NEW ISSUE - BOOK-ENTRY ONLY

RATING:
Fitch: "AA+"
See "RATING" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the interest on the Bonds is exempt from California personal income taxes. Interest on the Bonds is not intended to be exempt from federal income taxation. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$81,820,000
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1 (TRANSBAY TRANSIT CENTER) SPECIAL TAX BONDS, SERIES 2020B (FEDERALLY TAXABLE – GREEN BONDS)

Dated: Date of Delivery **Due: September 1, as shown on inside cover**

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

The City and County of San Francisco, California (the "City") on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the "District") will be issuing its Special Tax Bonds, Series 2020B (Federally Taxable – Green Bonds) (the "2020B Bonds"). The City has not yet determined whether a Series 2020A will be issued. The 2020B Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented, including by the Second Supplement to Fiscal Agent Agreement, dated as of May 1, 2020 (collectively, the "Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent"), and will be secured as described herein. The 2020B Bonds are being issued to: (i) finance, refinance or reimburse a portion of the planning, design, engineering and construction of various capital improvements, (ii) fund a contribution to a debt service reserve fund securing the 2020B Bonds and certain other bonds described in this Official Statement, (iii) capitalize a portion of the interest on the 2020B Bonds, and (iv) fund costs of issuance, all as further described herein. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The 2020B Bonds will be issued in denominations of $5,000 or any integral multiple in excess thereof, shall mature on September 1 in each of the years and in the amounts, and shall bear interest as shown on the inside front cover hereof. Interest on the 2020B Bonds shall be payable on each March 1 and September 1, commencing September 1, 2020 (each an "Interest Payment Date") to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date. The 2020B Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2020B Bonds. Individual purchases of the 2020B Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2020B Bonds will be payable by DTC through the DTC participants. See "THE BONDS – Book-Entry System" herein. Purchasers of the 2020B Bonds will not receive physical delivery of the 2020B Bonds purchased by them.

The 2020B Bonds are subject to redemption prior to maturity as described herein. See "THE 2020B BONDS" herein.

The 2020B Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2020 Bonds are payable from Special Tax Revenues and certain other funds specified in the Fiscal Agent Agreement on a parity basis with certain outstanding bonds, and the City may issue additional parity bonds in the future. The 2020B Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the 2020B Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the 2020B Bonds.

The 2020B Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel to the City with respect to the issuance of the 2020B Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the 2020B Bonds will be available for delivery through the facilities of DTC on or about May 14, 2020.

Stifel **Citigroup**

Stinson Securities, LLC

Dated: May 7, 2020

$81,820,000
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2020B
(FEDERALLY TAXABLE – GREEN BONDS)

Price: 100%

Serial Bonds $23,445,000

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	CUSIP† (Base No. 79772E)
2021	$ 830,000	1.309%	1.309%	CV9
2022	930,000	1.479	1.479	CW7
2023	1,010,000	1.683	1.683	CX5
2024	1,100,000	1.844	1.844	CY3
2025	1,190,000	1.994	1.994	CZ0
2026	1,295,000	2.236	2.236	DA4
2027	1,400,000	2.306	2.306	DB2
2028	1,510,000	2.451	2.451	DC0
2029	1,625,000	2.551	2.551	DD8
2030	1,745,000	2.601	2.601	DE6
2031	1,875,000	2.701	2.701	DF3
2032	2,010,000	2.801	2.801	DG1
2033	2,155,000	2.901	2.901	DH9
2034	2,305,000	2.941	2.941	DJ5
2035	2,465,000	2.991	2.991	DK2

$15,015,000 3.322% Term Bonds due September 1, 2040 – Yield: 3.322% CUSIP No. 79772EDL0

$20,455,000 3.502% Term Bonds due September 1, 2045 – Yield: 3.502% CUSIP No. 79772EDM8

$22,905,000 3.572% Term Bonds due September 1, 2050 – Yield: 3.572% CUSIP No. 79772EDN6

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of investors. None of the City, the Underwriters, or the Co-Municipal Advisors are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2020B Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2020B Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2020B Bonds.

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

London N. Breed

BOARD OF SUPERVISORS[(1)]

Norman Yee, *Board President*, *District 7*

Sandra Lee Fewer, *District 1*
Catherine Stefani, *District 2*
Aaron Peskin, *District 3*
Gordon Mar, *District 4*
Dean Preston, *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

Bond Counsel
Jones Hall, A Professional Law Corporation
San Francisco, California

Disclosure Counsel
Norton Rose Fulbright US LLP
Los Angeles, California

Special Tax Consultant
Goodwin Consulting Group, Inc.
Sacramento, California

Co-Municipal Advisors

Backstrom McCarley Berry & Co., LLC
San Francisco, California

PFM Financial Advisors LLC
San Francisco, California

Fiscal Agent
Zions Bancorporation, National Association
Los Angeles, California

(1) The Board of Supervisors serves as the governing body for the District.

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(continued)

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(continued)

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

The information set forth herein has been obtained from the City and other sources believed to be reliable. This Official Statement is not to be construed as a contract with the purchasers of the 2020B Bonds. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. No dealer, broker, salesperson or any other person has been authorized by the City, the Co-Municipal Advisors or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriters.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any offer or solicitation of such offer or any sale of the 2020B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale of the 2020B Bonds made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the District or the City or in any other information contained herein, since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The 2020B Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2020 Bonds are payable from Special Tax Revenues and certain other funds specified in the Fiscal Agent Agreement on a parity basis with certain outstanding bonds, and the City may issue additional parity bonds in the future. The 2020B Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the 2020B Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the 2020B Bonds.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access ("EMMA") website.

The City maintains a website with information pertaining to the City. However, the information presented therein is not incorporated into this Official Statement and should not be relied upon in making investment decisions with respect to the 2020B Bonds.

FORWARD LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

References herein to the "issuer" under this caption means the City and County of San Francisco, California on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) and references to "Bonds" or "Securities" under this caption mean the 2020B Bonds offered hereby. Neither the issuer nor the underwriters assume any responsibility for this section.

European Economic Area

The 2020B Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU as amended ("MiFID II"); (ii) a customer within the meaning of Directive 2016/97/EU (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MIFID II; or (iii) not a qualified investor as defined in Regulation 2017/1129 (EU) (as amended or superseded, the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the 2020B Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the 2020B Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. This prospectus supplement has been prepared on the basis that any offer of 2020B Bonds in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of 2020B Bonds. This prospectus supplement is not a prospectus for the purposes of the Prospectus Regulation.

United Kingdom

Each Initial Purchaser has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of the 2020B Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Agency; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the 2020B Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

The 2020B Bonds may not be offered or sold in Hong Kong by means of any document other than: (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (the "Companies (Winding Up and Miscellaneous Provisions) Ordinance") or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance Ordinance (Cap. 571 of the Laws of Hong Kong) (the "Securities and Futures Ordinance"); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the 2020B Bonds may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to 2020B Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

Japan

The 2020B Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA"). The securities may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

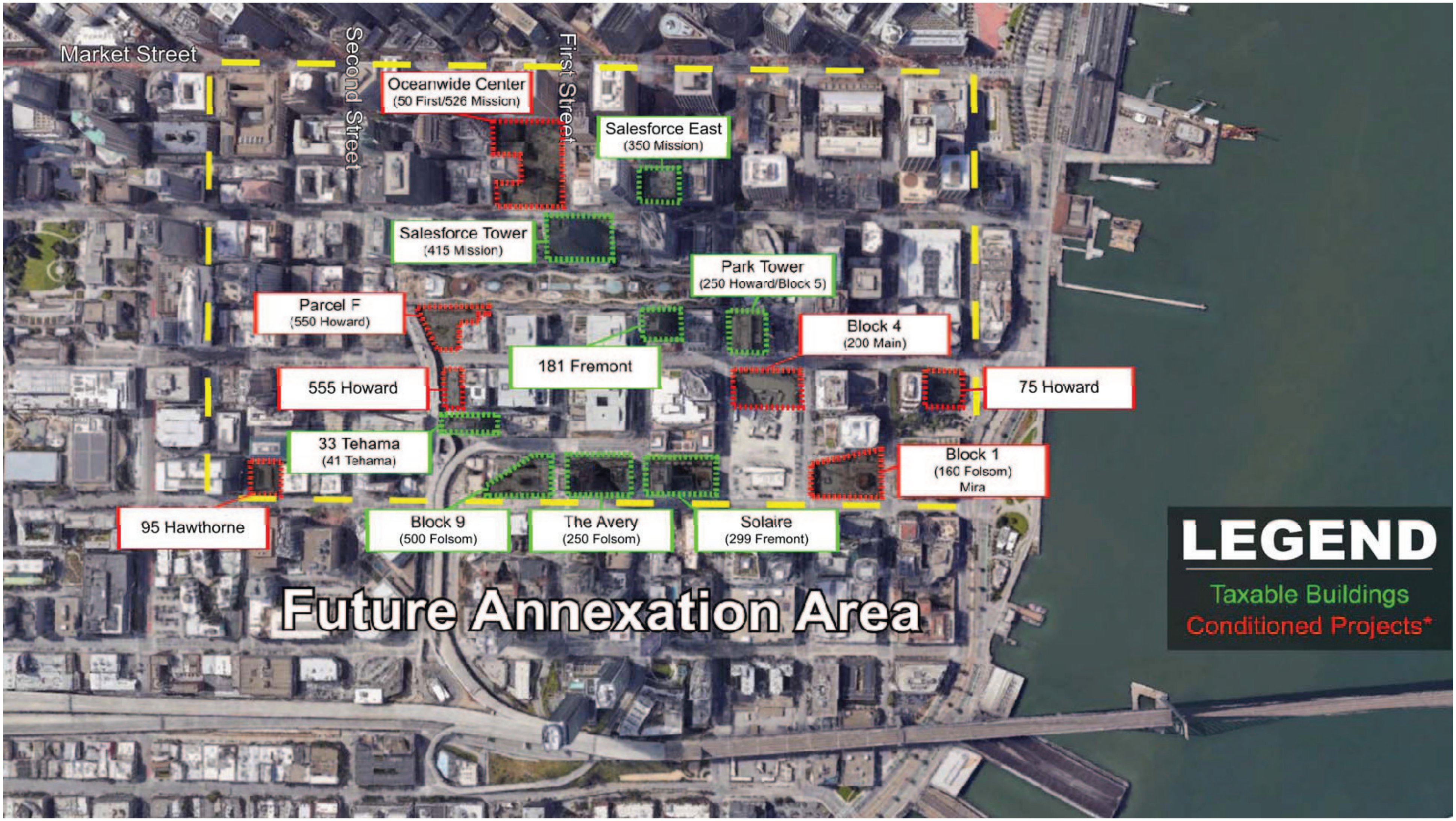
Canada

The 2020B Bonds may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the 2020B Bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Official Statement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Switzerland

This Official Statement is not intended to constitute an offer or a solicitation to purchase or invest in the 2020B Bonds. The 2020B Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the six Swiss exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Official Statement nor any other offering or marketing material relating to the 2020B Bonds constitutes a prospectus as such term is understood pursuant to art. 652a or art. 1156 of the Swiss code of obligations or a listing prospectus within the meaning of the listing rules of the six Swiss exchange or any other regulated trading facility in Switzerland, and neither this Official Statement nor any other offering or marketing material relating to the 2020B Bonds may be publicly distributed or otherwise made publicly available in Switzerland. Neither this Official Statement nor any other offering or marketing material relating to the offering, nor the issuer, nor the 2020B Bonds have been or will be filed with or approved by any Swiss Regulatory Authority. The 2020B Bonds are not subject to supervision by any Swiss Regulatory Authority, e.g., the Swiss Financial Market Supervisory Authority FINMA, and investors in the 2020B Bonds will not benefit from protection or supervision by such authority.


Market Street
Second Street
First Street
Oceanwide Center
(50 First/526 Mission)
Salesforce East
(350 Mission)
Salesforce Tower
(415 Mission)
Park Tower
(250 Howard/Block 5)
Parcel F
(550 Howard)
Block 4
(200 Main)
181 Fremont
555 Howard
75 Howard
33 Tehama
(41 Tehama)
Block 1
(160 Folsom)
Mira
95 Hawthorne
Block 9
(500 Folsom)
The Avery
(250 Folsom)
Solaire
(299 Fremont)
LEGEND
Taxable Buildings
Conditioned Projects*
Future Annexation Area

OFFICIAL STATEMENT

$81,820,000
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2020B
(FEDERALLY TAXABLE – GREEN BONDS)

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the City and County of San Francisco (the "City") of its City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2020B (Federally Taxable – Green Bonds) (the "2020B Bonds"). The City has not yet determined whether a Series 2020A will be issued.

Information Released Since the Preliminary Official Statement dated May 4, 2020 – City Budget Outlook Update FY 2019-20 through FY 2023-24

As noted in Appendix A to the Preliminary Official Statement, dated May 4, 2020, the City expected to release an update to the March 31, 2020 Joint Report Update on or after May 8, 2020. On May 13, 2020 the City released its Budget Outlook Update FY 2019-20 through FY 2023-24 (the "May Update"), that provides additional financial projections beyond those included in the Joint Report Update described in Appendix A. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Recent Developments" attached hereto. The May Update states that the City no longer believes that the rapid recovery underpinning the limited impact scenario from the March 31, 2020 Joint Report Update will occur. Accordingly, the City is now forecasting, based on an extended recession scenario that the City estimates will result in projected shortfalls totaling approximately $1.7 billion through Fiscal Year 2021-22 and additional shortfalls thereafter. Investors are cautioned that the May Update includes certain assumptions and actual results may be materially different from the projections set forth in the May Update. See APPENDIX G – "BUDGET OUTLOOK UPDATE FY 2019-20 THROUGH FY 2023-24" attached hereto.

Authority for the 2020B Bonds

The 2020B Bonds will be issued by the City on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the "District") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq*. of the Government Code of the State of California) (the "Act"), provisions of a Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of February 1, 2019, and by the Second Supplement to Fiscal Agent Agreement, dated as of May 1, 2020 (collectively, the "Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent"), and Resolution No. 2-15, which was approved by the Board of Supervisors on January 13, 2015 and signed by the Mayor on January 20, 2015, as supplemented by Resolution No. 247-17 and Resolution No. 419-18 adopted by the Board of Supervisors on December 4, 2018 and signed by the Mayor on December 12, 2018, and by Resolution No. 172-20 adopted by the Board of Supervisors on April 28, 2020 and signed by the Mayor on May 1, 2020 (collectively, the "Resolution").

Use of Proceeds

The 2020B Bonds are being issued to: (i) finance, refinance or reimburse a portion of the planning, design, engineering and construction of various capital improvements, (ii) fund a contribution to a debt service reserve fund securing the 2020B Bonds and certain other bonds described in this Official Statement, (iii) capitalize a portion of the interest on the 2020B Bonds, and (iv) fund costs of issuance, all as further described herein. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE FINANCING PLAN" herein.

The District

The District currently consists of approximately 13.5 gross acres located in downtown San Francisco immediately south of Market Street near the City's new Salesforce Transit Center. See "THE DISTRICT" herein. The Salesforce Transit Center has been designed to be a hub of transit connections serving regional commuters. At the time it established the District, the City also established a larger future annexation area (the "Future Annexation Area") for the District; the Future Annexation Area enables properties to annex into the District with fewer procedural requirements than would otherwise be required under the Act.

Special Taxes

In general, Special Taxes (defined herein) can only be levied on a property within the District if: (i) the property is a "Conditioned Project," which is generally defined in the Rate and Method as a Development Project (as defined herein) that is required to participate in funding Authorized Facilities (as defined in the Rate and Method) through the District because it received a zoning bonus to exceed the height and floor-to-area ratios that otherwise would have been applicable under the City's Planning Code as defined in the Rate and Method; (ii) a Certificate of Occupancy (defined herein) has been issued for the property; and (iii) a Tax Commencement Authorization (defined herein) for the property has been executed by the Director, Controller's Office of Public Finance. See APPENDIX B – "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" attached hereto. See "THE DISTRICT" herein.

Development Status

The District now includes 8 Taxable Buildings (each a "Taxable Building" or "Taxable Building (Subject Property)") which are Conditioned Projects that have received both a Certificate of Occupancy and a Tax Commencement Authorization and are therefore subject to the Special Tax. See Table 2 herein. In addition to the Taxable Buildings (Subject Properties), there are currently 3 Conditioned Projects in the District and 4 Conditioned Projects in the Future Annexation Area, planned for residential, commercial or mixed use development that may become Taxable Buildings subject to the Special Tax following their completion. There may also be additional projects within the Future Annexation Area or the District that become Conditioned Projects. No assurance can be provided that any particular property will become a Conditioned Project, be annexed into the District, and become a Taxable Building (Subject Properties) required to pay Special Taxes. See "THE DISTRICT" herein and "SPECIAL RISK FACTORS – Concentration of Property Ownership" herein.

The 2020B Bonds

The 2020B Bonds will be issued in denominations of $5,000 or any integral multiple in excess thereof, shall mature on September 1 in each of the years and in the amounts, and shall bear interest as shown on the inside front cover hereof. Interest on the 2020B Bonds shall be payable on each March 1 and September 1, commencing September 1, 2020 (the "Interest Payment Dates") to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date, by check mailed on such Interest Payment Date or by wire transfer to an account in the United States of America made upon instructions of any Owner of $1,000,000 or more in aggregate principal amount of 2020B Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The 2020B Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2020B Bonds. Individual purchases of the 2020B Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2020B Bonds will be payable by DTC through the DTC participants. See "THE 2020B BONDS – Book-Entry System" herein. Purchasers of the 2020B Bonds will not receive physical delivery of the 2020B Bonds purchased by them.

"Green Bond" Designation

The City is designating the 2020B Bonds as "Green Bonds" (also known as "Climate Bonds"). The purpose of designating the 2020B Bonds as Green Bonds is to allow investors to invest directly in bonds which finance environmentally beneficial projects ("Green Projects"). The particular capital improvements that the City has defined as "Green Projects" in connection with the 2020B Bonds are part of the development of the Salesforce Transit Center and its related facilities, including the Train Box and Salesforce Park (each as defined herein). *The City will undertake reasonable efforts to ensure that any adjustment of capital expenditures or other actions taken with respect to the 2020B Bonds will not result in revision or withdrawal of the Climate Bonds Initiative (the "CBI") certification described herein; however, there can be no guarantee that such adjustment or other action or a future revision to the CBI's criteria for certifying bonds will not result in a withdrawal or revision of the CBI's certification.* See "THE BONDS – 2020B Bonds Designated as Green Bonds" herein.

Outstanding Parity Bonds and Future Financings

The City is authorized to issue on behalf of the District bonded indebtedness in an aggregate amount not to exceed $1.4 billion (although Bonds that constitute refunding bonds under the Act will not count against this $1.4 billion limit). The City has previously issued $398,465,000 under this authorization, as described below. On November 9, 2017, the City, on behalf of the District, issued the first series of Bonds issued under the Fiscal Agent Agreement designated as the Special Tax Bonds, Series 2017A (Federally Taxable) (the "2017A Bonds") and Special Tax Bonds, Series 2017B (Federally Taxable – Green Bonds) (the "2017B Bonds" and, together with the 2017A Bonds, the "2017 Bonds"). On February 26, 2019, the City, on behalf of the District, issued Special Tax Bonds, Series 2019A (Federally Taxable) (the "2019A Bonds") and Special Tax Bonds, Series 2019B (Federally Taxable – Green Bonds) (the "2019B Bonds" and, together with the 2019A Bonds, the "2019 Bonds").

Series	Issue Date	Original Par	Outstanding Par(1)	Final Maturity
Series 2017A (Federally Taxable)	11/9/2017	$ 36,095,000	$ 35,730,000	9/1/2048
Series 2017B (Federally Taxable – Green Bonds)	11/9/2017	171,405,000	169,695,000	9/1/2048
Series 2019A (Federally Taxable)	2/26/2019	33,655,000	33,210,000	9/1/2049
Series 2019B (Federally Taxable – Green Bonds)	2/26/2019	157,310,000	155,210,000	9/1/2049
Subtotal Previously Issued		**$ 398,465,000**	**$ 393,845,000**	
Series 2020B (Federally Taxable – Green Bonds)	5/14/2020	$ 81,820,000	$ 81,820,000	9/1/2050
Total		**$ 480,285,000**	**$475,665,000**	
Total Bond Authorization		**$1,400,000,000**		
Amounts Remaining Under Authorization		**$ 919,715,000**		

(1) As of January 1, 2020.

The outstanding 2017 Bonds and the 2019 Bonds ("outstanding Parity Bonds"), the 2020B Bonds and any bonds issued in the future on a parity basis with the outstanding Parity Bonds and the 2020B Bonds under the Fiscal Agent Agreement are referred to in this Official Statement collectively as the "Bonds." The Bonds are secured by and payable from Special Tax Revenues under the Fiscal Agent Agreement on a parity basis. See "SECURITY FOR THE BONDS – Parity Bonds" herein.

Security for the Bonds

The Bonds are secured by the pledge of Special Tax Revenues and all moneys deposited in the Bond Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. A portion of the proceeds of the 2020B Bonds will be used to pay capitalized interest on the 2020B Bonds.

"Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

"Special Taxes" means the special taxes levied by the Board of Supervisors within the District under the Act, the Ordinance, the Amended and Restated Rate and Method of Apportionment of Special Tax for the District (the "Rate and Method") and the Fiscal Agent Agreement.

"Special Tax Prepayments" means the proceeds of any Special Tax prepayments received by the City, as calculated pursuant to the Rate and Method, less any administrative fees or penalties collected as part of any such prepayment. See "SECURITY FOR THE BONDS – General" herein.

See the section of this Official Statement captioned "SPECIAL RISK FACTORS" for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the 2020B Bonds.

Reserve Fund

The City, on behalf of the District, established a debt service reserve fund for the 2017 Bonds pursuant to the Fiscal Agent Agreement, designated the "Reserve Fund," which was initially funded with proceeds of the 2017 Bonds at the Reserve Requirement (defined below). See "SECURITY FOR THE BONDS –Reserve Fund" herein. The 2019 Bonds were issued as Related Parity Bonds under the Fiscal Agent Agreement and a portion of the proceeds of the 2019 Bonds were used to make a deposit to the Reserve Fund. "Related Parity Bonds" are defined as any series of Bonds issued as Parity Bonds to the 2017 Bonds for which (i) the proceeds are deposited into the Reserve Fund so that the balance therein is equal to the Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the Reserve Fund will act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds. The 2020B Bonds will be issued as "Related Parity Bonds" under the Fiscal Agent Agreement, which means that the Reserve Fund will secure the 2020B Bonds in addition to the outstanding Parity Bonds. The Fiscal Agent Agreement authorizes the City to issue additional Parity Bonds that are Related Parity Bonds. See "SECURITY FOR THE BONDS –Reserve Fund" herein.

Foreclosure Covenant

The City, on behalf of the District, has covenanted for the benefit of the owners of the Bonds that, under certain circumstances described herein, the City will commence judicial foreclosure proceedings with respect to delinquent Special Taxes on property within the District, and will diligently pursue such proceedings to completion. See "SECURITY FOR THE BONDS – The Special Taxes" and "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure" herein.

Teeter Plan

The District is currently on the City's "Teeter Plan." Under the Teeter Plan, the City maintains a tax loss reserve fund for the purpose of paying each taxing agency 100% of the amounts of secured taxes (including the Special Taxes of the District) levied on the tax bill irrespective of any delinquent taxes. The City has the power to unilaterally discontinue the Teeter Plan or remove the District from the Teeter Plan by a majority vote of the Board of Supervisors. The Teeter Plan may also be discontinued by petition of two-thirds (2/3rds) of the participant taxing agencies. Discontinuation of the Teeter Plan could adversely affect the rating on the 2020B Bonds. See "SECURITY FOR THE BONDS – Teeter Plan" herein.

Limited Obligations

The 2020B Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2020 Bonds are payable from Special Tax Revenues and certain other funds specified in the Fiscal Agent Agreement on a parity basis with certain outstanding bonds, and the City may issue additional parity bonds in the future. The 2020B Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the 2020B Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the 2020B Bonds.

COVID 19 Pandemic

The financial and operating data contained in this Official Statement are the latest available, but unless otherwise indicated are as of dates and for periods before the economic impact of the COVID 19 pandemic and measures instituted to slow it. Accordingly, they are not necessarily indicative of the current financial condition or future prospects of the District, the City, and the region. See, in particular, "SPECIAL RISK FACTORS – Public Health Emergencies" herein and APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Recent Developments" attached hereto.

Further Information

Brief descriptions of the 2020B Bonds, the security for the Bonds, special risk factors, the District, the City and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the 2020B Bonds, the Fiscal Agent Agreement, resolutions and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the 2020B Bonds, the Fiscal Agent Agreement, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors' rights. For definitions of certain capitalized terms used herein and not otherwise defined, and a description of certain terms relating to the 2020B Bonds. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" attached hereto.

SALESFORCE TRANSIT CENTER AND RELATED FACILITIES

Transbay Terminal History

The City's former terminal (the "Terminal") was built in 1939 at First and Mission Streets as the terminal for trains crossing the then newly opened Bay Bridge. For the first time, San Francisco was directly linked by rail to the East Bay, Central Contra Costa County and even Sacramento. At the time, trucks and trains used the lower deck of the Bay Bridge, and automobiles operated in both directions on the upper deck. In its heyday at the end of World War II, the former Terminal's rail system served 26 million passengers annually. Regional commuter buses from the East Bay, Marin County and San Mateo County, local buses within the City and long-distance buses such as Greyhound also used the former Terminal. As automobile usage increased after the war ended and gas rationing was eliminated, the Terminal's use began to steadily decline. In 1958, the lower deck of the Bay Bridge was converted to automobile traffic only and the train tracks crossing the Bay Bridge were dismantled. In 1959, the inter-modal Terminal was converted into a bus-only facility. In 1989, the former Terminal suffered structural damage in the Loma Prieta earthquake that required its replacement. In 1999, San Francisco voters approved a ballot measure to extend the northern terminus of Caltrain, the commuter rail line serving the San Francisco peninsula, from its current location at 4th & King Streets to a new or rebuilt transit station at the site of the former Terminal. In 2001, the Transbay Joint Powers Authority (the "TJPA"), a joint exercise of powers authority, was created by the City, the Alameda-Contra Costa Transit District, the Peninsula Corridor Joint Powers Board, and Caltrans (*ex officio*) to develop a new regional transit hub to replace the former Terminal. In 2010, the former Terminal was demolished to make way for the construction of the Salesforce Transit Center and its related facilities. A temporary terminal at Howard and Main Streets (the "Temporary Terminal") served bus passengers during such construction.

Transbay Redevelopment Plan and Transit Center District Plan

After the Loma Prieta earthquake, the Embarcadero Freeway connecting the Bay Bridge to the City's northeastern waterfront Embarcadero was demolished, creating several blocks of land available for development. In 2003, the State donated to the City and the TJPA approximately 12 acres of developable land in the vicinity of the former Terminal. The sale and development of these parcels helped to finance a portion of the Salesforce Transit Center and its related facilities.

In 2005, the City established the Transbay Redevelopment Area encompassing portions of the area surrounding the Salesforce Transit Center, generally bounded by Mission Street and Folsom Street between Spear Street and Second Street. Tax increment generated and forecast to be generated in this approximately 40 acre Redevelopment Area helped to finance portions of the Salesforce Transit Center and ancillary neighborhood improvements. The Redevelopment Plan specifically laid out development parameters for most of the formerly-State owned parcels that once held the Embarcadero Freeway.

In 2012, the City adopted the Transit Center District Plan (the "TCDP") to shape growth on the southern side of downtown San Francisco to respond to and support the construction of the Salesforce Transit Center. The TCDP provides policy recommendations to accommodate additional transit-oriented growth, sculpt the downtown skyline, improve streets and open spaces, and expand protection of historic resources. The TCDP encourages development around the Salesforce Transit Center and its related facilities by eliminating density caps and increasing certain height limits, primarily for privately-owned parcels and a small number of formerly-State owned parcels donated to the TJPA in the area.

The District was formed in 2014 to raise funds to finance certain public improvements, including the Salesforce Park and the Train Box, as well as other capital improvements relating to the development of the area around the Salesforce Transit Center. See "THE DISTRICT" herein.

Salesforce Transit Center

General. The Salesforce Transit Center is a six-story modern, regional transportation hub that represents the first phase of the Transbay Program. The facility includes retail space and an innovative rooftop park, an above-grade bus deck level and space for planned regional and high speed rail. A new off-site bus storage facility and bus ramp connects the Salesforce Transit Center with the San Francisco-Oakland Bay Bridge. The second phase of the Transbay Program is planned to extend the Caltrain rail tracks from their current San Francisco terminus at 4th & King Streets to the Salesforce Transit Center to accommodate both Caltrain and California High Speed Rail (the "Downtown Rail Extension")

Train Box. The core and shell of the two below-grade levels of the Salesforce Transit Center, collectively referred to as the "Train Box," were built to accommodate the planned Downtown Rail Extension. The bottom level will have three passenger platforms to accommodate six train tracks for Caltrain and California High Speed Rail. The lower concourse is one level below grade and will serve as the passenger connection between the Salesforce Transit Center building ground floor and the train platforms. Space will be provided in the concourse for retail, ticketing and bike storage.

Salesforce Park. The Salesforce Transit Center's roof is a 5.4 acre, 1,400-foot long public elevated park (the "Salesforce Park") that includes, an outdoor amphitheater, gardens, trails, open grass areas, and children's play space, as well as a restaurant and cafe. The Salesforce Park serves as a "green roof" or "living" roof for the Salesforce Transit Center. It provides shade to much of the ground-level sidewalk when the sun is strongest and provides biological habitat for flora and fauna and public open space for transit passengers, neighborhood residents, and employees. It also acts as insulation for interior spaces, moderating heat build-up in warm weather and retaining heat during cooler weather. Unlike asphalt paving or dark colored roofing surfaces, planting on the green roof cools the surrounding environment and improves air quality by acting as a carbon sink. As a biological organism itself, the park helps to capture and filter the exhaust in the area and helps to improve the air quality of the neighborhood. In July 2019, a new privately-owned and operated gondola opened that provides access to Salesforce Park from the plaza in front of Salesforce Tower.

Status of the Salesforce Transit Center. The Salesforce Transit Center's grand opening was August 12, 2018. In September 2018, the Salesforce Transit Center was temporarily closed as crews repaired two fissured beams, conducted a thorough facility-wide review, cooperated with an independent review and recommissioned the facility to reopen to the public in July 2019. The City has no indication that there is a regional settling or subsidence issue that contributed to the fissures.

THE FINANCING PLAN

The proceeds of the 2020B Bonds are expected to be used to finance, refinance or reimburse a portion of the costs of the planning, design, engineering and construction of the Train Box and Salesforce Park. In addition, the 2020B Bonds are being issued to (i) fund a contribution to the Reserve Fund, (ii) capitalize a portion of the interest on the 2020B Bonds, and (iii) pay costs of issuance, all as further described herein.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are set forth below:

Sources of Funds	
Principal Amount of 2020B Bonds	$81,820,000.00
Total Sources	$81,820,000.00
Uses of Funds	
Deposit to Allocated Bond Proceeds Account	$76,000,000.00
Deposit to Reserve Fund[1]	4,446,674.40
Deposit to Bond Fund[2]	225,020.79
Deposit to 2020B Costs of Issuance Fund[3]	1,148,304.81
Total Uses	$81,820,000.00

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(1) The deposit into the Reserve Fund will cause the balance in the Reserve Fund to equal the Reserve Requirement as of the date of issuance of the 2020B Bonds. The 2020B Bonds constitute Related Parity Bonds and will be secured by the Reserve Fund on a parity basis with the outstanding Parity Bonds.
(2) Represents capitalized interest deposited into the 2020B Capitalized Interest Account, as applicable. Capitalized interest is funded for a portion of the interest on the 2020B Bonds for the September 1, 2020 interest payment.
(3) Includes Underwriters' discount, fees and expenses for Bond Counsel, Disclosure Counsel, Co-Municipal Advisors, the Special Tax Consultant, the Fiscal Agent and its counsel, costs of printing the Official Statement, rating agency fees, and other costs of issuance of the 2020B Bonds.

THE 2020B BONDS

Description of the 2020B Bonds

The 2020B Bonds will be issued as fully registered bonds, in denominations of $5,000 or any integral multiple in excess thereof within a single maturity and will be dated and bear interest from the date of their delivery, at the rates set forth on the inside cover page hereof. The 2020B Bonds will be issued in fully registered form, without coupons. The 2020B Bonds will mature on September 1 in the principal amounts and years as shown on the inside cover page hereof.

The 2020B Bonds will bear interest at the rates set forth on the inside cover page hereof, payable on the Interest Payment Dates in each year. Interest on all Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States of America made on such Interest Payment Date upon written instructions of any Owner of $1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner. "Record Date" means the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day. The interest, principal of and any premium on the Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the Bonds at the Principal Office of the Fiscal Agent. All Bonds paid by the Fiscal Agent pursuant this Section shall be canceled by the Fiscal Agent.

Redemption

Optional Redemption. The 2020B Bonds maturing on or after September 1, 2031 are subject to redemption prior to their stated maturities, on any date on and after September 1, 2030, in whole or in part, at a redemption price equal to the principal amount of the 2020B Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following tables:

2020B Bonds Maturing September 1, 2040

Sinking Fund Redemption Date (September 1)	Principal Amount Subject to Redemption
2036	$2,625,000
2037	2,805,000
2038	2,995,000
2039	3,190,000
2040*	3,400,000

* Maturity.

2020B Bonds Maturing September 1, 2045

Sinking Fund Redemption Date (September 1)	Principal Amount Subject to Redemption
2041	$3,615,000
2042	3,840,000
2043	4,080,000
2044	4,330,000
2045*	4,590,000

* Maturity.

2020B Bonds Maturing September 1, 2050

Sinking Fund Redemption Date (September 1)	Principal Amount Subject to Redemption
2046	$4,865,000
2047	5,150,000
2048	5,450,000
2049	5,765,000
2050*	1,675,000

* Maturity.

Provided, however, if some but not all of the Term Bonds have been redeemed pursuant to Optional Redemption or Redemption from Special Tax Prepayments, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term Bonds so redeemed, to be allocated among such Sinking Fund Payments on a *pro rata* basis in integral multiples of $5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the Reserve Fund shall be used to redeem 2020B Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among series and maturities as provided in the Fiscal Agent Agreement, at a redemption price (expressed as a percentage of the principal amount of the 2020B Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

Redemption Date	**Redemption Price**
Any Interest Payment Date on or before March 1, 2028	103%
On September 1, 2028 and March 1, 2029	102
On September 1, 2029 and March 1, 2030	101
On September 1, 2030 and any Interest Payment Date thereafter	100

Notice of Redemption. The Fiscal Agent shall cause notice to be sent at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories, to one or more Information Services, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to send or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds. Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the City from amounts in the Administrative Expense Fund.

The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute a default under the Fiscal Agent Agreement. The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall send notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

Partial Redemption. Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds, unless otherwise directed by the City, the Fiscal Agent shall select the Bonds to be redeemed, from all Bonds or such given portion thereof not previously called for redemption, among series and maturities so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption, and by lot within a maturity. In connection with a redemption under "Redemption from Special Tax Prepayments" above, the City shall deliver to the Trustee a certificate of an Independent Financial Consultant to the effect that, for each Fiscal Year after the proposed redemption, the maximum amount of the Special Taxes that, based on Taxable Parcels following the related Special Tax Prepayment, may be levied for such Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement shall be at least 110% of the total Annual Debt Service of the remaining Outstanding Bonds following such Special Tax Prepayment and redemption for the Bond Year that commences in such Fiscal Year.

Purchase of Bonds in Lieu of Redemption. In lieu of redemption under the Fiscal Agent Agreement, moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such Bonds were to be redeemed in accordance with the Fiscal Agent Agreement. Any Bonds purchased shall be treated as Outstanding Bonds under this Fiscal Agent Agreement, except to the extent otherwise directed by the Finance Director.

The Fiscal Agent

Zions Bancorporation, National Association has been appointed as the Fiscal Agent for all of the Bonds under the Fiscal Agent Agreement. For a further description of the rights and obligations of the Fiscal Agent pursuant to the Fiscal Agent Agreement, see APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" attached hereto.

Book-Entry System

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be registered in the name of Cede & Co. (DTC's partnership nominee), and will be available to ultimate purchasers in the denomination of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Fiscal Agent, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM" attached hereto.

2020B Bonds Designated as Green Bonds

General. The City is designating the 2020B Bonds as "Green Bonds" (also known as "Climate Bonds"). The purpose of designating the 2020B Bonds as Green Bonds is to allow investors to invest directly in bonds that finance environmentally beneficial projects ("Green Projects"). The particular capital improvements that the City has defined as "Green Projects" in connection with the 2020B Bonds are part of the development of the Salesforce Transit Center, a facility that is expected to achieve at least a LEED Silver certification due to its sustainable design features, and its related facilities, including the Train Box and Salesforce Park (each as defined herein). The Train Box was built to accommodate the planned Downtown Rail Extension, described herein. The 5.4 acre Salesforce Park serves as a "green roof" for the Salesforce Transit Center and is expected to absorb carbon dioxide from bus exhaust, absorb and filter stormwater, and provide a habitat for local wildlife.

Because the 2020B Bonds have been designated as Green Bonds, proceeds of the 2020B Bonds in the Allocated Bond Proceeds Account shall be spent only on Project costs of the Salesforce Transit Center. If any moneys in the Allocated Bond Proceeds Account are not spent on Project costs at the Salesforce Transit Center, the City shall, within thirty (30) days after such expenditure, provide written notice of such expenditure to The Climate Bonds Initiative in accordance with the Fiscal Agent Agreement.

The terms "Green Project," "Green Bonds" and "Climate Bonds" are neither defined in, nor related to, provisions in the Resolution or the Fiscal Agent Agreement. Owners of the 2020B Bonds do not have any security other than as provided in the Fiscal Agent Agreement.

Climate Bonds Initiative and Certification. The CBI is an international, investor-focused non-profit organization working to focus the global bond market on climate change solutions through the development and promotion of an efficient Green Bond market. The CBI has established and manages the Climate Bonds Standard (the "Climate Bonds Standard") under which the 2020B Bonds have been certified, in accordance with the "Low Carbon Land Transport Criteria" under the Climate Bonds Standard. The certification of the 2020B Bonds reflects only the views of the CBI and no assurance can be provided that CBI standards with respect to the Green Projects identified herein will not change. The explanation of the significance of this certification may be obtained from the CBI. The City has provided certain information and materials to the CBI, including information concerning the Salesforce Transit Center. The City expects to spend the proceeds of the Green Bonds specifically to reimburse a loan which financed portions of the Train Box and Salesforce Park.

As part of the certification process in 2017, Stifel, Nicolaus & Co. Incorporated, one of the underwriters for the 2017 Bonds, 2019 Bonds and the 2020B Bonds, retained Sustainalytics U.S., Inc., a subsidiary of Sustainalytics Holding, B.V, Netherlands (collectively, "Sustainalytics"), to provide a programmatic certification that the City's Green Projects are consistent with the Low Carbon Land Transport Criteria of the Climate Bonds Standard. As part of their process, Sustainalytics provided a pre-issuance verification letter regarding the use of the 2017B Bonds, the first bond series issued for this programmatic certification. Since then, Sustainalytics has provided a post-issuance review and post-issuance verification letter for the 2017 Bonds and the 2019 Bonds issued consistent with this program. The City expects Sustainalytics will provide a similar verification letter for the 2020B Bonds after they are issued and delivered.

The certification of the 2020B Bonds as Green Bonds by the CBI is based solely on the Climate Bond Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the 2020B Bonds or any project, including but not limited to this Official Statement, the transaction documents, the City or the management of the City.

