Co-Bond Counsel’s opinion is not a guarantee of a result, but represents their legal judgment based upon their review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Co-Bond Counsel, and Co-Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Co-Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust (“FASIT”), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under “Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though

there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax status of the interest on the Bonds (see "TAX MATTERS" herein) are subject to the legal opinions of Norton Rose Fulbright US LLP, Los Angeles, California, and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Bond Counsel to the City. The signed legal opinions of Co-Bond Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Bonds, will be delivered to the initial purchaser of the Bonds at the time of original delivery of the Bonds.

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

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

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

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

PROFESSIONALS INVOLVED IN THE OFFERING

Urban Futures, Inc., Daly City, California has served as Municipal Advisor to the City with respect to the sale of the Bonds. The Municipal Advisor has participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed and assisted the City in other matters relating to the planning, structuring, and sale of the Bonds. The Municipal Advisor has neither independently verified any of the data contained herein nor conducted an independent investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisor, Co-Bond Counsel and Disclosure Counsel will all receive compensation for services rendered in connection with the Bonds contingent upon the sale and delivery of the Bonds. The City Treasurer is acting as paying agent and registrar with respect to the Bonds.

ABSENCE OF LITIGATION

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

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2018-19, which is due not later than March 26, 2020, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Electronic Municipal Market Access System ("EMMA") of the Municipal Securities Rulemaking Board. The notices of enumerated events will be filed by the City with EMMA. The specific nature of the information to be contained in the Annual

Report or the notices of enumerated events is summarized in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the purchaser of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

RATINGS

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

SALE OF THE BONDS

The Bonds are scheduled to be sold at competitive bid on May __, 2019, as provided in the Official Notice of Sale, dated May __, 2019 (the “Official Notice of Sale”). The Official Notice of Sale provides that all Bonds would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Co-Bond Counsel and certain other conditions. The Purchaser will represent to the City that the Bonds have been reoffered to the public at the price or yield to be stated on the inside cover page hereof.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. This Official Statement is not to be construed as a contract or agreement between the City and the initial purchaser or owners and beneficial owners of any of the Bonds.

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

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Benjamin Rosenfield
Controller

APPENDIX A
CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY AND COUNTY OF SAN FRANCISCO
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

APPENDIX C

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$[Par Amount]
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EMBARCADERO SEAWALL EARTHQUAKE SAFETY, 2018)
SERIES 2019B

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") in connection with the issuance of the bonds captioned above (the "Bonds"). The Bonds are issued pursuant to Resolution No. ____-19 and Resolution No. ____-19, both adopted by the Board of Supervisors of the City on _____, 2019, and duly approved by the Mayor of the City on _____, 2019 (together, the "Resolutions"). The City covenants and agrees as follows:

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

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

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

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

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

"Financial Obligation" means "financial obligation" as such term is defined in the Rule.

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City’s fiscal year (which is June 30), commencing with the report for the 2018-19 Fiscal Year (which is due not later than March 26, 2020), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

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

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

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

- (a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities;
- (b) a summary of budgeted general fund revenues and appropriations;
- (c) a summary of the assessed valuation of taxable property in the City;
- (d) a summary of the *ad valorem* property tax levy and delinquency rate;
- (e) a schedule of aggregate annual debt service on tax-supported indebtedness of the City; and
- (f) summary of outstanding and authorized but unissued tax-supported indebtedness of the City.

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

SECTION 5. Reporting of Significant Events.

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

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

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

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

11. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
12. Modifications to rights of Bondholders;
13. Unscheduled or contingent Bond calls;
14. Release, substitution, or sale of property securing repayment of the Bonds;
15. Non-payment related defaults;
16. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
17. Appointment of a successor or additional trustee or the change of name of a trustee;

18. Incurrence of a Financial Obligation of the City, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders.

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

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

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

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

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

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

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

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

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

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial

statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

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

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

Date: May __, 2019.

CITY AND COUNTY OF SAN FRANCISCO

Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE

EXHIBIT A

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

Name of City: CITY AND COUNTY OF SAN FRANCISCO

Name of Bond Issue: CITY AND COUNTY OF SAN FRANCISCO GENERAL OBLIGATION BONDS
(EMBARCADERO SEAWALL EARTHQUAKE SAFETY, 2018) SERIES 2019B

Date of Issuance: May __, 2019

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated May __, 2019. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

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

APPENDIX E

DTC AND THE BOOK ENTRY ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

APPENDIX F

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

[Closing Date]

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

Re: \$_____ City and County of San Francisco General Obligation Bonds
(Embarcadero Seawall Earthquake Safety, 2018), Series 2019B

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance by the City and County of San Francisco (the "City") of its \$_____ General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018), Series 2019B (the "2019B Bonds").