The certification of the 2020B Bonds as Green Bonds by the CBI was addressed solely to the City and is not a recommendation to any person to purchase, hold or sell the 2020B Bonds and such certification does not address the market price or suitability of the 2020B Bonds for a particular investor. The certification also does not address the merits of the decision by the City or any third party to participate in any project and does not express and should not be deemed to be an expression of an opinion as to the City or any aspect of any project (including, but not limited, to the financial viability of any project) other than with respect to conformance with the Climate Bond Standard.

The 2020B Bonds will not constitute "exempt facility bonds" issued to finance "green building and sustainable design projects" within the meaning of Section 142(1) of the Internal Revenue Code of 1986.

In issuing or monitoring, as applicable, the certification, the CBI has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the CBI. The CBI does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any project or the City. In addition, the CBI does not assume any obligation to conduct (and it has not conducted) any physical inspection of a project. The certification may only be used with the 2017B Bonds, the 2019B Bonds and the 2020B Bonds and may not be used for any other purpose without the CBI's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the 2020B Bonds and/or the payment of principal at maturity or any other date. The certification may be withdrawn at any time in the CBI's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.

The CBI is not a licensed broker-dealer or a nationally recognized statistical ratings organization. Certification by the CBI is not a recommendation to buy, sell or hold securities, and such certification may be subject to revision or withdrawal, including, without limitation, if the City's future capital expenditures from the proceeds of the 2020B Bonds vary from the anticipated expenditures reviewed by the CBI. The City will undertake reasonable efforts to ensure that any adjustment of capital expenditures or other actions taken with respect to the 2020B Bonds will not result in revision or withdrawal of the CBI's certification; however, there can be no guarantee that such adjustment or other action or a future revision to the CBI's criteria for certifying bonds will not result in a withdrawal or revision of the CBI's certification.

The Fiscal Agent Agreement does not restrict the use of proceeds of the 2020B Bonds or future issuances of bonds to the financing of Green Projects and, in the future, the City, on behalf of the District, may issue additional bonds which are not designated as Green Bonds or certified by the CBI. The repayment obligations with respect to the 2020B Bonds are not conditioned on the completion of any particular project or the satisfaction of any condition relating to the status of the 2020B Bonds as Green Bonds or the certification of such bonds by the CBI. See "SECURITY FOR THE BONDS" herein.

Pursuant to the Continuing Disclosure Certificate, the City will provide to the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access website ("EMMA") an annual report with a statement confirming if applicable that, during the most recent fiscal year, proceeds of the 2020B Bonds were spent only on the Green Projects identified herein. In addition, under the Continuing Disclosure Certificate, within 10 days after the City receives a written statement from the Climate Bonds Initiative to the effect that the 2020B Bonds are no longer certified in accordance with the "Low Carbon Land Transport Criteria" under the Climate Bonds Standard, the City will post, or cause to be posted, notice of such written statement on EMMA. See APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto.

DEBT SERVICE

Debt Service Schedule for 2020B Bonds

The following is the debt service schedule for the 2020B Bonds, assuming no redemptions other than mandatory sinking fund redemptions.

Year Ending	2020B Bonds		
(September 1)	Principal	Interest	Total
2020	-	$ 777,235.93	$ 777,235.93
2021	$ 830,000	2,614,999.40	3,444,999.40
2022	930,000	2,604,134.70	3,534,134.70
2023	1,010,000	2,590,380.02	3,600,380.02
2024	1,100,000	2,573,381.70	3,673,381.70
2025	1,190,000	2,553,097.70	3,743,097.70
2026	1,295,000	2,529,369.10	3,824,369.10
2027	1,400,000	2,500,412.90	3,900,412.90
2028	1,510,000	2,468,128.90	3,978,128.90
2029	1,625,000	2,431,118.82	4,056,118.82
2030	1,745,000	2,389,665.06	4,134,665.06
2031	1,875,000	2,344,277.60	4,219,277.60
2032	2,010,000	2,293,633.86	4,303,633.86
2033	2,155,000	2,237,333.76	4,392,333.76
2034	2,305,000	2,174,817.22	4,479,817.22
2035	2,465,000	2,107,027.16	4,572,027.16
2036	2,625,000	2,033,299.00	4,658,299.00
2037	2,805,000	1,946,096.50	4,751,096.50
2038	2,995,000	1,852,914.40	4,847,914.40
2039	3,190,000	1,753,420.50	4,943,420.50
2040	3,400,000	1,647,448.70	5,047,448.70
2041	3,615,000	1,534,500.70	5,149,500.70
2042	3,840,000	1,407,903.40	5,247,903.40
2043	4,080,000	1,273,426.60	5,353,426.60
2044	4,330,000	1,130,545.00	5,460,545.00
2045	4,590,000	978,908.40	5,568,908.40
2046	4,865,000	818,166.60	5,683,166.60
2047	5,150,000	644,388.80	5,794,388.80
2048	5,450,000	460,430.80	5,910,430.80
2049	5,765,000	265,756.80	6,030,756.80
2050	1,675,000	59,831.00	1,734,831.00
Total	$81,820,000	$54,996,051.03	$136,816,051.03

Projected Debt Service Coverage

The following table sets forth projected debt service coverage with respect to the outstanding Parity Bonds and the 2020B Bonds, assuming Special Taxes are collected when levied and no optional redemptions.

Year Ending[(1)]	Outstanding Parity Bonds Debt Service[(2)]	2020B Bonds Debt Service[(3)(4)]	Total Parity Bonds Debt Service	Projected Maximum Special Tax Revenue	Projected Debt Service Coverage[(5)]
2020	$ 18,434,544	$ 552,215	$ 18,986,759	$ 23,541,156	1.24x
2021	18,809,673	3,444,999	22,254,672	26,085,989	1.17x
2022	19,183,084	3,534,135	22,717,219	26,607,709	1.17x
2023	19,553,394	3,600,380	23,153,774	27,139,863	1.17x
2024	19,948,244	3,673,382	23,621,626	27,682,661	1.17x
2025	20,354,790	3,743,098	24,097,888	28,236,314	1.17x
2026	20,760,961	3,824,369	24,585,330	28,801,040	1.17x
2027	21,178,533	3,900,413	25,078,946	29,377,061	1.17x
2028	21,602,987	3,978,129	25,581,116	29,964,602	1.17x
2029	22,028,656	4,056,119	26,084,775	30,563,894	1.17x
2030	22,467,052	4,134,665	26,601,717	31,175,172	1.17x
2031	22,918,956	4,219,278	27,138,234	31,798,675	1.17x
2032	23,381,984	4,303,634	27,685,617	32,434,649	1.17x
2033	23,857,583	4,392,334	28,249,917	33,083,342	1.17x
2034	24,321,301	4,479,817	28,801,118	33,745,009	1.17x
2035	24,814,823	4,572,027	29,386,850	34,419,909	1.17x
2036	25,311,381	4,658,299	29,969,680	35,108,307	1.17x
2037	25,813,231	4,751,097	30,564,328	35,810,473	1.17x
2038	26,333,578	4,847,914	31,181,493	36,526,683	1.17x
2039	26,858,772	4,943,421	31,802,192	37,257,216	1.17x
2040	27,400,813	5,047,449	32,448,261	38,002,361	1.17x
2041	27,944,631	5,149,501	33,094,132	38,762,408	1.17x
2042	28,504,033	5,247,903	33,751,936	39,537,656	1.17x
2043	29,071,094	5,353,427	34,424,520	40,328,409	1.17x
2044	29,653,103	5,460,545	35,113,648	41,134,977	1.17x
2045	30,251,912	5,568,908	35,820,820	41,957,677	1.17x
2046	30,854,178	5,683,167	36,537,345	42,796,830	1.17x
2047	28,452,009	5,794,389	34,246,397	40,319,127	1.18x
2048	29,017,611	5,910,431	34,928,042	41,125,510	1.18x
2049	7,294,057	6,030,757	13,324,814	17,405,811	1.31x
2050	-	1,734,831	1,734,831	3,683,120	2.12x
Total	**$716,376,968**	**$136,591,030**	**$852,967,998**	**$1,004,413,610**	

Totals may not add due to rounding.

(1) Projected maximum Special Tax Revenues are presented for the fiscal year ending on June 30 of each year; debt service is presented for the bond year ending September 1 of each year.

(2) Includes debt service payable on the outstanding 2017 Bonds and 2019 Bonds, net of any capitalized interest.

(3) Net of capitalized interest funding a portion of interest on the 2020B Bonds.

(4) Special Taxes may only be levied on any individual parcel in the District for a maximum term of 30 years. Accordingly, certain of the parcels with Taxable Buildings (Subject Properties) will no longer be subject to the Special Tax levy prior to the final maturity of the 2020B Bonds. Debt service on the Bonds has been structured to maintain coverage from projected maximum Special Tax Revenues of at least 110%, reflecting the termination of the levy on Taxable Buildings (Subject Properties) within the District. See "SPECIAL RISK FACTORS – Maximum Term of Levy" herein.

(5) Represents projected Special Tax Revenues divided by the total annual debt service for the outstanding Parity Bonds and the 2020B Bonds.

SECURITY FOR THE BONDS

General

The Bonds will be secured by a first pledge pursuant to the Fiscal Agent Agreement of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account) and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement. "Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

The Special Taxes are to be apportioned, levied and collected according to the Rate and Method on Parcels developed with Taxable Buildings. In general, Special Taxes can only be levied on a property within the District if: (i) the property is a "Conditioned Project," as defined in the Rate and Method; (ii) a Certificate of Occupancy has been issued for the property; and (iii) a Tax Commencement Authorization for the property has been executed by the Director, Controller's Office of Public Finance. A Conditioned Project is a Development Project that is required to participate in funding Authorized Facilities through the District, because it received a zoning bonus to exceed the height and floor-to-area ratios that would have otherwise been applicable under the City's Planning Code. See APPENDIX B – "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" attached hereto.

Limited Obligation

The Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2020 Bonds are payable from Special Tax Revenues and certain other funds specified in the Fiscal Agent Agreement on a parity basis with certain outstanding bonds, and the City may issue additional parity bonds in the future. The Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Teeter Plan

The Board of Supervisors of the City adopted the "Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds" (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, in 1993 pursuant to Resolution No. 830-93. The Teeter Plan provides for the allocation and distribution of property tax levies and collections and of tax sale proceeds. *Under the Teeter Plan, the City will maintain a tax loss reserve fund for the purpose of paying each taxing agency 100% of the amounts of secured taxes (including the Special Taxes of the District) levied on the tax bill irrespective of any delinquent taxes.* By Resolution No. 245-17, adopted on June 13, 2017, the Board of Supervisors extended the Teeter Plan to the allocation and distribution of Special Taxes.

The City also maintains a Tax Loss Reserve. The Tax Loss Reserve set aside is equal to 1% of the total of all taxes and assessments levied for which the Teeter Plan is the applicable distribution method. The purpose of the Tax Loss Reserve is to cover losses that may occur. The amount has grown in recent years as the assessed values on the secured roll has grown. For a discussion of the status of the City's Tax Loss Reserve, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PROPERTY TAXATION – Tax Levy and Collection" attached hereto.

The Special Taxes levied in the District are the only community facilities district special taxes in the City that are currently distributed based upon the Teeter method. There are also four city-wide parcel taxes, which are similarly billed as direct charges on property tax bills, that are distributed based upon the Teeter method. The extension of the Teeter Plan to Special Taxes levied in the District shall remain in effect unless otherwise discontinued in accordance with applicable law. The City has the power to include additional taxing agencies on the Teeter Plan. The City has the power to unilaterally discontinue the Teeter Plan or remove the District from the Teeter Plan by a majority vote of the Board of Supervisors. The Teeter Plan may also be discontinued by petition of two-thirds (2/3rds) of the participant taxing agencies.

The City has the power to unilaterally discontinue the Teeter Plan or remove the District from the Teeter Plan by a majority vote of the Board of Supervisors. The Teeter Plan may also be discontinued by petition of two-thirds (2/3rds) of the participant taxing agencies. Discontinuation of the Teeter Plan could adversely affect the rating on the 2020B Bonds. Such rating reflects only the views of Fitch Ratings and any desired explanation of the significance of such rating should be obtained from Fitch Ratings. See "RATING" herein.

Special Tax Fund

Special Tax Fund. Pursuant to the Fiscal Agent Agreement, there is established a "Special Tax Fund" to be held by the Fiscal Agent, to the credit of which the Fiscal Agent will deposit amounts received from or on behalf of the City consisting of Special Tax Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. The City has agreed in the Fiscal Agent Agreement that it will promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund. Notwithstanding the foregoing,

(i) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Fiscal Agent as follows:

- first, for transfer to the Bond Fund to pay any past due debt service on the Bonds;

- second, without preference or priority for transfer to (a) the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund up to the then Reserve Requirement and (b) the reserve account for any Parity Bonds that are not Related Parity Bonds to the extent needed to increase the amount then on deposit in such reserve account up to the amount then required to be on deposit therein (and in the event the collection of delinquencies in payment of Special Taxes are not sufficient for the purposes of this clause, such amounts shall be applied to the Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds); and

- third, to be held in the Special Tax Fund for use as described in below under "*- Disbursements from the Special Tax Fund*"; and

(ii) any proceeds of Special Tax Prepayments shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent as follows (as directed in writing by the Finance Director): (a) that portion of any Special Tax Prepayment constituting a prepayment of costs of the Project shall be deposited by the Fiscal Agent to the Improvement Fund and (b) the remaining Special Tax Prepayment shall be deposited by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement.

Moneys in the Special Tax Fund shall be held by the Fiscal Agent for the benefit of the City and Owners of the Bonds, shall be disbursed as provided below and, pending disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Disbursements from the Special Tax Fund. At least seven (7) days prior to each Interest Payment Date or redemption date, as applicable, the Fiscal Agent will withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the Reserve Fund and any reserve account for Parity Bonds that are not Related Parity Bonds, the 2020B Capitalized Interest Account and the Special Tax Prepayments Account to the Bond Fund such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date or redemption date, and any past due principal or interest on the Bonds not theretofore paid from a transfer described in clause second of subparagraph (ii) above under "- *Special Tax Fund*"; and

(ii) without preference or priority (a) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not Related Parity Bonds, taking into account amounts then on deposit in such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts shall be applied to the Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds).

Each calendar year, following the transfers pursuant to the preceding paragraph for the March 1 Interest Payment Date occurring in such calendar year, when amounts (including investment earnings) have been accumulated in the Special Tax Fund sufficient to make the transfers pursuant to the preceding paragraph for the September 1 Interest Payment Date occurring in such calendar year, the Finance Director, during the period up to but not including December 10 of such calendar year, may in his or her sole discretion direct in writing the disposition of moneys in the Special Tax Fund in excess of the amounts needed for such September 1 Interest Payment Date as follows: (i) direct the Fiscal Agent to transfer money to the Improvement Fund (or the accounts therein) for payment or reimbursement of the costs of the Project, (ii) direct the Fiscal Agent to transfer money to the Administrative Expense Fund, in an amount not to exceed the amount included in the Special Tax levy for Administrative Expenses for such Fiscal Year and (iii) direct the Fiscal Agent to transfer money for any other lawful purpose.

Administrative Expense Fund

The Fiscal Agent will transfer from the Special Tax Fund and deposit in the Administrative Expense Fund established under the Fiscal Agent Agreement an amount equal to the amount specified in an Officer's Certificate to be used to pay an Administrative Expense or a Cost of Issuance. Amounts deposited in the Administrative Expense Fund are not pledged to the repayment on the Bonds.

Bond Fund

The Bond Fund is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent. Moneys in the Bond Fund will be held by the Fiscal Agent for the benefit of the Owners of the Bonds, and shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

Capitalized Interest Accounts. Within the Bond Fund there is established as a separate account designated as the "2020B Capitalized Interest Account" to be held by the Fiscal Agent for the benefit of the City and the Owners of the 2020B Bonds. Amounts on deposit in the 2020B Capitalized Interest Account will be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2020B Bonds.

Flow of Funds for Payment of Principal and Interest. At least ten (10) days before each Interest Payment Date, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds. Notwithstanding the foregoing, amounts in the Bond Fund as a result of a transfer of the collections of delinquent Special Taxes will be immediately disbursed by the Fiscal Agent to pay past due amounts owing on the Bonds.

At least five (5) days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the debt service due on the Bonds on the next Interest Payment Date. If amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly will notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

If amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent will do the following:

(i) Withdraw from the Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the outstanding Parity Bonds and the 2020B Bonds and any other Related Parity Bonds. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from the reserve fund shall be deposited in the Bond Fund.

If, after the foregoing transfers and application of such funds for their intended purposes, there are insufficient funds in the Bond Fund to make the payments provided for in the Fiscal Agent Agreement, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the Bonds by reason of sinking payments. Each such payment shall be made ratably to the Owners of the Bonds based on the then Outstanding principal amount of the Bonds, if there are insufficient funds to make the corresponding payment for all of the then Outstanding bonds, subject to the restrictions on the uses of any funds as set forth in the Fiscal Agent Agreement. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Any failure by the Fiscal Agent to provide the notices required by the Fiscal Agent Agreement will not alter the obligation of the City to make the scheduled payments from amounts in the Bond Fund.

Special Tax Prepayments Account. Within the Bond Fund a separate account will be held by the Fiscal Agent, designated the "Special Tax Prepayments Account." Moneys in the Special Tax Prepayments Account will be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under the Fiscal Agent Agreement and will be used (together with any amounts transferred for the purpose) to redeem Bonds on the redemption date selected in accordance with the Fiscal Agent Agreement.

Reserve Fund

The District has established a Reserve Fund for the benefit of the outstanding Parity Bonds, the 2020B Bonds and any future Bonds issued as Related Parity Bonds pursuant to the Fiscal Agent Agreement. As a result of the contributions to the Reserve Fund described in "ESTIMATED SOURCES AND USES OF FUNDS," the Reserve Fund will be funded at the Reserve Requirement for the 2017 Bonds, the 2019 Bonds and the 2020B Bonds as of the date of issuance of the 2020B Bonds.

Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2017 Bonds and the Related Parity Bonds or, in accordance with the provisions of this Section, for the purpose of redeeming the 2017 Bonds and the Related Parity Bonds from the Bond Fund.

"Reserve Requirement" means, as of the date of calculation, which shall be (A) the date of issuance of the outstanding Parity Bonds, the 2020B Bonds and any future Related Parity Bonds and (B) the date of defeasance or redemption of any of the outstanding Parity Bonds, the 2020B Bonds or any future Related Parity Bonds, an amount equal to the lesser of (i) Maximum Annual Debt Service on the outstanding Parity Bonds, the 2020B Bonds and any future Related Parity Bonds between the date of such calculation and the final maturity of such Bonds or (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the outstanding Parity Bonds, the 2020B Bonds and any future Related Parity Bonds between the date of such calculation and the final maturity of such Bonds and (iii) 10% of the original principal amount of the outstanding Parity Bonds, the 2020B Bonds and any future Related Parity Bonds (or, if the outstanding Parity Bonds, the 2020B Bonds and any future Related Parity Bonds have more than a *de minimis* amount of original issue discount or premium, 10% of the issue price of the outstanding Parity Bonds, the 2020B Bonds and any Related Parity Bonds); provided that, with respect to the issuance of any Related Parity Bonds, if the Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of the Related Parity Bonds (or, if the Related Parity Bonds have more than a *de minimis* amount of original issue discount or premium, of the issue price of such Related Parity Bonds), then the Reserve Requirement shall be such lesser amount as is determined by a deposit of such ten percent (10%); and provided that accrued interest on any Related Parity Bonds deposited with the Fiscal Agent upon delivery of such Related Parity Bonds shall be excluded for purposes of the calculation of the Reserve Requirement.

The City shall have the right at any time to direct the Fiscal Agent to release funds from the Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Fund Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Fund Credit Instrument will cause interest on the Bonds or any Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation.

See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" attached hereto for further information about the Reserve Fund.

Rate and Method of Apportionment of Special Taxes

The following is a brief summary of certain provisions of the Rate and Method. This summary does not purport to be comprehensive and reference should be made to the full Rate and Method attached hereto as Appendix B.

Certain Definitions. All capitalized terms not defined in this section have the meanings set forth in the Rate and Method attached hereto as Appendix B.

"Administrator" means the Director of the Office of Public Finance who shall be responsible for administering the Special Tax according to the Rate and Method.

"Affordable Housing Project" means a residential or primarily residential project, as determined by the Zoning Authority, within which all Residential Units are Below Market Rate Units.

"Building" means a permanent enclosed structure that is, or is part of, a Conditioned Project.

"Certificate of Occupancy" means the first certificate, including any temporary certificate of occupancy, issued by the City to confirm that a Building or a portion of a Building has met all of the building codes and can be occupied for residential and/or non-residential use. For purposes of the Rate and Method, "Certificate of Occupancy" shall not include any certificate of occupancy that was issued prior to January 1, 2013 for a Building within the District; however, any subsequent certificates of occupancy that are issued for new construction or expansion of the Building shall be deemed a Certificate of Occupancy and the associated Parcel(s) shall be categorized as Taxable Parcels if the Building is, or is part of, a Conditioned Project and a Tax Commencement Authorization has been provided to the Administrator for the Building.

"Conditioned Project" means a Development Project that is required to participate in funding Authorized Facilities through the District.

"CPC" means the Capital Planning Committee of the City and County of San Francisco, or if the Capital Planning Committee no longer exists, "CPC" shall mean the designated staff member(s) within the City and/or TJPA that will recommend issuance of Tax Commencement Authorizations for Conditioned Projects within the District.

"Development Project" means a residential, non-residential, or mixed-use development that includes one or more Buildings, or portions thereof, that are planned and entitled in a single application to the City.

"Initial Annual Adjustment Factor" means, as of July 1 of any Fiscal Year, the Annual Infrastructure Construction Cost Inflation Estimate published by the Office of the City Administrator's Capital Planning Group and used to calculate the annual adjustment to the City's development impact fees that took effect as of January 1 of the prior Fiscal Year pursuant to Section 409(b) of the Planning Code, as may be amended from time to time. If changes are made to the office responsible for calculating the annual adjustment, the name of the inflation index, or the date on which the development fee adjustment takes effect, the Administrator shall continue to rely on whatever annual adjustment factor is applied to the City's development impact fees in order to calculate adjustments to the Base Special Taxes. Notwithstanding the foregoing, the Base Special Taxes shall, in no Fiscal Year, be increased or decreased by more than four percent (4%) of the amount in effect in the prior Fiscal Year.

"IPIC" means the Interagency Plan Implementation Committee, or if the Interagency Plan Implementation Committee no longer exists, "IPIC" shall mean the designated staff member(s) within the City and/or TJPA that will recommend issuance of Tax Commencement Authorizations for Conditioned Projects within the District.

"Taxable Building" means, in any Fiscal Year, any Building within the CFD that is, or is part of, a Conditioned Project, and for which a Certificate of Occupancy was issued and a Tax Commencement Authorization was received by the Administrator on or prior to June 30 of the preceding Fiscal Year. If only a portion of the Building is a Conditioned Project, as determined by the Zoning Authority, that portion of the Building shall be treated as a Taxable Building for purposes of the Rate and Method.

"Taxable Parcel" means, within a Taxable Building, any Parcel that is not exempt from the Special Tax pursuant to law or the Rate and Method. If, in any Fiscal Year, a Special Tax is levied on only Net New Square Footage in a Taxable Building, only the Parcel(s) on which the Net New Square Footage is located shall be Taxable Parcel(s) for purposes of calculating and levying the Special Tax pursuant to the Rate and Method. "Net New Square Footage" means any Square Footage added to a Taxable Building after the Initial Square Footage in the Building has paid Special Taxes in one or more Fiscal Years.

"Tax Commencement Authorization" means a written authorization issued by the Administrator upon the recommendations of the IPIC and CPC in order to initiate the levy of the Special Tax on a Conditioned Project that has been issued a Certificate of Occupancy.

"Zoning Authority" means either the City Zoning Administrator, the Executive Director of the San Francisco Office of Community Investment and Infrastructure, or an alternate designee from the agency or department responsible for the approvals and entitlements of a project in the District. If there is any doubt as to the responsible party, the Administrator shall coordinate with the City Zoning Administrator to determine the appropriate party to serve as the Zoning Authority for purposes of this RMA.

General. A Special Tax applicable to each Taxable Parcel in the District shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount or rate for Square Footage of a Taxable Parcel, as described below. All Taxable Parcels in the District shall be taxed for the purposes, to the extent, and in the manner provided in the Rate and Method, including property subsequently annexed to the District unless a separate Rate and Method of Apportionment of Special Tax is adopted for the Future Annexation Area.

In general, Special Taxes can only be levied on a property within the District if: (i) the property is a "Conditioned Project," as defined in the Rate and Method, (ii) a Certificate of Occupancy has been issued for the property and (iii) a Tax Commencement Authorization for the property has been executed by the Director, Controller's Office of Public Finance. Special Taxes cannot be levied on: (i) undeveloped property within the District or (ii) any parcel that has not met the conditions specified in the first sentence of this paragraph.

See APPENDIX B – "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" attached hereto.

Special Tax Rates. The Rate and Method provides how the Special Tax Rates are determined generally based on a maximum tax rate per square foot that varies based on type of building, height of building, year of initial taxation and an annual escalator. See APPENDIX B – "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" attached hereto.

Maximum Special Tax. Upon issuance of a Tax Commencement Authorization and the first Certificate of Occupancy for a Taxable Building within a Conditioned Project that is not an Affordable Housing Project, the Administrator shall coordinate with the Zoning Authority to determine the Square Footage of each Land Use on each Taxable Parcel. The Administrator shall then apply the steps set forth in the Rate and Method to determine the Maximum Special Tax for the next succeeding Fiscal Year for each Taxable Parcel in the Taxable Building.

Annual Escalation in Special Tax Rates. The Maximum Annual Special Tax Rates applicable to a Taxable Building escalate annually at 2% per year. Until a Maximum Annual Special Tax Rate is established for a Taxable Building, the Initial Annual Adjustment Factor is used to adjust the Base Special Tax each July 1 by an amount not greater than 4%. The Base Special Tax rates are used to calculate the Maximum Special Tax for each Taxable Parcel in a Taxable Building for the first Fiscal Year in which the Building is a Taxable Building. See APPENDIX B – "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" attached hereto. The Initial Annual Adjustment Factor, subject to the limits described in the Rate and Method, is equal to the Annual Infrastructure Construction Cost Inflation Estimate (the "AICCIE"), as of July 1 of the applicable Fiscal Year, published by the Office of the City Administrator's Capital Planning Group and used to calculate the annual adjustment to the City's development impact fees that took effect as of January 1 of the prior Fiscal Year pursuant to the City's Planning Code.

The AICCIE and the Initial Annual Adjustment Factors since Fiscal Year 2014-15 are summarized below.

(Fiscal Year)	AICCIE	Initial Annual Adjustment
2014-15	4.50%	4.00%
2015-16	5.00	4.00
2016-17	5.00	4.00
2017-18	5.00	4.00
2018-19	5.75	4.00
2019-20	6.00	4.00
2020-21	5.50	4.00

For a discussion of changes to the Maximum Special Tax under the Rate and Method, see APPENDIX B – "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" attached hereto.

Covenant for Superior Court Foreclosure

General. In the event of a delinquency in the payment of any installment of Special Taxes, the City is authorized by the Act to order institution of an action in the Superior Court of the State to foreclose any lien therefor. In such action, the real property subject to the Special Taxes may be sold at a judicial foreclosure sale. The ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner in the event the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the "FDIC") or other similar federal agencies. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure" and "SPECIAL RISK FACTORS – Tax Delinquencies" herein. Such judicial foreclosure proceedings are not mandatory under the Act.

There could be a default or a delay in payments to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of foreclosure sale proceeds, if any, and subsequent transfer of those proceeds to the City. Special Taxes may be levied on all property within the District up to the maximum amount permitted under the Rate and Method to provide the amount required to pay debt service on the Bonds, however, the Special Tax levy on property used for private residential purposes may not increase by more than 10% above the amount that would have been levied in that Fiscal Year as a consequence of delinquencies or defaults by the owners of any other parcels in the District.

Under current law, a judgment debtor (property owner) has at least 120 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived, the judgment creditor is entitled to interest on the revived judgment and any liens extinguished by the sale are revived as if the sale had not been made (Section 701.680 of the Code of Civil Procedure of the State of California).

Covenant to Foreclose. Under the Act, the City covenants in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as provided in the Fiscal Agent Agreement, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about September 1 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the City, and:

(A) ***Individual Delinquencies.*** If the Finance Director determines that (i) any single parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate amount of $40,000 or more or (ii) any single parcel subject to the Special Tax in the District is delinquent in the payment of three or more installments of Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination.

(B) ***Aggregate Delinquencies.*** If the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District, (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the Finance Director shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the District with a Special Tax delinquency.

The Finance Director and the City Attorney, as applicable, are authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings shall be an Administrative Expense.

No Obligation of the City Upon Delinquency

The City is under no obligation to transfer any funds of the City into the Special Tax Fund or any other funds or accounts under the Fiscal Agent Agreement for the payment of the principal of or interest on the Bonds if a delinquency occurs in the payment of any Special Taxes, other than Special Tax Revenues. See "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure" herein, for a discussion of the City's obligation to foreclose Special Tax liens upon delinquencies, and "SECURITY FOR THE BONDS – Reserve Fund" herein, for a discussion of the Reserve Fund securing the outstanding Parity Bonds, the 2020B Bonds and any future Bonds issued as Related Parity Bonds. Notwithstanding the foregoing, so long as the District is included in the Teeter Plan, the Fiscal Agent will receive 100% of the Special Tax levy regardless of any delays in the payment or collection of the Special Taxes. The City has the power to unilaterally discontinue the Teeter Plan or remove the District from the Teeter Plan by a majority vote of the Board of Supervisors. The Teeter Plan may also be discontinued by petition of two-thirds (2/3rds) of the participant taxing agencies. However, discontinuation of the Teeter Plan could adversely affect the rating on the 2020B Bonds. See "– Teeter Plan" above.

Parity Bonds

The City may issue Bonds in addition to the outstanding Parity Bonds and the 2020B Bonds under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding under the Fiscal Agent Agreement. The principal amount of the 2020B Bonds and all Parity Bonds cannot exceed $1.4 billion (although Parity Bonds that constitute refunding bonds under the Act will not count against this $1.4 billion limit). The City may issue such Parity Bonds, on a parity basis with the 2020B Bonds and the outstanding Parity Bonds, subject to the following specific conditions precedent:

(A) *Compliance.* The City shall be in compliance with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the District's $1.4 billion limitation on debt.

(B) *Same Payment Dates.* The Supplemental Agreement providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on Interest Payment Dates, and principal thereof shall be payable on September 1 in any year in which principal is payable on the Parity Bonds (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(C) *Separate Funds; Reserve Fund or Reserve Account.* The Supplemental Agreement providing for the issuance of such Parity Bonds may provide for the establishment of separate funds and accounts.

The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for one of the following:

(i) a deposit to the Reserve Fund in an amount necessary such that the amount deposited therein shall equal the Reserve Requirement following issuance of the Parity Bonds (in which case such Parity Bonds will constitute "Related Parity Bonds");

(ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the Reserve Fund and that the Owners of the Bonds covered by the Reserve Fund will have no interest in or claim to such other reserve account; or

(iii) no deposit to either the Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the Reserve Fund or any other reserve account. The Supplemental Agreement may provide that the City may satisfy the reserve requirement for a series of Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

(D) *Value.* The CFD Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the District subject to the levy of Special Taxes, plus (iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within the District (the "Other District Bonds") equal to the aggregate outstanding principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within the District, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year.

(E) *Coverage.* For each Fiscal Year after issuance of the Parity Bonds, the maximum amount of the Special Taxes that, based on Taxable Parcels as of the date of issuance of such Parity Bonds, may be levied for such Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement for each respective Fiscal Year, shall be at least 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year, and the aggregate Special Tax Prepayments that could occur after the issuance of the Parity Bonds shall be not less than the principal amount of the Outstanding Bonds and the proposed Parity Bonds. "Bond Year" means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year.

(F) *Certificates.* The City shall deliver to the Fiscal Agent an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (A), (B), (C), (D), and (E) above have been satisfied.

Notwithstanding the foregoing, the City may issue Refunding Bonds as Parity Bonds without the need to satisfy the requirements of clauses (D) or (E) above, and, in connection therewith, the Officer's Certificate in clause (F) above need not make reference to clauses (D) and (E). The City is not prohibited from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge under the Fiscal Agent Agreement.

THE CITY

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, generally 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 Napa and Sonoma "wine country" is about an hour's drive to the north. The City estimates the City's population in Fiscal Year 2018-19 to be 887,463. For additional information regarding the City, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO" attached hereto.

THE DISTRICT

Formation

On July 15, 2014, the Board of Supervisors of the City adopted Resolution No. 247-14 stating its intent to form the District under the Act and Resolution No. 246-14, in which it declared its intention to incur bonded indebtedness on behalf of the District in an aggregate amount not to exceed $1.4 billion. On September 23, 2014, after holding a noticed public hearing, the Board of Supervisors adopted Resolution Nos. 350-14 and 351-14, forming the District and, subject to approval by the qualified electors, approving the levy of special taxes within the District according to the Rate and Method, an annual appropriations limit for the District not to exceed $300,000,000 and bonded indebtedness in an amount not to exceed $1.4 billion.

On December 29, 2014, an election was held within the District pursuant to the Act at which at least two-thirds of the qualified landowner electors approved the levy of special taxes according to the Rate and Method, incurrence of bonded indebtedness in an aggregate amount not to exceed $1.4 billion and the appropriations limit. On January 13, 2015, the Board of Supervisors adopted Ordinance No. 1-15, levying special taxes in the District. The Mayor approved the Ordinance on January 20, 2015. See "SECURITY FOR THE BONDS" and "THE DISTRICT" herein and APPENDIX B – "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" attached hereto.

At the time it established the District, the City also established the Future Annexation Area for the District to enable properties to annex into the District with fewer procedural requirements than would otherwise be required under the Act. Property owners in the Future Annexation Area annex into the District by executing a unanimous approval. Under the Act, a unanimous approval constitutes the vote of a qualified elector in favor of the matters addressed in the unanimous approval for purposes of the California Constitution.

Taxable Buildings (Subject Properties)

In general, Special Taxes can only be levied on a property within the District if: (i) the property is a "Conditioned Project," as defined in the Rate and Method, (ii) a Certificate of Occupancy has been issued for the property and (iii) a Tax Commencement Authorization for the property has been executed by the Director, Controller's Office of Public Finance.

There are currently eight Taxable Buildings (Subject Properties) which are subject to the Special Tax levied by the Board of Supervisors of the City. In addition to the eight Taxable Buildings (Subject Properties), there are currently three additional Conditioned Projects in the District and four Conditioned Projects in the Future Annexation Area planned for residential, commercial or mixed use that may become subject to the Special Tax. See "THE DISTRICT" and "SPECIAL RISK FACTORS – Concentration of Property Ownership" herein.

The following table sets forth the Taxable Buildings (Subject Properties) contributing to the Special Tax Revenues that are available to pay debt service on the 2020B Bonds, the taxable square footage used to calculate Maximum Annual Special Tax Revenues, and the first year in which each Taxable Building became subject to the Special Tax levy.

Table 1
Community Facilities District No. 2014-1
(Transbay Transit Center)
Taxable Buildings (Subject Properties)

Projects	**Street Address**	**Office** (sq. ft.)	**Retail** (sq. ft.)	**Hotel** (sq. ft.)	**Rental Residential** (sq. ft.)	**For-Sale Residential** (sq. ft.)	**Building Stories**	**First Fiscal Year of Special Tax Levy**	**Final Fiscal Year of Special Tax Levy**
Salesforce East	350 Mission Street	47,645	4,355	-	-	-	30	2016-17	2045-46
Solaire	299 Fremont Street	-	7,204	-	288,937	-	32	2016-17	2045-46
Salesforce Tower	415 Mission Street	1,413,397	6,789	-	-	-	61	2018-19	2047-48
33 Tehama	41 Tehama Street	-	788	-	236,375	-	34	2018-19	2047-48
181 Fremont Street	181 Fremont Street	433,669	2,663	-	-	121,328	54	2018-19	2047-48
Park Tower (Block 5)	250 Howard Street	755,914	8,745	-	-	-	43	2019-20	2048-49
The Avery (Block 8)	250 Folsom Street	-	16,988	-	192,010	210,102	55	2019-20	2048-49
Block 9	500 Folsom Street	-	5,678	-	316,671	-	42	2020-21	2049-50
Total		**2,650,625**	**53,210**	-	**1,033,993**	**331,430**			

Source: San Francisco Planning Department; OCII; Special Tax Consultant.

Description of Existing Taxable Buildings (Subject Properties)

Certain properties in the District that have been developed for office, retail and/or residential use have received a Certificate of Occupancy and a Tax Commencement Authorization and constitute the Taxable Buildings (Subject Properties). The Special Tax will be levied on the Taxable Buildings (Subject Properties) based on all or a portion of the square footage of each building, not on the building's assessed valuation. See "SECURITY FOR THE BONDS" herein. The levy of the Special Tax is not contingent upon the leasing or sale of space in any of the Taxable Buildings (Subject Properties). **The City has obtained certain information relating to the following buildings from publicly available information. However, the City *does not guarantee such information, which is provided for general reference only.***

Solaire. The buildings located at 299 Fremont Street include a 32-story residential tower and 7 townhomes with a total of 409 rental units marketed as Solaire. The total leasable square feet in the buildings is 296,141. All of the residential units are intended to serve as rental housing with unit sizes ranging from 422 square foot studio units to 1,562 square foot, two-bedroom, two-and-a-half bath units. Amenities include a fitness center, community room and kitchen, media room, game room, yoga studio, and a roof deck lounge and spa. The buildings were completed in February 2017 and opened in March 2017. The City understands that the building is owned by Block 6 Joint Venture LLC, an affiliate of Golub Real Estate Corporation. The residential tower contains 7,204 square feet of retail space on the ground floor. Solaire also includes affordable housing that is not subject to the Special Tax. The Special Tax was first levied for these buildings in Fiscal Year 2016-17.

Salesforce East. The building located at 350 Mission Street is a 30-story LEED® Platinum-certified office tower completed in 2015 containing approximately 420,000 square feet of floor area. The Special Tax was first levied for this building in Fiscal Year 2016-17. The lobby features a cantilever, with 90 feet of glass panels that slide open and closed, adjoining the lobby to the street. The lobby includes a cafe and restaurant, amphitheater seating, and space that can be configured for pop-up events. A commissioned work of digital art in the lobby animates a 70-by-38-foot LED screen that is visible from the street. The City understands that Salesforce.com, inc., a global cloud computing company (publically traded as CRM on the New York Stock Exchange), is currently the primary tenant in the building and Kilroy Realty Corp, a privately held real estate investment trust, is the owner of the 350 Mission Street property.

The Special Tax for 350 Mission Street is calculated based solely on the square footage of three floors that allowed a zoning bonus, which constitutes a Conditioned Project under the Rate and Method. Prior to adoption of the TCDP and the levy of the Special Tax, the 350 Mission Street project was entitled at approximately 24 stories and 375 feet in height, which was the maximum density allowed at that time, despite the fact that the height limit for the planned building was 550 feet. After the TCDP was approved, while the project was already under construction, the developer was able to re-entitle the project to add several stories to permit a higher building. This sequencing is why only a few floors are subject to the Special Tax. If the project had first been entitled after the TCDP was adopted, the entire building would have been subject to the Special Tax. However, the Special Tax levy is secured by the full 350 Mission Street parcel. See "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure" herein.

Salesforce Tower. The building located at 415 Mission Street contains a mix of office and retail uses. The building is currently the tallest in the City and the second-tallest west of the Mississippi River with a top roof height of 970 feet and an overall height of 1,070 feet. The building has 61 floors with 13-foot high ceilings. The building is LEED® Core and Shell Platinum certified and contains a number of environmentally friendly features. The total leasable square feet in the building is 1,420,186. The City understands that substantially all of such total leasable area in the building has been leased, with Salesforce.com, inc leasing approximately half of the office space. Salesforce.com, inc. also purchased the naming rights for the building. The current owner of the 415 Mission Street property is Boston Properties. Occupancy of the building began in 2018. The Special Tax for this building was first levied in Fiscal Year 2018-19.

33 Tehama Street (41 Tehama). The building located at 33 Tehama Street is 34 stories and contains 403 units of multi-family luxury apartments and a small retail space. Of the 403 residential units, only 343 are subject to the Special Tax. Building amenities include a gym and the entire top floor developed with lounges, co-working space, a kitchen for entertaining, outdoor terraces, barbeque areas and a game room. The total leasable square feet in the building is 278,663. The building opened in January 2018. The current owner of the 33 Tehama Street property is an affiliate of Hines. The Special Tax was first levied for this building in Fiscal Year 2018-19.

181 Fremont Street. The building located at 181 Fremont Street is 54 stories and includes 557,660 square feet of taxable space. The lower 34 floors include 433,669 square feet of leasable office space and 2,663 square feet of leasable retail space. The City understands that all of the office space has been leased by Facebook. The upper floors include 67 luxury condominiums (121,328 square feet of taxable space) marketed as 55 for-sale condominiums and 12 accessory units for guest quarters. As of February 21, 2020, 28 condominiums and 6 accessory units had reportedly been purchased by individual owners at prices ranging from $3,285,000 to $15,000,000 for the condominiums and $1,400,000 to $1,750,000 for the accessory units. The residential lobby is twenty-five feet tall and enclosed in glass. Amenities encompass an entire floor and feature a wrap-around observation terrace, The Conservatory, Bay Terrace, fitness center with yoga room, two lounges, a library, catering kitchen, and conference room. The building opened in

April 2018. The current owner of the 181 Fremont LLC property is an affiliate of Jay Paul Company. The Special Tax was first levied for this building in Fiscal Year 2018-19.

Park Tower (Block 5). The building located at 250 Howard Street is a 43-story, 605-foot tower containing 755,914 square feet of office space and 8,745 of retail space. The City understands that all of the office space in the building has been leased to Facebook. The current owners of the 250 Howard Street property through a limited liability company are MetLife, the John Buck Co. and Golub & Co. The building received its Temporary Certificate of Occupancy and a Tax Commencement Authorization in October 2018. The Special Tax was first levied for this building in Fiscal Year 2019-20.

Block 8. The building located at 250 Fremont Street is a 56-story tower that contains 280 market rate and 150 affordable apartment units. In addition, there are 118 for-sale condominiums and 16,988 square feet of ground floor retail set around an open space. Of the residential units, only the market rate units are subject to the Special Tax. As of February 21, 2020, 10 condominiums had reportedly been purchased by individual owners at prices ranging from $1,750,000 to $4,600,000. The building, marketed as "The Avery," includes a lobby, shared laundry facility, rooftop community garden, community room, an outdoor play area, and bicycle parking available in the parking garage. The Related Companies and Tenderloin Neighborhood Development Corporation, through a limited partnership, collectively developed the 100% affordable podium building. The current owner of the 250 Fremont Street residential rental and for-sale tower is an affiliate of the Related Companies. The building received its Temporary Certificate of Occupancy and a Tax Commencement Authorization in April 2019. The Special Tax was first levied for this building in Fiscal Year 2019-20.

Block 9. The building located at 500 Folsom Street is a 42-story tower with 537 rental apartments and ground floor retail space. The residential units include studios, one- and two-bedroom apartment homes, of which 428 units are market rate and subject to the Special Tax. The building contains social spaces and amenities such as a spa, gated underground parking, community gardens, fitness center, yoga and spin rooms, as well as a community room. The current owners of the residential rental tower are Essex Property Trust, Inc. and TMG. The building received its Temporary Certificate of Occupancy and a Tax Commencement Authorization in September 2019. The Special Tax will first be levied for this building in Fiscal Year 2020-21.

Taxable Buildings Summary, Special Tax Levy, Assessed Values and Value to Lien Ratios

The table below reflects assessed values for Fiscal Year 2019-20, reflecting values as of the January 1, 2019 lien date. While the Fiscal Year 2020-21 assessed values of the parcels will be based on the lien date of January 2020, prior to the COVID-19 pandemic's impacts to the City and the District, a downturn of the economy or other market factors may depress assessed values in subsequent years and hence, affect the value-to-lien ratios presented below. At this time, it is not possible to predict whether property values may decline or whether any decline would affect timely payment of Special Taxes.

Table 2
Community Facilities District No. 2014-1
(Transbay Transit Center)
Taxable Buildings (Subject Properties), Assessed Values and Value to Lien Ratios

(See following page.)

Building and Land Use Category	Square Feet	FY 2019-20 Special Tax Levy	Estimated FY 2020-21 Special Tax Levy	Percent of Estimated FY 2020-21 Special Tax Levy	Allocable Share of Bonds[1]	FY 2019-20 Assessed Value[2]	Aggregate Value-to-Lien Ratio
Salesforce East (350 Mission Street) [3]							
Office	47,645	$247,973	$252,932	1.0%	$4,612,097	--	
Retail	4,355	16,532	16,862	0.1	307,475	--	
Subtotal	52,000	$264,505	$269,795	1.0%	$4,919,572	$404,087,148	82.14
Solaire (299 Fremont Street)							
Rental Residential	288,937	$1,661,202	$1,694,426	6.5%	$30,897,012	--	
Retail	7,204	27,346	27,893	0.1	508,622	--	
Subtotal	296,141	$1,688,548	$1,722,319	6.6%	$31,405,635	$302,255,088	9.62
Salesforce Tower (415 Mission Street)							
Office	1,413,397	$8,612,169	$8,784,412	33.7%	$160,179,372	--	
Retail	6,789	26,792	27,328	0.1	498,304	--	
Subtotal	1,420,186	$8,638,960	$8,811,740	33.8%	$160,677,675	$1,691,744,881	10.53
33 Tehama (41 Tehama Street)							
Rental Residential	236,375	$1,416,823	$1,445,159	5.5%	$26,351,761	--	
Retail	788	3,110	3,172	0.0	57,838	--	
Subtotal	237,163	$1,419,933	$1,448,331	5.6%	$26,409,599	$284,022,371	10.75
181 Fremont (181 Fremont Street)							
For Sale Residential [4]	121,328	$1,108,168	$1,130,332	4.3%	$20,611,033	$313,761,363	15.22
Retail/Office	436,332	2,652,959	2,706,018	10.4	49,342,889	427,024,913	8.65
Subtotal	557,660	$3,761,127	$3,836,350	14.7%	$69,953,923	$740,786,276	10.59
Park Tower (250 Howard Street)							
Office	755,914	$4,485,855	$4,575,572	17.5%	$83,433,282	--	
Retail	8,745	35,187	35,891	0.1	654,457	--	
Subtotal	764,659	$4,521,043	$4,611,464	17.7%	$84,087,739	$601,638,811	7.15
The Avery (250 Fremont Street)							
For Sale Residential [4]	210,102	$1,956,627	$1,995,759	7.7%	$36,391,677	$217,325,470	5.97
Rental Residential/Retail	208,998	1,290,413	1,316,221	5.0	24,000,637	111,899,954	4.66
Subtotal	419,100	$3,247,040	$3,311,981	12.7%	$60,392,314	$329,225,424	5.45
Block 9 (500 Folsom Street)							
Rental Residential	316,671	--	$2,050,250	7.9%	$37,385,282	--	
Retail	5,678	--	23,761	0.1	433,261	--	
Subtotal	322,349	--	$2,074,010	8.0%	$37,818,543	$239,207,067	6.33
Total	**4,069,258**	**$23,541,156**	**$26,085,989**	**100.0%**	**$475,665,000**	**$4,592,967,066**	**9.66**

Source: San Francisco Assessor's Office; San Francisco Planning Department; OCII; Special Tax Consultant.
Footnotes on next page.

Footnotes for Table 2.

(1) Represents the lien of $205,425,000 in 2017 Bonds, $188,420,000 for the 2019 Bonds, and $81,820,000 for the 2020B Bonds allocated based on the proportionate share of the estimated fiscal year 2020-21 Special Tax levy.

(2) Values reflect in-process construction values as of the January 1, 2019 lien date for Park Tower (250 Howard Street), The Avery (250 Fremont Street), and Block 9 (500 Folsom Street), according to the San Francisco Assessor's Office.

(3) The special tax for 350 Mission Street is calculated based solely on the square footage of three floors, which constitutes a Conditioned Project under the Rate and Method. However, in the event of delinquencies in the payment of Special Taxes, the entire building is subject to foreclosure.

(4) As of February 21, 2020, a total of 38 condominiums and 6 accessory units have been purchased by individual homeowners, representing approximately 2.8% of the estimated Fiscal Year 2020-21 Special Tax levy.

Historical Assessed Value

The following table summarizes the historical assessed value for the Taxable Buildings.

Table 3
Community Facilities District No. 2014-1
(Transbay Transit Center)
Historical Assessed Value for Taxable Buildings

Fiscal Year	Taxable Buildings	Taxable Parcels	Land Value	Improvement Value	Other Value	Total Value	Percent Change
2016-17	2	2	$ 79,357,624	$ 131,453,860	$22,421	$ 210,833,905	-
2017-18	2	2	80,944,775	447,657,073	20,225	528,622,073	151%
2018-19	5	72	419,801,300	2,345,359,906	12,644	2,765,173,850	423
2019-20(1)	7	202	758,957,509	3,594,787,973	14,517	4,353,759,999	57

Source: San Francisco Assessor's Office; OCII; Special Tax Consultant.

(1) Only includes Taxable Buildings subject to the Fiscal Year 2019-20 Special Tax levy. Does not include assessed value for Block 9, which has recently become a Taxable Building and will be subject to the Special Tax starting in Fiscal Year 2020-21. The Fiscal Year 2019-20 total assessed value for Block 9 is $239,207,067.

The assessed value data in the foregoing table is the latest available, but is as of dates and for periods before the economic impact of the COVID 19 pandemic and measures instituted to slow it. See "SPECIAL RISK FACTORS – Public Health Emergencies" herein and APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Recent Developments" attached hereto. A downturn of the economy or other market factors may depress assessed values in the future. The Fiscal Year 2020-21 assessed value of the parcels will be based on the lien date of January 2020, prior to the COVID-19 pandemic's impacts to the City and the District. The Fiscal Year 2021-22 assessed value of the parcels will reflect conditions as of January 2021. Thus, at this time it is not possible to predict whether property values in the District may be impacted by property declines or reassessments. See, however, "SPECIAL RISK FACTORS – Value to Lien Ratios" herein.

Estimated Fiscal Year 2020-21 Special Tax Levy by Land Use Category

The following table sets forth the estimated Fiscal Year 2020-21 Special Tax levy by land use category.

Table 4
Community Facilities District No. 2014-1
(Transbay Transit Center)
Estimated Fiscal Year 2020-21 Special Tax Levy by Land Use Category

Land Use Category	Taxable Square Feet	Estimated FY 2020-21 Special Tax Levy	Percent of FY 2020-21 Special Tax Levy
Residential			
For Sale Residential	331,430	$3,126,091	12.0%
Rental Residential	1,033,993	6,436,334	24.7
Subtotal	1,365,423	$9,562,425	36.7%
Commercial			
Retail	53,210	$215,348	0.8%
Office	2,650,625	16,308,216	62.5
Hotel	-	-	-
Subtotal	2,703,835	$16,523,564	63.3%
Total	**4,069,258**	**$26,085,989**	100.0%

Source: San Francisco Planning Department; OCII; Special Tax Consultant.

Conditioned Projects

The following table sets forth the current Conditioned Projects in various stages of planning and development which are not yet Taxable Buildings. From time to time, additional properties in the District or Future Annexation Area may become Conditioned Projects because they receive zoning bonuses to exceed certain height limits and floor-to-area ratios established pursuant to the City's Planning Code. **No assurance can be provided that any particular property will be annexed into the District, become a Conditioned Project or a Taxable Building subject to Special Taxes. Any particular property may not be developed.**

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Table 5
Community Facilities District No. 2014-1
(Transbay Transit Center)
Conditioned Projects[1]

Projects[2]	Street Address	Office (sq. ft.)	Retail (sq. ft.)	Hotel (sq. ft.)	Residential (sq. ft.)	Residential (type)	Building Stories
Conditioned Projects Under Construction Within the District							
Block 1	160 Folsom Street	-	10,207	-	306,935	For sale	40
Subtotal		**-**	**10,207**	**-**	**306,935**		
Conditioned Projects Not yet Under Construction Within the District							
Parcel F[3]	550 Howard Street	275,674	8,900	247,765	433,556	For sale	61
Block 4[3]	200 Main Street					-	47
- Rental portion		-	8,051	-	165,537	Rental	
- For sale		-	-	-	186,002	For sale	
Subtotal		**275,674**	**16,951**	**247,765**	**785,095**		
Conditioned Projects to be Annexed into the District							
75 Howard[4]	75 Howard Street	-	5,800	-	265,288	For sale	20
555 Howard[5]	555 Howard Street	-	-	372,042	-	-	35
Oceanwide Center[4]	50 First Street/526 Mission Street	1,006,606	1,141	245,895	771,704	For sale	52/63
95 Hawthorne[4]	95 Hawthorne	-	3,500	-	476,254	Rental	42
Subtotal		**1,006,606**	**10,441**	**617,937**	**1,513,246**		
Total		**1,282,280**	**37,599**	**865,702**	**2,605,276**		

Source: San Francisco Planning Department; OCII; Special Tax Consultant.
(1) **Conditioned Projects listed on this Table are currently not Taxable Buildings. All projects include preliminary estimates and are subject to change until project completion.** Projects do not include square footage of below market rate units or affordable housing projects.
(2) A "Conditioned Project" means a Development Project that, pursuant to Section 424 of the Planning Code, is required to participate in funding authorized facilities through the District and, therefore, is subject to the levy of the Special Tax when Buildings (or portions thereof) within the District become Taxable Buildings.
(3) Project is not yet entitled.
(4) Projects are entitled.
(5) Project is entitled; however, the project sponsor has submitted applications for a revised project which eliminates all residential dwelling units in lieu of additional hotel rooms.

Conditioned Project Under Construction Within the District

One Conditioned Project in the District, under construction at 160 Folsom Street, may receive a Certificate of Occupancy and Tax Commencement Authorization this calendar year, as described in following table below. The building is planned as a 400-foot tower containing 392 (236 market rent and 156 affordable) for-sale condominiums with studios, one, two and three-bedroom homes, including 20 penthouse homes on the top five floors of the building and six townhomes facing Clementina Street on the north side of the building. The building, marketed as "Mira," was planned to contain approximately 10,000 square feet of ground floor retail. The project is being developed by Tishman Speyer.

The City provides no assurance, however, that any such development will ever be completed as expected. Also, the expectations reflected in the following table were as of dates before the economic impact of the COVID 19 pandemic and measures instituted to slow it. See "SPECIAL RISK FACTORS – Public Health Emergencies" herein and APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Recent Developments" attached hereto.

Table 6
Community Facilities District No. 2014-1
(Transbay Transit Center)
Conditioned Project Under Construction within the District – Not Currently Taxable Buildings

Project Address	Planned Development (Square Feet)	Estimated Certificate of Occupancy Date[1]	Estimated First Fiscal Year of Special Tax Levy	Estimated First Fiscal Year Maximum Special Tax	Fiscal Year 2019-20 Assessed Value[2]
160 Folsom Street (Block 1)	317,142	2nd Quarter 2020	FY 2020-21	$2,296,041	$118,847,743

Source: San Francisco Planning Department; San Francisco Assessor's Office; OCII; Special Tax Consultant.
(1) See definition of Certificate of Occupancy under the caption "SECURITY FOR THE BONDS - Rate and Method of Apportionment of Special Taxes" herein.
(2) Values reflect in-process construction values as of the January 1, 2019 lien date.

Estimated Effective Tax Rate

The following table sets forth an illustrative tax bill for sale residential property.

Table 7
Community Facilities District No. 2014-1
(Transbay Transit Center)
Fiscal Year 2019-20 - For Sale Residential Property Illustrative Tax Bill

Assumptions		181 Fremont [1]	The Avery [2]
Estimated Assessed Value		$6,292,885	$3,138,050
Homeowners Exemption		($7,000)	($7,000)
Net Assessed Value		**$6,285,885**	**$3,131,050**
Ad Valorem Tax Rate [3]			
Base Tax Rate	1.0000%	$62,859	$31,311
Other Ad Valorem Property Taxes	0.1801%	11,321	5,639
Total Ad Valorem Taxes	**1.1801%**	**$74,180**	**$36,950**
Direct Charges			
GTR Rincon Hill CBD		$ 280	$ 191
LWEA 2018 Tax		310	310
SF Bay RS Parcel Tax		12	12
SFUSD Facility District		38	38
SFCCD Parcel Tax		99	99
SF - Teacher Support		262	262
Transbay CFD No. 2014-1 [4]		19,204	15,150
Total Direct Charges		**$20,205**	**$16,061**
Total Taxes and Direct Charges		**$94,384**	**$53,011**
Percentage of Net Assessed Value		**1.50%**	**1.69%**

Source: San Francisco Treasurer and Tax Collector's Office; San Francisco Assessor's Office; Special Tax Consultant.

(1) Represents the average sales price of the 28 residential condominiums that have been purchased by individual homeowners as of February 21, 2020.

(2) Represents the average sales price of the 10 residential condominiums that have been purchased by individual homeowners as of February 21, 2020.

(3) Based on the fiscal year 2019-20 ad valorem tax rates. Ad valorem tax rates are subject to change in future years.

(4) The fiscal year 2019-20 maximum Special Tax rates are based on the average square footage of the condominiums that have been purchased by individual homeowners as of February 21, 2020.

Direct and Overlapping Debt

The following table details the direct and overlapping debt encumbering property within the District as of April 1, 2020.

Table 8
Community Facilities District No. 2014-1
(Transbay Transit Center)
Direct and Overlapping Debt

2019-20 Assessed Valuation: $4,633,046,561 (Land and Improvements)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/20
Bay Area Rapid Transit District General Obligation Bonds	0.572%	$ 7,337,230
San Francisco City and County General Obligation Bonds	1.653	39,492,222
San Francisco Unified School District General Obligation Bonds	1.653	14,855,742
San Francisco Community College District General Obligation Bonds	1.653	3,555,818
City of San Francisco Community Facilities District No. 2014-1	**100.000**	**393,845,000**(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$459,086,012
OVERLAPPING GENERAL FUND DEBT:		
San Francisco City and County General Fund Obligations	1.653%	$ 24,782,078
TOTAL OVERLAPPING GENERAL FUND DEBT		$ 24,782,078
GROSS COMBINED TOTAL DEBT		$483,868,090(2)

(1) Excludes Mello-Roos Act bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2019-20 Assessed Valuation:
Direct Debt ($393,845,000)..8.50%
Total Direct and Overlapping Tax and Assessment Debt..............9.91%
Combined Total Debt...10.44%

Source: California Municipal Statistics.

The ratios to assessed valuation in the foregoing table are based on information for periods before the economic impact of the COVID 19 pandemic and measures instituted to slow it. See "SPECIAL RISK FACTORS – Public Health Emergencies" herein and APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Recent Developments" attached hereto.

SPECIAL RISK FACTORS

The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the 2020B Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the City to make full and punctual payments of debt service on the 2020B Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District.

Risks of Real Estate Secured Investments Generally

The Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the District, the supply of or demand for competitive properties in such area, and the market value of properties and/or sites in the event of sale or foreclosure, (ii) changes in real estate tax rates and other operating expenses, government rules (including, without limitation, zoning laws and restrictions relating to threatened and endangered species) and fiscal policies (iii) natural disasters (including, without limitation, earthquakes, subsidence and floods), which may result in uninsured losses, or natural disasters elsewhere in the country or other parts of the world affecting supply of building materials that may cause delays in construction, and (iv) the impacts of a public health emergency, such as the COVID-19 pandemic, on construction and sales activity, the national and regional economy and financial circumstances of property owners in the District. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due, and could induce or exacerbate the risks described in "SPECIAL RISK FACTORS - Value to Lien Ratios," "- Collection of Special Taxes," "- Maximum Special Tax Rates," "- Tax Delinquencies," "- Maximum Term of Levy," and "- Bankruptcy and Foreclosure."

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020 the WHO announced the official name for the outbreak of COVID-19, a respiratory illness first identified in Wuhan, China. COVID-19 has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Recent Developments." The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Mayor of the City, the Governor of the State and the President of the United States.

The COVID-19 outbreak is ongoing, and its duration and severity and economic effects are uncertain in many respects. Uncertain too are the actions that may be taken by Federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the City's operations and finances is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. The City has undertaken modifications to its standard budget approval process calendar and has been and plans to issue periodic updates on the Controller's website. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Recent Developments." The COVID-19 outbreak is expected to have material adverse impacts on the projections and budget information provided in APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES." Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the City's operations and finances.

The 2020B Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Information in this section about the potential impact of COVID-19 on the City's finances does not suggest that the City has an obligation to pay debt service on the 2020B Bonds from any other sources of funds. See "SECURITY FOR THE BONDS – Limited Obligation" herein.

Disclosure to Future Property Owners

Pursuant to Section 53328.3 of the Act, the City has recorded a Notice of Special Tax Lien. The sellers of property within the District are required to give prospective buyers a Notice of Special Tax in accordance with Sections 53340.2 and 53341.5 of the Act. While title companies normally refer to the Notice of Special Tax Lien in title reports, there can be no guarantee that such reference will be made or the seller's notice given or, if made and given, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property or the lending of money thereon. Failure to disclose the existence of the Special Taxes could affect the willingness and ability of future owners of land within the District to pay the Special Taxes when due.

Parity Taxes and Special Assessments

The Special Taxes and any penalties thereon will constitute a lien against the parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is coequal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property. The City, however, has no control over the ability of other agencies to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes. See "THE DISTRICT – Direct and Overlapping Debt" herein.

Value to Lien Ratios

Value-to-lien ratios have traditionally been used in land-secured bond issues as a measure of the "collateral" supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes as well). The value-to-lien ratio is mathematically a fraction, the numerator of which is the value of the property as measured by assessed values or appraised values (in this case, Fiscal Year 2019-20 assessed values) and the denominator of which is the "lien" of the allocable share of assessment or special tax bonds. A value to lien ratio should not, however, be viewed as a guarantee for credit-worthiness. Land values are sensitive to economic cycles. Assessed values may not reflect the current market value of property. A downturn of the economy or other market factors may depress land values and lower the value-to-lien ratios. Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. No assurance can be given that, should a parcel with delinquent Special Taxes be foreclosed upon and sold for the amount of the delinquency, any bid will be received for such property or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. Finally, local agencies may form overlapping community facilities districts or assessment districts. Local agencies typically do not coordinate their bond issuances. Debt issuance by another entity could dilute value to lien ratios.

Billing of Special Taxes

A special tax formula can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn, along with various other factors, can lead to problems in the collection of the special tax. In some community facilities districts, taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by a community facilities district.

Under provisions of the Act, the Special Taxes are levied on Taxable Buildings (Subject Properties) within the District that were entered on the Assessment Roll of the County Assessor by January 1 of the previous Fiscal Year. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Ordinarily, these Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future. See "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure" herein for a discussion of the provisions which apply, and procedures which the District is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

Collection of Special Taxes

The District is currently included on the Teeter Plan. However, as described above, the District could be removed from the Teeter Plan. The City has covenanted in the Fiscal Agent Agreement to institute foreclosure proceedings under certain conditions against property with delinquent Special Taxes to obtain funds to pay debt service on the 2020B Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Taxes to protect its security interest. If such foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the 2020B Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale would be sold or, if sold, that the proceeds of such sale would be sufficient to pay any delinquent Special Taxes installment. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Act does not obligate the City to purchase any lot or parcel of property offered at the foreclosure sale if there is no other purchaser at such sale. See "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure" herein.

Teeter Plan

The City has the power to unilaterally discontinue the Teeter Plan or remove the District from the Teeter Plan by a majority vote of the Board of Supervisors. The Teeter Plan may also be discontinued by petition of two-thirds (2/3) of the participant taxing agencies. Discontinuation of the Teeter Plan could adversely affect the rating on the 2020B Bonds. The City has the power to include additional taxing agencies on the Teeter Plan. See "SECURITY FOR THE BONDS – Teeter Plan" herein.

Maximum Special Tax Rates

Within the limits of the Rate and Method, in the event of Special Tax delinquencies by one or more Taxable Properties, the City may adjust the Special Taxes levied on all non-delinquent Taxable Properties within the District to provide the amount required each year to pay annual debt service on the Bonds and to replenish the Reserve Fund to an amount equal to the Reserve Requirement; however, (1) any such increase on Taxable Properties used for private residential purposes is limited to 10% above the amount that would have been levied in that Fiscal Year had there never been any delinquencies or defaults and (2) the amount of Special Taxes that may be levied against Taxable Properties is subject to the maximum tax rates set forth in the Rate and Method. In the event of significant Special Tax delinquencies, there is no assurance that the maximum tax rates for non-delinquent Taxable Properties in the District would be sufficient to meet debt service obligations on the Bonds. See "SECURITY FOR THE BONDS – The Special Taxes" herein and APPENDIX B – "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" attached hereto.

Insufficiency of Special Taxes

Under the Rate and Method, the annual amount of Special Tax to be levied on each Taxable Parcel in the District will be based primarily on the square footage. See APPENDIX B – "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" attached hereto and "SECURITY FOR THE BONDS – Rate and Method of Apportionment of Special Taxes" herein. The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by a gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. However, the constitutionality and operation of these provisions of the Act have not been tested in the courts. *Moreover, if a substantial portion of land within the District became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the 2020B Bonds when due and a default could occur with respect to the payment of such principal and interest.*

Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the 2020B Bonds are derived, will be billed to the properties within the District on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot be made to the County Tax Collector separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future.

See "SECURITY FOR THE BONDS – Reserve Fund" and "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure" herein, for a discussion of the provisions which apply, and procedures which the City is obligated to follow under the Fiscal Agent Agreement, in the event of delinquency in the payment of Special Tax installments.

Maximum Term of Levy

The Bonds are secured by Special Tax Revenues from all parcels subject to the Special Tax in the District. Upon delivery of the 2020B Bonds, Special Taxes will be levied only on parcels relating to the existing Taxable Buildings (Subject Properties) described herein. Special Taxes may only be levied on taxable square footage on an individual parcel for a maximum term of 30 years. The levy on most of the Taxable Buildings (Subject Properties) will terminate before the final maturity of the 2020B Bonds. Unless additional parcels are annexed into the District (or a Certificate of Occupancy and Tax Commencement Authorization are issued for additional parcels already within the boundaries of the District) before the maximum term of the applicable levy is reached, payments due on the Bonds in 2047 through 2050 will be secured only by Special Taxes levied on a declining number of Taxable Buildings (Subject Properties) described herein. The 2020B Bonds have been structured to maintain projected coverage of at least 110% from projected Maximum Special Tax Revenue on the Taxable Buildings (Subject Properties), reflecting the termination of the levy on certain parcels within the District.

Potential Early Redemption of Bonds from Special Tax Prepayments

Property owners within the District are permitted to prepay their Special Taxes at any time. Such payments will result in a mandatory redemption of Bonds from Special Tax prepayments on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of such Special Tax prepayment. The resulting redemption of Bonds purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See "THE 2020B BONDS – Redemption – *Mandatory Redemption from Special Tax Prepayments*" herein.

Concentration of Property Ownership

Failure of any significant owner of Taxable Buildings (Subject Properties) in the District to pay the annual Special Taxes when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of the property upon a foreclosure or otherwise or prior to delinquency redemption after a foreclosure sale, if any. In that event, there could be a default in payments of the principal of and interest on the 2020B Bonds. Further development of property in the District may not occur as currently proposed or at all. See "THE DISTRICT" herein for information regarding property ownership and the status of development in the District.

Future Indebtedness

The cost of any additional improvements may well increase the public and private debt for which the land in the District provide security, and such increased debt could reduce the ability or desire of property owners to pay the Special Taxes levied against the land in the District. In addition, in the event any additional improvements or fees are financed pursuant to the establishment of an assessment district or another district formed pursuant to the Act, any taxes or assessments levied to finance such improvements may have a lien on a parity with the lien of the Special Taxes. The City is authorized to issue on behalf of the District bonded indebtedness, including the 2020B Bonds, in an aggregate amount not to exceed $1.4 billion. See "THE DISTRICT – Future Financings" herein.

Office Development Annual Limit Program

The Office Development Annual Limit Program (the "Annual Limit Program") of the City became effective in 1985 with the adoption of the Downtown Plan and associated amendments (Proposition M in 1986 and Proposition C in 1987) to the City's Planning Code. As amended over time, the Annual Limit Program governs the approval of all development projects that contain more than 25,000 gross square feet of office space. Such projects require an "office space allocation" from the City's Planning Commission. The significance of the Annual Limit Program to the District is that it may delay or limit the development of properties without current entitlements for office uses in the District or Future Annexation Area or annexation of additional properties into the District. See "– Concentration of Property Ownership."

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. A total of 950,000 gross square feet ("gsf") of office development potential becomes available for allocation in each approval period, which begins on October 17th of every year. Of the total new available space, 75,000 gsf is reserved for small allocation projects (projects with between

25,000 and 49,999 gsf of office space), and the remaining 875,000 gsf is available for large allocation projects (projects with at least 50,000 gsf of office space). Any available office space not allocated in a given year is carried over to subsequent years. The status of available allocation under the Annual Limit Program is set forth on the Office Development Annual Limit Program website at https://sf-planning.org/office-development-annual-limitation-program.

Following the ratification of Proposition E on March 3, 2020, new large project office allocation is generally now tied to affordable housing production, which will further curtail future office supply. Under the current shelter-in-place orders, certain affordable housing construction in the City is expected to continue. Should affordable housing projects be delayed, however, there will be a permanent reduction in the amount of allocation available for large projects on October 17, 2021. A shortfall in the affordable housing production in the City during 2020 would result in a commensurate and permanent and one-time reduction in the 2021 office allocation, but it would not affect the 2022 office allocation. The 2021 affordable housing production will then determine the 2022 office allocation and so on in future years. One exception is for mixed use projects that include affordable housing.

Bankruptcy and Foreclosure

The payment of property owners' taxes and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings, may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure" herein. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

In addition, bankruptcy of a property owner (or a property owner's partner or equity owner) would likely result in a delay in procuring Superior Court foreclosure proceedings unless the bankruptcy court consented to permit such foreclosure action to proceed. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the 2020B Bonds and the possibility of delinquent tax installments not being paid in full.

Under 11 U.S.C. Section 362(b)(18), in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for ad valorem taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bondowners should be aware that the potential effect of 11 U.S.C. Section 362(b)(18) on the Special Taxes depends upon whether a court were to determine that the Special Taxes should be treated like ad valorem taxes for this purpose.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as ad valorem taxes. *No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy*.

The various legal opinions to be delivered concurrently with the delivery of the 2020B Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Property Controlled by FDIC and Other Federal Agencies

The City's ability to collect interest and penalties specified by State law and to foreclose the lien of delinquent Special Tax payments may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the Federal Deposit Insurance Corporation (the "FDIC") or other similar federal agency has or obtains an interest.

Unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States. The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2020B Bonds are outstanding.

On June 4, 1991 the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its proper tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice arid the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non *ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity.

The FDIC has filed claims against one California county in United States Bankruptcy Court contending, among other things, that special taxes authorized under the Act are not *ad valorem* taxes and therefore not payable by the FDIC, and the FDIC is seeking a refund of any special taxes previously paid by the FDIC. The FDIC is also seeking a ruling that special taxes may not be imposed on properties while they are in FDIC receivership. The Bankruptcy Court ruled in favor of the FDIC's positions and, on August 28, 2001, the United States Court of Appeals for the Ninth Circuit affirmed the decision of the Bankruptcy Court, holding that the FDIC, as an entity of the federal government, is exempt from post-receivership special taxes levied under the Act. This is consistent with provision in the Act that the federal government is exempt from special taxes.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the 2020B Bonds should assume that the City will be unable to foreclose on any parcel owned by the FDIC. Such an outcome would cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment of the 2020B Bonds. The City has not undertaken to determine whether the FDIC or any FDIC-insured lending institution currently has, or is likely to acquire, any interest in any of the parcels, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2020B Bonds are outstanding.

Natural Disasters and Other Events

Other natural or man-made disasters, such as flood, wildfire, tsunamis, 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. Such events could also damage critical City infrastructure. For example, in August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area included portions of the City's Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water), hydroelectric generator and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately $1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately $40 million in damage to parts of the City's water and power infrastructure located in the region. In September 2010, a Pacific Gas and Electric Company ("PG&E") high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous gas transmission and distribution pipelines owned, operated and maintained by PG&E throughout the City.

As a result of the occurrence of events like those described in the preceding paragraph, a substantial portion of the property owners in the District may be unable or unwilling to pay the Special Taxes when due, and the Reserve Fund for the outstanding Parity Bonds and the 2020B Bonds may become depleted. In addition, the assessed value of parcels in the District could 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).

Seismic Risks

General. The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area. Seismic events may cause damage, or temporary or permanent loss of occupancy to buildings, including Taxable Buildings (Subject Properties), in the District. These faults include the San Andreas Fault, which passes about three miles to the southeast of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away, as well as a number of other significant faults in the region. Historical 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 Survey. 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 earthquakes of magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2042. Such earthquakes may be very destructive. In addition to the potential damage to Taxable Buildings (Subject Properties), 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, including in the District.

Earthquake Safety Implementation Plan ("ESIP"). ESIP began in early 2012, evolving out of the key recommendations of the Community Action Plan for Seismic Safety ("CAPSS"), a 10-year-long study evaluating the seismic vulnerabilities San Francisco faces. The CAPSS Study prepared by the Applied Technology Council looked at the impact to all of San Francisco's buildings and recommended a 30-year plan for action. As a result of this plan, San Francisco has mandated the retrofit of nearly 5,000 soft-story buildings housing over 111,000 residents by September 2020. Future tasks will address the seismic vulnerability of older nonductile concrete buildings, which are at high risk of severe damage or collapse in an earthquake.

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

In November 2018, voters approved Proposition A (the "2018 Seawall Proposition"), authorizing the issuance of up to $425 million in general obligation bonds to fund repairs and improvement projects along the City's Embarcadero and Seawall to protect the waterfront, BART and the San Francisco Municipal Railway, buildings, historic piers, and roads from earthquakes, flooding, and sea level rise. On April 5, 2019, pro se plaintiffs ("Plaintiffs") filed suit in the Superior Court of the State of California to set aside the voters' approval of Proposition A (2018). Plaintiffs generally assert that the ballot measure for Proposition A (2018) was not impartial, was improperly drafted and contained various technical impairments. On June 19, 2019, the Superior Court granted the City's demurrer to Plaintiffs' complaint without leave to amend. Plaintiff's appeal of the Superior Court's ruling is now pending in *Denny v. Arntz* before the First Appellate District of the Court of Appeal of the State of California. Bonds have not been issued yet under this authorization.

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 taller 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. Studies conducted in this project estimate that for a tall building designed to current 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. All of these tasks are currently underway. In November 2019, an exercise was conducted to test post-earthquake building safety inspection protocol and logistics. San Francisco was the first jurisdiction to test this statewide program. The City's Disaster Recovery Taskforce had its kick off meeting in February 2020 to evaluate plans for development of a Disaster Recovery Framework and Downtown Resilience Plan, following several months of groundwork by a consultant team. Partnering with the Structural Engineers Association of Northern California ("SEAONC"), geotechnical regulations for tall buildings have been drafted but have not yet been presented to Board of Supervisors for adoption given the COVID-19 pandemic.

Risk of Sea Level Changes and Flooding

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, 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, 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 San Francisco 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 Office of Resilience and Capital Planning, joined the Port, Public Utilities Commission and other public agencies is moving several initiatives forward. This includes a Citywide Sea Level Rise Vulnerability and Consequences Assessment to identify and evaluate sea level rise impacts across the city and in various neighborhoods that was released in February 2020.

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 incorporated the projections from the 2018 report into its Guidance for Incorporating Sea Level Rise Guidance into Capital Planning. The Guidance requires that City projects over $5 million consider mitigation and/or adaptation measures.

In March 2020, a consortium of State and local agencies, led by the Bay Area Conservation and Development Commission, released a detailed study entitled, "Adapting to Rising Tides Bay Area: Regional Sea Level Rise Vulnerability and Adaptation Study," on how sea level rise could alter the Bay Area. The study states that a 48-inch increase in the bay's water level in coming decades could cause more than 100,000 Bay Area jobs to be relocated, nearly 30,000 lower-income residents to be displaced, and 68,000 acres of ecologically valuable shoreline habitat to be lost. The study further argues that without a far-sighted, nine county response, the region's economic and transportation systems could be undermined along with the environment. Runways at SFO could largely be under water.

The City has already incorporated site specific adaptation 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.

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.

The City is unable to predict whether sea level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the City, the local economy or, in particular, the Taxable Buildings (Subject Properties) in the District subject to the Special Tax and the ability of a property owner in the District to pay the Special Tax levy.

Hazardous Substances

A serious risk in terms of the potential reduction in the value of a parcel within the District is the discovery of a hazardous substance. In general, the owners and operators of a parcel within the District may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well- known and widely applicable of these laws, but other California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of the property whether or not the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the District be affected by a hazardous substance, would be to reduce the marketability and value of such parcel by the costs of remedying the condition. Any prospective purchaser would become obligated to remedy the condition.

Further it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the current existence on the parcel of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly affect the value of a parcel within the District that is realizable upon a delinquency.

Millennium Tower

Millennium Tower is a 58-story luxury residential building completed in 2009 and located at 301 Mission Street in downtown San Francisco. **Millennium Tower is not located in the District, nor is it subject to the levy of the Special Tax and none of the information presented in this Official Statement assumes collection of Special Taxes from the Millennium Tower project.** On August 17, 2016, some owners of condominiums in Millennium Tower filed a lawsuit, San Francisco Superior Court No. 16-553758 ("Lehman Lawsuit") against TJPA and the individual members of the TJPA, including the City. The TJPA is responsible under State law for developing and operating the Salesforce Transit Center, which will be a new regional transit hub located near the Millennium Tower.

The TJPA began excavation and construction of the Salesforce Transit Center in 2010, after the Millennium Tower was completed. In brief, the Lehman Lawsuit claims that the construction of the Salesforce 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 Salesforce 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 parties to these lawsuits have been participating in confidential mediation, and recently reached an agreement-in-principle as to the amounts to be paid and received pursuant to a global resolution of the litigation. The agreement is contingent on the negotiation, execution and approval of one or more documented global settlement agreements, as well as resolution of certain other contingencies. Discovery is stayed while the parties document the settlement, and the terms of the agreement-in-principle, including any contribution from the City or TJPA, remain subject to the mediation privilege. In the event that the settlement-in-principle is not finalized, the City cannot 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.

An adverse judgment in the lawsuits described above would not affect the District or the levy or availability of Special Tax Revenues. The relevance of the lawsuits described above to the 2020B Bonds is that they relate to conditions at a private development project near the District, and if those conditions were replicated at Taxable Parcels, it could adversely impact the ability or willingness of property owners of such affected buildings to pay Special Taxes. The City is not aware of any such condition affecting the Taxable Buildings (Subject Properties) within the District.