The 2019B Bonds will be issued under the Government Code of the State of California and the Charter of the City. The City authorized the issuance of the 2019B Bonds by Resolution No. ____-19 and Resolution No. ____-19, adopted by the Board of Supervisors of the City on _____, 2019, and duly approved by the Mayor of the City on _____, 2019 (together, the "2019B Resolution"). Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the 2019B Resolution.

As Co-Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the City in connection with the issuance of the 2019B Bonds, including the 2019B Resolution. We have also examined such certificates of officers of the City and others as we have considered necessary for the purposes of this opinion. This opinion is limited to the laws of the State of California and the federal laws of the United States of America.

Based upon the foregoing, we are of the opinion that:

1. The 2019B Bonds constitute valid and binding obligations of the City.
2. The Board of Supervisors has the power and is obligated to levy property taxes without limitation as to rate or amount upon all property within the City's boundaries subject to taxation by the City (except for certain property which is taxable at limited rates) for payment of the 2019B Bonds and the interest thereon.
3. Under existing law, and assuming compliance with the covenants mentioned below after the date hereof, interest on the 2019B Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 as amended to the date hereof (the "Code") from the gross income of the owners thereof for federal income tax purposes and will not be included in computing the alternative minimum taxable income of the owners thereof. We are further of the opinion that interest on the 2019B Bonds is exempt from personal income taxes of the State of California under present state law.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the 2019B Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the 2019B Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the 2019B Bonds. Pursuant to the 2019B Resolution, and

in the Tax Exemption Certificate being delivered by the City in connection with the issuance of the 2019B Bonds, the City is making representations relevant to the determination of, and are undertaking certain covenants regarding or affecting, the exclusion of interest on the 2019B Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of and have relied upon such representations and the present and future compliance by the City with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal, state or local tax consequences of the receipt of interest on, or the ownership or disposition of, the 2019B Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the 2019B Bonds, or the interest thereon, if any action is taken with respect to the 2019B Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel. Ownership of tax-exempt obligations such as the 2019B Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

The opinions expressed in paragraph 1 above is qualified to the extent the enforceability of the 2019B Bonds may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the 2019B Bonds is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California. This opinion is limited to the laws of the State of California and the federal laws of the United States of America.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2019B Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service or the State of California; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

\$[Par Amount]
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EMBARCADERO SEAWALL EARTHQUAKE SAFETY, 2018),
SERIES 2019B

PURCHASE CONTRACT

[Sale Date]

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

Ladies and Gentlemen:

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

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

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

The Bonds shall be dated the date of delivery thereof and shall have the maturities, subject to the right of prior prepayment, and bear interest at the rates per annum and have the yields all as set forth on Schedule I attached hereto. The purchase price for the Bonds shall be \$[Purchase Price], calculated as the aggregate principal amount of the Bonds in the amount of \$[Par Amount], less an aggregate underwriters' discount in the amount of \$[Underwriter's Discount].

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

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

The City shall provide the Underwriters, within 7 business days after the date hereof (but in any event at least 2 business days prior to the Closing Date (as defined herein)) with a reasonable number of copies of the Official Statement in the form of the Preliminary Official Statement with such changes thereto as have been approved by the Representative (which approval shall not be unreasonably withheld), as requested by the Representative, for distribution. The City authorizes and approves the distribution by the Underwriters of the Official Statement in connection with the offering and sale of the Bonds. The City authorizes the Representative to file, and the Representative hereby agrees to file at or prior to the Closing Date (as defined herein), the Official Statement with Municipal Securities Rulemaking Board Rule G-32 (the “MSRB”), or its designees. The Official Statement, including the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto on or prior to the Closing Date is herein referred to as the “Official Statement.”