California Constitution Article XIIIC and Article XIIID

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which articles contain a number of provisions affecting the ability of the District to levy and collect both existing and future taxes, assessments, fees and charges. According to the "Official Title and Summary" of Proposition 218 prepared by the California State Attorney General, Proposition 218 limits the "authority of local governments to impose taxes and property-related assessments, fees and charges." On July 1, 1997 California State Senate Bill 919 ("SB 919") was signed into law. SB 919 enacted the "Proposition 218 Omnibus Implementation Act," which implements and clarifies Proposition 218 and prescribes specific procedures and parameters for local jurisdictions in complying with Articles XIIIC and XIIID.

Article XIIID of the State Constitution reaffirms that the proceedings for the levy of any Special Taxes by the District under the Act must be conducted in conformity with the provisions of Section 4 of Article XIIIA. The District has completed its proceedings for the levy of Special Taxes in accordance with the provisions of Section 4 of Article XIIIA. Under Section 53358 of the California Government Code, any action or proceeding to review, set aside, void, or annul the levy of a special tax or an increase in a special tax (including any constitutional challenge) must be commenced within 30 days after the special tax is approved by the voters.

Article XIIIC removes certain limitations on the initiative power in matters of local taxes, assessments, fees and charges. The Act provides for a procedure, which includes notice, hearing, protest and voting requirements, to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting a resolution to reduce the rate of any special tax if the proceeds of that tax are being utilized to retire any debt incurred pursuant to the Act unless such legislative body determines that the reduction of that tax would not interfere with the timely retirement of that debt.

Although the matter is not free from doubt, it is likely that exercise by the voters of the initiative power referred to in Article XIIIC to reduce or terminate the Special Tax is subject to the same restrictions as are applicable to the Board of Supervisors, as the legislative body of the District, pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters the power to repeal or reduce the Special Taxes if such repeal or reduction would interfere with the timely retirement of the 2020B Bonds.

It may be possible, however, for voters or the Board of Supervisors, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the 2020B Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the 2020B Bonds.

Proposition 218 and the implementing legislation have yet to be extensively interpreted by the courts; however, the California Court of Appeal in April 1998 upheld the constitutionality of Proposition 218's balloting procedures as a condition to the validity and collectability of local governmental assessments. A number of validation actions for and challenges to various local governmental taxes, fees and assessments have been filed in Superior Court throughout the State, which could result in additional interpretations of Proposition 218. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and the outcome of such determination cannot be predicted at this time with any certainty.

Validity of Landowner Elections

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One (the "Court"), issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The Court considered whether Propositions 13 and 218, which amended the California Constitution to require voter approval of taxes, require registered voters to approve a tax or whether a city could limit the qualified voters to just the landowners and lessees paying the tax. The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego.

The CCFD is a financing district established under San Diego's charter and was intended to function much like a community facilities district established under the provisions of the Act. The CCFD is comprised of the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on properties improved with a hotel located within the CCFD. At the election to authorize such special tax, the San Diego Charter proceeding limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located, thus, the election was an election limited to landowners and lessees of properties on which the special tax would be levied and was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was based on Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. In addition, Section 53326(b) of the Act provides that if there are fewer than 12 registered voters in the district, the landowners shall vote.

The Court held that the CCFD special tax election did not comply with applicable requirements of Proposition 13, which added Article XIII A to the California Constitution (which states "Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district") and Proposition 218, which added Article XIII C and XIII D to the California Constitution (Section 2 of Article XIII C provides "No local government may impose, extend or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote"), or with applicable provisions of San Diego's Charter, because the electors in such an election were not the registered voters residing within such district.

San Diego argued that the State Constitution does not expressly define the qualified voters for a tax; however, the Legislature defined qualified voters to include landowners in the Mello-Roos Community Facilities District Act. The Court of Appeal rejected San Diego's argument, reasoning that the text and history of Propositions 13 and 218 clearly show California voters intended to limit the taxing powers of local government. The Court was unwilling to defer to the Act as legal authority to provide local governments more flexibility in complying with the State's constitutional requirement to obtain voter approval for taxes. The Court held that the tax was invalid because the registered voters of San Diego did not approve it. However, the Court expressly stated that it was not addressing the validity of landowners voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (i.e., all of the registered voters in the city of San Diego). In the case of the District, there were fewer than 12 registered voters within the District at the time of the election to authorize the Special Tax within the District. In addition, each owner of property that annexed into the District after original District formation has represented to the City that there were no registered voters on such property at the time of annexation.

Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax … shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act or the levy of special taxes authorized pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds or the special tax. Voters approved the special tax and the issuance of bonds for the District pursuant to the requirements of the Act on December 29, 2016, and owners of property that annexed into the District voted in favor of special taxes and the issuance of Bonds for the District at the time of annexation more than 30 days prior to the date of issuance of the 2020B Bonds. Therefore, under the provisions of Section 53341 and Section 53359 of the Mello-Roos Act, the statute of limitations period to challenge the validity of the special tax has expired.

Ballot Initiatives and Legislative Measures

Proposition 218 was adopted pursuant to a measure qualified for the ballot pursuant to California's constitutional initiative process; and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the Legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the District or other local districts to increase revenues or to increase appropriations or on the ability of a landowner to complete the development of property.

No Acceleration

The 2020B Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the 2020B Bonds or the Fiscal Agent Agreement or upon any adverse change in the tax status of interest on the 2020B Bonds. There is no provision in the Act or the Fiscal Agent Agreement for acceleration of the Special Taxes in the event of a payment default by an owner of a parcel within the District. Pursuant to the Fiscal Agent Agreement, a Bond Owner is given the right for the equal benefit and protection of all Bond Owners to pursue certain remedies described in APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" attached hereto.

Limitations on Remedies

Remedies available to the Bond Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the 2020B Bonds. Bond Counsel has limited its opinion as to the enforceability of the 2020B Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the 2020B Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Fiscal Agent Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Bond Owners.

Enforceability of the rights and remedies of the Bond Owners, and the obligations incurred by the District, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against joint powers authorities in the State. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure" herein.

Limited Secondary Market

As stated herein, investment in the 2020B Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risk of investment in the 2020B Bonds should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the 2020B Bonds or, if a secondary market exists, that the 2020B Bonds can or could be sold for any particular price.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the 2020B Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") on an annual basis, and to provide notices of the occurrences of certain enumerated events. The Annual Report and the notices of enumerated events will be filed with the MSRB on EMMA. The specific nature of information to be contained in the Annual Report or the notice of events is summarized in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made by the City in order to assist the Underwriters in complying with the Rule.

On March 6, 2018, Moody's Investors Service, Inc. ("Moody's") upgraded certain of the City and County of San Francisco Finance Corporation lease-backed obligations to "Aa1" from "Aa2." The City timely filed notice of the upgrade with EMMA, but inadvertently did not link the notice to all relevant CUSIP numbers. The City has taken action to link such information to the applicable CUSIP numbers.

TAX MATTERS

The interest on the 2020B Bonds is not intended by the District to be excluded from gross income for federal income tax purposes. However, in the opinion of Bond Counsel, interest on the 2020B Bonds is exempt from California personal income taxes. The proposed form of opinion of Bond Counsel with respect to the 2020B Bonds to be delivered on the date of issuance of the 2020B Bonds is set forth in APPENDIX D – "FORM OF BOND COUNSEL OPINION" attached hereto.

Owners of the 2020B Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2020B Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2020B Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated, Citigroup Global Markets Inc. and Stinson Securities, LLC (collectively, the "Underwriters") purchased the 2020B Bonds at a purchase price of $81,422,942.00 (calculated as the aggregate principal amount of the 2020B Bonds in the amount of $81,820,000.00, less underwriters' discount in the amount of $ 397,058.00). The Underwriters intend to offer the 2020B Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

The Underwriters have provided the following three paragraphs for inclusion in this Official Statement.

The Underwriters reserve the right to join with dealers and other underwriters in offering the 2020B Bonds to the public. The Underwriters may offer and sell the 2020B Bonds to certain dealers (including dealers depositing 2020B Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage and asset management. In the ordinary course of business, the Underwriters and their affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the City. The Underwriters and their affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City.

Citigroup Global Markets Inc., an Underwriter of the 2020B Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts with respect to the 2020B Bonds.

LEGAL OPINION AND OTHER LEGAL MATTERS

General. The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel, approving the validity of the 2020B Bonds, in substantially the form set forth in Appendix D hereto, will be made available to purchasers of the 2020B Bonds at the time of original delivery. Bond Counsel has not undertaken on behalf of the Owners or the Beneficial Owners of the 2020B Bonds to review the Official Statement and assumes no responsibility to such Owners and Beneficial Owners for the accuracy of the information contained herein. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, Disclosure Counsel, with respect to the issuance of the 2020B Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

Compensation paid to Jones Hall, A Professional Law Corporation, as Bond Counsel, Norton Rose Fulbright US LLP, as Disclosure Counsel, and Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter's Counsel, is contingent on the issuance of the 2020B Bonds.

Disclosure Letter. Norton Rose Fulbright (US) LLP, Los Angeles, California has served as Disclosure Counsel to the City, acting on behalf of the District, and in such capacity has advised City staff 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. The City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon issuance and delivery of the 2020B Bonds, Disclosure Counsel will deliver a letter to the City, acting on behalf of the District, and the Underwriters to the effect that, subject to the assumptions, exclusions, qualifications and limitations set forth therein, no facts have come to the attention of the personnel with Norton Rose Fulbright (US) LLP directly involved in rendering legal advice and assistance to the City which caused them to believe that this Official Statement as of its date and as of the date of delivery of the 2020B 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 the light of the circumstances under which they were made, not misleading. No purchaser or holder, other than the addresses of the letter, or other person or party, will be entitled to or may rely on such letter of Disclosure Counsel.

NO LITIGATION

A certificate of the City to the effect that no litigation is pending (for which service of process has been received) concerning the validity of the 2020B Bonds will be furnished to the Underwriters at the time of the original delivery of the 2020B Bonds. Neither the City nor the District is aware of any litigation pending or threatened which questions the existence of the District or the City or contests the authority of the City on behalf of the District to levy and collect the Special Taxes or to issue the 2020B Bonds.

RATING

Fitch Ratings has assigned the 2020B Bonds its long-term municipal bond credit rating of "AA+." Such rating should be evaluated independently of any other rating. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from Fitch Ratings. The rating does not constitute a recommendation to buy, sell or hold the 2020B Bonds. The City has furnished to Fitch Ratings certain information respecting the 2020B Bonds and the City. Generally, rating agencies base their ratings on such information and materials and their own investigations, studies and assumptions.

The rating is subject to revision, suspension or withdrawal at any time by the applicable rating agency, and there is no assurance that any rating will continue for any period or that they will not be lowered or withdrawn. The City, on behalf of the District, undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any downward revision, suspension or withdrawal of any rating may have an adverse effect on the market price of the 2020B Bonds or the ability to sell the 2020B Bonds.

The City has the power to unilaterally discontinue the Teeter Plan or remove the District from the Teeter Plan. The Teeter Plan may also be discontinued by petition of two-thirds (2/3) of the participant taxing agencies. Discontinuation of the Teeter Plan could adversely affect the rating on the 2020B Bonds. See "SECURITY FOR THE BONDS – Teeter Plan" herein. **The City, on behalf of itself or the District, provides no assurance in the Fiscal Agent Agreement or otherwise that it will maintain the District on the Teeter Plan.**

MUNICIPAL ADVISORS

The City has retained Backstrom McCarley Berry & Co., LLC and PFM Financial Advisors LLC, as Co-Municipal Advisors in connection with the issuance of the 2020B Bonds. The Co-Municipal Advisors have assisted in the City's review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the 2020B Bonds. The Co-Municipal Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Co-Municipal Advisors are each an independent financial advisory firm and are not engaged in the business of underwriting, trading or distributing the 2020B Bonds.

Compensation paid to the Co-Municipal Advisors is contingent upon the successful issuance of the 2020B Bonds.

MISCELLANEOUS

All of the preceding summaries of the Fiscal Agent Agreement, other applicable legislation, agreements and other documents are made subject to the provisions of such documents and do not purport to be complete documents of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2020B Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement has been authorized by the Board of Supervisors of the City.

CITY AND COUNTY OF SAN FRANCISCO

By: /s/ Anna Van Degna
Director of the Office of Public Finance

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APPENDIX A

The Resolution provides that the Bonds are payable from and secured by a voter-approved dedicated property tax levy on all taxable property in the City, and the City is empowered under the law to set such tax rate for the Bonds at the level needed to generate sufficient tax revenues to pay the debt service on the Bonds. Under the Resolution, the City is not obligated to pay the debt service from any other sources. This Appendix A provides information on the City's overall operations and finances with an emphasis on its General Fund and therefore includes information on revenues and other funds that are not pledged to the Bonds under the Resolution and are not available to pay debt service on the Bonds. See "SECURITY FOR THE BONDS" in the forepart of this Official Statement.

RECENT DEVELOPMENTS

The following information regarding certain recent developments in the finances and operations of the City supplements and amends the information set forth in Appendix A as of the date of this Official Statement. **Certain of the information provided below regarding the recent and ongoing COVID-19 Emergency (as defined below) is expected to have material adverse impacts on the projections and budget information provided in APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES," which information in certain cases was prepared and released by the City prior to the COVID-19 Emergency.** Investors are advised to carefully consider the information presented below, together with other information presented in this Official Statement, in order to make an informed investment decision. Certain of the information provided below, and elsewhere in this Official Statement, involves forward-looking statements, which are based on current expectations and 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.

Information Released Since the Preliminary Official Statement dated May 4, 2020 – City Budget Outlook Update FY 2019-20 through FY 2023-24

As noted in Appendix A to the Preliminary Official Statement, dated May 4, 2020, the City expected to release an update to the March 31, 2020 Joint Report Update on or after May 8, 2020. On May 13, 2020 the City released its Budget Outlook Update FY 2019-20 through FY 2023-24 (the "May Update"), that provides additional financial projections beyond those included in the Joint Report Update described herein. The May Update states that the City no longer believes that the rapid recovery underpinning the limited impact scenario from the March 31, 2020 Joint Report Update will occur. Accordingly, the City is now forecasting, based on an extended recession scenario that the City estimates will result in projected shortfalls totaling approximately $1.7 billion through Fiscal Year 2021-22 and additional shortfalls thereafter. Investors are cautioned that the May Update includes certain assumptions and actual results may be materially different from the projections set forth in the May Update. See APPENDIX G – "BUDGET OUTLOOK UPDATE FY 2019-20 THROUGH FY 2023-24" attached hereto.

COVID-19

General. On February 11, 2020 the World Health Organization ("WHO") announced the official name for the outbreak of a new disease ("COVID-19") caused by a strain of novel coronavirus, an upper respiratory tract illness which has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City. The WHO has declared the COVID-

19 outbreak to be a pandemic, and states of emergency have been declared by the Mayor of the City, the Governor of the State and the President of the United States.

To date there have been over 1,000 confirmed cases of COVID-19 in the City, and health officials expect the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including the San Francisco Unified School District) throughout the United States. In addition, stock markets in the United States and globally have been volatile, with significant declines in market value.

Several counties in the Bay Area (including the City) announced shelter-in-place ("Shelter-in-Place") emergency orders, which direct individuals to stay home, except for certain limited travel for the conduct of essential services. Most retail establishments (e.g., restaurants, bars and nightclubs, entertainment venues, gyms, etc.) are closed in response to the Shelter-in-Place order. The Governor of the State has announced a similar Shelter-in-Place emergency order (N-33-20) effective for the entire state. The Governor's order states that it will remain in place "until further notice."

The City has announced emergency relief measures for local businesses that will defer collection of certain tax revenues and increase City expenditures, with potential offsets from federal and State emergency funds. Existing and potential impacts to the City associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the City's public health system, reductions in tourism and disruption of the regional and local economy, including triggering an economic recession of unknown duration, widespread business closures and significantly higher levels of unemployment, with corresponding decreases in City revenues.

The adverse effects of the COVID-19 outbreak will likely also have an adverse impact on the City's retirement system. While the City's retirement system is structured for long term performance, it is likely that the current market value of the City's retirement fund has been materially adversely affected given the recent volatility and deterioration in global stock market values. These declines in market value could result in future increases in required pension fund contributions.

Modifications to Budget Calendar. On March 31, 2020, Mayor London Breed announced in a press release that due to the current COVID-19 pandemic, the City's budget timeline will be delayed for two months. This delay will allow the City to focus on responding to the public health crisis, and provide enough time for City budget staff to develop a plan to bring current year expenditures into alignment with projected lower revenues and prepare for the upcoming budget cycle. The additional time is intended to ensure the City's response to the significant current year shortfall and upcoming budget deficits are thoughtful and responsible. The decision to push back the budget timeline was a joint decision between Mayor Breed, the Board of Supervisors, and the Controller's Office.

Mayor Breed also announced that she will reissue Budget Instructions to departments in May, and Departments will be instructed to submit new department proposals to aid the Mayor in developing her balanced budget in June and July. By June 1, 2020, the Mayor plans to introduce a balanced interim budget to the Board of Supervisors. The Mayor plans to introduce the full two-year fiscal year 2020-21 and fiscal year 2021-22 balanced budget by August 1, 2020. Following the Budget and Finance Committee Phase and the full Board phase, the budget is planned to go to Mayor Breed for her approval and signature by October 1, 2020.

Joint Report Update. On March 31, 2020, the Mayor, Board of Supervisors Budget Analyst, and Controller released an update (the "Joint Report Update") to the City's Five-Year Financial Plan (the "Plan" or the "Joint Report"). The Joint Report forecasts City expenditures and revenues for the next five fiscal years. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Five-Year Financial Plan." The Joint Report Update updates the previous projections in the Joint Report dated January 3, 2020 with new information since January, notably the impacts on the City's local tax revenues resulting from the COVID-19 public health emergency (the "COVID-19 Emergency"). Generally, the Joint Report Update projects sharp and immediate losses in the current fiscal year 2019-20 of transient occupancy or hotel taxes, sales, parking, and other local taxes and property transfer taxes and interest earnings and delayed losses in coming fiscal years of property taxes, business taxes and other tax revenues. Further, the Controller has noted in an April 1, 2020 presentation to the Budget Committee of the Board of Supervisors that while the City's reserve position is better than prior to the last two national recessions, with rainy day and stabilization reserves of approximately $590 million, a general reserve of approximately $150 million and other reserve balances available for one-time program spending, such reserves will not be sufficient to carry the City through these projected multi-year revenue losses. A summary of certain of the information in the Joint Report Update is provided below. A copy of the Joint Report Update may also be found on the City's investor information website located at https://sfcontroller.org/continuing-secondary-market-disclosure. The City may also post certain reports and other information relating to the COVID-19 Emergency when available on its investor information website.

- <u>Assumptions Regarding Length of Downturn</u>. Ultimately, the duration and depth of the economic downturn will correlate with both the measures required to contain the spread of the virus and the economic dislocation that occurs during this period, both of which are unknown at this time. Given this uncertainty, the Joint Report Update includes projected General Fund tax revenues under two scenarios:

  (i) *More Limited Impact*. A severe but more limited scenario resulting from a better-case, limited duration recession in which the economy experiences a short, six-month shock and then rapidly recovers by the end of calendar year 2020.

  (ii) *More Extended Impact*. A more severe and extended scenario where the economy experiences a more severe six-month shock, followed by a slower period of recovery that extends through the end of calendar year 2020 and through 2021. For fiscal year 2019-20, extended impact scenario projections represent a deeper shock than limited impact projections.

- <u>Current Fiscal Year</u>. Economic and tax revenue losses associated with the COVID-19 Emergency have been stark and immediate. The revised projected General Fund tax revenue losses are partially offset by strength from earlier in the fiscal year reported in the Controller's Office Six Month Budget Status Report in February 2020 (see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Fiscal Year 2019-20 Six-Month Budget Status Report") and reductions in required baseline contributions due to decreased revenues (see "*– Certain Updated Projections in the Joint Report Update*" below), resulting in an estimated $167 million to $287 million loss versus the adopted fiscal year 2019-20 budget (after adjustments included in the Six-Month Budget Status Report). This range represents an estimate of likely losses in a limited versus extended emergency and recovery period.

- Upcoming Fiscal Years. The Joint Report Update projects tax revenue losses for fiscal year 2020-21 of between $324 million and $575 million and $225 million and $417 million for fiscal year 2021-22 in these two recovery scenarios (*i.e.*, limited versus extended). Using these updated revenue projections and given all other projections assumed in the January Joint Report forecast, this results in shortfall projections of between $528 million and $779 million for fiscal year 2020-21 and $444 million and $612 million for fiscal year 2021-22.

- Projection Uncertainty. Notably these projections do not assume additional expenditures associated with the City's response to the COVID-19 Emergency, which will be significant but are still unknown, nor do they assume additional State or Federal revenues to offset these or other costs. An update to these projections is expected in May, although uncertainty regarding the impacts on both City revenues and expenditures from the COVID-19 Emergency is expected to continue, as well as updated information regarding overall budget trends.

Certain Updated Projections in the Joint Report Update. Updating the City's January 2020 outlook in the Joint Report with the revised tax revenue projections associated with the COVID-19 Emergency and current year updates reported in the Six Month Report in February 2020 results in significantly higher shortfalls over the remainder of fiscal year 2019-20 and the coming fiscal years, as summarized in the table below:

General Fund Shortfall Projections through FY 2021-22
(in millions of dollars)

	FY 2019-20		FY 2020-21		FY 2021-22	
	Limited	**Extended**	**Limited**	**Extended**	**Limited**	**Extended**
Previous Projections (January 2020)			(195)	(195)	(224)	(224)
Updates						
1 Additional Fund Balance from 6- Month Report	98	98				
2 COVID Revenue Losses	(311)	(452)	(396)	(688)	(249)	(440)
3 COVID Baseline Offsets	46	67	63	104	30	53
Change from Prior Projection (March 2020)	(167)	(287)	(333)	(584)	(220)	(388)
New Projection (March 2020)			(528)	(779)	(444)	(612)

In the Joint Report Update, the City projects significant losses in various types of General Fund tax revenue in the current and upcoming fiscal years, which updated projections are detailed in the following tables. A summary of certain of the assumptions relating to the tax revenue sources in the Joint Report Update appears below. More detailed assumptions regarding each major revenue source are provided in the actual Joint Report Update.

Summary of Certain of the Assumptions in the Joint Report Update:

(i) Changes in property tax revenue will lag other revenue losses largely because of the timelines by which taxable value is determined under Proposition 13. Property tax revenues for fiscal year 2019-20 are based on property values as of the January 1, 2019 lien date, and revenues for fiscal year 2020-21 are based on property values as of January 1, 2020. There are no changes assumed for the fiscal year 2019-20 annual secured or annual unsecured tax rolls.

Over two-thirds of the fiscal year 2019-20 taxable value of San Francisco real estate is comprised of either single or multi-unit residential properties. Due to Proposition 13 limitations on reassessments, the median taxable value of single family dwellings of $600,000 is below recent median sales prices, which exceed $1.3 million. The potential revenue risk from reduced residential values would stem largely from new construction and properties recently transacted. Given restrictions in travel and in-person shopping, the City views hotel and commercial retail properties' values as a larger risk, and the key question is what conditions are on the January 1, 2021 lien date.

(ii) Business tax revenue in fiscal year 2019-20 is not expected to be widely affected by COVID-19, as these revenues are largely determined by business activity in 2019, as reflected in tax year 2019 filings at the end of February. The impact of layoffs, business closures, and other changes in tax year 2020 will appear in fiscal year 2020-21 and beyond.

(iii) The hospitality sector has sustained significant damage from the pandemic, beginning in late January 2020 with travel restrictions and flight cancellations, quickly followed by convention and meeting cancellations and expansive travel restrictions. Hoteliers are currently reporting occupancy rates at or below 10% and have responded to the severe drop in revenue with hotel closures and layoffs. The effect on hotel revenue, and hotel taxes, has been faster and more extreme than experienced in the aftermath of 9/11, the SARS epidemic, or the global financial crisis.

Also note that projected declines in Moscone Expansion District special assessment revenue, which is a charge paid by hotels and usually passed on to customers on hotel bills, will decline, resulting in additional General Fund contributions of $2.3 million to $3.6 million in fiscal year 2020-21 to support City debt service costs for the expansion project.

(iv) Tax on the sale of goods impacts several General Fund revenues, including the local 1% sales tax and three subventions of state sales tax: public safety realignment, health and welfare realignment, and public safety sales tax. The local 1% sales tax reflects local spending – what is sold or delivered to San Francisco. State subventions to the City reflect the sale of taxable goods at the State level, mediated by statutory formulas for various categories of health, social service, and public safety spending. Current projections assume COVID-19 impacts City and California sales tax in the same proportions.

Like the hotel industry, the retail industry has experienced immediate and significant losses, first from the drop in visitors, and then from the emergency order requiring closure of nonessential businesses. In San Francisco, the City anticipates restaurants and bars to be disproportionately affected, so an assumption is made for different rates of decline for them relative to all other industries. Sales tax collected from restaurants, bars, and food service in hotels comprises just under 35% of total revenue.

(v) Vehicle traffic declined sharply due to the emergency orders, resulting in lower estimated parking tax revenues. An amount equivalent to 80% of parking tax revenue is transferred to the MTA for public transit under City Charter Section 16.1110.

(vi) Transfer tax revenue is largely driven by transfers of commercial real estate and is highly dependent on credit availability, interest rates, and the relative value of San Francisco real estate compared to other investment options. As of March 24, 2020, the City has recorded $291.8 million of transfer tax in fiscal year 2019-20, of which $242.2 (or 83%) was recorded between July and December 2019. Transfer tax is a volatile revenue source in general that can be difficult to forecast and is likely to be negatively, materially impacted by an economic recession. The City continues to develop its forecast and related assumptions for this revenue source.

(vii) Due to steep declines in passenger traffic at SFO, the SFO's payment to the General Fund (based on concessions activity) is expected to decline by between $12.9 million and $14.7 million from the 6-Month Report projection.

(viii) The Shelter-in-Place order and deferral of license fees will also result in losses of departmental revenue from licenses, permits, fines, rents and concessions.

(ix) The voters have adopted a number of measures that require baseline contributions to various purposes, the majority of which are indexed to the City's discretionary revenues. Required contributions to these purposes will decline given the projection of discretionary revenue losses described above.

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Projected General Fund Revenue
FY 2019-20
(in millions of dollars)

General Fund Revenue	Original Budget	6-Month Projection	Limited COVID-19 Impact: Updated Projection	Limited COVID-19 Impact: Variance vs Budget	Limited COVID-19 Impact: Variance vs 6-Month Projection	Extended COVID-19 Impact: Updated Projection	Extended COVID-19 Impact: Variance vs Budget	Extended COVID-19 Impact: Variance vs 6-Month Projection
Citywide Revenue								
Property Taxes	1,771.0	1,804.0	1,804.0	33.0	-	1,767.0	(4.0)	(37.0)
Excess ERAF	185.0	198.0	196.1	11.1	(1.9)	184.8	(0.2)	(13.2)
Business Taxes	1,050.6	1,005.8	1,023.9	(26.7)	18.1	1,023.9	(26.7)	18.1
Hotel Taxes	389.1	377.7	265.9	(123.2)	(111.8)	253.5	(135.6)	(124.2)
Sales Tax-Bases Revenue								
Sales Tax - Local 1%	204.1	212.5	187.4	(16.7)	(25.1)	171.4	(32.7)	(41.0)
Public Safety Realignment	42.1	41.6	36.7	(5.4)	(4.9)	33.5	(8.5)	(8.0)
Health and Welfare Realignment (Sales)	175.5	181.3	155.6	(19.9)	(25.7)	142.4	(33.2)	(39.0)
Public Safety Sales Tax	104.6	107.3	94.7	(10.0)	(12.7)	86.6	(18.0)	(20.7)
Sales Tax Subtotal	**526.3**	**542.7**	**474.3**	**(52.0)**	**(68.4)**	**433.9**	**(92.4)**	**(108.7)**
Parking Tax	83.0	83.1	71.7	(11.3)	(11.4)	66.5	(16.5)	(16.6)
Real Property Transfer Tax	296.1	422.7	335.0	38.9	(87.7)	305.0	8.9	(117.7)
Stadium Admissions Tax	5.5	1.2	0.9	(4.6)	(0.3)	0.9	(4.6)	(0.3)
Interest Income	76.6	67.5	50.6	(26.0)	(16.9)	49.4	(27.2)	(18.1)
Airport Transfer In	51.5	48.9	36.0	(15.5)	(12.9)	34.2	(17.3)	(14.7)
Department Revenue	*100.5*	*75.9*	*60.8*	*(39.7)*	*(15.1)*	*60.8*	*(39.7)*	*(15.1)*
General Fund Support (Non-GF)								
Convention Facilities Fund					(0.9)			(0.9)
Hospital Health and Welfare Realignment	22.7	19.2	17.0	(5.7)	(2.3)	15.5	(7.2)	(3.7)
Total	**4,557.9**	**4,646.7**	**4,336.1**	**(221.7)**	**(311.5)**	**4,195.4**	**(362.5)**	**(452.1)**

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Projected General Fund Revenue
FY 2020-21
(in millions of dollars)

General Fund Revenue	Original Budget	January Forecast	Limited COVID-19 Impact: Updated Projection	Limited COVID-19 Impact: Variance vs Budget	Limited COVID-19 Impact: Variance vs January Forecast	Extended COVID-19 Impact: Updated Projection	Extended COVID-19 Impact: Variance vs Budget	Extended COVID-19 Impact: Variance vs January Forecast
Citywide Revenue								
Property Taxes	1,852.0	1,881.0	1,816.0	(36.0)	(65.0)	1,804.0	(48.0)	(77.0)
Excess ERAF	-	236.4	204.9	204.9	(31.5)	203.5	203.5	(32.9)
Business Taxes	1,095.9	1,070.8	1,034.5	(61.4)	(36.2)	955.3	(140.6)	(115.4)
Hotel Taxes	397.0	399.2	266.9	(130.1)	(132.3)	210.5	(186.5)	(188.7)
Sales Tax-Bases Revenue								
Sales Tax - Local 1%	206.0	213.9	190.3	(15.8)	(23.6)	177.5	(28.5)	(36.4)
Public Safety Realignment	42.78	41.9	37.4	(5.4)	(4.5)	31.4	(11.4)	(10.5)
Health and Welfare Realignment (Sales)	178.9	179.9	150.3	(28.6)	(29.7)	125.5	(53.4)	(54.5)
Public Safety Sales Tax	106.9	109.0	96.6	(10.2)	(12.4)	90.1	(16.7)	(18.8)
Sales Tax Subtotal	**534.6**	**544.7**	**474.5**	**(60.0)**	**(70.2)**	**424.5**	**(110.0)**	**(120.2)**
Parking Tax	83.0	85.2	84.1	1.1	(1.1)	79.4	(3.6)	(5.9)
Real Property Transfer Tax	253.4	278.4	278.4	25.0	-	216.0	(37.4)	(62.4)
Stadium Admissions Tax	5.5	5.5	0.9	(4.6)	(4.6)	0.9	(4.6)	(4.6)
Interest Income	86.6	61.0	30.7	(55.8)	(30.2)	26.6	(60.0)	(34.3)
Airport Transfer In	54.7	54.7	39.4	(15.3)	(15.3)	36.9	(17.8)	(17.8)
Department Revenue	*73.9*	*73.9*	*73.9*	-	-	*58.8*	*(15.1)*	*(15.1)*
General Fund Support (Non-GF)								
Convention Facilities Fund					(2.3)			(3.6)
Hospital Health and Welfare Realignment	22.7	23.3	16.3	(6.4)	(7.0)	13.6	(9.1)	(9.7)
Total	**4,459.2**	**4,714.0**	**4,320.7**	**(138.6)**	**(395.7)**	**4,030.0**	**(429.2)**	**(687.6)**

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Projected General Fund Revenue
FY 2021-22
(in millions of dollars)

General Fund Revenue	January Forecast	Limited COVID-19 Impact: Updated Projection	Limited COVID-19 Impact: Variance vs January Forecast	Extended COVID-19 Impact: Updated Projection	Extended COVID-19 Impact: Variance vs January Forecast
Citywide Revenue					
Property Taxes	1,964.0	1,922.0	(42.0)	1,893.0	(71.0)
Excess ERAF	-	-	-	-	-
Business Taxes	1,072.4	1,032.5	(39.9)	976.7	(95.7)
Hotel Taxes	408.0	350.6	(57.5)	300.7	(107.4)
Sales Tax-Bases Revenue					
Sales Tax - Local 1%	216.0	195.0	(21.0)	195.0	(21.0)
Public Safety Realignment	42.7	38.1	(4.6)	31.9	(10.7)
Health and Welfare Realignment (Sales)	183.6	153.4	(30.2)	128.1	(55.5)
Public Safety Sales Tax	111.2	100.0	(11.2)	100.0	(11.2)
Sales Tax Subtotal	**553.5**	**486.5**	**(67.0)**	**455.1**	**(98.4)**
Parking Tax	85.2	84.6	(0.6)	84.6	(0.6)
Real Property Transfer Tax	253.4	253.4	-	253.4	-
Stadium Admissions Tax	5.5	1.2	(4.3)	1.2	(4.3)
Interest Income	57.8	34.6	(23.2)	23.1	(34.7)
Airport Transfer In	57.0	49.2	(7.7)	38.5	(18.5)
Department Revenue	*73.9*	*73.9*	-	*73.9*	-
General Fund Support (Non-GF)					
Convention Facilities Fund					-
Hospital Health and Welfare Realignment	23.5	16.3	(7.2)	13.6	(9.9)
Total	**4,554.3**	**4,304.8**	**(249.4)**	**4,113.7**	**(440.5)**

<u>*Considerations not included in the Joint Report Update*</u>. The Joint Report Update states that a number of significant expenditure, revenue, and other financial impacts are not included in the Joint Report Update. An updated May projection is expected that will incorporate new information on these and other factors as they become known and estimable. Certain of these factors not included in the Joint Report Update are summarized below:

(i) *Costs Associated with the City's COVID-19 Emergency response*. The Joint Report Update projections do not include estimates of City costs associated with response to the COVID-19 Emergency. These costs are likely to be significant, and include staffing costs associated with a likely surge in use of the City's health system, temporary housing for those exposed to the virus or in certain at-risk populations, increased childcare, food, and other social services, and acquisition of needed medical and other supplies. The City is working on estimates of these costs, which will be variable given the unknown impact on City operations related to the progression of the emergency in San Francisco.

(ii) *Federal and State emergency relief*. Federal and State revenues are likely to result in increased revenue available to offset a portion of the cost of the City's emergency response or for other purposes. Notably, given the declaration of a national and state emergency, the Federal Emergency Management Agency ("FEMA") and the California Office of Emergency Services ("CalOES") revenues are likely to be claimed for a portion of certain response costs. Additionally, the recently adopted Federal stimulus bill includes funds for various programs delivered by local governments, including emergency expenditures incurred by public health hospitals. Eligible uses and allocations of these funds to the City are not yet known.

(iii) *Retirement contribution rate increases*. Contributions to the City's pension system (the "San Francisco Employee Retirement System," or "SFERS") are based upon an assumption of 7.4% investment returns each fiscal year. To the extent that returns fall below this level in the current and upcoming fiscal years, it will increase required City and employee contributions. SFERS reports year-to-date returns of 3% through February 2020, prior to significant financial market dislocations related to the COVID-19 Emergency.

(iv) *Other department revenue and expenditure trends*. The Joint Report Update projections build upon the assumptions included within the January Joint Report projections, except as noted above. An update on financial trends, including more recent department revenues and expenditures, is expected in a May projection update.

(v) *Expenditure controls and actions related to the worsening budget outlook*. The Joint Report Update projections are a status quo projection, assuming no changes to current adopted policies or services. To the extent the Mayor and Board of Supervisors adopt changes to control spending, draw reserves, or reduce service levels, these actions will reduce projected shortfalls in the current and upcoming fiscal years accordingly. One-time solutions will reduce shortfalls in the year they are adopted. Ongoing changes will reduce shortfalls in the year in which they are enacted and future ones.

COVID-19 Update to Budget and Finance Committee of Board of Supervisors. On April 8, 2020, the Controller provided an update (the "COVID-19 Update") to the Budget and Finance Committee of the City's Board of Supervisors on City emergency response spending and potential State and federal resources relating to the COVID-19 Emergency. A summary of certain of the information in the COVID-19 Update follows below.

- City departments will spend an estimated \$50 to \$100 million for costs related to direct health crisis needs in the coming months. To date, City departments have expended \$15 million, including salary and benefit costs for City staff involved in health crisis response (\$10 million), health equipment and safety supplies (excluding personal protective equipment) (\$2 million), arts relief grants (\$1.3 million), information technology needs for new facilities, emergency response operations, and City staff working remotely (\$1 million), other expenses, including homelessness support services, emergency operation supplies and medical transportation services ($1 million). The City is working to recover and receive reimbursements from FEMA and State sources to fund as much of these expenses as possible.

- The Mayor's Budget Office and Controller's Office are working to project costs for significant future service expansions, including medical surge staffing, supplies, and facilities, temporary housing, inspection and contact tracing programs, food services, emergency responder supports, inspection and hygiene services. A projection of these costs is expected to be included in a May projection update.

- With respect to hotel and temporary housing, approximately 1,977 hotel units are under or near contract, with a preliminary three month cost of $35 million. FEMA reimbursements are expected to be variable, but may cover up to $20 million. The City is assessing other sources for the balance of $15 million.

- Current planning by the City for hotel and temporary housing is for up to 7,000 units, with a preliminary three month cost of $105 million. FEMA reimbursements are expected to be variable, but may cover up to $55 million. The City is assessing other sources for the balance of $50 million. The foregoing costs do not include health services or shelter expansion costs.

- Federal and State relief and stimulus: local funding estimates. FEMA reimbursement of 75% is expected to be available for eligible emergency costs. A portion of the remaining 25% of eligible costs is expected to be supported by CalOES.

- Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") – Coronavirus Relief Fund for State and Local Governments. An estimated $150 million will be available to the City to cover COVID-19 expenditures, budget costs not accounted for in the adopted budget, and costs incurred between March – December 2020. Additional funding is expected to be available for SFMTA and SFO.

- State Emergency Funding. Out of $100 million statewide emergency homelessness funding by the State, the City expects approximately $6 million to be allocated to the City. The State is also expected to fund $50 million statewide for hotels and alternative housing leasing.

Mayor's Budget Office City Budget Update. On April 22, 2020, the Mayor's Budget Office gave a presentation to the Budget and Appropriations Committee of the City's Board of Supervisors entitled "City Budget Update: COVID Spending & State and Federal Resources" (the "Budget Update"). This Budget Update is summarized below.

- <u>City Emergency Response Spending</u>. City departments will spend an estimated $50-100 million for costs related to direct, operational health crisis needs in the coming months. To date, City departments have expended approximately $42 million. This spending includes additional salary and benefit costs for City staff involved in health crisis response of $21.5 million. Most of this cost is reallocation of existing staff to response work. FEMA reimbursement is expected to include overtime, comp time, and any new staffing added for direct health crisis response. This spending also includes health equipment and safety supplies (excluding protective personal equipment) ($9.2 million), non-congregate shelter and other homelessness support services ($5.7 million), other expenses consisting of information technology needs, emergency operation supplies, medical transportation services and sales taxes on supplies ($4.6 million).

- City Business Fee Relief. The City has instituted a deferral of business registration fees. The 2020 Business Registration Fee deadline is extended by four months to September 30, 2020, which includes an estimated $49 million in deferrals for 89,000 businesses. The City has instituted a further deferral of unified license bills, further delaying the deadline for unified license bills to September 30, 2020 (bills were previously delayed to July 31, 2020). The City estimates $14 million in deferrals impacting 11,000 payees.