Section 3. The Bonds and City Documents. The Bonds shall be as described in and shall be issued and secured under the provisions of the following resolutions (collectively, the “Resolutions”):

- [Master Resolution] (the “Master Resolution”), and
- Resolution authorizing the issuance and sale of not to exceed \$[Authorized Sale Amount] aggregate principal amount of City and County of San Francisco Tax-Exempt General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018) Series 2019B; prescribing the form and terms of such bonds; providing for the appointment of depositories and other agents for such bonds; providing for the establishment of accounts and/or subaccounts related to such bonds; authorizing the sale of such bonds by competitive or negotiated sale; approving the forms of the Official Notice of Sale and Notice of Intention to Sell Bonds and directing the publication of the Notice of Intention to Sell Bonds; approving the form of the Bond Purchase Contract; approving the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of such bonds; approving the form of the Continuing Disclosure Certificate; authorizing and approving modifications to such documents; ratifying certain actions previously taken, as defined herein; and granting general authority to City Officials to take

necessary actions in connection with the authorization, issuance, sale, and delivery of such bonds, as defined herein. (the "Sale Resolution").

Section 4. Description of the Bonds. The Bonds shall be payable, and shall be subject to prepayment prior to their respective stated maturities, as provided in the Resolutions and as described in the Official Statement. The Bonds are secured by *ad valorem* taxes that the Board of Supervisors of the City has the power and is obligated, and under the Resolutions has covenanted, to levy without limitation as to rate or amount upon all property subject to taxation by the City (except certain property which is taxable at limited rates) for the payment of the principal of and interest on the Bonds when due.

Section 5. Purpose of the Bonds. The Bonds are being issued for the purpose of providing funds to (a) repair and reinforce the Embarcadero Seawall and Embarcadero infrastructure and utilities for earthquake and flood protection, and (b) pay costs of issuance of the Bonds.

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

Section 6. City Representations, Covenants and Agreements. The City represents and covenants and agrees with each of the Underwriters that as of the date hereof:

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

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

(c) From the date of delivery of the Official Statement (as hereinafter defined) up to and including the end of the underwriting period (as such term is defined in Rule 15c2-12), the Official Statement (except for information regarding DTC and its book-entry only system) does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the

light of the circumstances under which they were made, not misleading. For purposes of this Purchase Contract, the end of the underwriting period shall be deemed to be the Closing Date (as hereinafter defined), unless the Underwriters notify the City to the contrary on or prior to such date.

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

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

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

(g) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending, with

service of process having been accomplished, or to the best knowledge of the City after due inquiry, threatened by a prospective party or their counsel in writing addressed to the City, (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) in any way contesting, affecting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Bonds, or the payment of the principal and interest with respect to the Bonds, or the application of the proceeds of the Bonds; (iii) in any way contesting or affecting the validity of the Bonds or the tax-exempt status of the interest on the Bonds, the Resolutions, or the City Documents, or contesting the powers of the City or any authority for the execution and delivery of the Bonds, the approval of the Resolutions or the execution and delivery by the City of the City Documents or the Official Statement; (iv) which would likely result in any material adverse change relating to the business, operations or financial condition of the City or the City's ability to levy and collect the *ad valorem* property taxes securing the Bonds, or otherwise satisfy its payment obligations with respect to the Bonds; or (v) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

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

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

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

(k) The financial statements of the City for the fiscal year ended June 30, 2018, set forth as an Appendix to the Official Statement fairly present the financial position of the City as of the dates indicated and the results of its operations, the sources and uses of its cash and the changes in its fund balances for the periods therein specified to the extent included therein and, other than as set forth in the Official Statement, were prepared in conformity with generally accepted accounting principles applied on a consistent basis.

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

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

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

Section 7. Underwriters' Representations, Covenants and Agreements. Each of the Underwriters represents and covenants and agrees with the City that:

(a) The Representative has been duly authorized to enter into this Purchase Contract and to act hereunder by and on behalf of the Underwriters. Any authority, discretion or other power conferred upon the Underwriters by this Purchase Contract may be exercised jointly by all of the Underwriters or by the Representative on their behalf.

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

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

Section 8. Offering. It shall be a condition to the City's obligations to sell and to deliver the Bonds to the Underwriters and to the Underwriters' obligations to purchase and to accept delivery of the Bonds that the entire \$[Par Amount] principal amount of the Bonds shall be issued, sold and delivered by or at the direction of the City and purchased, accepted and paid for by the Underwriters at the Closing. On or prior to the Closing, the Representative will provide the City with information regarding the reoffering prices and yields on the Bonds, in such form as the City may reasonably request.

The Underwriters agree to make a bona fide public offering of all the Bonds, at prices not in excess of the initial public offering prices as set forth in the Official Statement. The

Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering price stated on the cover of the Official Statement. Each of the Underwriters will provide, consistent with the requirements of MSRB, for the delivery of a copy of the Official Statement to each customer who purchases a Bond during the underwriting period. Each of the Underwriters further agree that it will comply with applicable laws and regulations, including without limitation Rule 15c2-12, in connection with the offering and sale of the Bonds.

Section 9. Establishment of Issue Price.

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

(b) The City will treat the first price at which 10% of each maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). Schedule I attached hereto sets forth the maturities of the Bonds for which the 10% test has been satisfied as of the date of this Purchase Contract (the "10% Test Maturities") and the prices at which the Underwriters have sold such 10% Test Maturities to the public.

The City acknowledges that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the third-party distribution agreement and the related pricing wires.

(c) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer

who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to:

(A)(i) report the prices at which it sells to the public the unsold Bonds of any maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, and (ii) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires,

(B) to promptly notify the Representative of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the Underwriter, dealer or broker-dealer, the Representative shall assume that each order submitted by the Underwriter, dealer or broker-dealer is a sale to the public.

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or until it is notified by the Representative or the Underwriter or dealer that the 10% test has been satisfied as to Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative or such Underwriter or dealer and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or the Underwriter or the dealer and as set forth in the related pricing wires.

(d) The Underwriters acknowledge that sales of any Bonds to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) "public" means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an underwriter or a related party to an underwriter,

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

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

(iv) “sale date” means the date of execution of this Purchase Contract by all parties.

Section 10. Closing. At [8:30] a.m., California time, on [Closing Date], or at such other time as shall have been mutually agreed upon by the City and the Representative (the “Closing Date” or the “Closing”), the City will deliver or cause to be delivered to the account of the Representative (through DTC) the Bonds duly executed on behalf of the City, together with the other certificates, opinions and documents set forth in Section 8(d); and the Representative will accept such delivery (through DTC) and pay by wire transfer the purchase price of the Bonds set forth in Section 1.

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

Section 11. Closing Conditions. The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the City contained herein and to be contained in the documents and instruments to be delivered at the Closing and upon the

performance by the City of the obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the Closing, and the Underwriters' obligations under this Purchase Contract are and shall also be subject to the following conditions:

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

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

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

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

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

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

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

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

occurs and in the reasonable judgment of the Representative would have the effect of materially adversely affecting, directly or indirectly, the market price or marketability of the Bonds, the ability of the Underwriters to enforce contracts for the Bonds or the sale at the contemplated offering price by the Underwriters of the Bonds:

(i) there shall have occurred any materially adverse change in the affairs or financial condition of the City, except for changes which the Official Statement discloses are expected to occur;

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

(iii) any proceeding shall have been commenced or be threatened in writing by the SEC against the City;

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

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

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

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

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

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

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

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

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

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

(4) an opinion of the City Attorney of the City addressed solely to the City substantially in the form acceptable to Underwriters' Counsel;

(5) unqualified opinions of Norton Rose Fulbright US LLP and Amira Jackmon, Attorney at Law ("Co-Bond Counsel"), in substantially the form set forth in Appendix F to the Official Statement;

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

(7) a Negative Assurance Letter from Hawkins Delafield & Wood LLP, Disclosure Counsel, addressed and in form and substance acceptable to the City and the City Attorney, with a reliance letter to the Representative;

(8) a letter of [Underwriters' Counsel], Underwriters' Counsel ("Underwriters' Counsel"), dated the Closing Date and addressed to the Underwriters in form and substance acceptable to the Underwriters;

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

(10) evidence satisfactory to the Representative that Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch, Inc. have assigned ratings to the Bonds set forth in the Preliminary Official Statement;

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

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

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Representative and Underwriters' Counsel (provided that the letter described in subsection (d)(9) above shall be deemed satisfactory for purposes of this paragraph). If the City is unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds are terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters nor the City shall be under further obligations hereunder, except that the respective obligations of the City and the Underwriters set forth in Section 10 of this Purchase Contract shall continue in full force and effect.

Section 12. Expenses.