- Other City Local Business Support Programs. These City programs include, among others, business tax deferral for small businesses; Workers and Families First Paid Sick Leave Program; small business emergency loan fund and resiliency grants; and a working artists and cultural organizations relief program.

- Federal and State Relief Update. Governor Newsom has announced a $75 million Disaster Relief Fund for undocumented immigrants. An additional $50 million is expected to come from nonprofit foundations. From these amounts, 150,000 undocumented adults will receive a one-time payment of $500 with a cap of $1,000 per household. On April 21, 2020, the United States Senate passed a $484 billion relief bill on small business loans and healthcare funding, which includes $310 billion to replenish the SBA Paycheck Protection Program, $60 billion for SBA disaster relief fund, $75 billion for hospitals and $25 billion for testing and contact tracing.

May Update. **The May Update was released by the City on May 13, 2020 and includes further analysis of the economic impacts to the City of the Shelter-in-Place order and the City's response to the COVID-19 Emergency. The May Update includes updated projections contained in the Joint Report Update and updated information on the current fiscal year 2019-20 budget. Please see "OFFICIAL STATEMENT – APPENDIX G" for a complete copy of the May Update.**

Threat of Extended Recession. Widespread shutdown of businesses and supply chain disruption in response to the COVID-19 pandemic is expected to have started a U.S. recession in March 2020. According to the California Employment Development Department, the State's unemployment rate rose by 1.4 percentage points in March 2020 to 5.3 percent, which was the State's largest unemployment rate increase on record in a data series going back to 1976. In the "Great Recession" occurring nationally from December 2007 to June 2009 (according to the U.S. National Bureau of Economic Research), California real GDP growth slowed for five consecutive quarters from the third quarter of 2008 to the third quarter of 2009 and did not return to pre-recession level of output until three years later in the third quarter of 2012. The unemployment rate rose steadily from 4.9 percent in the fourth quarter of 2006 to peak at 12.3 percent in the fourth quarter of 2010 and did not return to the pre-recession level until the second quarter of 2017. More than a third of California jobs are in sectors that are immediately vulnerable to stay-at-home disruptions, and unemployment could peak at around 25 percent, or twice as high as in the Great Recession.

Impact of the State of California Budget on Local Finances. The State has publicly stated that its General Fund will be materially adversely impacted by the health-related and economic impacts of the COVID-19 pandemic. Efforts to respond to and mitigate the spread of COVID-19 have had a severe impact on the State and national economies, triggered a historic drop and ongoing volatility in the stock market, and a recession. These efforts are expected to result in significant declines in State revenues from recent levels, as well as increased expenditures required to manage and mitigate COVID-19's impact on the State. There can be no assurances that the COVID-19 Emergency will not result in significant declines on State payments to the City.

Impact of the Federal Government on Local Finances. Under the CARES Act, the United States Treasury department will distribute $150 billion to state and local governments within 30 days of enactment under a population-based formula. The statute limits the use of funds to COVID-19 expense reimbursement rather than to offset anticipated state tax revenue losses. The City has received its $153.8 million allocation from this Coronavirus Relief Fund, which can be used to cover COVID-19-related medical, public health, economic support, and other emergency response costs.

See "CERTAIN RISK FACTORS – Public Health Emergencies."

Proposition B (2020)

On March 3, 2020, the voters of the City approved Proposition B. Proposition B approves the issuance by the City of up to $628,500,000 in general obligation bonds, for the purpose of improving fire, earthquake, and emergency response by improving, constructing, and/or replacing: deteriorating cisterns, pipes, and tunnels, and related facilities to ensure firefighters a reliable water supply for fires and disasters; neighborhood fire and police stations and supporting facilities; the City's 911 Call Center; and other disaster response and public safety facilities, and to pay related costs.

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APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

For supplemental information as of the date of this Official Statement, please see "RECENT DEVELOPMENTS". In particular, see "RECENT DEVELOPMENTS – COVID-19" for a discussion of the expected material adverse impacts on the City's General Fund of the COVID-19 Emergency.

This Appendix A to the Official Statement of the City 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.

Information concerning the City's finances that does not materially impact the availability of moneys deposited in the General Fund including San Francisco International Airport ("SFO" or the "Airport"), Public Utilities Commission ("PUC"), and other enterprise funds, or the expenditure of moneys from the General Fund, is generally not included or, if included, is not described in detail in this Appendix A.

The information presented in this Appendix A contains, among other information, City budgetary forecasts, projections, estimates and other statements that are based on current expectations as of its date. The words "expects," "forecasts," "projects," "budgets," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify such information as "forward-looking statements." Such budgetary forecasts, projections and estimates are not intended as representations of fact or intended as guarantees of results. Any such forward-looking statements are inherently 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.

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. As described in "RECENT DEVELOPMENT—COVID-19," the COVID-19 pandemic is expected to materially adversely impact financial condition of the City's General Fund.

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CITY GOVERNMENT

City Charter

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

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

Unique among California cities, San Francisco as a charter city and county provides 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 a 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 slightly less than 50% of all City expenditures. In addition, voters have approved Charter amendments that impose certain spending mandates and tax revenue set-asides, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including transportation services, children's services and public education, and libraries.

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. SFO, the Port, the 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. 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 was elected on the June 4, 2018 special election to serve until January 2020, fulfilling the remaining term of the late Mayor Edwin Lee. In November 2019 Mayor Breed was elected to serve her first full term. Prior to her election, Mayor Breed served as Acting Mayor, leading San Francisco following the sudden passing of Mayor Lee. Mayor Breed previously 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, *District 1*	2017	2021
Catherine Stefani, *District 2*	2018	2023
Aaron Peskin, *District 3*	2017	2021
Gordon Mar, *District 4*	2019	2023
Dean Preston, *District 5*	2019	2020
Matt Haney, *District 6*	2019	2023
Norman Yee, Board President, *District 7*	2017	2021
Rafael Mandelman, *District 8*	2018	2023
Hillary Ronen, *District 9*	2017	2021
Shamann Walton, *District 10*	2019	2023
Ahsha Safai, *District 11*	2017	2021

Other Elected and Appointed City Officers

The City Attorney represents the City in all legal proceedings in which the City has an interest. Dennis J. Herrera was re-elected to a four-year term as City Attorney in November 2019. 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.

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

The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2019. 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.

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. 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 ten-year term as Controller in 2017, and his nomination was confirmed by the Board of Supervisors on May 1, 2018. 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 during that period, 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.

The City Administrator has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. The City Administrator 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. 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. 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 enterprises through its annual budget process. 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 tax, business tax, sales tax, other local taxes and charges for services. A significant portion of the City's revenue also 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 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.

On August 1, 2019, the City adopted its two-year budget. The City's fiscal year 2019-20 adopted budget appropriated annual revenues, fund balance, transfers and reserves of approximately $12.3 billion, of which the City's General Fund accounts for approximately $6.1 billion. The City's fiscal year 2020-21 adopted budget appropriated revenues, fund balance, transfers and reserves of approximately $12.0 billion, of which approximately $6.0 billion represents the General Fund budget. Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2016-17 through 2018-19 and the Original Budgets for fiscal years 2019-20. See "PROPERTY TAXATION –Tax Levy and Collection," "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein. For detailed discussion of the fiscal years 2019-20 adopted budget, see "City Budget Adopted for Fiscal Years 2019-20" herein.

As described in "RECENT DEVELOPMENTS – COVID-19," economic and tax revenue losses associated with the COVID-19 Emergency have been stark and immediate, and the COVID-19 Emergency is expected to have material adverse impacts on the projections and budget information provided in in this APPENDIX A. See "RECENT DEVELOPMENTS – COVID-19 – Joint Report Update" for a discussion of current projections of the magnitude of the financial impact of the COVID-19 Emergency on the City. The COVID-19 Emergency is expected to result in significant shortfalls in Fiscal Years 2019-20 and 2020-21 (as compared to the Original Budgets for such years). The information with respect to Fiscal Year 2019-20, Fiscal 2020-21 and future fiscal years was prepared prior to the COVID-19 Emergency and does not reflect the anticipated revenue shortfalls and related fiscal pressures.

As described in "RECENT DEVELOPMENTS – COVID-19 – Modifications to Budget Calendar," by June 1, 2020, the Mayor plans to introduce a balanced interim budget to the Board of Supervisors. The Mayor plans to introduce the revised full two-year fiscal year 2020-21 and fiscal year 2021-22 balanced budget by August 1, 2020. Following the Budget and Finance Committee Phase and the full Board phase, the budget is planned to go to Mayor Breed for her approval and signature by October 1, 2020.

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*TABLE A-2**

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2016-17 through 2019-20
(000s)

	2016-17 Final Revised Budget	2017-18 Final Revised Budget	2018-19 Final Revised Budget [6]	2019-20 Original Budget [7]
Prior-Year Budgetary Fund Balance & Reserves	$1,526,830	$1,999,334	$2,342,082	$299,880
Budgeted Revenues				
Property Taxes[1]	$1,412,000	$1,557,000	$2,142,727	$1,956,008
Business Taxes	669,450	750,820	879,414	1,050,620
Other Local Taxes[2]	1,126,245	1,112,570	1,053,390	1,144,376
Licenses, Permits and Franchises	28,876	29,964	30,794	30,431
Fines, Forfeitures and Penalties	4,671	4,579	3,131	3,125
Interest and Investment Earnings	13,971	18,615	20,323	76,590
Rents and Concessions	15,855	14,089	14,896	15,141
Grants and Subventions	978,252	965,549	1,072,205	1,088,615
Charges for Services	235,491	242,842	263,340	245,222
Other	58,776	40,130	268,855	69,424
Total Budgeted Revenues	$4,543,587	$4,736,158	$5,749,075	$5,679,551
Bond Proceeds & Repayment of Loans	$881	$110	$87	-
Expenditure Appropriations				
Public Protection	$1,266,148	$1,316,870	$1,390,266	$1,493,084
Public Works, Transportation & Commerce	166,295	238,564	214,928	208,755
Human Welfare & Neighborhood Development	978,126	1,047,458	1,120,892	1,183,587
Community Health	763,496	832,663	967,113	950,756
Culture and Recreation	139,473	142,081	154,056	173,969
General Administration & Finance	252,998	259,916	290,274	596,806
General City Responsibilities[3]	134,153	114,219	172,028	193,971
Total Expenditure Appropriations	$3,700,689	$3,951,771	$4,309,557	$4,800,929
Budgetary reserves and designations, net	$9,868	$0	$0	29,880
Transfers In	$246,779	$232,032	$239,056	163,455
Transfers Out[4]	(857,528)	(1,009,967)	(1,468,021)	(1,312,077)
Net Transfers In/Out	($610,749)	($777,935)	($1,228,965)	($1,148,622)
Budgeted Excess (Deficiency) of Sources				
Over (Under) Uses	$1,749,993	$2,005,897	$2,552,722	-
Variance of Actual vs. Budget	249,475	336,422	374,136	-
Total Actual Budgetary Fund Balance[5]	$1,999,468	$2,342,319	$2,553,096	-

[1] The City's final budget for FY 2018-19 property tax included $414.7 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue, representing 2 years of Excess ERAF. In FY 2019-20, the City budgeted $185.0 million of "Excess Educational Revenue Augmentation Fund (ERAF) revenue. In the following year, no excess ERAF revenue is assumed given the risk of entitlement formula volatility, potential cash flow changes, and possible modifications to local property tax revenue allocation laws by the State. Please see Property Tax section for more information about Excess ERAF.
[2] Other Local Taxes includes sales, hotel, utility users, parking, sugar sweetened beverage, stadium admissions, access line, and cannabis taxes.
[3] 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.
[4] Other Transfers Out is primarily related to transfers to support Charter-mandated spending requirements and hospitals.
[5] Fiscal year 2016-17 through fiscal year 2018-19 Final Revised Budget reflects prior year *actual* budgetary fund balance. Fiscal year 2019-20 Original Budget reflects *budgeted* use of fund balance and reserve.
[6] FY 2018-19 Final Revised Budget updated from FY 2018-19 CAFR.
[7] FY 2019-20 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.

* *As described in "*RECENT DEVELOPMENTS – COVID-19," as a result of the COVID-19 Emergency, the estimates and projections in City's 2019-20 Original Budget are expected to be materially adversely impacted by the COVID-19 Emergency.

Budget Process

The following paragraphs contains a description of the City's customary budget process. As described in "RECENT DEVELOPMENTS – COVID-19 – Modifications to Budget Calendar," due to the current COVID-19 pandemic, the City's budget timeline will be delayed for two months. Mayor Breed expects to reissue Budget Instructions to departments in May, and Departments will be instructed to submit new department proposals to aid the Mayor in developing her balanced budget in June and July. By June 1, 2020, the Mayor plans to introduce a balanced interim budget to the Board of Supervisors. The Mayor plans to introduce the full two-year fiscal year 2020-21 and fiscal year 2021-22 balanced budget by August 1, 2020. Following the Budget and Finance Committee Phase and the full Board phase, the budget is planned to go to Mayor Breed for her approval and signature by October 1, 2020.

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 Revenue Letter and other information from said website are not incorporated herein by reference. The City's Capital Planning Committee (composed of other City officials) 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 upon release of the City's CAFR to reflect the year-end revenue and expenditure appropriations for that fiscal year.

Multi-Year Budgeting and Planning

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: SFO, Child Support Services, the Port, the PUC and MTA. All other departments prepare balanced, rolling two-year budgets for Board approval. For all other departments, the Board annually approves appropriations for the next two fiscal years.

2. Five-year financial plan and update, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The most recent five-year financial plan update, 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 3, 2020, for fiscal year 2020-21 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. Key financial policies include:

   - Non-Recurring Revenue Policy - This policy limits the Mayor's and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance, 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.

   - Rainy Day and Budget Stabilization Reserve Policies – These reserves were established to support the City's budget in years when revenues decline. These and other reserves (among many others) are discussed in detail below. Charter Section 9.113.5 requires deposits into the Rainy Day Reserve if total General Fund revenues for the current year exceed total General Fund revenues for the prior year by more than five percent. Similarly, if budgeted revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues. These and other reserves are discussed under Rainy Day Reserve and Budget Stabilization Reserve below.

4. The City is required to submit labor agreements for all public employee unions to the Board of Supervisors by May 15, so the fiscal impact of the agreements can be incorporated in the Mayor's proposed June 1 budget. All labor agreements are closed for the budget year, fiscal year 2020-21.

Role of Controller in 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 actual expenditures are often different from the estimated expenditures in the Original Budget 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 first of these reports, the fiscal year 2019-20 Six Month Report (the "Six Month Report"), in February 2020, and expects to issue the second of these reports, the fiscal year 2019-20 Nine Month Report (the "Nine Month Report"), in May 2020. 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.

General Fund Results: Audited Financial Statements

The City's most recently completed Comprehensive Annual Financial Report (the "CAFR," which includes the City's audited financial statements) for fiscal year 2018-19, was issued on December 31, 2019. The fiscal year 2018-19 CAFR reported that as of June 30, 2019, the General Fund fund balance available for appropriation in subsequent years was $812.7 million (see Table A-4), which represents a $196.1 million increase in available fund balance from the $616.6 million available as of June 30, 2018. This increase resulted primarily from greater-than-budgeted property tax revenue given unanticipated Excess ERAF allocations, real property transfer tax revenue, and operating surpluses at the Department of Public Health, which was partially offset by under-performance in business tax revenues in fiscal year 2018-19.

The audited General Fund fund balance as of June 30, 2019 was $2.7 billion (shown in Tables A-3 and A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of $5.9 billion. The City prepares its budget on a modified accrual basis, which is also referred to as "budget basis" in the CAFR. 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. Table A-3 focuses on a specific portion of the City's balance sheet; audited General Fund 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, 2015 through June 30, 2019. See Note 10 of the CAFR for additional information on fund balances and reserves.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of Audited General Fund Fund Balances
Fiscal Years 2014-15 through 2018-19[1]
(000s)

	2014-15	2015-16	2016-17	2017-18	2018-19
Restricted for rainy day (Economic Stabilization account)[2]	$71,904	$74,986	$78,336	$89,309	$229,069
Restricted for rainy day (One-time Spending account)[2]	43,065	45,120	47,353	54,668	95,908
Committed for budget stabilization (citywide)[3]	132,264	178,434	323,204	369,958	396,760
Committed for Recreation & Parks savings reserve[4]	10,551	8,736	4,403	1,740	803
Assigned, not available for appropriation					
Assigned for encumbrances	$137,641	$190,965	$244,158	$345,596	$351,446
Assigned for appropriation carryforward	201,192	293,921	434,223	423,835	496,846
Assigned for budget savings incentive program (Citywide)[4]	33,939	58,907	67,450	73,650	86,979
Assigned for salaries and benefits [5]	20,155	18,203	23,051	23,931	28,965
Total Fund Balance Not Available for Appropriation	$650,711	$869,272	$1,222,178	$1,382,687	$1,686,776
Assigned and unassigned, available for appropriation					
Assigned for litigation & contingencies[5]	$131,970	$145,443	$136,080	$235,925	$186,913
Assigned for subsequent year's budget	180,179	172,128	183,326	188,562	210,638
Unassigned for General Reserve[6]	62,579	76,913	95,156	106,878	130,894
Unassigned - Budgeted for use second budget year	194,082	191,202	288,185	223,251	285,152
Unassigned - Contingency for second budget year	-	60,000	60,000	160,000	308,000
Unassigned - Available for future appropriation	16,569	11,872	14,409	44,779	8,897
Total Fund Balance Available for Appropriation	$585,379	$657,558	$777,156	$959,395	$1,130,494
Total Fund Balance, Budget Basis	$1,236,090	$1,526,830	$1,999,334	$2,342,082	$2,817,270
Budget Basis to GAAP Basis Reconciliation					
Total Fund Balance - Budget Basis	$1,236,090	$1,526,830	$1,999,334	$2,342,082	$2,817,270
Unrealized gain or loss on investments	1,141	343	(1,197)	(20,602)	16,275
Nonspendable fund balance	24,786	522	525	1,512	1,259
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(37,303)	(36,008)	(38,469)	(25,495)	(23,793)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(50,406)	(56,709)	(83,757)	(68,958)	(87,794)
Deferred Amounts on Loan Receivables	(23,212)	-	-	-	-
Pre-paid lease revenue	(5,900)	(5,816)	(5,733)	(6,598)	(6,194)
Total Fund Balance, GAAP Basis	$1,145,196	$1,429,162	$1,870,703	$2,221,941	$2,717,023

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

1 Fiscal year 2019-20 will be available upon release of the fiscal year 2019-20 CAFR.

2 Additional information in Rainy Day Reserves section of Appendix A, following this table.

3 Additional information in Budget Stabilization Reserve section of Appendix A, following this table.

4 Additional information in Budget Savings Incentive Reserve section of Appendix A, following this table.

5 Additional information in Salaries, Benefits and Litigation Reserves section of Appendix A, following this table.
The increase in FY18 was largely due to a small number of claims filed against the City with large known or potential settlement stipulations.

6 Additional information in General Reserves section of Appendix A, following this table.

In addition to the reconciliation of GAAP versus budget-basis fund balance, Table A-3 shows the City's various reserve balances as designations of fund balance. Key reserves are described below:

The following sections describe various reserves maintained by the City. As described in "RECENT DEVELOPMENTS – COVID-19," the COVID-19 Emergency is expected to materially adversely impact revenues in Fiscal Year 2019-20, Fiscal Year 2020-21 and future fiscal years. The potential use of reserves will be considered by the City in connection with the development of the revised Fiscal Year 2020-21 budget, as described herein in "Budget Process."

Rainy Day Reserve

The City maintains a Rainy Day Reserve, as shown on the first and second line of Table A-3 above. Charter Section 9.113.5 requires that if total General Fund revenues for the current year exceed total General Fund revenues for the prior year by more than five percent, then the City must deposit anticipated General Fund revenues in excess of that five percent growth into three accounts within the Rainy Day Reserve (see below) and for other lawful governmental purposes. Similarly, if budgeted revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. 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") for SFUSD, with each reserve account receiving 50% of the existing balance at the time. Deposits to the reserve are 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 (not shown in Table A-3 because it is not part of the General Fund, it is reserved for SFUSD);
- 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 2018-19 revenue generated a deposit of $139.8 million to the City Reserve and $41.2 million to the Rainy Day One-Time Reserve. The FY 2018-19 ending balances are $229.1 million and $95.9 million, respectively, as shown in Table A-3. 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 placed in the Budget Stabilization One-Time Reserve, which is eligible to be allocated to capital and other one-time expenditures. Monies in the City Reserve are available to provide budgetary support 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 One-Time Reserve are available for capital and other one-time spending initiatives.

Budget Stabilization Reserve

The City maintains a Budget Stabilization Reserve, as shown on the third line of Table A-3 above. The Budget Stabilization Reserve augments the 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 (adjusting 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 2018-19 revenue generated an overall deposit of $26.8 million to the combined Budget Stabilization Reserve and Budget Stabilization One-Time Reserve. Because the City's combined Rainy Day Economic Stabilization Reserve and Budget Stabilization Reserve exceeds 10% of General Fund revenues for fiscal year 2018-19, the Budget Stabilization Reserve balance was capped in fiscal year 2018-19 at $359.3 million and the City deposited the amount exceeding the cap, $37.4 million, in the Budget Stabilization One-Time Reserve. Table A-3 reflects the sum of the Budget Stabilization Reserve and the Budget Stabilization One-Time Reserve.

The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve. 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.

General Reserve

The City maintains a General Reserve, shown as "Unassigned for General Reserve" in the "assigned and unassigned, available for appropriation" section of Table A-3 above. The General Reserve is 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 fiscal year 2017-18 balance of this reserve was $106.9 million, as shown in Table A-3 above. In fiscal year 2018-19, $20.4 million was budgeted and deposited for the General Fund Reserve, resulting in an ending balance of $127.3 million. In fiscal year 2018-19, Table A-3 includes $3.6 million in other reserve-type appropriations.

Budget Savings Incentive Reserve

The Charter requires reserving a portion of Recreation and Parks revenue surplus in the form of the Recreation and Parks Budget Savings Incentive Reserve, as shown with note 4 of Table A-3. The Administrative Code authorizes reserving a portion of departmental expenditure savings in the form of the Citywide Budget Savings Incentive Reserve, also referred to as the "Budget Savings Incentive Fund," as shown with note 4 of the "assigned, not available for appropriation" section of Table A-3. In fiscal year 2018-19, the Recreation and Parks Savings Reserve had a balance of $0.8 million and the Citywide Budget Savings Incentive Reserve had a balance of $87.0 million.

Salaries, Benefits and Litigation Reserves

The City maintains two types of reserves to offset unanticipated expenses and which are available to City departments through a Controller's Office review and approval process. These are shown with note 5 in the "assigned, not available for appropriation," and "assigned and unassigned, available for appropriation" sections of Table A-3 above. These include the Salaries and Benefit Reserve (balance of $29.0 million as of Fiscal Year 2018-19), and the Litigation and Public Health Management Reserve (balance of $186.9 million in Fiscal Year 2018-19).

Operating Cash Reserve

Not shown in Table A-3, under the City 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 (which contains cash for all pool participants, including city departments and external agencies such as San Francisco Unified School District and City College). 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.

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. Prior years audited financial statements can be obtained from the City Controller's website. Information from the City Controller's website is not incorporated herein by reference. Excluded from this Statement of General Fund Revenues and Expenditures in Table A-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements.

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TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO

Audited Statement of Revenues, Expenditures and Changes in General Fund Fund Balances[1]

Fiscal Years 2014-15 through 2018-19[2]

(000s)

	2014-15	2015-16	2016-17	2017-18	2018-19
Revenues:					
Property Taxes[3]	$1,272,623	$1,393,574	$1,478,671	$1,673,950	$2,248,004
Business Taxes	609,614	659,086	700,536	897,076	917,811
Other Local Taxes	1,085,381	1,054,109	1,203,587	1,093,769	1,215,306
Licenses, Permits and Franchises	27,789	27,909	29,336	28,803	27,960
Fines, Forfeitures and Penalties	6,369	8,985	2,734	7,966	4,740
Interest and Investment Income	7,867	9,613	14,439	16,245	88,523
Rents and Concessions	24,339	46,553	15,352	14,533	14,460
Intergovernmental	854,464	900,820	932,576	983,809	1,069,349
Charges for Services	215,036	233,976	220,877	248,926	257,814
Other	9,162	22,291	38,679	24,478	46,254
Total Revenues	$4,112,644	$4,356,916	$4,636,787	$4,989,555	$5,890,221
Expenditures:					
Public Protection	$1,148,405	$1,204,666	$1,257,948	$1,312,582	$1,382,031
Public Works, Transportation & Commerce	87,452	136,762	166,285	223,830	202,988
Human Welfare and Neighborhood Development	786,362	853,924	956,478	999,048	1,071,309
Community Health	650,741	666,138	600,067	706,322	809,120
Culture and Recreation	119,278	124,515	139,368	142,215	152,250
General Administration & Finance	208,695	223,844	238,064	244,773	267,997
General City Responsibilities	98,620	114,663	121,444	110,812	144,808
Total Expenditures	$3,099,553	$3,324,512	$3,479,654	$3,739,582	$4,030,503
Excess of Revenues over Expenditures	$1,013,091	$1,032,404	$1,157,133	$1,249,973	$1,859,718
Other Financing Sources (Uses):					
Transfers In	$164,712	$209,494	$140,272	$112,228	$104,338
Transfers Out	(873,741)	(962,343)	(857,629)	(1,010,785)	(1,468,971)
Other Financing Sources	5,572	4,411	1,765	-	-
Other Financing Uses	-	-	-	(178)	(3)
Total Other Financing Sources (Uses)	($703,457)	($748,438)	($715,592)	($898,735)	($1,364,636)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$309,634	$283,966	$441,541	$351,238	$495,082
Total Fund Balance at Beginning of Year	$835,562	$1,145,196	$1,429,162	$1,870,703	$2,221,941
Total Fund Balance at End of Year -- GAAP Basis	$1,145,196	$1,429,162	$1,870,703	$2,221,941	$2,717,023
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
-- GAAP Basis	$234,273	$249,238	$273,827	$286,143	$326,582
-- Budget Basis[4]	$390,830	$435,202	$545,920	$616,592	$812,687

[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 2019-20 will be available upon release of the fiscal year 2019-20 CAFR.

[3] The City recognized $548.0 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue in FY 2018-19, representing FY16-17, FY17-18, and FY18-19 (3 fiscal years) of ERAF. Please see Property Tax section for more information about Excess ERAF.

[4] Fund balance available for appropriations of $1.13 billion includes amounts Assigned for Litigation and Contingencies and Unassigned - General Reserve.

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's Administrative Code requires that by March 1 of each even-numbered year, the Mayor, Board of Supervisors Budget Analyst, and Controller submit an updated estimated summary budget for the remaining four years of the most recently adopted Plan.

On January 3, 2020, the Mayor, Budget Analyst for the Board of Supervisors, and the Controller's Office issued the Plan update for fiscal years 2020-21 through 2023-24 ("Original FY21-FY24 Plan"), which projected cumulative annual shortfalls of $195.4 million, $224.1 million, $531.1 million, and $630.6 million, for fiscal years 2020-21 through 2023-24, respectively. However, as a result of the COVID-19 Emergency, on March 31, 2020, the Mayor, Board of Supervisors Budget Analyst, and Controller released an update to the Original FY21-FY24 Plan ("Joint Report Update"). The Joint Report Update adopts the assumptions detailed in the Original FY21-FY24 Plan (which are described below), with updates for three significant changes since the initial issuance of the Original FY21-FY24 Plan: (1) Improvement in current fund balance, as reported in the Controller's Six Month Budget Status Report, (2) General Fund tax revenue losses associated with the emergency, and (3) reductions in voter-adopted baseline spending requirements given those revised revenue projections. The City expects to issue an update to its projections of the impact of the COVID-19 Emergency in May 2020. The next full update of the City's Five-Year Financial Plan is expected to be submitted in December 2020.

The following information reflects the Original FY21-FY24 Plan as initially issued and does not reflect any of the material adverse impacts expected to result from the COVID-19 Emergency. See "RECENT DEVELOPMENTS – COVID-19," for a description of the Joint Report Update.

The Original FY21-FY24 Plan projected growth in General Fund revenues over the forecast period of 6.9%, primarily composed of growth in local tax sources. The revenue growth was projected to be offset by projected expenditure increases of 17.2% 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 Original FY21-FY24 Plan projected growth in General Fund sources of $423.6 million over the Original FY21-FY24 Plan period, and expenditure growth of $1.05 billion. The composition of the projected shortfall is shown in Table A-5 below.

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*TABLE A-5**

CITY AND COUNTY OF SAN FRANCISCO
Five Year Financial Plan Update
Fiscal Years 2020-21 through 2023-24
($millions)

	2020-21	2021-22	2022-23	2023-24	% of Uses for 2023-24
Sources - Increase / (Decrease):	$89.0	$346.0	$289.4	$423.6	
Uses:					
Baselines & Reserves	($45.5)	($54.0)	($127.1)	($163.3)	15.5%
Salaries & Benefits	(167.9)	(269.6)	(338.5)	(407.5)	38.7%
Citywide Operating Budget Costs	(66.9)	(167.8)	(235.0)	(314.6)	29.8%
Departmental Costs	(3.9)	(78.8)	(119.9)	(168.8)	16.0%
Total Uses - (Increase) / Decrease:	($284.3)	($570.1)	($820.5)	($1,054.2)	100.0%
Projected Cumulative Surplus / (Shortfall):	($195.4)	($224.1)	($531.1)	($630.6)	

**Table A-5 is the Original FY21-FY24 Plan. See "RECENT DEVELOPMENTS – COVID-19" for a discussion of the Joint Report Update to the Original FY21-FY24 Plan, which reflects the City's preliminary projections of certain of the adverse impacts on the General Fund.*

The Original FY21-FY24 Plan incorporated the following key assumptions:

- **Changes in Employer Contribution Rates to City Retirement System:** Consistent with SFERS' fiscal year 2018-19 results, projected employer contribution rates assume an 8.0% rate of return on SFERS investments for fiscal year 2018-19, 0.6% above the actuarially assumed rate of return of 7.4%. This better-than-expected return triggers an on-going supplemental COLA payment to certain retirees, which increases employer contributions in FY 2020-21. The Original FY21-FY24 Plan does not assume any changes to existing funding policy and amortizes the 2019 supplemental COLA over five years per current policy. As described in "RECENT DEVELOPMENTS – COVID-19," the COVID-19 Emergency has resulted in significant declines in the global and national stock markets. Contributions to SFERS are based upon an assumption of 7.4% investment returns each fiscal year. To the extent that returns fall below this level in the current and upcoming fiscal years, it will increase required City and employee contributions.

- **Assumes previously negotiated wage increases and inflationary increases for open contracts in line with CPI:** The Original FY21-FY24 Plan assumes the additional salary and benefit costs for previously negotiated, closed labor agreements. Police and Firefighters' unions have closed MOUs through FY 2020-21. Miscellaneous unions have closed MOUs through FY 2021-22. In open contract years, this report projects salary increases equal to the change in CPI. This corresponds to 3.38% for FY 2021-22, 2.94% for FY 2022-23, and 2.90% for FY 2023-24.

- **Property Tax Shifts**: The FY 2019-20 General Fund budget anticipates the City will receive "Excess ERAF" property tax allocations. The Original FY21-FY24 Plan assumes that the City will also receive Excess ERAF revenues in FY 2020-21, and in accordance with legislation adopted by the Mayor and Board of Supervisors will allocate at least 50% of these revenues to one-time purposes and 50% to affordable housing expenditures. Given these assumptions of revenue and equally offsetting expenditures, there is no net impact on the General Fund shortfall projections. Given both uncertainty regarding the timing and volatility of these revenues and the potential for State changes to funding levels for K-12 and community college districts, the projections do not include receipt of Excess ERAF revenues in years after FY 2020-21. (The COVID-19 Emergency may negatively impact the availability of Excess ERAF contributions.)

While the projected shortfalls in the Joint Report Update reflect the difference in projected revenues and expenditures over the next five years using the assumptions set forth in the Joint Report Update, the Charter requires that each year's budget be balanced. As a result of the significant financial impacts expected to result from the COVID-19 Emergency, balancing the budgets is expected to require a combination of expenditure reductions, additional revenues and use of available reserves. The projections in the Joint Report Update assume no ongoing solutions are implemented.

The Original FY21-FY24 Plan did not assume an economic downturn. To illustrate the effect of a hypothetical recession on San Francisco's fiscal condition, the Original FY21-FY24 Plan included a recession scenario that assumes weakness in the California and San Francisco economies beginning in FY 2021-22. The scenario assumes rates of revenue loss in major local tax sources—including business, hotel, sales, transfer and parking taxes—consistent with the average declines experienced during the last two recessions, FY 2001-02 through FY 2003-04 and FY 2008-09 through FY 2010-11, which would result in revenue losses of approximately $820 million. In addition, the scenario assumes a $52 million increase in employer pension contributions in the final year of the forecast, triggered by losses in the value of assets held by the San Francisco Employee's Retirement System comparable to the losses experienced in the aftermath of the global financial crisis in 2008 and 2009. The resulting shortfall of $872 million would be closed, in part, by a $114 million reduction in voter-approved spending mandates tied to General Fund revenue and the use of $634 million in General Fund Reserves, leaving an estimated $124 million to be closed through spending reductions and other means.

The City cannot predict the severity or length of the recession that is expected is result from the COVID-19 Emergency, and there can be no assurances that it will not result in more severe adverse impacts than those projected in the recession scenario included in the Original FY21-FY24 Plan.

Fiscal Year 2019-20 Six-Month Budget Status Report

On February 13, 2020, the Controller's Office issued a budget status update on revenues and expenditures through the first six months of the year. The report projects a $98.1 million improvement in General Fund ending balance over the projections in the Original FY21-FY24 Plan. Application of this additional fund balance would reduce the projected shortfall in the upcoming two-year budget from $419.5 million to $321.4 million. The improvement was driven largely by increased real property transfer tax revenue in the General Fund, Public Health hospital revenue surpluses, and cost savings at the Human Services Agency due to reduced caseloads.

As described in "RECENT DEVELOPMENTS – COVID-19," the City has prepared the Updated Joint Report, which describes the material adverse impact on the financial condition of the General Fund which potentially may result from the COVID-19 Emergency.

City Budget Adopted for Fiscal Years 2019-20 and 2020-21

On August 1, 2019, Mayor Breed signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for the fiscal years ending June 30, 2020 and June 30, 2021. The adopted budget closed the $30.6 million and $125.5 million General Fund projected shortfalls for fiscal years 2019-20 and 2020-21 identified in the City's March 2019 update to the Five-Year Financial Plan through a combination of increased revenue and expenditure savings.

The Original Budget for fiscal year 2019-20 and fiscal year 2020-21 totaled $12.3 billion and $12.0 billion respectively. The General Fund portion of each year's budget is $6.1 billion in fiscal year 2019-20 and $6.0 billion in fiscal year 2020-21. There are 31,784 funded full-time positions in the fiscal year 2019-20 Original Budget and 32,052 in the fiscal year 2020-21 Original Budget.

The COVID-19 Emergency is expected to materially adversely impact the financial condition of the City's General Fund. See "RECENT DEVELOPMENTS – COVID-19 – Modifications to the Budget Calendar" for a description of the projected timeline for budget-related actions the City currently expects to take in response to the COVID-19 Emergency, including the adoption of a revised fiscal year 2020-21 budget.

Other Budget Updates

On June 11, 2019, the Controller's Office issued the Controller's Discussion of the Mayor's fiscal year 2019-20 and fiscal year 2020-21 Proposed Budget ("Revenue Letter"). The Revenue Letter found that tax revenue assumptions were reasonable, and reserve and baselines were funded at or above required levels. The Revenue Letter noted that the budget draws on volatile revenues and reserves at a higher rate than recent years, to fund a variety of one-time purposes. The extraordinary revenue and reserve draws are primarily related to unexpected Excess ERAF monies.

BUDGETARY RISKS

Material Adverse Impacts of the COVID-19 Emergency

See "RECENT DEVELOPMENTS – COVID-19" for a discussion of the anticipated material adverse impacts of the COVID-19 Emergency on the City's General Fund.

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

On January 29, 2019, PG&E filed for Chapter 11 bankruptcy protection in the face of potential wildfire liability that has been estimated upwards of $30 billion. Taxes and fees paid by PG&E to the City total approximately $75 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. In April 2019, the bankruptcy court granted relief to PG&E to pay property taxes and franchise fees.

On September 6, 2019, in connection with Pacific Gas and Electric Company ("PG&E") and PG&E Corporation's Chapter 11 pending bankruptcy cases, the City and County of San Francisco submitted a non-binding indication of interest ("IOI") to PG&E and PG&E Corporation to purchase substantially all of PG&E's electric distribution and transmission assets needed to provide retail electric service to all electricity customers within the geographic boundaries of the City ("Target Assets") for a purchase price of $2.5 billion (such transaction, the "Proposed Transaction"). In a letter dated October 7, 2019, PG&E declined the City's offer. On November 4, 2019, the City sent PG&E a follow-up letter reiterating its interest in acquiring the Target Assets. To demonstrate public support for the Proposed Transaction, on January 14, 2020, the City's Board of Supervisors and the SFPUC's Commission conditionally authorized the sale of up to $3.065 billion of Power Enterprise Revenue Bonds to finance the acquisition of the Target Assets and related costs, subject to specific conditions set forth in each authorizing resolution.

The IOI reflects the City's interest in purchasing the Target Assets and does not create any legally binding obligations on the City or any of its officials, representatives, agencies, political subdivisions, affiliates or their respective advisors. The City is unable to predict whether it will be able to consummate a final negotiated acquisition price for the Target Assets and, if so, the terms thereof. Any such final terms would be subject to approval by the Board of Supervisors and the Commission. If consummated, it is expected that such new electric system would be wholly supported by its own revenues, and no revenues of the City's general fund would be available to pay for system operations, or bonds issued to acquire the Target Assets.

The PG&E bankruptcy is pending, and the City can give no assurance regarding the effect of a bankruptcy filing by PG&E, including whether there will be delays in the payment of property taxes in the future, or whether the City will be successful in its acquisition of the PG&E assets.

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 XIIIC, 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.

In August 2018 the Howard Jarvis Taxpayers Association and several other plaintiffs filed a reverse validation action in San Francisco Superior Court challenging the validity of June Proposition C. In September 2018 the City initiated a validation action in the same court seeking a judicial declaration of the validity of Proposition G. In January 2019 the City initiated a similar validation action in the same court concerning November Proposition C. On July 5, 2019, the San Francisco Superior Court granted the City's dispositive motions in the lawsuits concerning June Proposition C and November Proposition C, concluding that both measures~~,~~ which proposed tax increases for specific purposes, required only a simple majority for approval because they were put on the ballot through a citizen signature petition. The Howard Jarvis Taxpayers Association and other petitioners/plaintiffs appealed the decision in the litigation concerning June Proposition C, and resolution of the case is pending. To date, no appeal of the decision in the litigation concerning November Proposition C has been filed. The trial court has not reached a decision on Proposition G. While the City prevailed at trial on the November Proposition C and the June Proposition C, the City cannot provide any assurance regarding the outcome of these lawsuits.

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 10% of the General Fund revenues appropriated in the Original Budget for fiscal years 2019-20 and 2020-21, 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.

The State has publicly stated that the state's General Fund will be materially adversely impacted by the health-related and economic impacts of the COVID-19 pandemic. Efforts to respond to and mitigate the spread of COVID-19 have had a severe impact on the state and national economy, triggered a historic drop and ongoing volatility in the stock market, and an expected recession. These efforts are expected to result in significant declines in state revenues from recent levels, as well as increased expenditures required to manage and mitigate COVID-19's impact on the state.