(a) Except for those expenses assigned to the Underwriters pursuant to Section 10(b) hereof, the Underwriters shall be under no obligation to pay, and the City shall pay, any expenses incident to the performance of the City's obligations under this Purchase Contract and the fulfillment of the conditions imposed hereunder, including but not limited to: (i) the fees and disbursements of Co-Bond Counsel, Disclosure Counsel and Urban Futures, Inc. (the "Municipal Advisor"); (ii) the fees and disbursements of any counsel, auditors, engineers, consultants or others retained by the City in connection with the transactions contemplated herein; (iii) the costs of preparing and printing the Bonds; (iv) the costs of the printing of the Official Statement (and any amendment or supplement prepared pursuant to Section 4(e) of this Purchase Contract); and (v) any fees charged by investment rating agencies for the rating of the Bonds. The City shall pay for expenses incurred on behalf of its employees which are directly related to the offering of the Bonds, including, but not limited to, meals, transportation, and lodging of those employees.

(b) The Underwriters shall pay (from the expense component of the underwriting discount) all expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) the costs of printing the Blue Sky memorandum used by the Underwriters, (iii) all out-of-pocket disbursements and expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees of the CUSIP Service Bureau for the assignment of CUSIP numbers; and (iv) all other expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees and disbursements of Underwriters' Counsel and the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure compliance review. The Underwriters are required to pay fees to the California Debt and Investment Advisory Commission in connection with the offering of the Bonds. Notwithstanding that such fees are solely the legal obligation of the Underwriters, the City agrees to reimburse the Underwriters (by way of paying the expense component of the underwriting discount) for such fees.

Section 13. Notices. Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing to the City at the address set forth above and any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to the Representative:

[Underwriter]

Section 14. Parties in Interest. This Purchase Contract is made solely for the benefit of the City and the Underwriters (including the successors or assigns of the Underwriters), and no other person shall acquire or have any right hereunder or by virtue of this Purchase Contract. All of the representations, warranties and agreements of the City contained in this Purchase Contract shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriters; (ii) delivery of and payment for the Bonds, pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.

Section 15. Mandatory City Contracting Provisions. The provisions set forth in Exhibit A, attached hereto, are incorporated herein by this reference.

Section 16. Invalid or Unenforceable Provisions. In the event that any provision of this Purchase Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 17. Counterparts. This Purchase Contract may be executed by facsimile transmission and in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

Section 18. Governing Law; Venue. This Purchase Contract shall be governed by and interpreted under the laws of the State of California. Venue for all litigation relative to the formation, interpretation and performance of this Purchase Contract shall be in the City and County of San Francisco.

Section 19. Arm's Length Transaction. The City acknowledges that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length, commercial transaction between the City and the Underwriters, (ii) in connection with such transaction and the discussions, undertakings and procedures leading thereto, each Underwriter is acting solely as a principal and not as a municipal advisor, financial advisor, agent or fiduciary of the City and may have financial and other interests that differ from those of the City, irrespective of whether any Underwriter has provided other services or is currently providing other services to the City on other matters; and (iii) the City has consulted with its own legal and financial advisors in connection with the offering of the Bonds.

Section 20. Entire Agreement. This Purchase Contract is the sole agreement of the parties relating to the subject matter hereof and supersedes all prior understandings, writings, proposals, representations or communications, oral or written. This Purchase Contract may only be amended by a writing executed by the authorized representatives of the parties.

Section 21. Headings. The section headings in this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

Section 22. This Purchase Contract shall become effective upon execution of the acceptance of this Purchase Contract by the City and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

[UNDERWRITERS]

By: [REPRESENTATIVE], as Representative

By: _____
Authorized Officer

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Benjamin Rosenfield
Controller

ACCEPTED at ___ p.m. Pacific Time this ___ day of May, 2019

APPROVED AS TO FORM:

DENNIS J. HERRERA,
CITY ATTORNEY

By: _____
KENNETH D. ROUX
Deputy City Attorney

SCHEDULE I

<u>Maturity Date</u> <u>(June 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
--	-----------------------------------	----------------------	--------------	--------------

REDEMPTION PROVISIONS

Optional Redemption of the Bonds

The Bonds maturing on or before June 15, 20__ will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after June 15, 20__ will be subject to optional redemption prior to their respective stated maturity dates, at the option of the City, from any source of available funds, as a whole or in part on any date, on or after June 15, 20__, at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption (the "Redemption Date"), without premium.

Mandatory Redemption

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

Mandatory Sinking Fund Redemption Date (June 15)	Sinking Fund Payment Principal Amount
	\$

† Maturity

EXHIBIT A

CITY CONTRACTING REQUIREMENTS

Each underwriter shall comply with the following provisions of this Purchase Contract as if set forth in the text thereof. Capitalized terms used but not defined in this exhibit shall have the meanings given in the Purchase Contract.

1. Nondiscrimination; Penalties.

(a) *Non Discrimination in Contracts.* Each Underwriter shall comply with the provisions of Chapters 12B and 12C of the San Francisco Administrative Code. Each Underwriter shall incorporate by reference in any subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require any subcontractors to comply with such provisions. Each Underwriter is subject to the enforcement and penalty provisions in Chapters 12B and 12C.

(b) *Nondiscrimination in the Provision of Employee Benefits.* San Francisco Administrative Code 12B.2. Each Underwriter does not as of the date of this Purchase Contract, and will not during the term of this Purchase Contract, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of employee benefits between employees with domestic partners and employees with spouses and/or between the domestic partners and spouses of such employees, subject to the conditions set forth in San Francisco Administrative Code Section 12B.2.

(c) *Condition to Contract.* As a condition to the Purchase Contract, each Underwriter shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

2. MacBride Principles—Northern Ireland. The provisions of San Francisco Administrative Code §12F are incorporated by this reference and made part of this Purchase Contract. By entering into this Purchase Contract, each Underwriter confirms that it has read and understood that the City urges companies doing business in Northern Ireland to resolve employment inequities and to abide by the MacBride Principles, and urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

3. Tropical Hardwood and Virgin Redwood Ban. Under San Francisco Environment Code Section 804(b), the City urges each Underwriter not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

4. Alcohol and Drug-Free Workplace. The City reserves the right to deny access to, or require each Underwriter to remove from, City facilities personnel of such Underwriter who the City has reasonable grounds to believe has engaged in alcohol abuse or illegal drug activity which in any way impairs the City's ability to maintain safe work facilities or to protect the health and well-being of City employees and the general public. The City shall have the right of final approval

for the entry or re-entry of any such person previously denied access to, or removed from, City facilities. Illegal drug activity means possessing, furnishing, selling, offering, purchasing, using or being under the influence of illegal drugs or other controlled substances for which the individual lacks a valid prescription. Alcohol abuse means possessing, furnishing, selling, offering, or using alcoholic beverages, or being under the influence of alcohol.

5. Compliance with Americans with Disabilities Act. Each Underwriter shall provide the services specified in the Purchase Contract in a manner that complies with the Americans with Disabilities Act (ADA), including but not limited to Title II's program access requirements, and all other applicable federal, state and local disability rights legislation.

6. Sunshine Ordinance. Each Underwriter acknowledges that this Purchase Contract and all records related to its formation, such Underwriter's performance of services provided under the Purchase Contract, and the City's payment are subject to the California Public Records Act, (California Government Code §6250 et. seq.), and the San Francisco Sunshine Ordinance, (San Francisco Administrative Code Chapter 67). Such records are subject to public inspection and copying unless exempt from disclosure under federal, state or local law.

7. Limitations on Contributions. By executing this Purchase Contract, each Underwriter acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The prohibition on contributions applies to each prospective party to the contract; each member of each Underwriter's board of directors; each Underwriter's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in such Underwriter; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by such Underwriter. Each Underwriter must inform each such person of the limitation on contributions imposed by Section 1.126 and provide the names of the persons required to be informed to City.

8. Requiring Minimum Compensation for Covered Employees. Each Underwriter shall pay covered employees no less than the minimum compensation required by San Francisco Administrative Code Chapter 12P. Each Underwriter is subject to the enforcement and penalty provisions in Chapter 12P. By entering into this Purchase Contract, each Underwriter certifies that it is in compliance with Chapter 12P.

9. Requiring Health Benefits for Covered Employees. Each Underwriter shall comply with San Francisco Administrative Code Chapter 12Q. Each Underwriter shall choose and perform one of the Health Care Accountability options set forth in San Francisco Administrative

Code Chapter 12Q.3. Each Underwriter is subject to the enforcement and penalty provisions in Chapter 12Q.

10. Prohibition on Political Activity with City Funds. In performing the services provided under the Purchase Contract, each Underwriter shall comply with San Francisco Administrative Code Chapter 12G, which prohibits funds appropriated by the City for this Purchase Contract from being expended to participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure. Each Underwriter is subject to the enforcement and penalty provisions in Chapter 12G.