There can be no assurances that the COVID-19 Emergency will not result in significant declines in State payments to the City.

Impact of Federal Government on Local Finances

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," ("BABs") which BABs were entitled to receive a 35% subsidy payment from the federal government. The 35% subsidy payment has been reduced since 2013 in connection with the United States federal government sequestration. As well, the federal government has from time to time threatened to withhold certain funds from 'sanctuary jurisdictions' of which the City is one. The federal district court issued a permanent injunction in November 2017 to prevent any such reduction in federal funding on this basis. On August 1, 2018, the 9th Circuit Court of Appeal upheld the district's court's injunction against the President's Executive Order.

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. The City's General Fund and hospitals, which are supported by the General Fund, collectively receive over $1 billion annually in federal subventions for entitlement programs, the large majority of which are reimbursements for care provided to Medicaid and Medicare recipients. In addition, tens of thousands of San Franciscans receive federal subsidies to purchase private insurance on the state's health care exchange, Covered California. Federal efforts to repeal or eliminate such subsidies, or repeal, replace or alter provisions of the Affordable Care Act through regulatory changes, could have significant effects on future health care costs. In addition, the state Department of Health Care Services is currently negotiating with the federal Centers for Medicare and Medicaid Services on a successor to California's Section 1115(a) Medicaid waivers, which expire on December 31, 2020. The next waiver could significantly affect allocations to counties, but the City cannot predict the outcome of this process. To help address these risks, the City's adopted fiscal year 2019-20 Original Budget included a $40 million reserve to manage state, federal, and other revenue uncertainty, and a $50 million reserve to address changes to the Affordable Care Act.

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 to the Former Agency: the "Successor Agency to the Redevelopment Agency of the City and County of San Francisco,"(the "Successor Agency") also referred to as the "Office of Community Investment & Infrastructure" ("OCII"), (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 of the Former Agency and other enforceable obligations and the authority to take actions that AB 26 and AB 1484 require or allow 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, certain 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/Candlestick Point of the Bayview Hunters Point Redevelopment Project Area, and (iii) the Transbay Redevelopment Project Area (collectively, the "Major Approved Development Projects"). The Successor Agency exercises land use, development and design approval authority for the Major Approved Development Projects. The Successor Agency also issues community facilities district ("CFD") bonds from time to time to facilitate development in the major approved development projects in accordance with the terms of such enforceable obligations.

GENERAL FUND REVENUES

The revenues discussed below are recorded in the General Fund, unless otherwise noted.

The information in this section "GENERAL FUND REVENUES" relating to 2019-20 revenues from the various sources described below is from the Original 2019-20 Budget. As described in "RECENT DEVELOPMENTS – COVID-19," the COVID-19 Emergency is expected to result in significant declines in General Fund revenues. As described in "RECENT DEVELOPMENTS – COVID-19 – Joint Report Update," economic and tax revenue losses associated with the COVID-19 Emergency have been stark and immediate. The revised projected General Fund tax revenue losses range from an estimated $167 million to $287 million loss versus the adopted fiscal year 2019-20 budget (after adjustments included in the Six-Month Budget Status Report). This range represents an estimate of likely losses in a limited versus extended emergency and recovery period.

PROPERTY TAXATION

Property Taxation System – General

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

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 30th, the City Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value for that fiscal year. The Controller also compiles a schedule of tax rates including the 1.0% tax authorized by Article XIIIA of the State Constitution (and mandated by statute), tax surcharges needed to repay voter-approved general obligation bonds, and tax surcharges imposed by overlapping jurisdictions that have been authorized to levy taxes on property located in the City. The Board of Supervisors approves the schedule of tax rates each year by ordinance adopted no later than the last working day of September. The Treasurer and Tax Collector 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-6 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. There can be no assurances that the COVID-19 Emergency will not materially adversely impact property values in the City. See "RECENT DEVELOPMENTS – COVID-19."

The total tax rate shown in Table A-6 includes taxes assessed on behalf of the City as well as the San Francisco Unified School District (SFUSD), County Office of Education (SFCOE), SFCCD, Bay Area Air Quality Management District (BAAQMD), and San Francisco Bay Area Rapid Transit District (BART), all of which are legal entities separate from the City. See also, Table A-31: "Statement of Direct and Overlapping Debt and Long-Term Obligations." 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 to the San Francisco Redevelopment Agency (more commonly known 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 $158.6 million of property tax increment in fiscal year 2018-19 for recognized obligations, diverting about $88.2 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 99.26% for fiscal year 2018-19. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 56 for the six-month period July 1 to December 31, 2019. For the fiscal year 2018-19 a total of 86 trustee deeds were recorded compared to 111 for fiscal year 2017-18 and 92 for fiscal year 2016-17. There can be no assurances that the COVID-19 Emergency will not result in increased foreclosures in the City. See "RECENT DEVELOPMENTS – COVID-19."

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TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2008-09 through 2019-20
(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
2008-09	141,274,628	8.7%	1.163	1,702,533	1,661,717	97.6%
2009-10	150,233,436	6.3%	1.159	1,808,505	1,764,100	97.5%
2010-11	157,865,981	5.1%	1.164	1,888,048	1,849,460	98.0%
2011-12	158,649,888	0.5%	1.172	1,918,680	1,883,666	98.2%
2012-13	165,043,120	4.0%	1.169	1,997,645	1,970,662	98.6%
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.8%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.8%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.1%
2016-17	211,532,524	8.8%	1.179	2,492,789	2,471,486	99.1%
2017-18	234,074,597	10.7%	1.172	2,732,615	2,709,048	99.1%
2018-19	259,329,479	10.8%	1.163	2,999,794	2,977,664	99.3%
2019-20	281,073,307 [4]	8.4%	1.180	3,316,946	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 2018-19 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 2019-20 is based upon initial assessed valuations times the secured property tax rate to provide an estimate.

4 Based on initial assessed valuations for fiscal year 2019-20.

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 2019-20, the total net assessed valuation of taxable property within the City was $281.1 billion. Of this total, $264.1 billion (93.9%) represents secured valuations and $17.0 billion (6.1%) represents unsecured valuations. See “Tax Levy and Collection” below, for a further discussion of secured and unsecured property valuations.

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

Under Article XIIIA of the State Constitution added by Proposition 13 in 1978, property sold after March 1, 1975 must be reassessed to full cash value at the time of sale. 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 the period following the Great Recession, assessment appeals increased significantly. In fiscal year 2010-11, the Assessor granted 18,841 temporary reductions in residential property assessed value worth a total of $2.35 billion, compared to 18,110 temporary reductions with a value of $1.96 billion granted in fiscal year 2009-10.

There can be no assurances that the expected global and national recession and economic dislocation resulting from the COVID-19 Emergency will not result in significant declines in real estate values in the City.

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 2018-19 are listed in Table A-7 below.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
Fiscal Years 2013-14 through 2018-19
(000s)

Fiscal Year	Amount Refunded
2013-14	$25,756
2014-15	16,304
2015-16	16,199
2016-17	33,397
2017-18	24,401
2018-19	30,071

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

As of July 1, 2019 the Assessor granted 2,546 temporary decline-in-value reductions resulting in the properties assessed values being reduced by a cumulative value of $244.01 million (using the 2018-19 tax rate of 1.163% this equates to a reduction of approximately $2.84 million in General Fund taxes), compared to July 1, 2018, when 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). Of the 2,546 total reductions, 569 temporary reductions were granted for residential or commercial properties. The remaining 1,977 reductions were for timeshares. The July 2019 temporary reductions of $244.0 million represents 0.09% of the fiscal year 2019-20 Net Assessed Valuation of $281.1 billion shown in Table A-6. 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.

There were 1,106 new applications filed during the six-month period of July 1 to December 31, 2019 and a total of 1,176 open applications as of December 31, 2019. As of June 30, 2019, the total number of open appeals before the AAB was 740, compared to 1,001 open AAB appeals as of June 30, 2018. As of June 30, 2019, there were 1,253 new applications filed during fiscal year 2018-19, compared to 1,636 new applications filed during the same period (June 30, 2018) of fiscal year 2017-18. Also, the difference between the current assessed value and the taxpayer’s opinion of values for all the open appeals is $14.9 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 $174.1 million would result. The General Fund’s portion of that potential $174.1 million would be approximately $83.2 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 that are based on historical results as to 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 BAAQMD and BART. The total tax levy for all taxing entities to begin fiscal year 2019-20 was $3.3 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 budgeted to receive $2.0 billion in the General Fund and $235.1 million in special revenue funds designated for children’s programs, libraries and open space. SFUSD and SFCCD were estimated to receive approximately $199.8 million and $37.4 million, respectively, and the local ERAF was estimated to receive $401.1 million (before adjusting for the vehicle license fees (“VLF”) backfill shift). The Successor Agency is estimated to receive approximately $171.3 million. The remaining portion will be 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. The City’s General Fund is allocated about 47.1% of total property tax revenue before adjusting for the VLF backfill shift and excess ERAF.

General Fund property tax revenues in fiscal year 2018-19 were $2.2 billion, representing an increase of $574.1 million (34.3%) over fiscal year 2017-18 actual revenue, due to recognition of three years’ excess ERAF revenue (fiscal years 2016-17, 2017-18, and 2018-19) in one year. The fiscal year 2019-20 excess ERAF amount budgeted in the General Fund is $185.0 million. Tables A-2 and A-4 set forth a history of budgeted and actual property tax revenues.

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 connection with the COVID-19 Emergency, a resolution passed by the San Francisco Board of Supervisors and signed by the Mayor designated San Francisco's property tax deadline to be May 4, 2020. On May 5, 2020 a resolution was approved by the San Francisco Board of Supervisors setting the property tax deadline to May 15, 2020. The Office of the Treasurer & Tax Collector has updated all forms to enable waiver requests for penalties if the bill is not paid by the due date. At this time, over 90% of the parcels have fully paid their property taxes.

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-8. The Tax Loss Reserve sets aside 1% of the total of all taxes and assessments levied for which the Teeter Plan is the applicable distribution method. The purpose of the Tax Loss Reserve is to cover losses that may occur. The amount has grown in recent years as the assessed values on the secured roll has grown.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2013-14 through 2018-19
(000s)

Year Ended	Amount Funded
2013-14	$19,654
2014-15	20,569
2015-16	22,882
2016-17	24,882
2017-18	25,567
2018-19	29,126

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, 2019 are shown in Table A-9. 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-9

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
July 1, 2019

Assessee	Location	Parcel Number	Type	Total Assessed Value [1]	% Basis of Levy [2]
SUTTER BAY HOSPITALS [3]	1101 - 1133 VAN NESS AVE	0695 007	HOSPITAL	$1,822,089,242	0.647%
TRANSBAY TOWER LLC	415 MISSION ST	3720 009	OFFICE	$1,691,744,881	0.601%
HWA 555 OWNERS LLC	555 CALIFORNIA ST	0259 026	OFFICE	$1,038,786,917	0.369%
ELM PROPERTY VENTURE LLC	101 CALIFORNIA ST	0263 011	OFFICE	$1,005,060,856	0.357%
GSW ARENA LLC	1 WARRIORS WAY	8722 021	ENTERTAINMENT COMP	$994,001,961	0.353%
SUTTER BAY HOSPITALS [3]	3615 CESAR CHAVEZ ST/555 SAN JOSE	6575 005	HOSPITAL	$854,219,935	0.303%
PPF PARAMOUNT ONE MARKET PLAZA OWNER LP	1 MARKET ST	3713 007	OFFICE	$850,993,350	0.302%
KR MISSION BAY LLC	1800 OWENS ST	8727 008	OFFICE	$789,225,180	0.280%
SHR GROUP LLC	301 - 345 POWELL ST	0307 001	HOTEL	$751,943,504	0.267%
SFDC 50 FREMONT LLC	50 FREMONT ST	3709 019	OFFICE	$703,105,639	0.250%
				$10,501,171,465	**3.729%**

[1] Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which excludes assessments processed during the fiscal year.
TAV includes land & improvments , 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 2019-20 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. The City's General Fund is also supported by other sources of revenue, including charges for services, fines and penalties, and transfers-in, which are not discussed below.

The information in this section "GENERAL FUND REVENUES" relating to 2019-20 projected revenues from the various sources described below is from the Original 2019-20 Budget. As described in "RECENT DEVELOPMENTS – COVID-19," the COVID-19 Emergency is expected to result in significant declines in General Fund revenues.

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 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 increased 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 applies to businesses with $1 million or more in gross receipts, adjusted by the Consumer Price Index going forward. Proposition E also imposes a 1.4% tax on administrative office business activities measured by a company's total payroll expense within San Francisco in lieu of the Gross Receipts Tax and increases annual business registration fees to as much as $35,000 for businesses with over $200 million in gross receipts. Prior to Proposition E, business registration taxes varied from $25 to $500 per year per subject business based on the prior year computed payroll tax liability. Proposition E increased the business registration tax rates to between $75 and $35,000 annually.

Business tax revenue in fiscal year 2018-19 was $919.6 million (all funds), representing an increase of $20.4 million (2.3%) from fiscal year 2017-18. Business tax revenue was budgeted at $1,072.7 million in the fiscal year 2019-20 Original Budget which would represent an increase of $153.2 million (16.7%) over fiscal year 2018-19 revenue. The vast majority of the City's business tax is deposited in the General Fund; approximately $2.0 million is allocated to the Neighborhood Beautification Fund. These figures do not assume gross receipts revenue related to either of the business tax measures approved by voters in 2018 as these are special purpose taxes deposited outside the General Fund.

*TABLE A-10**

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues - All Funds
Fiscal Years 2015-16 through 2019-20
(000s)

Fiscal Year[1]	Revenue	Change	
2015-16	$660,926	$48,994	8.0%
2016-17	702,331	41,405	6.3%
2017-18	899,142	196,811	28.0%
2018-19	919,552	20,410	2.3%
2019-20 *budgeted*[2]	1,072,720	153,168	16.7%

[1] Figures for fiscal years 2015-16 through 2018-19 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] Figures for fiscal year 2019-20 are Original Budget amounts.

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

*See "RECENT DEVELOPMENTS – COVID-19 – Joint Report Update," for a discussion of the currently projected impacts resulting from the COVID-19 Emergency.

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 in fiscal year 2018-19 ended at $414.3 million, an increase of $27.4 million (7.1%) from fiscal year 2017-18. In fiscal year 2019-20, hotel tax revenue is budgeted to be $427.1 million, representing growth of $12.7 million (3.1%). 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-11 includes hotel tax in all funds. The vast majority of the City's hotel tax is allocated to the General Fund, approximately $3 to $5 million of hotel tax is allocated for debt service on hotel tax revenue bonds, and approximately $16 to $34 million of hotel tax is allocated for arts and cultural programs.

*TABLE A-11**

CITY AND COUNTY OF SAN FRANCISCO

Transient Occupancy Tax Revenues - All Funds[1]

Fiscal Years 2015-16 through 2019-20

(000s)

Fiscal Year[2]	Tax Rate	Revenue	Change	
2015-16	14.0%	$392,686	($6,678)	-1.7%
2016-17	14.0%	375,289	(17,397)	-4.4%
2017-18	14.0%	387,006	11,716	3.1%
2018-19	14.0%	414,344	27,338	7.1%
2019-20 budgeted[3]	14.0%	427,080	12,737	3.1%

[1] 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 took effect January 1, 2019.

[2] Figures for fiscal year 2015-16 through fiscal year 2018-19 are audited actuals.

[3] Figures for fiscal year 2019-20 are Original Budget amounts.

*See "RECENT DEVELOPMENTS – COVID-19 – Joint Report Update," for a discussion of the currently projected impacts resulting from the COVID-19 Emergency.

Real Property Transfer Tax

Real property transfer tax (RPTT) 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 RPTT 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.

RPTT revenue for fiscal year 2018-19 was $364.0 million, an $83.6 million (29.8%) increase from fiscal year 2017-18 revenue. Fiscal year 2019-20 RPTT revenue is budgeted to be $296.1 million, $68.0 million (18.7%) less than fiscal year 2018-19. The entirety of RPTT revenue goes to the General Fund.

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*TABLE A-12**

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2015-16 through 2019-20
(000s)

Fiscal Year[1]	Revenue	Change	
2015-16	$269,090	($45,513)	-14.5%
2016-17	410,561	141,471	52.6%
2017-18	280,416	(130,145)	-31.7%
2018-19	364,044	83,628	29.8%
2019-20 *budgeted*[2]	296,053	(67,991)	-18.7%

[1] Figures for fiscal year 2015-16 through 2018-19 are audited actuals.

[2] Figures for fiscal year 2019-20 are Original Budget amounts.

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

*See "RECENT DEVELOPMENTS – COVID-19 – Joint Report Update," for a discussion of the currently projected impacts resulting from the COVID-19 Emergency.

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 ("Bradley-Burns" portion). 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.

The components of San Francisco's 8.5% sales tax rate are shown in table A-13. In addition to the 1% portion of local sales tax, the State subvenes portions of sales tax back to counties through 2011 realignment (1.0625%), 1991 realignment (0.5%), and public safety sales tax (0.5%). The subventions are discussed in more detail after the local tax section.

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TABLE A-13

San Francisco's Sales & Use Tax Rate	
State Sales Tax	**6.00%**
State General Fund	3.9375%
Local Realignment Fund 2011*	1.0625%
Local Revenue Fund*	0.50%
(to counties for health & welfare)	
Public Safety Fund (to counties & cities)*	0.50%
Local Sales Tax	**1.25%**
Local Sales Tax (to General Fund)*	1.00%
Local Transportation Tax (TDA)	0.25%
Special District Use Tax	**1.25%**
SF County Transportation Authority	0.50%
Bay Area Rapid Transit (BART)	0.50%
SF Public Financing Authority (Schools)	0.25%
TOTAL Sales Tax Rate	**8.50%**

* Represents portions of the sales tax allocated to the City.

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

Local sales tax (the 1% portion) revenue in fiscal year 2018-19 is $213.6 million, $20.7 million (10.7%) more than fiscal year 2017-18. Fiscal year 2019-20 revenue is budgeted to be $204.1 million, a decrease of $9.5 million (4.5%) from fiscal year 2018-19, due to one-time prior year payments received in fiscal year 2018-19. The entirety of sales tax revenue is deposited in the General Fund.

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 and spending patterns. In recent years, online retailers have contributed significantly to sales tax receipts, offsetting sustained declines in point of sale purchases.

Table A-14 reflects the City's actual sales and use tax receipts for fiscal years 2015-16 through 2018-19, and budgeted receipts for fiscal year 2019-20. The fiscal year 2015-16 figure 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."

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*TABLE A-14**

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2015-16 through 2019-20
(000s)

Fiscal Year[1]	Tax Rate	City Share	Revenue	Change	
2015-16	8.75%	0.75%	$167,915	$27,769	19.8%
2015-16 adj.[2]	8.75%	1.00%	204,118	17,227	9.2%
2016-17	8.75%	1.00%	189,473	(14,645)	-8.7%
2017-18	8.50%	1.00%	192,946	3,473	1.8%
2018-19	8.50%	1.00%	213,625	20,679	10.7%
2019-20 *budgeted*[3]	8.50%	1.00%	204,085	(9,540)	-4.5%

1 Figures for fiscal year 2015-16 through fiscal year 2018-19 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 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 June 2015.

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

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

*See "RECENT DEVELOPMENTS – COVID-19 – Joint Report Update," for a discussion of the currently projected impacts resulting from the COVID-19 Emergency.

Other Local Taxes

The City imposes a number of other general purpose taxes:

- Utility Users Tax (UUT) - A 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services.

- Access Line Tax ("ALT") – A charge of $3.64 on every telecommunications line, $27.35 on every trunk line, and $492.32 on every high capacity line in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. The tax is collected from telephone communications service subscribers by the telephone service supplier.

- Parking Tax - A 25% tax for off-street parking spaces. The tax is paid by occupants and remitted monthly to the City by parking facility operators. In accordance with Charter Section 16.110, 80% of parking tax revenues are transferred from the General Fund to the MTA's Enterprise Funds to support public transit.

- Sugar Sweetened Beverage Tax – A one cent per ounce tax on the distribution of sugary beverages. This measure was adopted by voters on November 9, 2016 (Prop V) and took effect on January 1, 2018.

- Stadium Admission Tax – A tax between $0.25 and $1.50 per seat or space in a stadium for any event, with some specific exclusions.

- Cannabis Tax – A gross receipts tax of 1% to 5% on marijuana business and permits the City to tax businesses that do not have a physical presence in the City. This measure was adopted by voters in November 2018 (Prop D).

- Franchise Tax – A tax for the use of city streets and rights-of-way on cable TV, electric, natural gas, and steam franchises.

Table A-15 reflects the City's actual tax receipts for fiscal years 2015-16 through 2018-19, and budgeted receipts for fiscal year 2019-20.

*TABLE A-15**

CITY AND COUNTY OF SAN FRANCISCO
Other Local Taxes
Fiscal Years 2015-16 through 2019-20
General Fund All Funds
(000s)

Tax	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals	2018-19 Actuals	2019-20 Budget
Utility Users Tax	$98,651	$101,203	$94,460	$93,918	$98,710
Access Line Tax	43,617	46,530	51,255	48,058	48,910
Parking Tax	86,012	84,278	83,484	86,020	83,000
Sugar Sweetened Beverage Tax	N/A	N/A	7,912	16,098	16,000
Stadium Admissions Tax	1,164	1,199	1,120	1,215	5,500
Cannabis Tax	N/A	N/A	N/A	N/A	3,000
Franchise Tax	16,823	17,130	16,869	15,640	17,650

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

*See "RECENT DEVELOPMENTS – COVID-19 – Joint Report Update," for a discussion of the currently projected impacts resulting from the COVID-19 Emergency.

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INTERGOVERNMENTAL REVENUES

State Subventions Based on Taxes

San Francisco receives allocations of State sales tax and Vehicle License Fee (VLF) revenue for 1991 Health and Welfare Realignment, 2011 Public Safety Realignment, and Prop 172 Public Safety Sales Tax. These subventions fund programs that are substantially supported by the General Fund. See "Sales and Use Tax" above.

- Health and Welfare Realignment, enacted in 1991, restructured the state-county partnership by giving counties increased responsibilities and dedicated funding to administer certain public health, mental health and social service programs.

- 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.

- 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. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above. 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.

Table A-16 reflects the City's actual receipts for fiscal years 2015-16 through 2018-19 and budgeted receipts for fiscal year 2019-20.

*TABLE A-16**

CITY AND COUNTY OF SAN FRANCISCO
Selected State Subventions - All Funds
Fiscal Years 2015-16 through 2019-20
($millions)

Tax	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals	2018-19 Actuals	2019-20 Budget[1]
Health and Welfare Realignment					
General Fund	$176.3	$192.1	$197.9	$217.6	$221.0
Hospital Fund	52.2	66.1	57.3	58.5	59.1
Total - Health and Welfare	**$228.5**	**$258.2**	**$255.2**	**$276.1**	**$280.1**
Public Safety Realignment (General Fund)	$39.8	$35.5	$37.4	$39.4	$42.1
Public Safety Sales Tax (Prop 172) (General Fund)	$97.0	$100.4	$104.8	$107.6	$104.6

Notes
1 Figures for fiscal year 2019-20 are Original Budget amounts.

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

*See "RECENT DEVELOPMENTS – COVID-19 – Joint Report Update," for a discussion of the currently projected impacts resulting from the COVID-19 Emergency.

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

The information in this section "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" relating to 2019-20 projected expenditures from the Original 2019-20 Budget. As described in "RECENT DEVELOPMENTS – COVID-19," the COVID-19 Emergency is expected to result in significant declines in revenues as well as increases in certain expenditures.

General Fund Expenditures by Major Service Area

As a consolidated city and county, San Francisco budgets General Fund expenditures in seven major service areas as described in table A-17 below:

*TABLE A-17**

CITY AND COUNTY OF SAN FRANCISCO
Expenditures by Major Service Area
Fiscal Years 2016-17 through 2019-20
(000s)

Major Service Areas	2016-17 Final Budget	2017-18 Final Budget	2018-19 Final Budget	2019-20 Original Budget
Public Protection	$1,266,148	$1,316,870	$1,390,266	$1,493,084
Human Welfare & Neighborhood Development	978,126	1,047,458	1,120,892	1,183,587
Community Health	763,496	832,663	967,113	950,756
General Administration & Finance	252,998	259,916	290,274	596,806
Culture & Recreation	139,473	142,081	154,056	173,969
General City Responsibilities	134,153	114,219	172,028	193,971
Public Works, Transportation & Commerce	166,295	238,564	214,928	208,755
Total*	$3,700,689	$3,951,771	$4,309,557	$4,800,929

*Total may not add due to rounding

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

*See "RECENT DEVELOPMENTS – COVID-19 – Joint Report Update," for a discussion of the currently projected impacts resulting from the COVID-19 Emergency.

Public Protection primarily includes the Police Department, the Fire Department and the Sheriff's Office. Human Welfare & Neighborhood Development includes the Department of Human Services' aid assistance, aid payments, and City grant programs. Community Health includes the Public Health Department, which also operates San Francisco General Hospital and Laguna Honda Hospital.

For budgetary purposes, enterprise funds (which are not shown on the table above) 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 General Hospital Fund, and the Laguna Honda Hospital Fund. These funds are supported by transfers from the General Fund to the extent their dedicated revenue streams are insufficient to support the desired level of services.

Voter-Mandated Spending Requirements

The Charter requires funding for voter-mandated spending requirements, which are also referred to as "baselines," "set-asides," or "mandates". The chart below identifies the required and budgeted levels of funding for key mandates. The spending requirements are formula-driven, variously based on projected aggregate General Fund discretionary revenue, property tax revenues, total budgeted spending, staffing levels, or population growth. Table A-18 reflects fiscal year 2019-20 spending requirements at the time the fiscal year 2019-20 budget was finally adopted. These mandates are either budgeted as transfers out of the General Fund, or allocations of property tax revenue.

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*TABLE A-18**

CITY AND COUNTY OF SAN FRANCISCO
Baselines & Set-Asides
Fiscal Year 2019-20
($millions)

	2019-20 Original Budget
Projected General Fund Aggregate Discretionary Revenue (ADR)	***$4,205.3***
Municipal Transportation Agency (MTA)	
MTA - Municipal Railway Baseline: 6.686% ADR	$281.2
MTA - Parking & Traffic Baseline: 2.507% ADR	105.4
MTA - Population Adjustment	56.3
MTA - 80% Parking Tax In-Lieu	66.4
Subtotal - MTA	**$509.3**
Library Preservation Fund	
Library - Baseline: 2.286% ADR	$96.1
Library - Property Tax: $0.025 per $100 Net Assessed Valuation (NAV)	65.3
Subtotal - Library	**$161.4**
Children's Services	
Children's Services Baseline - Requirement: 4.830% ADR	*$203.1*
Children's Services Baseline - Eligible Items Budgeted	223.2
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	*24.4*
Transitional Aged Youth Baseline - Eligible Items Budgeted	28.9
Public Education Services Baseline: 0.290% ADR	12.2
Children and Youth Fund Property Tax Set-Aside: $0.0375-0.4 per $100 NAV	104.5
Public Education Enrichment Fund: 3.057% ADR	*128.6*
1/3 Annual Contribution to Preschool for All	42.9
2/3 Annual Contribution to SF Unified School District	85.7
Subtotal - Children's Services	**$497.3**
Recreation and Parks	
Open Space Property Tax Set-Aside: $0.025 per $100 NAV	$65.3
Recreation & Parks Baseline - Requirement	76.2
Recreation & Parks Baseline - Budgeted	82.0
Subtotal - Recreation and Parks	**$147.3**
Other	
Housing Trust Fund Requirement	$36.8
Housing Trust Fund Budget	57.1
Dignity Fund	50.1
Street Tree Maintenance Fund: 0.5154% ADR	21.7
Municipal Symphony Baseline: $0.00125 per $100 NAV	3.5
City Services Auditor: 0.2% of Citywide Budget	20.1
Subtotal - Other	**$152.4**
Total Baselines and Set-Asides	**$1,467.6**

*See "RECENT DEVELOPMENTS – COVID-19 – Joint Report Update," for a discussion of the currently projected impacts resulting from the COVID-19 Emergency.

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 $5.6 billion in the fiscal year 2019-20 Original Budget (all funds), and $5.8 billion in the fiscal year 2020-21 Original Budget. Looking only at the General Fund, the combined salary and benefits budget was $2.6 billion in the fiscal year 2019-20 Original Budget and $2.8 billion in the fiscal year 2020-21 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 SF Unified School District ("SFUSD"), SFCCD and the San Francisco Superior Court, called Trial Court below, are not City employees.

Labor Relations

The City's budget for fiscal year 2019-20 included 37,907 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.

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, including managerial and executive-level employees, are represented by labor organizations.

Further, the City Charter requires binding arbitration to resolve negotiations in the event of impasse. If impasse is reached, the parties are required to convene a tripartite arbitration panel, chaired by an impartial third-party arbitrator, which sets the disputed terms of the new agreement. The award of the arbitration panel is final and binding. This process applies to all City employees except Nurses and a small group of unrepresented employees. Wages, hours and working conditions of nurses are not subject to interest arbitration but are subject to Charter-mandated economic limits. Since 1976, no City employees have participated in a union-authorized strike, which is prohibited by the Charter.

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 sworn police officers and fire fighters.

In May 2019, the City negotiated three-year agreements (for fiscal years 2019-20 through 2021-22) with 27 labor unions. This includes the largest unions in the City such as SEIU, IFPTE, Laborers Internationals, Local 261, Consolidated Crafts Coalition, and Municipal Executive Association ("MEA"). For the fiscal year 2019-20, the parties agreed to wage increases of 3% on July 1, 2019 and 1% on December 28, 2019. For fiscal year 2020-21, the parties agreed to a wage increase schedule of 3% on July 1, 2020 and 0.5% on December 26, 2020, with a provision to delay the fiscal year 2020-21 adjustment by six months if the City's deficit for fiscal year 2020-21, as projected in the March 2020 Update to the Five-Year Financial Plan, exceeds $200 million. For fiscal year 2021-22, the parties agreed to a wage increase schedule of 3% on

July 1, 2021 and 0.5% on January 8, 2022, with a provision to delay the fiscal year 2021-22 adjustment by six months if the City's deficit for fiscal year 2021-22, as projected in the March 2021 Update to the Five-Year Financial Plan, exceeds $200 million.

Also, in May 2019, the SFMTA negotiated three-year agreements (for fiscal years 2019-20 through 2021-22) with the unions that represent Transit Operators, Mechanics, Station Agents, Parking Control Officers and others. The parties agreed to the same wage increase schedule as the City.

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TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of April 15, 2020

Organization	City Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	504	30-Jun-22
Bricklayers, Local 3	10	30-Jun-22
Building Inspectors' Association	90	30-Jun-22
Carpenters, Local 22	114	30-Jun-22
Cement Masons, Local 300	45	30-Jun-22
Deputy Probation Officers' Association (DPOA)	142	30-Jun-22
Deputy Sheriffs' Association (DSA)	824	30-Jun-22
District Attorney Investigators' Association (DAIA)	45	30-Jun-22
Electrical Workers, Local 6	984	30-Jun-22
Firefighters' Association, Local 798 Unit 1	1,834	30-Jun-21
Firefighters' Association, Local 798 Unit 2	63	30-Jun-21
Glaziers, Local 718	14	30-Jun-22
Hod Carriers, Local 166	8	30-Jun-22
IATSE, Local 16	29	30-Jun-22
Institutional Police Officers' Association	1	30-Jun-22
Ironworkers, Local 377	14	30-Jun-22
Laborers, Local 261	1,150	30-Jun-22
Law Librarian and Asst Librarian	2	-
Municipal Attorneys' Association (MAA)	477	30-Jun-22
Municipal Executives' Association (MEA) Fire	9	30-Jun-21
Municipal Executives' Association (MEA) Miscellaneous	1,438	30-Jun-22
Municipal Executives' Association (MEA) Police	16	30-Jun-21
Operating Engineers, Local 3 Miscellaneous	65	30-Jun-22
Operating Engineers, Local 3 Supervising Probation	31	30-Jun-22
Painters, SF Workers United	134	30-Jun-22
Pile Drivers, Local 34	37	30-Jun-22
Plumbers, Local 38	352	30-Jun-22
Police Officers' Association (POA)	2,747	30-Jun-21
Professional and Technical Engineers, Local 21	6,436	30-Jun-22
Roofers, Local 40	13	30-Jun-22
SEIU, Local 1021 H-1s	1	30-Jun-20
SEIU, Local 1021 Misc	12,711	30-Jun-22
SEIU, Local 1021 Nurses	1,733	30-Jun-22
Sheet Metal Workers, Local 104	41	30-Jun-22
Sheriffs' Supervisory and Management Association (MSA)	109	30-Jun-22
Soft Tile Workers, Local 12	4	30-Jun-22
Stationary Engineers, Local 39	703	30-Jun-22
Teamsters, Local 853	178	30-Jun-22
Teamsters, Local 856 Miscellaneous	99	30-Jun-22
Teamsters, Local 856 Supervising Nurses	127	30-Jun-22
TWU, Local 200	385	30-Jun-22
TWU, Local 250-A (9132 Transit Fare Inspectors)	50	30-Jun-22
TWU, Local 250-A (9163 Transit Operator)	2,721	30-Jun-22
TWU, Local 250-A Auto Service Work	145	30-Jun-22
TWU, Local 250-A Miscellaneous	109	30-Jun-22
Union of American Physicians and Dentists (UAPD)	203	30-Jun-22
Unrepresented Employees	88	30-Jun-22
Other	872	
	37,907 [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 Employees' Retirement System ("SFERS" or "Retirement System")

As described in "RECENT DEVELOPMENTS – COVID-19," the COVID-19 Emergency has resulted in significant declines in the global and national stock markets. Contributions to SFERS are based upon an assumption of 7.4% investment returns each fiscal year. To the extent that returns fall below this level in the current and upcoming fiscal years, it will increase required City and employee contributions.

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.

The Internal Revenue Service ("IRS") issued a favorable Determination Letter for SFERS in July 2014. 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, 2019 is 44,157, compared to 43,129 at July 1, 2018. Active membership at July 1, 2019 includes 8,911 terminated vested members and 1,044 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 30,778 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-20 shows total Retirement System participation (City, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2015 through July 1, 2019.

TABLE A-20

City and County of San Francisco
Employees' Retirement System
July 1, 2015 through July 1, 2019

As of July 1st	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
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
2018	33,946	8,123	1,060	43,129	29,965	1.133
2019	34,202	8,911	1,044	44,157	30,778	1.111

Sources: SFERS' annual Actuarial Valuation Report dated July 1st.
See the Retirement System's website, mysfers.org, under Publications. The information on such website is not incorporated herein by reference.

Notes: Member counts exclude DROP participants. There are no active DROP members on or after July 1, 2016
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 were first effective for the July 1, 2018 actuarial valuation and were approved again by the Board for the July 1, 2019 actuarial valuation at their July 2019 meeting. 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 2017-18 City employer contributions to the Retirement System were $582.6 million, which included $315.3 million from the General Fund. Fiscal year 2018-19 City employer contributions to the Retirement System were $607.4 million, which includes $332.8 million from the General Fund. For fiscal year 2019-20, total City employee contributions to the Retirement System are budgeted at $692.0 million, which includes $327.4 million from the General Fund. These budgeted amounts are based upon the fiscal year 2019-20 employer contribution rate of 25.19% (estimated to be 21.8% after taking into account the 2011 Proposition C cost-sharing provisions). The fiscal year 2020-21 employer contribution rate is 26.90% (estimated to be 23.5% after cost-sharing). The increase in employer contribution rate from 25.19% to 26.90% reflects a new Supplemental COLA effective July 1, 2019 and the last-year of the five-year phase-in of the 2015 demographic assumption changes approved by the Retirement Board. Employer contribution rates anticipate annual increases in pensionable payroll of 3.5% and total contributions to the Retirement System could continue to climb even as contribution rates decline. 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-21 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2013-14 through 2017-18. Information is shown for all employers in the Retirement System (City & County, 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 sum of mandated employee and employer contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

TABLE A-21

City and County of San Francisco
Employees' Retirement System
Fiscal Years 2014-2015 through 2018-2019
(Amounts in 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
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
2018	27,335,417	24,557,966	23,866,028	89.8	87.3	983,763	23.46
2019	28,798,581	26,078,649	25,247,549	90.6	87.7	1,026,036	23.31

[1] Employer contribution rates are shown prior to employer/employee cost-sharing provisions of 2011 Proposition C.
Employer contribution rates for fiscal years 2019-20 and 2020-21 are 25.19% and 26.90%, respectively.

Sources: SFERS' audited year-end financial statements and required supplemental information.
SFERS' annual Actuarial Valuation Report dated July 1st. See the Retirement System's website, mysfers.org, under Publications.
The information on such website is not incorporated herein 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 2019, the Market Percent Funded ratio is higher than the Actuarial Percent Funded ratio. 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*. The City discloses accounting and financial information about the Retirement System under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. In general, the City's funding of its pension obligations is not affected by the GASB 68 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 four 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 already been granted as of the valuation date.

Supplemental COLAs do not occur every year as they are only granted after favorable investment experience and only to certain groups of retirees dependent upon the funded status of the pension plan. Supplemental COLAs are capped at 3.5% less any basic COLA. As the majority of retirees have annual basic COLAs capped at 2.0%, a Supplemental COLA when granted typically represents a 1.5% increase in benefit.

Table A-21A 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-21A

City and County of San Francisco
Employees' Retirement System
GASB 67/68 Disclosures
Fiscal Years 2014-15 through 2018-19
(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
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
2018	28,840,673	7.50	24,557,966	85.2	4,282,707	4,030,207
2019	30,555,289	7.40	26,078,649	85.3	4,476,640	4,213,807

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

The trend in the decline in the City's net pension liability due to investment returns in excess of the assumed returns would have continued at year-end 2019 but was offset by the increase in TPL due to the drop in discount rate from 7.50% to 7.40%.

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, 2019, see the City's CAFR.

Annualized investment return (net of fees and expenses) for the Retirement System for the five years ending June 30, 2019 was 7.57%. For the ten-year and twenty-year periods ending June 30, 2019, annualized investment returns were 10.43% and 7.02% 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) 487-7000. 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 appealed the Superior Court's injunction; however, the injunction was affirmed by the Court of Appeal reserving the power to take action for the City's voters.

In August 2012, then-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.

Impact on the Retirement System from Changes in the Economic Environment

As of June 30, 2019, the audited market value of Retirement System assets was $26.1 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 lower or higher. 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. Section A8.510 of the Charter requires the City to pay the full amount required by the actuarial valuations. The actual total employer contributions to CalPERS was $30.7 million in fiscal year 2017-18, and $34.9 million in fiscal year 2018-19. In addition to the required amounts, the City elected to pay an additional amount of $8.4 million in fiscal years 2017-18, 2018-19 and 2019-2020 in order to reduce its unfunded liability. Further discussion of the City's CalPERS plan obligations is summarized in Note 9 to the City's CAFR, as of June 30, 2019. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – *Post-Employment Health Care Benefits and GASB 75 Reporting Requirements*."

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 SFHSS also administers medical benefits to active and retired employees of SFUSD, SFCCD and the San Francisco Superior Court, however, the City is only required to fund medical benefits for City Beneficiaries.

The San Francisco Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The plans (the "SFHSS Medical Plans") for providing medical care to the City 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 City Beneficiaries are funded. The San Francisco Health Service System issues an annual, publicly available, independently- audited financial report that includes financial statements for the Health Service Trust Fund. This report may be obtained through the SFHSS website, by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103, or by calling (415) 554-1750. Audited annual financial statements for prior years are posted to the SFHSS website, however the information available on the SFHSS website is not incorporated in this Official Statement by reference.