11. Nondisclosure of Private, Proprietary or Confidential Information. If this Purchase Contract requires the City to disclose "Private Information" to an Underwriter within the meaning of San Francisco Administrative Code Chapter 12M, each Underwriter shall use such information consistent with the restrictions stated in Chapter 12M and in this Purchase Contract and only as necessary in performing the services provided under the Purchase Contract. Each Underwriter is subject to the enforcement and penalty provisions in Chapter 12M.

In the performance of services provided under the Purchase Contract, each Underwriter may have access to the City's proprietary or confidential information, the disclosure of which to third parties may damage the City. If the City discloses proprietary or confidential information to an Underwriter, such information must be held by such Underwriter in confidence and used only in performing the Purchase Contract. Each Underwriter shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary or confidential information.

12. Consideration of Criminal History in Hiring and Employment Decisions. Each Underwriter agrees to comply fully with and be bound by all of the provisions of Chapter 12T, "City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions," of the San Francisco Administrative Code ("Chapter 12T"), including the remedies provided, and implementing regulations, as may be amended from time to time. The provisions of Chapter 12T are incorporated by reference and made a part of this Purchase Contract. The text of Chapter 12T is available on the web at <http://sfgov.org/olse/fco>. A partial listing of some of the Underwriters' obligations under Chapter 12T is set forth in this Section. Each Underwriter is required to comply with all of the applicable provisions of Chapter 12T, irrespective of the listing of obligations in this Section. Capitalized terms used in this Section and not defined in this Purchase Contract shall have the meanings assigned to such terms in Chapter 12T.

The requirements of Chapter 12T shall only apply to an Underwriter's operations to the extent those operations are in furtherance of the performance of this Purchase Contract, shall apply only to applicants and employees who would be or are performing work in furtherance of this Purchase Contract, and shall apply when the physical location of the employment or prospective employment of an individual is wholly or substantially within the City of San Francisco. Chapter 12T shall not apply when the application in a particular context would conflict with federal or state law or with a requirement of a government agency implementing federal or state law.

13. Submitting False Claims; Monetary Penalties. The full text of San Francisco Administrative Code §§ 21.35, including the enforcement and penalty provisions, is incorporated

into this Purchase Contract. Under San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for the statutory penalties set forth in that section. A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

15. Conflict of Interest. By entering into the Purchase Contract, each Underwriter certifies that it does not know of any fact which constitutes a violation of Section 15.103 of the City's Charter; Article III, Chapter 2 of City's Campaign and Governmental Conduct Code; Title 9, Chapter 7 of the California Government Code (Section 87100 et seq.), or Title 1, Division 4, Chapter 1, Article 4 of the California Government Code (Section 1090 et seq.), and further agrees promptly to notify the City if it becomes aware of any such fact during the term of this Purchase Contract.

16. Assignment. The services provided under the Purchase Contract to be performed by each Underwriter are personal in character and neither this Purchase Contract nor any duties or obligations may be assigned or delegated by an Underwriter unless first approved by the City by written instrument executed and approved in the same manner as this Purchase Contract. Any purported assignment made in violation of this provision shall be null and void.

17. Food Service Waste Reduction Requirements. Each Underwriter shall comply with the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including but not limited to the provided remedies for noncompliance.

18. Cooperative Drafting. This Purchase Contract has been drafted through a cooperative effort of the City and the Underwriters, and all parties have had an opportunity to have the Purchase Contract reviewed and revised by legal counsel. No party shall be considered the drafter of this Purchase Contract, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Purchase Contract.

19. Sugar-Sweetened Beverage Prohibition. Each Underwriter agrees that it will not sell, provide, or otherwise distribute Sugar-Sweetened Beverages, as defined by San Francisco Administrative Code Chapter 101, as part of its performance of this Purchase Contract.

20. First Source Hiring Program. Each Underwriter must comply with all of the provisions of the First Source Hiring Program, Chapter 83 of the San Francisco Administrative Code, that apply to this Purchase Contract, and each Underwriter is subject to the enforcement and penalty provisions in Chapter 83.

21. Laws Incorporated by Reference. The full text of the laws listed in this Exhibit A, including enforcement and penalty provisions, are incorporated into this Purchase Contract by reference. The full text of the San Francisco Municipal Code provisions incorporated by reference in this Exhibit A are available at www.sfgov.org under "Open Gov."

EXHIBIT B

FORM OF CERTIFICATE OF THE CITY

§ _____
**CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EMBARCADERO SEAWALL EARTHQUAKE SAFETY, 2018),
SERIES 2019B**

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

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

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

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

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

interest of any nature whatsoever upon any of the revenues, property or assets of the City, except as expressly provided or permitted by the Resolutions.