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, GASB Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 45") and GASB Statement Number 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which apply to OPEB trust funds, do not apply to the San Francisco Health Service System Trust Fund. However, the City has been funding the Retiree Health Care Trust Fund for the purpose of prefunding future OPEB payments as described below.

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 an annual survey of the amount of premium contributions provided by the ten most populous counties in California (other than the City) for health care. 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." The "average contribution" is used to calculate the City's required contribution to the Health Service Trust Fund for retirees.

For unions representing approximately 93.3% of City employees, rather than applying the "average contribution" to determine the amount the City is required to contribute for active employees, a percentage-based employee premium contribution formula was negotiated through collective bargaining. 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 the assets of 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.*"

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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 pursuant to Charter Section A8.428. For retirees who were hired on or after January 10, 2009, the City contributes a portion of the medical coverage costs based on five coverage / employer contribution classifications that reflect certain criteria outlined in the table below.

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.

Three ACA taxes impact SFHSS rates for medical coverage. The taxes and the current status are as follow:

- **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. The National Defense Authorization Act for Fiscal Year 2020, signed into law by President Trump on December 20, 2019, repealed the Cadillac tax, effective January 1, 2020.

- **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. The tax was repealed effective January 1, 2021. The HIT is in effect in 2020 and substantially impacted rates.

- **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). The tax was repealed effective January 1, 2020.

- **Patient-Centered Outcomes Research Institute (PCORI) Fee**
  Congress revived and extended the PCORI fee, which had expired in 2019. The PCORI fee, adopted in the ACA, is paid by issuers of health insurance policies and plan sponsors of self-insured health plans to help fund the Patient-Centered Outcomes Research Institute. The fee is based on the average number of lives covered under the policy or plan. The fee will now apply to policy or plan years ending on or after October 1, 2012, and before October 1, 2029.

Employer Contributions for San Francisco Health Service System Benefits

For fiscal year 2018-19, based on the most recent audited financial statements, the San Francisco Health Service System received approximately $789.8 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately $669.2 million; approximately $186.5 million of this $669.2 million amount was for health care benefits for approximately 22,563 retired City employees and their eligible dependents and approximately $482.7 million was for benefits for approximately 32,931 active City employees and their eligible dependents.

The 2020 aggregate (employee and employer) cost of benefits offered by SFHSS to the City increased by 4.6%, which is below national trends of 5.5% to 6%. This can be attributed 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. The 2020 aggregate cost of benefits offered by SFHSS to the City increased 4.6% which is also less than the national trends.

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 these employees equal to 2% of their salary, with the City contributing an additional 1%, into a Retiree Health Care Trust Fund.

Under Proposition C, passed by San Francisco voters in November of 2011, employees hired on or before January 9, 2009, were required to contribute 0.25% of compensation into the Retiree Health Care Trust Fund beginning in fiscal year 2016-17. This contribution increased to 0.50% in fiscal year 2017-18, 0.75% in fiscal year 2018-19, and will reach the maximum contribution of 1.00% in fiscal year 2019-20. These contributions are matched by the City on a one-to-one basis.

Unlike employee pension contributions that are made to individual accounts, contributions to the Retiree Health Care Trust Fund are non-refundable, even if an employee separates from the City and does not receive retiree health care from the City.

Proposition A, passed by San Francisco voters on November 5, 2013, restricted the City's ability to withdraw funds from the Retiree Health Care Trust Fund. The restrictions allow payments from the fund only when certain conditions are met. 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 75.

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 implemented 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 requires 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.

City's Estimated Liability

The City is required by GASB 75 to prepare a new actuarial study of its postemployment benefits obligation at least once every two years. As of June 30, 2018, the most recent actuarial valuation date, the retiree health care fiduciary plan net position as a percentage of the total OPEB liability was 6.6%. As of June 30, 2019, the estimated covered payroll (annual payroll of active employees covered by the plan) was $3.58 billion and the ratio of the Net OPEB liability to the covered payroll was 100.5%.

While GASB 75 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 liability. See Note 9(b) and the Required Supplementary Information to the City's CAFR, as of June 30, 2019. Five-year trend information is displayed in Table A-22.

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TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO
Five-year Trend
Fiscal Years 2014-15 to 2018-19
(000s)

Fiscal Year	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
2014-15	363,643	46.0%	1,990,155
2015-16	326,133	51.8%	2,147,434
2016-17	421,402	43.6%	2,384,938
2017-18	355,186	57.4%	3,717,209 [1]
2018-19	320,331	68.2%	3,600,967

1 Starting in FY2017-18, the liability amount reflects what is referred to as Net OPEB Liability due to the implementation of GASB Statement No. 75.

Total City Employee Benefits Costs

Table A-23 provides historical and 2019-20 Original Budget information for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. Historically, approximately 50% of health benefit costs are paid from the General Fund. For all fiscal years shown, a “pay-as-you-go” approach was used by the City for health care benefits.

Table A-23 below provides a summary of the City’s employee benefit actual and budgeted costs from fiscal year 2015-16 to fiscal year 2019-20.

TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2015-16 through 2019-20
(000s)

	2015-16 Actual[1]	2016-17 Actual[1]	2017-18 Actual[1]	2018-19 Actual[1]	2019-20 Budget[4]
SFERS and PERS Retirement Contributions	$531,821	$554,956	$621,055	$650,011	$733,385
Social Security & Medicare	184,530	196,914	$212,782	$219,176	$229,342
Health - Medical + Dental, active employees [2]	421,864	459,772	$501,831	$522,006	$525,511
Health - Retiree Medical [2]	158,939	165,822	$178,378	$186,677	$195,607
Other Benefits [3]	20,827	21,388	$44,564	$26,452	$23,308
Total Benefit Costs	$1,317,981	$1,398,852	$1,558,609	$1,604,322	$1,707,153

1 Fiscal year 2015-16 through fiscal year 2018-19 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 Figures for fiscal year 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.

Investment Portfolio

As of March 31, 2020, the City's surplus investment fund consisted of the investments classified in Table A-24 and had the investment maturity distribution presented in Table A-25.

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TABLE A-24

City and County of San Francisco
Investment Portfolio
Pooled Funds
As of March 31, 2020

Type of Investment	**Par Value**	**Book Value**	**Market Value**
U.S. Treasuries	$2,060,000,000	$2,063,089,067	$2,081,059,750
Federal Agencies	4,701,300,000	4,700,002,121	4,741,471,584
State and Local Obligations	80,731,641	80,301,528	81,441,567
Public Time Deposits	45,000,000	45,000,000	45,000,000
Negotiable Certificates of Deposit	2,004,290,000	2,004,379,064	2,008,567,598
Commercial Paper	960,000,000	950,271,543	954,974,946
Medium Term Notes	5,000,000	4,997,000	5,072,600
Money Market Funds	1,421,562,862	1,421,562,862	1,421,562,862
Supranationals	922,135,000	918,039,690	925,751,776
Total	$12,200,019,503	$12,187,642,876	$12,264,902,683

March Earned Income Yield: 1.786%

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-25

City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of March 31, 2020

Maturity in Months			Par Value	Percentage
0	to	1	$2,122,062,862	17.39%
1	to	2	604,495,000	4.95%
2	to	3	891,575,000	7.31%
3	to	4	845,000,000	6.93%
4	to	5	280,490,000	2.30%
5	to	6	578,000,000	4.74%
6	to	12	2,456,295,000	20.13%
12	to	24	2,329,141,641	19.09%
24	to	36	1,040,140,000	8.53%
36	to	48	120,495,000	0.99%
48	to	60	932,325,000	7.64%
			$12,200,019,503	100.00%

Weighted Average Maturity: 410 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, 2019 are described in the City's CAFR, Notes 2(c) 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 2020-2029 Capital Plan was approved by the CPC on April 17, 2019 and was adopted by the Board of Supervisors on April 30, 2019. The Capital Plan contains $39.1 billion in capital investments over the coming decade for all City departments, including $5.1 billion in projects for General Fund-supported departments. The Capital Plan proposes $2.2 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 critical seismic projects and relocation of staff from seismically vulnerable facilities; upgrades to public health, police, and fire facilities; transportation and utility system improvements; improvements to homeless service sites; street and right-of-way improvements; the removal of barriers to accessibility; and park improvements, among other capital projects. $3.5 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long- term obligations, subject to planning policy constraints. 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 $20.3 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, the Sewer System Improvement Program, and building adequate facilities to support the City's growing transit fleet, among others. Approximately $10.2 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 $4.9 billion in capital needs including enhancements are deferred from the plan's horizon.

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 – City General Obligation Bonds

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds" or "GO bonds") can only be authorized with a two-thirds approval of the voters. As of April 15, 2020, the City had approximately $2.4 billion aggregate principal amount of GO bonds outstanding. In addition to the City's general obligation bonds, BART, SFUSD and SFCCD also have outstanding general obligation as shown in Table A-31.

Table A-26 shows the annual amount of debt service payable on the City's outstanding GO bonds.

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TABLE A-26

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of April 15, 2020 [1] [2]

Fiscal Year	Principal	Interest	Annual Debt Service
2019-20	210,171,232	98,546,557	308,717,789
2020-21	138,955,457	91,074,014	230,029,471
2021-22	145,723,401	84,719,077	230,442,478
2022-23	150,220,251	77,973,738	228,193,989
2023-24	153,681,206	70,831,450	224,512,656
2024-25	155,441,476	63,488,523	218,929,998
2025-26	151,666,279	56,209,917	207,876,196
2026-27	157,865,840	49,469,475	207,335,315
2027-28	163,499,035	42,791,941	206,290,977
2028-29	164,651,751	36,301,643	200,953,394
2029-30	161,730,095	29,651,363	191,381,458
2030-31	124,506,950	23,235,339	147,742,289
2031-32	128,690,000	18,740,990	147,430,990
2032-33	95,040,000	14,156,294	109,196,294
2033-34	71,710,000	10,599,722	82,309,722
2034-35	64,140,000	7,975,267	72,115,267
2035-36	44,420,000	5,649,220	50,069,220
2036-37	32,815,000	4,095,129	36,910,129
2037-38	22,905,000	2,955,139	25,860,139
2038-39	3,280,000	2,133,507	5,413,507
2039-40	1,725,000	2,024,678	3,749,678
2040-41	1,795,000	1,954,971	3,749,971
2041-42	1,865,000	1,882,435	3,747,435
2042-43	1,940,000	1,807,070	3,747,070
2043-44	2,020,000	1,728,675	3,748,675
2044-45	2,100,000	1,647,047	3,747,047
2045-46	2,185,000	1,562,186	3,747,186
2046-47	2,275,000	1,473,890	3,748,890
2047-48	2,365,000	1,381,957	3,746,957
2048-49	2,460,000	1,286,387	3,746,387
2049-50	2,560,000	1,186,979	3,746,979
2050-51	2,670,000	1,076,361	3,746,361
2051-52	2,790,000	960,990	3,750,990
2052-53	2,910,000	840,435	3,750,435
2053-54	3,035,000	714,693	3,749,693
2054-55	3,165,000	583,551	3,748,551
2055-56	3,300,000	446,791	3,746,791
2056-57	3,445,000	304,198	3,749,198
2057-58	3,595,000	155,340	3,750,340
TOTAL [3]	**2,389,312,973**	**813,616,939**	**$3,202,929,911**

[1] This table includes the City's General Obligation Bonds shown in Table A-31 and does not include any overlappin debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.

[2] Totals reflect rounding to nearest dollar.

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

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

Authorized but Unissued City GO Bonds

Certain GO 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 ("1992 Proposition A") which authorized the issuance of up to $350.0 million in GO bonds to support San Francisco's Seismic Safety Loan Program ("SSLP"), which provides loans for the seismic strengthening of privately-owned unreinforced masonry affordable housing, market-rate residential, commercial and institutional buildings. Between 1994 and 2015, the City issued $89.3 million of bonds under the original 1992 Proposition A authorization. In November 2016, voters approved Proposition C ("2016 Proposition C"), which amended the 1992 Proposition A authorization (together, the " 1992A/2016A Propositions") to broaden the scope of the remaining $260.7 million authorization by adding the eligibility to finance the acquisition, improvement, and rehabilitation to convert at-risk multi-unit residential buildings to affordable housing, as well as the needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs. In early 2019, $72.4 million of bonds were issued under the 1992A/2016A Propositions. Currently $188.3 million remains authorized and unissued.

In November 2014, voters approved Proposition A ("2014 Transportation Proposition"), which authorized the issuance of up to $500.0 million in general obligation bonds for the construction, acquisition and improvement of certain transportation and transit related improvements and other related costs. The City issued $241.5 million over two series of bonds in 2015 and 2018, leaving $258.6 million authorized and unissued.

In June 2016, voters approved Proposition A ("2016 Public Health & Safety Proposition"), which authorized the issuance of up to $350.0 million in general obligation bonds 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 $223.1 million over two series of the bonds in 2017 and 2018, leaving $126.9 million authorized and unissued.

In November 2018, voters approved Proposition A ("2018 Embarcardero Seawall Improvement Proposition"), authorizing the issuance of up to $425.0 million in general obligation bonds for repair 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. In July 2019, the Board of Supervisors approved the issuance of a first series of bonds under this authorization in an amount not to exceed $50.0 million. The bonds are expected to be issued in May 2020.

In November 2019, voters approved Proposition A ("2019 Affordable Housing Proposition"), which authorized the issuance of up to $600.0 million in general obligation bonds to finance the construction, development, acquisition, and preservation of affordable housing for certain vulnerable San Francisco residents; to assist in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent the displacement of residents; to repair and reconstruct distressed and dilapidated public housing developments and their underlying infrastructure; to assist the City's middle-income residents or workers in obtaining affordable rental or home ownership opportunities including down payment assistance and support for new construction of affordable housing for San Francisco Unified School District and City College of San Francisco employees; and to pay related costs. Bonds have not been issued yet under this authorization.

In March 2020, voters approved Proposition B ("2020 Earthquake Safety and Emergency Response Proposition") which authorized the issuance of up to $628.5 million in general obligation bonds to aid fire, earthquake and emergency response by improving, constructing, and/or replacing: deteriorating cisterns, pipes, and tunnels, and related facilities to ensure firefighters a reliable water supply for fires and disasters; neighborhood fire and police stations and supporting facilities; the City's 911 Call Center; and other disaster response and public safety facilities, and to pay related costs. 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 ("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 ("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-27 below.

TABLE A-27

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds
As of April 15, 2020

Series Name	Date Issued	Principal Amount Issued	Amount Outstanding
2008-R1	May 2008	$232,075,000	$3,480,000
2011-R1	November 2011	339,475,000	149,240,000 [1]
2015-R1	February 2015	293,910,000	234,310,000 [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-28 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 April 15, 2020, the City had authorized and unissued general obligation bond authority of approximately $2.2 billion.

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TABLE A-28

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of April 15, 2020

Bond Authorization Name	Election Date	Authorized Amount	Series	Bonds Issued	Bonds Outstanding	Authorized & Unissued
Seismic Safety Loan Program	11/3/92	$350,000,000	1994A	$35,000,000	-	
			2007A	$30,315,450	$18,657,973	
			2015A	$24,000,000	-	
Reauthorization to Repurpose for Affordable Housing	11/8/16		2019A	$72,420,000	$72,420,000	$188,264,550
Clean & Safe Neighborhood Parks	2/5/08	$185,000,000	2008B	$42,520,000	-	
			2010B	$24,785,000	-	
			2010D	$35,645,000	$35,645,000	
			2012B	$73,355,000	$45,285,000	
			2016A	$8,695,000	$7,195,000	-
San Francisco General Hospital & Trauma Center	11/4/08	$887,400,000	2009A	$131,650,000	-	
Earthquake Safety			2010A	$120,890,000	-	
			2010C	$173,805,000	$173,805,000	
			2012D	$251,100,000	$147,770,000	
			2014A	$209,955,000	$154,035,000	-
Earthquake Safety and Emergency Response Bond	6/8/10	$412,300,000	2010E	$79,520,000	$38,335,000	
			2012A	$183,330,000	$114,990,000	
			2012E	$38,265,000	$28,380,000	
			2013B	$31,020,000	$16,720,000	
			2014C	$54,950,000	$40,095,000	
			2016C	$25,215,000	$21,435,000	-
Road Repaving & Street Safety	11/8/11	$248,000,000	2012C	$74,295,000	$46,360,000	
			2013C	$129,560,000	$69,785,000	
			2016E	$44,145,000	$37,515,000	-
Clean & Safe Neighborhood Parks	11/6/12	$195,000,000	2013A	$71,970,000	$38,780,000	
			2016B	$43,220,000	$23,355,000	
			2018A	$76,710,000	$44,855,000	
			2019B	$3,100,000	$3,100,000	-
Earthquake Safety and Emergency Response Bond	6/3/14	$400,000,000	2014D	$100,670,000	$73,435,000	
			2016D	$109,595,000	$72,305,000	
			2018C	$189,735,000	$137,570,000	-
Transportation and Road Improvement	11/4/14	$500,000,000	2015B	$67,005,000	$41,870,000	
			2018B	$174,445,000	$102,010,000	$258,550,000
Affordable Housing Bond	11/3/15	$310,000,000	2016F	$75,130,000	$48,485,000	
			2018D	$142,145,000	$102,070,000	
			2019C	$92,725,000	$92,725,000	-
Public Health and Safety Bond	6/7/16	$350,000,000	2017A	$173,120,000	$116,925,000	
			2018E	$49,955,000	$36,370,000	$126,925,000
Embarcadero Seawall Earthquake Safety	11/6/18	$425,000,000				$425,000,000
Affordable Housing Bond	11/5/19	$600,000,000				$600,000,000
Earthquake Safety and Emergency Response Bond	3/3/20	$628,500,000				$628,500,000
SUBTOTAL		$5,491,200,000		$3,263,960,450	$2,002,282,973	$2,227,239,550

General Obligation Refunding Bonds	Dated Issued			Bonds Issued	Bonds Outstanding	
Series 2008-R1	5/29/08			$232,075,000	$3,480,000	
Series 2011-R1	11/9/12			$339,475,000	$149,240,000	
Series 2015-R1	2/25/15			$293,910,000	$234,310,000	
SUBTOTAL				$865,460,000	$387,030,000	
TOTALS		**$5,491,200,000**		**$4,129,420,450**	**$2,389,312,973**	**$2,227,239,550**

[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 ."

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

General Fund Lease 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-29 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 April 15, 2020.

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TABLE A-29

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of April 15, 2020[1]

Fiscal Year[2]	Principal	Interest [3]	Annual Payment Obligation
2019-20[4]	$3,980,000	$1,494,267	$5,474,267
2020-21	57,640,000	64,058,824	121,698,824
2021-22	58,080,000	61,435,465	119,515,465
2022-23	61,305,000	58,765,744	120,070,744
2023-24	64,205,000	55,941,418	120,146,418
2024-25	65,305,000	52,955,087	118,260,087
2025-26	66,610,000	49,957,666	116,567,666
2026-27	69,745,000	46,794,502	116,539,502
2027-28	64,640,000	43,637,007	108,277,007
2028-29	69,600,000	40,500,835	110,100,835
2029-30	70,200,000	37,378,013	107,578,013
2030-31	65,535,000	34,517,264	100,052,264
2031-32	58,550,000	31,911,416	90,461,416
2032-33	59,625,000	29,519,716	89,144,716
2033-34	62,105,000	26,887,785	88,992,785
2034-35	53,165,000	24,516,247	77,681,247
2035-36	53,125,000	22,213,443	75,338,443
2036-37	52,505,000	19,873,029	72,378,029
2037-38	54,635,000	17,552,864	72,187,864
2038-39	56,845,000	15,136,956	71,981,956
2039-40	59,160,000	12,618,872	71,778,872
2040-41	61,560,000	9,997,668	71,557,668
2041-42	56,000,000	7,430,811	63,430,811
2042-43	20,990,000	5,247,200	26,237,200
2043-44	19,855,000	4,388,600	24,243,600
2044-45	20,650,000	3,594,400	24,244,400
2045-46	13,695,000	2,768,400	16,463,400
2046-47	14,245,000	2,220,600	16,465,600
2047-48	13,220,000	1,650,800	14,870,800
2048-49	13,750,000	1,122,000	14,872,000
2049-50	14,300,000	572,000	14,872,000
TOTAL [5]	**$1,474,825,000**	**$786,658,899**	**$2,261,483,899**

[1] Excludes commercial Paper and the following private placements (with current outstanding amounts):
SFGH Emergency Backup Generators Project ($11,793,228)
Gsmart Citywide Emergency Radio Replacement Project ($24,511,781)
Transbay CCSF Lease Revenue Direct Placement Revolving COPs ($76,000,000)

[2] For the Series 2018A (Refunding Open Space LRBs), reflects 7/1 payments to be paid in the current fiscal year, as budgeted.

[3] Totals reflect rounding to nearest dollar.

[4] Excludes payments made to date in current fiscal year.

[5] 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 3.50%. These bonds are in variable rate mode.

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

Voter-Approved Lease Revenue Bonds

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.

In 1990, voters approved Proposition C ("1990 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. 1990 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 April 15, 2020, the total authorized and unissued amount for such financings was $82.3 million.

In 1994, voters approved Proposition B ("1994 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 1994 Proposition B lease revenue bonds, respectively, leaving $14.1 million in remaining authorization. There are no current plan to issue additional series of bonds under 1994 Proposition B.

In 2000, voters approved Proposition C ("2000 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"). 2000 Proposition C also authorized the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. In August 2018 the City issued refunding lease revenue bonds, which are currently outstanding in the principal amount of $31.9 million to refund Series 2006 and 2007 Open Space Fund lease revenue bonds.

In 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 established 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. In August 2018 the City issued refunding lease revenue bonds, which are currently outstanding in the principal amount of $12.2 million, to refund Series 2009A Branch Library Improvement Project lease revenue bonds.

Table A-30 below lists the City's outstanding certificates of participation and voter-authorized lease revenue bonds.

TABLE A-30

CITY AND COUNTY OF SAN FRANCISCO
Outstanding Certificates of Participation and Lease Revenue Bonds
As of April 15, 2020

Issue Name	Final Maturity	Original Par	Outstanding Principal
CERTIFICATES OF PARTICIPATION[1]			
Series 2009C (525 Golden Gate Avenue)	2022	$38,120,000	$12,490,000
Series 2009D - Taxable BABs (525 Golden Gate Avenue)	2041	129,550,000	129,550,000
Refunding Series 2010A	2033	138,445,000	90,950,000
Refunding Series 2011A (Moscone Center South)	2024	23,105,000	11,690,000
Series 2012A (Multiple Capital Improvement Projects)	2036	42,835,000	32,580,000
Series 2013B - Non-AMT (Port Facilities Project)	2038	4,830,000	4,830,000
Series 2013C - AMT (Port Facilities Project)	2043	32,870,000	23,965,000
Refunding Series 2014-R1 (Courthouse Project)	2021	13,615,000	2,230,000
Refunding Series 2014-R2 (Juevenile Hall Project)	2034	33,605,000	26,030,000
Series 2015A (War Memorial Veterans Building)	2045	112,100,000	112,100,000
Series 2015B - Taxable (War Memorial Veterans Building)	2024	22,225,000	7,935,000
Refunding Series 2015-R1 (City Office Buildings - Multiple Properties)	2040	123,600,000	112,030,000
Series 2016A (War Memorial Veterans Building)	2032	16,125,000	12,540,000
Series 2017A - Taxable (Hope SF)	2047	28,320,000	26,445,000
Series 2017B (Moscone Convention Center Expansion Project)	2042	412,355,000	392,255,000
Series 2019A (49 South Van Ness Project)	2050	247,810,000	247,810,000
Refunding Series 2019-R1 (Multiple Capital Improvement Projects)	2035	116,460,000	107,005,000
Subtotal Certificates of Participation		**$1,535,970,000**	**$1,352,435,000**
LEASE PURCHASE FINANCING			
2010 Lease Purchase Financing (SFGH Emergency Backup Generators)	2025	$22,549,489	$11,793,228
2016 Lease Purchase Financing (Public Safety Radio Replacement Project)	2026	34,184,136	24,511,781
Subtotal Lease Revenue Bonds		**$56,733,625**	**$36,305,010**
FINANCE CORPORATION LEASE REVENUE BONDS			
Refunding Series 2008-1 (Moscone Center Expansion Project) - Variable	2030	$72,670,000	$36,100,000
Refunding Series 2008-2 (Moscone Center Expansion Project) - Variable	2030	72,670,000	36,100,000
Refunding Series 2010-R1 (Emergency Communications System)	2024	22,280,000	6,060,000
Refunding Series 2018A (Open Space Fund - Various Park Projects)	2029	34,950,000	31,955,000
Refunding Series 2018B (Branch Library Improvement Program)	2028	13,355,000	12,175,000
Subtotal Lease Revenue Bonds		**$215,925,000**	**$122,390,000**
Total General Fund Obligations		**$1,808,628,625**	**$1,511,130,010**

[1] Excludes Commercial Paper and the CCSF Lease Revenue Direct Placement Revolving COPs (Transbay), which was outstanding in the principal amount of $76,000,000 as of 4/15/20.

Board Authorized and Unissued Long-Term Certificates of Participation

Treasure Island Improvement Project: 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 to finance the cost of additions and improvements to the utility infrastructure at Treasure Island. At this time there is not an expected timeline for the issuance these certificates.

Animal Care and Control Renovation Project: 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 to finance the costs acquisition, construction, and improvement of an animal care and control facility. The City anticipates issuing the certificates in Fiscal Year 2020-21.

Housing Trust Fund Project: In April 2016, the Board authorized and the Mayor approved the issuance of not to exceed $95.0 million of City and County of San Francisco Certificates of Participation (Affordable Housing Projects) to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects. The City anticipates issuing the certificates in multiple series, with the first issuance in Fiscal Year 2021-22.

Hall of Justice Relocation Projects: In October 2019, the Board authorized and the Mayor approved the issuance of not to exceed $94.6 million of City and County of San Francisco Certificates of Participation (Multiple Capital Projects) to (i) finance or refinance the site acquisition of 814-20 Bryant Street and 470 6th Street and related construction, acquisitions, and improvement costs; and (ii) finance or refinance the acquisition of 1828 Egbert Avenue and related construction, acquisitions, and improvement costs. The City anticipates issuing the certificates in Fall 2020.

Also in October 2019, the Board authorized and the Mayor approved the issuance of not to exceed $62.0 million of City and County of San Francisco Certificates of Participation (Multiple Capital Projects) to finance or refinance tenant improvements involving the construction, acquisition, improvement, renovation, and retrofitting of City-owned properties as needed for the Hall of Justice Improvement Project enabling staff and offices to be consolidated in acquired City-owned properties. The City anticipates issuing the certificates in Fiscal Year 2021-22.

HOPE SF Project: In December 2019, the Board authorized and the Mayor approved the issuance of not to exceed $83.6 million of City and County of San Francisco Certificates of Participation to finance or refinance certain capital improvements, including but not limited to certain properties generally known as Hunters View, Sunnydale, and Potrero Terrace and Annex housing developments. The City anticipates issuing the certificates in Fiscal Year 2021-22.

Commercial Paper Program

In March 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"). 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. 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 Series 1 and 1-T and Series 2 and 2-T CP notes are secured by credit facilities 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 2021. The Series 3 and 3-T and 4 and 4-T are secured by a letter of credit issued by State Street Bank and Trust Company expiring in February 2022.

As of April 1, 2020, the outstanding principal amount of CP Notes is $115.6 million. The weighted average interest rate for the outstanding CP Notes is approximately 1.31%. The projects with Board Authorized and Unissued Certificates of Participation currently utilizing the CP Program include Animal Care and Control, Housing Trust Fund, and the Hall of Justice Relocation Project. Also utilizing the CP Program is the San Francisco General Hospital and Trauma Project which is financing the costs of the acquisition of furniture, fixtures and equipment ("SFGH FF&E"). The following is a summary of the outstanding liability by project associated with the CP Notes outstanding.

Project	**CP Notes Liability as of 4/1/2020**
Animal Care and Control	$4,860,638
Housing Trust Fund	$18,643,661
Hall of Justice Relocation	$78,384,339
SFGH FF&E	$13,702,362
TOTAL	**$115,591,000**

Transbay Transit Center Interim Financing

In May 2016, the Board authorized and the Mayor approved the establishment of not-to-exceed $260.0 million Lease Revenue Commercial Paper Certificates of Participation ("Short-Term Certificates") to meet cash flow needs during the construction of phase one of the Transbay Transit Center (now known as the Salesforce 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 originally consisted of $160.0 million of direct placement revolving certificates with Wells Fargo, expiring in January 2022, and $100.0 million of direct placement revolving certificates with Bay Area Toll Authority, which expired December 31, 2018. Of the $260.0 million authorized, $103.0 million was drawn. As of April 15, 2020, the outstanding balance on the Wells Fargo financing facility was $76.0 million, at an interest rate of 1.54%.

Overlapping Debt

Table A-31 shows bonded debt and long-term obligations as of April 15, 2020 sold in the public capital markets, except for those financings otherwise noted in the table, by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

TABLE A-31

CITY AND COUNTY OF SAN FRANCISCO
Statement of Direct and Overlapping Debt and Long-Term Obligations
As of April 15, 2020

2019-20 Assessed Valuation (includes unitary utility valuation):	$281,683,409,781	[1]
GENERAL OBLIGATION BONDED DEBT		
San Francisco City and County	$2,389,312,973	
San Francisco Unified School District	898,785,000	
San Francisco Community College District	215,130,000	
TOTAL GENERAL OBLIGATION BONDS	$3,503,227,973	
LEASE OBLIGATIONS BONDS		
San Francisco City and County	$1,499,336,781	
LONG-TERM OBLIGATIONS	$1,499,336,781	[2]
TOTAL COMBINED DIRECT DEBT	$5,002,564,754	
OVERLAPPING TAX AND ASSESSMENT DEBT		
Bay Area Rapid Transit District General Obligation Bond (34.606%)[2]	$443,905,004	[3]
San Francisco Community Facilities District No. 4	10,600,000	
San Francisco Community Facilities District No. 6	123,466,726	
San Francisco Community Facilities District No. 7	34,490,000	
San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2	2,701,034	
San Francisco Community Facilities District No. 2014-1 Transbay Transit Center	393,845,000	
City of San Francisco Assessment District No. 95-1	405,000	
ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements	9,500,000	
ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill	5,105,000	
ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza	2,905,000	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	$1,026,922,764	
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	$800,377,447	
TOTAL DIRECT AND OVERLAPPING BONDED DEBT	$6,829,864,965	[4]
Ratios to 2019-20 Assessed Valuation:	**Actual Ratio**	
Direct General Obligation Bonded Debt ($3,503,227,973)	1.24%	[5]
Combined Direct Debt ($5,034,324,755)	1.78%	
Total Direct and Overlapping Bonded Debt	2.42%	
Ratio to 2019-20 Redevelopment Incremental Valuation ($34,366,733,708)		
Total Overlapping Tax Increment Debt	2.33%	

[1] Includes $610,103,200 homeowner's exemption for FY19-20.

[2] Excludes the CCSF Lease Revenue Direct Placement Revolving COPs (Transbay), outstanding in the principal amount of $76,000,000 as of 4/15/20. Excludes privately placed SFGH Emergency Backup Generators Project, outstanding in the principal amount of $11,793,228 as of 4/15/20.

[3] Reflects 2019-20 ratio.

[4] Excludes tax and revenue anticipation notes, enterprise revenue bonds and airport improvement corporation bonds

[5] 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. The City's general obligation debt as a percentage of FY19-20 AV is 0.81%.

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

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

Article XIIIA of the California Constitution

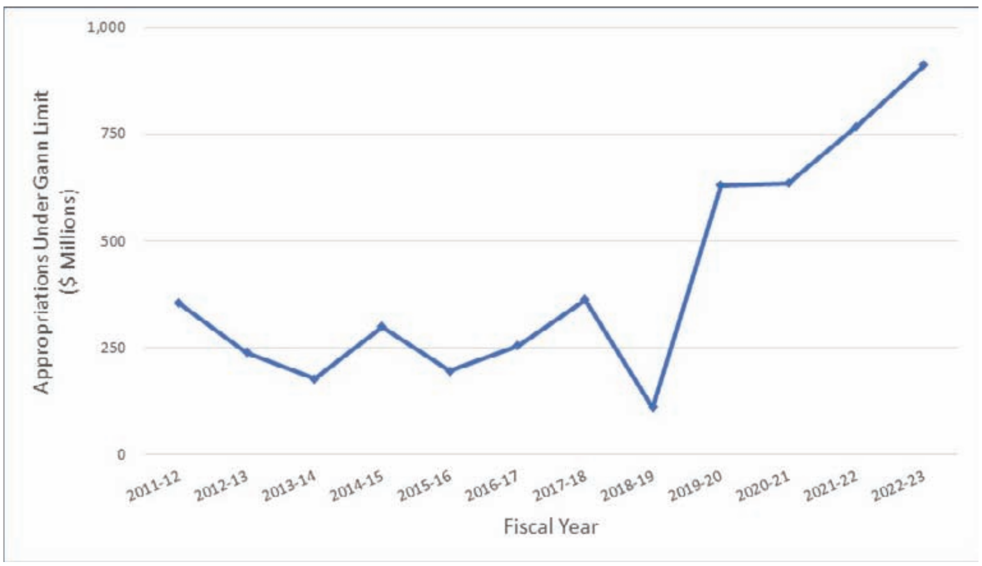
Article XIIIA of the California Constitution, known as "Proposition 13," was approved by the California voters in June of 1978. It limits the amount of *ad valorem* tax on real property to 1% of "full cash value," as determined by the county assessor. Article XIIIA defines "full cash value" to mean the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

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

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

Article XIIIB of the California Constitution

Article XIIIB was enacted by California voters as an initiative constitutional amendment in November 1979. Article XIIIB limits the annual appropriations from the proceeds of taxes of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the governmental entity. However, no limit is imposed on the appropriation of local revenues and taxes to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters. Article XIIIB includes a requirement that if an entity's 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. See the graph below for appropriations available under the Gann Limit.



Articles XIIIC and XIIID of the California Constitution

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

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

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

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

Proposition 1A

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

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

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

Proposition 22

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

Due to the prohibition with respect to the State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A (2004). However, borrowings and reallocations from local governments during 2009 are not subject to Proposition 22 prohibitions. In addition, Proposition 22 supersedes Proposition 1A of 2006. Accordingly, the State is prohibited from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedures involving public notices and hearings.

Proposition 26

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

Proposition 26 amends Article XIII of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2)

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

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

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

Future Initiatives and Changes in Law

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

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

LEGAL MATTERS 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, 2019. 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 ("Lehman Lawsuit") against TJPA and the individual members of the TJPA, including the City. The TJPA is responsible under State law for developing and operating the Salesforce Transit Center, which will be a new regional transit hub located near the Millennium Tower.

The TJPA began excavation and construction of the Salesforce Transit Center in 2010, after the Millennium Tower was completed. In brief, the Lehman Lawsuit claims that the construction of the Salesforce 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 Salesforce 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. In the Summer of 2019, the parties announced a tentative settlement of matters relating to the lawsuit. For the settlement to be effective, a number of events must occur, including approval of the settlement by all parties and the Court. These approvals could occur in early Summer 2020. While the City expects that all necessary events will occur for the settlement to become final and effective, no assurance can be given by the City that the settlement will be finalized. If the settlement becomes void, litigation may resume. If litigation were to resume, the City cannot now make any prediction as to the outcome of any such lawsuits, or whether the lawsuits, if determined adversely to the TJPA or the City, would have a material adverse impact on City finances.

Ongoing Investigations

On January 28, 2020 the City's former Director of Public Works Mohammad Nuru was indicted on federal criminal charges of public corruption, including honest services wire fraud and lying to Federal Bureau of Investigation officials. The allegations contained in the complaint involve various schemes, including an attempt by Mr. Nuru and Mr. Nick Bovis, a local restaurateur who was also indicted by the federal government, to bribe an Airport Commissioner to influence the award of lease of space at the San Francisco International Airport, Mr. Nuru using his official position to benefit a developer of a mixed-use project in San Francisco in exchange for personal gifts and benefits; Mr. Nuru attempting to use his former position as the chair of the Transbay Joint Powers Authority to secure a lease for Mr. Bovis in the Transbay Transit Center, in exchange for personal benefits provided by the restauranteur; Mr. Nuru providing Mr. Bovis with inside information on City projects regarding contracts for portable bathroom trailers and small container-like housing units for use by the homeless, so that Mr. Bovis could win the contracts for those projects; and Mr. Nuru obtaining free and discounted labor and construction equipment from contractors to help him build a personal vacation home while those contractors were also engaging in business with the City. Mr. Nuru resigned from employment with the City two weeks after his arrest. On February 4, 2020, City Attorney Dennis Herrera and Controller Ben Rosenfield announced a joint investigation that was underway, stemming from federal criminal charges filed against Mr. Nuru and Mr. Bovis.

The City Attorney's Office, in conjunction with the Controller's Office, is seeking to identify officials, employees and contractors involved in these schemes or other related conduct, and to identify contracts, grants, gifts, and other government decisions possibly tainted by conflicts of interest and other legal or policy violations. The Controller's Office, in conjunction with the City Attorney's Office, has put into place interim controls to review Public Works contracts for red flags and process failures. The Controller's Office is also working with the City Attorney's Office to identify whether stop payments, cancellations or other terminations are justified on any open contracts, purchase orders or bids. Also, the Controller, in coordination with the City Attorney's Office, intends to produce periodic public reports setting forth assessments of patterns and practices to help prevent fraud and corruption and recommendations about best practices, including possible changes in City law and policy.

On March 10, 2020, the City Attorney transmitted to the Mayor its preliminary report of investigations of alleged misconduct by the City's Director of the Department of Building Inspections ("DBI"). The allegations involve violations of the City Campaign and Conduct Code and DBI's Code of Professional Conduct by the Director by (i) providing intentional and preferential treatment to certain permit expediters, (ii) accepting gifts and dinners in violation of DBI's professional code of conduct, and (iii) otherwise violating City laws and policies by abusing his position to seek positions for his son and son's girlfriend. The Mayor placed the Director of Building Inspection on administrative leave, and he resigned shortly thereafter.

In addition to the joint investigation by the City Attorney's Office and the Controller's Office, the City's Board of Supervisors has initiated a series of public hearings before its Government Audit and Oversight Committee to examine issues raised by the federal complaints. That committee will also consider the Controller's periodic reports. The full Board of Supervisors is considering retaining additional independent services relating to the matters that were the subject of the federal indictment. The City can give no assurance regarding when the City's investigation will be completed or what the outcome will be.

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 for Fiscal Year ended June 30, 2019.

APPENDIX B

AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)

AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Taxable Parcel in the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount or rate for Square Footage within Taxable Buildings, as described below. All Taxable Parcels in the CFD shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to the CFD unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the California Government Code.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City and TJPA carrying out duties with respect to CFD No. 2014-1 and the Bonds, including, but not limited to, levying and collecting the Special Tax, the fees and expenses of legal counsel, charges levied by the City Controller's Office and/or the City Treasurer and Tax Collector's Office, costs related to property owner inquiries regarding the Special Tax, costs associated with appeals or requests for interpretation associated with the Special Tax and this RMA, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with any continuing disclosure requirements for the Bonds and the Special Tax, costs associated with foreclosure and collection of delinquent Special Taxes, and all other costs and expenses of the City and TJPA in any way related to the establishment or administration of the CFD.

"Administrator" means the Director of the Office of Public Finance who shall be responsible for administering the Special Tax according to this RMA.

"Affordable Housing Project" means a residential or primarily residential project, as determined by the Zoning Authority, within which all Residential Units are Below Market Rate Units. All Land Uses within an Affordable Housing Project are exempt from the Special Tax, as provided in Section G and are subject to the limitations set forth in Section D.4 below.