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

Dated: May __, 2019.

CITY AND COUNTY OF SAN FRANCISCO

By: _____
London N. Breed
Mayor

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Benjamin Rosenfield
Controller

CITY AND COUNTY OF SAN FRANCISCO

By: _____
José Cisneros
Treasurer

EXHIBIT C

FORM OF SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

[Closing Date]

City and County of San Francisco
San Francisco, California

[Representative]

Re: City and County of San Francisco General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018), Series 2019B

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance and delivery by the City and County of San Francisco (the "City") of \$[Par Amount] aggregate principal amount of bonds of the City designated the "City and County of San Francisco General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018), Series 2019B" (the "Bonds"), issued pursuant to the under the Constitution and laws of the State of California; Ordinance No. 146-18, adopted by the Board of Supervisors on June 26, 2018; Ordinance No. 178-18, adopted by the Board of Supervisors on July 24, 2018, a special election held on November 6, 2018, in which the requisite two-thirds of all voters voting on the proposition approved the issuance of the Bonds; Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the California Government Code; the City Charter; and Resolution No. __-19 and Resolution No. __-19, both adopted by the Board of Supervisors on _____, 2019, and approved by the Mayor on _____, 2019 (together, the "Resolutions"). The Bonds provide funds to (i) to repair and reinforce the Embarcadero Seawall and Embarcadero infrastructure and utilities for earthquake and flood protection, and (ii) pay costs incurred in connection with the issuance, sale and delivery of the Bonds.

We have examined the Resolutions, the Official Statement relating to the Bonds, dated [Sale Date] (the "Official Statement"), and such other certified proceedings, certificates and other papers as we deem necessary to render this opinion. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

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

1. The delivery of the Official Statement has been duly authorized and approved by the City.

2. The statements set forth in the Official Statement under the captions "THE BONDS," "SECURITY FOR THE BONDS – General," and "TAX MATTERS," insofar as such statements expressly purport to summarize certain provisions of the Bonds and our opinion concerning the Bonds, are accurate in all material respects.

3. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended.

4. The Purchase Contract dated as of [Sale Date], between the City and [Representative], on its own behalf and as representative of [Undewriters], has been duly authorized, executed and delivered by the City and is enforceable against the City, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles.

We express no view herein with respect to the laws of any jurisdiction other than the State of California and the Federal law of the United States of America (other than tax laws, as to which no view is expressed).

We are furnishing this letter in our capacity as co-bond counsel to, and at the request of, the City, and not as counsel to any other address hereof. This letter is for its benefit as such and is not to be used, circulated, published, quoted or otherwise referred to or relied upon by any person other than the City without our prior written consent. This letter is not intended to, and may not, be relied upon by owners of the Bonds.

This opinion is given as of the date hereof, is based upon the laws in effect on the date hereof and is subject to any change in such laws, including judicial and administrative interpretations thereof, which may occur or be reported subsequent to the date hereof. The only opinions rendered hereby shall be those expressly stated as such herein, and no opinion shall be implied or inferred as a result of anything contained herein or omitted herefrom. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

EXHIBIT D

FORM OF ISSUE PRICE CERTIFICATE

[TO COME]



TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: Sale of General Obligation Bonds (Embarcadero Seawall Earthquake
Safety, 2018), Series 2019B - Not to Exceed \$50,000,000
DATE: April 2, 2019

Resolution authorizing the issuance and sale of not to exceed \$50,000,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018) Series 2019B; prescribing the form and terms of such bonds; providing for the appointment of depositories and other agents for such bonds; providing for the establishment of accounts and/or subaccounts related to such bonds; authorizing the sale of such bonds by competitive or negotiated sale; approving the forms of the Official Notice of Sale and Notice of Intention to Sell Bonds and directing the publication of the Notice of Intention to Sell Bonds; approving the form of the Purchase Contract; approving the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of such bonds; approving the form of the Continuing Disclosure Certificate; authorizing and approving modifications to such documents; ratifying certain actions previously taken, as defined herein; and granting general authority to City Officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of such bonds, as defined herein.

Please note that Supervisor Peskin is a co-sponsor of this legislation.

Should you have any questions, please contact Sophia Kittler at 415-554-6153.

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2019 APR -2 PM 4:13
SL