"Airspace Parcel" means a parcel with an assigned Assessor's Parcel number that constitutes vertical space of an underlying land parcel.

"Apartment Building" means a residential or mixed-use Building within which none of the Residential Units have been sold to individual homebuyers.

"Assessor's Parcel" or **"Parcel"** means a lot or parcel, including an Airspace Parcel, shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor designating Parcels by Assessor's Parcel number.

"Authorized Facilities" means those public facilities authorized to be funded by the CFD as set forth in the CFD formation proceedings.

"Base Special Tax" means the Special Tax per square foot that is used to calculate the Maximum Special Tax that applies to a Taxable Parcel pursuant to Sections C.1 and C.2 of this RMA. The Base Special Tax shall also be used to determine the Maximum Special Tax for any Net New Square Footage added to a Taxable Building in the CFD in future Fiscal Years.

"Below Market Rate Units" or **"BMR Units"** means all Residential Units within the CFD that have a deed restriction recorded on title of the property that (i) limits the rental price or sales price of the Residential Unit, (ii) limits the appreciation that can be realized by the owner of such unit, or (iii) in any other way restricts the current or future value of the unit.

"Board" means the Board of Supervisors of the City, acting as the legislative body of CFD No. 2014-1.

"Bonds" means bonds or other debt (as defined in the Act), whether in one or more series, issued, incurred, or assumed by the CFD related to the Authorized Facilities.

"Building" means a permanent enclosed structure that is, or is part of, a Conditioned Project.

"Building Height" means the number of Stories in a Taxable Building, which shall be determined based on the highest Story that is occupied by a Land Use. If only a portion of a Building is a Conditioned Project, the Building Height shall be determined based on the highest Story that is occupied by a Land Use regardless of where in the Building the Taxable Parcels are located. If there is any question as to the Building Height of any Taxable Building in the CFD, the Administrator shall coordinate with the Zoning Authority to make the determination.

"Certificate of Exemption" means a certificate issued to the then-current record owner of a Parcel that indicates that some or all of the Square Footage on the Parcel has prepaid the Special Tax obligation or has paid the Special Tax for thirty Fiscal Years and, therefore, such Square Footage shall, in all future Fiscal Years, be exempt from the levy of Special Taxes in the CFD. The Certificate of Exemption shall identify (i) the Assessor's Parcel number(s) for the Parcel(s) on which the Square Footage is located, (ii) the amount of Square Footage for which the exemption is being granted, (iii) the first and last Fiscal Year in which the Special Tax had been levied on the Square Footage, and (iv) the date of receipt of a prepayment of the Special Tax obligation, if applicable.

"Certificate of Occupancy" or **"COO"** means the first certificate, including any temporary certificate of occupancy, issued by the City to confirm that a Building or a portion of a Building has met all of the building codes and can be occupied for residential and/or non-residential use. For purposes of this RMA, "Certificate of Occupancy" shall not include any certificate of occupancy that was issued prior to January 1, 2013 for a Building within the CFD; however, any subsequent certificates of occupancy that are issued for new construction or expansion of the Building shall be deemed a Certificate of Occupancy and the associated Parcel(s) shall be categorized as Taxable Parcels if the Building is, or is part of, a Conditioned Project and a Tax Commencement Letter has been provided to the Administrator for the Building.

"CFD" or **"CFD No. 2014-1"** means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center).

"Child Care Square Footage" means, collectively, the Exempt Child Care Square Footage and Taxable Child Care Square Footage within a Taxable Building in the CFD.

"City" means the City and County of San Francisco.

"Conditioned Project" means a Development Project that is required to participate in funding Authorized Facilities through the CFD.

"Converted Apartment Building" means a Taxable Building that had been designated as an Apartment Building within which one or more Residential Units are subsequently sold to a buyer that is not a Landlord.

"Converted For-Sale Unit" means, in any Fiscal Year, an individual Market Rate Unit within a Converted Apartment Building for which an escrow has closed, on or prior to June 30 of the preceding Fiscal Year, in a sale to a buyer that is not a Landlord.

"County" means the City and County of San Francisco.

"CPC" means the Capital Planning Committee of the City and County of San Francisco, or if the Capital Planning Committee no longer exists, "CPC" shall mean the designated staff member(s) within the City and/or TJPA that will recommend issuance of Tax Commencement Authorizations for Conditioned Projects within the CFD.

"Development Project" means a residential, non-residential, or mixed-use development that includes one or more Buildings, or portions thereof, that are planned and entitled in a single application to the City.

"Exempt Child Care Square Footage" means Square Footage within a Taxable Building that, at the time of issuance of a COO, is determined by the Zoning Authority to be reserved for one or more licensed child care facilities. If a prepayment is made in association with any Taxable Child Care Square Footage, such Square Footage shall also be deemed Exempt Child Care Square Footage beginning in the Fiscal Year following receipt of the prepayment.

"Exempt Parking Square Footage" means the Square Footage of parking within a Taxable Building that, pursuant to Sections 151.1 and 204.5 of the Planning Code, is estimated to be needed to serve Land Uses within a building in the CFD, as determined by the Zoning Authority. If a prepayment is made in association with any Taxable Parking Square Footage, such Square Footage shall also be deemed Exempt Parking Square Footage beginning in the Fiscal Year following receipt of the prepayment.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"For-Sale Residential Square Footage" or **"For-Sale Residential Square Foot"** means Square Footage that is or is expected to be part of a For-Sale Unit. The Zoning Authority shall make the determination as to the For-Sale Residential Square Footage within a Taxable Building in the CFD. For-Sale Residential Square Foot means a single square-foot unit of For-Sale Residential Square Footage.

"For-Sale Unit" means (i) in a Taxable Building that is not a Converted Apartment Building: a Market Rate Unit that has been, or is available or expected to be, sold, and (ii) in a Converted Apartment Building, a Converted For-Sale Unit. The Administrator shall make the final determination as to whether a Market Rate Unit is a For-Sale Unit or a Rental Unit.

"Indenture" means the indenture, fiscal agent agreement, resolution, or other instrument pursuant to which CFD No. 2014-1 Bonds are issued, as modified, amended, and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Initial Annual Adjustment Factor" means, as of July 1 of any Fiscal Year, the Annual Infrastructure Construction Cost Inflation Estimate published by the Office of the City Administrator's Capital Planning Group and used to calculate the annual adjustment to the City's development impact fees that took effect as of January 1 of the prior Fiscal Year pursuant to Section 409(b) of the Planning Code, as may be amended from time to time. If changes are made to the office responsible for calculating the annual adjustment, the name of the inflation index, or the date on which the development fee adjustment takes effect, the Administrator shall continue to rely on whatever annual adjustment factor is applied to the City's development impact fees in order to calculate adjustments to the Base Special Taxes pursuant to Section D.1 below. Notwithstanding the foregoing, the Base Special Taxes shall, in no Fiscal Year, be increased or decreased by more than four percent (4%) of the amount in effect in the prior Fiscal Year.

"Initial Square Footage" means, for any Taxable Building in the CFD, the aggregate Square Footage of all Land Uses within the Building, as determined by the Zoning Authority upon issuance of the COO.

"IPIC" means the Interagency Plan Implementation Committee, or if the Interagency Plan Implementation Committee no longer exists, "IPIC" shall mean the designated staff member(s) within the City and/or TJPA that will recommend issuance of Tax Commencement Authorizations for Conditioned Projects within the CFD.

"Land Use" means residential, office, retail, hotel, parking, or child care use. For purposes of this RMA, the City shall have the final determination of the actual Land Use(s) on any Parcel within the CFD.

"Landlord" means an entity that owns at least twenty percent (20%) of the Rental Units within an Apartment Building or Converted Apartment Building.

"Market Rate Unit" means a Residential Unit that is not a Below Market Rate Unit.

"**Maximum Special Tax"** means the greatest amount of Special Tax that can be levied on a Taxable Parcel in the CFD in any Fiscal Year, as determined in accordance with Section C below.

"Net New Square Footage" means any Square Footage added to a Taxable Building after the Initial Square Footage in the Building has paid Special Taxes in one or more Fiscal Years.

"Office/Hotel Square Footage" or **"Office/Hotel Square Foot"** means Square Footage that is or is expected to be: (i) Square Footage of office space in which professional, banking, insurance, real estate, administrative, or in-office medical or dental activities are conducted, (ii) Square Footage that will be used by any organization, business, or institution for a Land Use that does not meet the definition of For-Sale Residential Square Footage Rental Residential Square Footage, or Retail Square Footage, including space used for cultural, educational, recreational, religious, or social service facilities, (iii) Taxable Child Care Square Footage, (iv) Square Footage in a residential care facility that is staffed by licensed medical professionals, and (v) any other Square Footage within a Taxable Building that does not fall within the definition provided for other Land Uses in this RMA. Notwithstanding the foregoing, street-level retail bank branches, real estate brokerage offices, and other such ground-level uses that are open to the public shall be categorized as Retail Square Footage pursuant to the Planning Code. Office/Hotel Square Foot means a single square-foot unit of Office/Hotel Square Footage.

For purposes of this RMA, "Office/Hotel Square Footage" shall also include Square Footage that is or is expected to be part of a non-residential structure that constitutes a place of lodging, providing temporary sleeping accommodations and related facilities. All Square Footage that shares an Assessor's Parcel number within such a non-residential structure, including Square Footage of restaurants, meeting and convention facilities, gift shops, spas, offices, and other related uses shall be categorized as Office/Hotel Square Footage. If there are separate Assessor's Parcel numbers for these other uses, the Administrator shall apply the Base Special Tax for Retail Square Footage to determine the Maximum Special Tax for Parcels on which a restaurant, gift shop, spa, or other retail use is located or anticipated, and the Base Special Tax for Office/Hotel Square Footage shall be used to determine the Maximum Special Tax for Parcels on which other uses in the building are located. The Zoning Authority shall make the final determination as to the amount of Office/Hotel Square Footage within a building in the CFD.

"Planning Code" means the Planning Code of the City and County of San Francisco, as may be amended from time to time.

"Proportionately" means that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Taxable Parcels.

"Rental Residential Square Footage" or **"Rental Residential Square Foot"** means Square Footage that is or is expected to be used for one or more of the following uses: (i) Rental Units, (ii) any type of group or student housing which provides lodging for a week or more and may or may not have individual cooking facilities, including but not limited to boarding houses, dormitories, housing operated by medical institutions, and single room occupancy units, or (iii) a residential care facility that is not staffed by licensed medical professionals. The Zoning Authority shall make the determination as to the amount of Rental Residential Square Footage within a Taxable Building in the CFD. Rental Residential Square Foot means a single square-foot unit of Rental Residential Square Footage.

"Rental Unit" means (i) all Market Rate Units within an Apartment Building, and (ii) all Market Rate Units within a Converted Apartment Building that have yet to be sold to an individual homeowner or investor. "Rental Unit" shall not include any Residential Unit which has been purchased by a homeowner or investor and subsequently offered for rent to the general public. The Administrator shall make the final determination as to whether a Market Rate Unit is a For-Sale Unit or a Rental Unit.

"Retail Square Footage" or **"Retail Square Foot"** means Square Footage that is or, based on the Certificate of Occupancy, will be Square Footage of a commercial establishment that sells general merchandise, hard goods, food and beverage, personal services, and other items directly to consumers, including but not limited to restaurants, bars, entertainment venues, health clubs, laundromats, dry cleaners, repair shops, storage facilities, and parcel delivery shops. In addition, all Taxable Parking Square Footage in a Building, and all street-level retail bank branches, real estate brokerages, and other such ground-level uses that are open to the public, shall be categorized as Retail Square Footage for purposes of calculating the Maximum Special Tax pursuant to Section C below. The Zoning Authority shall make the final determination as to the amount of Retail Square Footage within a Taxable Building in the CFD. Retail Square Foot means a single square-foot unit of Retail Square Footage.

"Residential Unit" means an individual townhome, condominium, live/work unit, or apartment within a Building in the CFD.

"Residential Use" means (i) any and all Residential Units within a Taxable Building in the CFD, (ii) any type of group or student housing which provides lodging for a week or more and may or may not have individual cooking facilities, including but not limited to boarding houses, dormitories, housing operated by medical institutions, and single room occupancy units, and (iii) a residential care facility that is not staffed by licensed medical professionals.

"RMA" means this Rate and Method of Apportionment of Special Tax.

"Special Tax" means a special tax levied in any Fiscal Year to pay the Special Tax Requirement.

"Special Tax Requirement" means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that are due in the calendar year that begins in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments on the Bonds, (iii) create and/or replenish reserve funds for the Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement in a previous Fiscal Year; (iv) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year; (v) pay Administrative Expenses; and (vi) pay directly for Authorized Facilities. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against such costs pursuant to the Indenture; (ii) in the sole and absolute discretion of the City, proceeds received by the CFD from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to pay such costs as determined by the Administrator.

"Square Footage" means, for any Taxable Building in the CFD, the net saleable or leasable square footage of each Land Use on each Taxable Parcel within the Building, as determined by the Zoning Authority. If a building permit is issued to increase the Square Footage on any Taxable Parcel, the Administrator shall, in the first Fiscal Year after the final building permit inspection has been conducted in association with such expansion, work with the Zoning Authority to recalculate (i) the Square Footage of each Land Use on each Taxable Parcel, and (ii) the Maximum Special Tax for each Taxable Parcel based on the increased Square Footage. The final determination of Square Footage for each Land Use on each Taxable Parcel shall be made by the Zoning Authority.

"Story" or **"Stories"** means a portion or portions of a Building, except a mezzanine as defined in the City Building Code, included between the surface of any floor and the surface of the next floor above it, or if there is no floor above it, then the space between the surface of the floor and the ceiling next above it.

"Taxable Building" means, in any Fiscal Year, any Building within the CFD that is, or is part of, a Conditioned Project, and for which a Certificate of Occupancy was issued and a Tax Commencement Authorization was received by the Administrator on or prior to June 30 of the preceding Fiscal Year. If only a portion of the Building is a Conditioned Project, as determined by the Zoning Authority, that portion of the Building shall be treated as a Taxable Building for purposes of this RMA.

“Tax Commencement Authorization” means a written authorization issued by the Administrator upon the recommendations of the IPIC and CPC in order to initiate the levy of the Special Tax on a Conditioned Project that has been issued a COO.

“Taxable Child Care Square Footage” means the amount of Square Footage determined by subtracting the Exempt Child Care Square Footage within a Taxable Building from the total net leasable square footage within a Building that is used for licensed child care facilities, as determined by the Zoning Authority.

“Taxable Parcel” means, within a Taxable Building, any Parcel that is not exempt from the Special Tax pursuant to law or Section G below. If, in any Fiscal Year, a Special Tax is levied on only Net New Square Footage in a Taxable Building, only the Parcel(s) on which the Net New Square Footage is located shall be Taxable Parcel(s) for purposes of calculating and levying the Special Tax pursuant to this RMA.

“Taxable Parking Square Footage” means Square Footage of parking in a Taxable Building that is determined by the Zoning Authority not to be Exempt Parking Square Footage.

“TJPA” means the Transbay Joint Powers Authority.

“Zoning Authority” means either the City Zoning Administrator, the Executive Director of the San Francisco Office of Community Investment and Infrastructure, or an alternate designee from the agency or department responsible for the approvals and entitlements of a project in the CFD. If there is any doubt as to the responsible party, the Administrator shall coordinate with the City Zoning Administrator to determine the appropriate party to serve as the Zoning Authority for purposes of this RMA.

B. DATA FOR CFD ADMINISTRATION

On or after July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for all Taxable Parcels in the CFD. In order to identify Taxable Parcels, the Administrator shall confirm which Buildings in the CFD have been issued both a Tax Commencement Authorization and a COO.

The Administrator shall also work with the Zoning Authority to confirm: (i) the Building Height for each Taxable Building , (ii) the For-Sale Residential Square Footage, Rental Residential Square Footage, Office/Hotel Square Footage, and Retail Square Footage on each Taxable Parcel, (iii) if applicable, the number of BMR Units and aggregate Square Footage of BMR Units within the Building, (iv) whether any of the Square Footage on a Parcel is subject to a Certificate of Exemption, and (v) the Special Tax Requirement for the Fiscal Year. In each Fiscal Year, the Administrator shall also keep track of how many Fiscal Years the Special Tax has been levied on each Parcel within the CFD. If there is Initial Square Footage and Net New Square Footage on a Parcel, the Administrator shall separately track the duration of the Special Tax levy in order to ensure compliance with Section F below.

In any Fiscal Year, if it is determined by the Administrator that (i) a parcel map or condominium plan for a portion of property in the CFD was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), and (ii) the Assessor does not yet recognize the newly-created parcels, the Administrator shall calculate the Special Tax that applies separately to each newly-created parcel, then applying the sum of the individual Special Taxes to the Assessor's Parcel that was subdivided by recordation of the parcel map or condominium plan.

C. DETERMINATION OF THE MAXIMUM SPECIAL TAX

1. Base Special Tax

Once the Building Height of, and Land Use(s) within, a Taxable Building have been identified, the Base Special Tax to be used for calculation of the Maximum Special Tax for each Taxable Parcel within the Building shall be determined based on reference to the applicable table(s) below:

FOR-SALE RESIDENTIAL SQUARE FOOTAGE

Building Height	*Base Special Tax Fiscal Year 2013-14**
1 – 5 Stories	$4.71 per For-Sale Residential Square Foot
6 – 10 Stories	$5.02 per For-Sale Residential Square Foot
11 – 15 Stories	$6.13 per For-Sale Residential Square Foot
16 – 20 Stories	$6.40 per For-Sale Residential Square Foot
21 – 25 Stories	$6.61 per For-Sale Residential Square Foot
26 – 30 Stories	$6.76 per For-Sale Residential Square Foot
31 – 35 Stories	$6.88 per For-Sale Residential Square Foot
36 – 40 Stories	$7.00 per For-Sale Residential Square Foot
41 – 45 Stories	$7.11 per For Sale Residential Square Foot
46 – 50 Stories	$7.25 per For-Sale Residential Square Foot
More than 50 Stories	$7.36 per For-Sale Residential Square Foot

RENTAL RESIDENTIAL SQUARE FOOTAGE

Building Height	*Base Special Tax Fiscal Year 2013-14**
1 – 5 Stories	$4.43 per Rental Residential Square Foot
6 – 10 Stories	$4.60 per Rental Residential Square Foot
11 – 15 Stories	$4.65 per Rental Residential Square Foot
16 – 20 Stories	$4.68 per Rental Residential Square Foot
21 – 25 Stories	$4.73 per Rental Residential Square Foot
26 – 30 Stories	$4.78 per Rental Residential Square Foot
31 – 35 Stories	$4.83 per Rental Residential Square Foot
36 – 40 Stories	$4.87 per Rental Residential Square Foot
41 – 45 Stories	$4.92 per Rental Residential Square Foot
46 – 50 Stories	$4.98 per Rental Residential Square Foot
More than 50 Stories	$5.03 per Rental Residential Square Foot

OFFICE/HOTEL SQUARE FOOTAGE

Building Height	*Base Special Tax Fiscal Year 2013-14**
1 – 5 Stories	$3.45 per Office/Hotel Square Foot
6 – 10 Stories	$3.56 per Office/Hotel Square Foot
11 – 15 Stories	$4.03 per Office/Hotel Square Foot
16 – 20 Stories	$4.14 per Office/Hotel Square Foot
21 – 25 Stories	$4.25 per Office/Hotel Square Foot
26 – 30 Stories	$4.36 per Office/Hotel Square Foot
31 – 35 Stories	$4.47 per Office/Hotel Square Foot
36 – 40 Stories	$4.58 per Office/Hotel Square Foot
41 – 45 Stories	$4.69 per Office/Hotel Square Foot
46 – 50 Stories	$4.80 per Office/Hotel Square Foot
More than 50 Stories	$4.91 per Office/Hotel Square Foot

RETAIL SQUARE FOOTAGE

Building Height	*Base Special Tax Fiscal Year 2013-14**
N/A	$3.18 per Retail Square Foot

** The Base Special Tax rates shown above for each Land Use shall escalate as set forth in Section D.1 below.*

2. Determining the Maximum Special Tax for Taxable Parcels

Upon issuance of a Tax Commencement Authorization and the first Certificate of Occupancy for a Taxable Building within a Conditioned Project that is not an Affordable Housing Project, the

Administrator shall coordinate with the Zoning Authority to determine the Square Footage of each Land Use on each Taxable Parcel. The Administrator shall then apply the following steps to determine the Maximum Special Tax for the next succeeding Fiscal Year for each Taxable Parcel in the Taxable Building:

Step 1. Determine the Building Height for the Taxable Building for which a Certificate of Occupancy was issued.

Step 2. Determine the For-Sale Residential Square Footage and/or Rental Residential Square Footage for all Residential Units on each Taxable Parcel, as well as the Office/Hotel Square Footage and Retail Square Footage on each Taxable Parcel.

Step 3. ***For each Taxable Parcel that includes only For-Sale Units***, multiply the For-Sale Residential Square Footage by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.

Step 4. ***For each Taxable Parcel that includes only Rental Units***, multiply the Rental Residential Square Footage by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.

Step 5. ***For each Taxable Parcel that includes only Residential Uses other than Market Rate Units,*** net out the Square Footage associated with any BMR Units and multiply the remaining Rental Residential Square Footage (if any) by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.

Step 6. ***For each Taxable Parcel that includes only Office/Hotel Square Footage***, multiply the Office/Hotel Square Footage on the Parcel by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.

Step 7. ***For each Taxable Parcel that includes only Retail Square Footage***, multiply the Retail Square Footage on the Parcel by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.

Step 8. ***For Taxable Parcels that include multiple Land Uses,*** separately determine the For-Sale Residential Square Footage, Rental Residential Square Footage, Office/Hotel Square Footage, and/or Retail Square Footage. Multiply the Square Footage of each Land Use by the applicable Base Special Tax from Section C.1, and sum the individual amounts to determine the aggregate Maximum Special Tax for the Taxable Parcel for the first succeeding Fiscal Year.

D. CHANGES TO THE MAXIMUM SPECIAL TAX

1. *Annual Escalation of Base Special Tax*

The Base Special Tax rates identified in Section C.1 are applicable for fiscal year 2013-14. Beginning July 1, 2014 and each July 1 thereafter, the Base Special Taxes shall be adjusted by the Initial Annual Adjustment Factor. The Base Special Tax rates shall be used to calculate the Maximum Special Tax for each Taxable Parcel in a Taxable Building for the first Fiscal Year in which the Building is a Taxable Building, as set forth in Section C.2 and subject to the limitations set forth in Section D.3.

2. Adjustment of the Maximum Special Tax

After a Maximum Special Tax has been assigned to a Parcel for its first Fiscal Year as a Taxable Parcel pursuant to Section C.2 and Section D.1, the Maximum Special Tax shall escalate for subsequent Fiscal Years beginning July 1 of the Fiscal Year after the first Fiscal Year in which the Parcel was a Taxable Parcel, and each July 1 thereafter, by two percent (2%) of the amount in effect in the prior Fiscal Year. In addition to the foregoing, the Maximum Special Tax assigned to a Taxable Parcel shall be increased in any Fiscal Year in which the Administrator determines that Net New Square Footage was added to the Parcel in the prior Fiscal Year.

3. Converted Apartment Buildings

If an Apartment Building in the CFD becomes a Converted Apartment Building, the Administrator shall rely on information from the County Assessor, site visits to the sales office, data provided by the entity that is selling Residential Units within the Building, and any other available source of information to track sales of Residential Units. In the first Fiscal Year in which there is a Converted For-Sale Unit within the Building, the Administrator shall determine the applicable Base Maximum Special Tax for For-Sale Residential Units for that Fiscal Year. Such Base Maximum Special Tax shall be used to calculate the Maximum Special Tax for all Converted For-Sale Units in the Building in that Fiscal Year. In addition, this Base Maximum Special Tax, escalated each Fiscal Year by two percent (2%) of the amount in effect in the prior Fiscal Year, shall be used to calculate the Maximum Special Tax for all future Converted For-Sale Units within the Building. Solely for purposes of calculating Maximum Special Taxes for Converted For-Sale Units within the Converted Apartment Building, the adjustment of Base Maximum Special Taxes set forth in Section D.1 shall not apply. All Rental Residential Square Footage within the Converted Apartment Building shall continue to be subject to the Maximum Special Tax for Rental Residential Square Footage until such time as the units become Converted For-Sale Units. The Maximum Special Tax for all Taxable Parcels within the Building shall escalate each Fiscal Year by two percent (2%) of the amount in effect in the prior Fiscal Year.

4. BMR Unit/Market Rate Unit Transfers

If, in any Fiscal Year, the Administrator determines that a Residential Unit that had previously been designated as a BMR Unit no longer qualifies as such, the Maximum Special Tax on the new Market Rate Unit shall be established pursuant to Section C.2 and adjusted, as applicable, by Sections D.1 and D.2. If a Market Rate Unit becomes a BMR Unit after it has been taxed in prior Fiscal Years as a Market Rate Unit, the Maximum Special Tax on such Residential Unit shall not be decreased unless: (i) a BMR Unit is simultaneously redesignated as a Market Rate Unit, and (ii) such redesignation results in a Maximum Special Tax on the new Market Rate Unit that is greater than or equal to the Maximum Special Tax that was levied on the Market Rate Unit prior to the swap of units. If, based on the Building Height or Square Footage, there would be a reduction in the Maximum Special Tax due to the swap, the Maximum Special Tax that applied to the former Market Rate Unit will be transferred to the new Market Rate Unit regardless of the Building Height and Square Footage associated with the new Market Rate Unit.

5. Changes in Land Use on a Taxable Parcel

If any Square Footage that had been taxed as For-Sale Residential Square Footage, Rental Residential Square Footage, Office/Hotel Square Footage, or Retail Square Footage in a prior Fiscal Year is rezoned or otherwise changes Land Use, the Administrator shall apply the applicable subsection in Section C.2 to calculate what the Maximum Special Tax would be for the Parcel based on the new Land Use(s). If the amount determined is greater than the Maximum Special Tax that applied to the Parcel prior to the Land Use change, the Administrator shall increase the Maximum Special Tax to the amount calculated for the new Land Uses. If the amount determined is less than the Maximum Special Tax that applied prior to the Land Use change, there will be no change to the Maximum Special Tax for the Parcel. Under no circumstances shall the Maximum Special Tax on any Taxable Parcel be reduced, regardless of changes in Land Use or Square Footage on the Parcel, including reductions in Square Footage that may occur due to demolition, fire, water damage, or acts of God. In addition, if a Taxable Building within the CFD that had been subject to the levy of Special Taxes in any prior Fiscal Year becomes all or part of an Affordable Housing Project, the Parcel(s) shall continue to be subject to the Maximum Special Tax that had applied to the Parcel(s) before they became part of the Affordable Housing Project. All Maximum Special Taxes determined pursuant to Section C.2 shall be adjusted, as applicable, by Sections D.1 and D.2.

6. Prepayments

If a Parcel makes a prepayment pursuant to Section H below, the Administrator shall issue the owner of the Parcel a Certificate of Exemption for the Square Footage that was used to determine the prepayment amount, and no Special Tax shall be levied on the Parcel in future Fiscal Years unless there is Net New Square Footage added to a Building on the Parcel. Thereafter, a Special Tax calculated based solely on the Net New Square Footage on the Parcel shall be levied for up to thirty Fiscal Years, subject to the limitations set forth in Section F below. Notwithstanding the foregoing, any Special Tax that had been levied against, but not yet collected from, the Parcel is still due and payable, and no Certificate of Exemption shall be issued until such amounts are fully paid. If a prepayment is made in order to exempt Taxable Child Care Square Footage on a Parcel on which there are multiple Land Uses, the Maximum Special Tax for the Parcel shall be recalculated based on the exemption of this Child Care Square Footage which shall, after such prepayment, be designated as Exempt Child Care Square Footage and remain exempt in all Fiscal Years after the prepayment has been received.

E. METHOD OF LEVY OF THE SPECIAL TAX

Each Fiscal Year, the Special Tax shall be levied Proportionately on each Taxable Parcel up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year until the amount levied on Taxable Parcels is equal to the Special Tax Requirement.

F. COLLECTION OF SPECIAL TAX

The Special Taxes for CFD No. 2014-1 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section H below and provided further that the City may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected from the first Fiscal Year in which a Parcel is designated as a Taxable Parcel until the principal and interest on all Bonds have been paid, the City's costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. Notwithstanding the foregoing, the Special Tax shall not be levied on any Square Footage in the CFD for more than thirty Fiscal Years, except that a Special Tax that was lawfully levied in or before the final Fiscal Year and that remains delinquent may be collected in subsequent Fiscal Years. After a Building or a particular block of Square Footage within a Building (i.e., Initial Square Footage vs. Net New Square Footage) has paid the Special Tax for thirty Fiscal Years, the then-current record owner of the Parcel(s) on which that Square Footage is located shall be issued a Certificate of Exemption for such Square Footage. Notwithstanding the foregoing, the Special Tax shall cease to be levied, and a Release of Special Tax Lien shall be recorded against all Parcels in the CFD that are still subject to the Special Tax, after the Special Tax has been levied in the CFD for seventy-five Fiscal Years.

Pursuant to Section 53321 (d) of the Act, the Special Tax levied against Residential Uses shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels and shall, in no event, exceed the Maximum Special Tax in effect for the Fiscal Year in which the Special Tax is being levied.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on: (i) Square Footage for which a prepayment has been received and a Certificate of Exemption issued, (ii) Below Market Rate Units except as otherwise provided in Sections D.3 and D.4, (iii) Affordable Housing Projects, including all Residential Units, Retail Square Footage, and Office Square Footage within buildings that are part of an Affordable Housing Project, except as otherwise provided in Section D.4, and (iv) Exempt Child Care Square Footage.

H. PREPAYMENT OF SPECIAL TAX

The Special Tax obligation applicable to Square Footage in a building may be fully prepaid as described herein, provided that a prepayment may be made only if (i) the Parcel is a Taxable Parcel, and (ii) there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. Any prepayment made by a Parcel owner must satisfy the Special Tax obligation associated with all Square Footage on the Parcel that is subject to the Special Tax at the time the prepayment is calculated. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for the Square Footage on such Assessor's Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes. The Prepayment Amount for a Taxable Parcel shall be calculated as follows:

Step 1: Determine the Square Footage of each Land Use on the Parcel.

Step 2: Determine how many Fiscal Years the Square Footage on the Parcel has paid the Special Tax, which may be a separate total for Initial Square Footage and Net New Square Footage on the Parcel. If a Special Tax has been levied, but not yet paid, in the Fiscal Year in which the prepayment is being calculated, such Fiscal Year will be counted as a year in which the Special Tax was paid, but a Certificate of Exemption shall not be issued until such Special Taxes are received by the City's Office of the Treasurer and Tax Collector.

Step 3: Subtract the number of Fiscal Years for which the Special Tax has been paid (as determined in Step 2) from 30 to determine the remaining number of Fiscal Years for which Special Taxes are due from the Square Footage for which the prepayment is being made. This calculation would result in a different remainder for Initial Square Footage and Net New Square Footage within a building.

Step 4: Separately for Initial Square Footage and Net New Square Footage, and separately for each Land Use on the Parcel, multiply the amount of Square Footage by the applicable Maximum Special Tax that would apply to such Square Footage in each of the remaining Fiscal Years, taking into account the 2% escalator set forth in Section D.2, to determine the annual stream of Maximum Special Taxes that could be collected in future Fiscal Years.

Step 5: For each Parcel for which a prepayment is being made, sum the annual amounts calculated for each Land Use in Step 4 to determine the annual Maximum Special Tax that could have been levied on the Parcel in each of the remaining Fiscal Years.

Step 6. Calculate the net present value of the future annual Maximum Special Taxes that were determined in Step 5 using, as the discount rate for the net present value calculation, the true interest cost (TIC) on the Bonds as identified by the Office of Public Finance. If there is more than one series of Bonds outstanding at the time of the prepayment calculation, the Administrator shall determine the weighted average TIC based on the Bonds from each series that remain outstanding. The amount determined pursuant to this Step 6 is the required prepayment for each Parcel. Notwithstanding the foregoing, if at any point in time the Administrator determines that the Maximum Special Tax revenue that could be collected from Square Footage that remains subject to the Special Tax after the proposed prepayment is less than 110% of debt service on Bonds that will remain outstanding after defeasance or redemption of Bonds from proceeds of the estimated prepayment, the amount of the prepayment shall be increased until the amount of Bonds defeased or redeemed is sufficient to reduce remaining annual debt service to a point at which 110% debt service coverage is realized.

Once a prepayment has been received by the City, a Certificate of Exemption shall be issued to the owner of the Parcel indicating that all Square Footage that was the subject of such prepayment shall be exempt from Special Taxes.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may interpret, clarify, and revise this RMA to correct any inconsistency, vagueness, or ambiguity, by resolution and/or ordinance, as long as such interpretation, clarification, or revision does not materially affect the levy and collection of the Special Taxes and any security for any Bonds.

J. SPECIAL TAX APPEALS

Any taxpayer who wishes to challenge the accuracy of computation of the Special Tax in any Fiscal Year may file an application with the Administrator. The Administrator, in consultation with the City Attorney, shall promptly review the taxpayer's application. If the Administrator concludes that the computation of the Special Tax was not correct, the Administrator shall correct the Special Tax levy and, if applicable in any case, a refund shall be granted. If the Administrator concludes that the computation of the Special Tax was correct, then such determination shall be final and conclusive, and the taxpayer shall have no appeal to the Board from the decision of the Administrator.

The filing of an application or an appeal shall not relieve the taxpayer of the obligation to pay the Special Tax when due.

Nothing in this Section J shall be interpreted to allow a taxpayer to bring a claim that would otherwise be barred by applicable statutes of limitation set forth in the Act or elsewhere in applicable law.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

This is a summary of certain provisions of the Fiscal Agent Agreement that are not otherwise described or discussed in this Official Statement. This summary is not intended to be definitive, and reference must be made to the text of the Fiscal Agent Agreement for the complete terms.

This summary is provided in connection with issuance of the 2020B Bonds (as defined in the main body of this Official Statement). The 2020B Bonds constitute Parity Bonds under the Fiscal Agent Agreement, and are secured by a lien and charge upon the Special Taxes and certain funds and accounts established under the Fiscal Agent Agreement equal to and on a parity with the lien and charge securing the outstanding Parity Bonds.

DEFINITIONS

Except as otherwise defined in this summary, the terms shall have the meanings previously given in this Official Statement. In addition, the following terms have the following meanings when used in this summary:

*"**Act**"* means the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 *et seq.* of the California Government Code.

"***Administrative Expenses***" means costs directly related to the administration of the CFD consisting of: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by a City employee or consultant or both) and the costs of collecting the Special Taxes (whether by the County or otherwise); the actual costs of remitting the Special Taxes to the Fiscal Agent; costs of the Fiscal Agent (including its legal counsel) in the discharge of its duties under this Agreement; the costs of the City or its designee of complying with the disclosure provisions of the Act and this Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Owners of the Bonds and the Original Purchaser; the actual costs of the City or its designee related to an appeal of the Special Tax; any amounts required to be rebated to the federal government; all costs and expenses of the City in any way related to the establishment or administration of the CFD; an allocable share of the salaries of the City staff directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the City for any administrative purpose of the CFD, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption of interest on the Bonds, and the costs of prosecuting foreclosure of delinquent Special Taxes.

"***Administrative Expense Fund***" means the fund designated the "City and County of San Francisco Community Facilities City No. 2014-1 (Transbay Transit Center) Administrative Expense Fund" established and administered under the Fiscal Agent Agreement.

*"**Agreement**"* or *"**Fiscal Agent Agreement**"* means the Fiscal Agent Agreement by and between the City and Zions Bank, a Division of ZB, National Association, as Fiscal Agent, dated as of November 1, 2017, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of February 1, 2019, the Second Supplement to Fiscal Agent Agreement, dated as of May 1, 2020, and any other Supplemental Agreement.

"***Allocated Bond Proceeds Account***" means the account designated "Allocated Bond Proceeds Account" within the Improvement Fund established under the Fiscal Agent Agreement. The Allocated Bond Proceeds Account was required to be established by the City pursuant to the JCFA.

"***Annual Debt Service***" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year); provided that for purposes of calculating Annual Debt Service with respect to Parity Bonds proposed to be issued under the Fiscal Agent Agreement, the amount described in the preceding clause (i) for a Bond Year shall be reduced by any capitalized interest applicable to the proposed Parity Bonds for such Bond Year.

"***Auditor***" means the tax collector of the City or such other official at the City who is responsible for preparing property tax bills.

"***Authorized Officer***" means the Mayor, the Controller, the Director of the Office of Public Finance, the Clerk of the Board of Supervisors, or any other officer or employee authorized by the Board of Supervisors of the City or by an Authorized Officer to undertake the action referenced in the Agreement as required to be undertaken by an Authorized Officer.

"***BART Improvement Account***" means the account designated the "BART Improvement Account" within the Improvement Fund, which account is established pursuant to the Fiscal Agent Agreement.

"***Board***" means the Board of Supervisors of the City as the legislative body.

"***Bond***" or "***Bonds***" means the 2017 Bonds, the 2019 Bonds the 2020B Bonds, and, if the context requires, any Parity Bonds, at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

"***Bond Fund***" means the fund designated the "City and County of San Francisco Community Facilities City No. 2014-1 (Transbay Transit Center) Special Tax Bonds Bond Fund" established and administered under the Fiscal Agent Agreement.

"***Bond Year***" means the one-year period beginning on September 2 in each year and ending on September 1 in the following year, except as provided in the Fiscal Agent Agreement.

"***Business Day***" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its principal corporate trust office are authorized or obligated by law or executive order to be closed.

"***CDIAC***" means the California Debt and Investment Advisory Commission of the Office of the State Treasurer, or any successor agency, board or commission.

"***CFD***" means the "City and County of San Francisco Community Facilities City No. 2014-1 (Transbay Transit Center)" formed under the Resolution of Formation.

"***CFD Value***" means the market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of all parcels of real property in the CFD subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the

Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the "Appraiser") selected by the City, or (ii) in the alternative, the assessed value of all such nondelinquent parcels and improvements thereon as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the CFD Value, the City may rely on an appraisal to determine the value of some or all of the parcels in the CFD and/or the most recent City real property tax roll as to the value of some or all of the parcels in the CFD. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

"***City***" means the City and County of San Francisco, and any successor thereto.

"Closing Date" means the date of initial issuance and delivery of the applicable series of Bonds under the Fiscal Agent Agreement.

"***Continuing Disclosure Agreement***" means a Continuing Disclosure Agreement executed by the City and the dissemination agent identified therein, and dated the date of issuance and delivery of the applicable series of Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale, delivery and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, appraisal costs, filing and recording fees, fees and expenses of counsel to the City, initial fees and charges of the Fiscal Agent including its first annual administration fees and its legal fees and charges, including the allocated costs of in-house attorneys, expenses incurred by the City in connection with the issuance of the Bonds, Bond (underwriter's) discount, legal fees and charges, including bond counsel, and disclosure counsel, financial consultant's fees, charges for execution, authentication, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds and the scheduled amount of interest and amortization of principal payable on any Parity Bonds during the period of computation, in each case excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to the Fiscal Agent Agreement.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Fair Market Value" means with respect to the Permitted Investments the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest if the return paid by such fund is without regard to the source of the investment.

"***Federal Securities***" means:

(a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and

(b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

"Finance Director" means the Director of the Office of Public Finance, or, in the event such office is eliminated, the official of the City that is responsible for the management of municipal bonds issued by the City.

"***Fiscal Agent***" means Zions Bank, a Division of ZB, National Association, the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Fiscal Agent Agreement.

"Fiscal Year" means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"***Improvement Fund***" means the fund designated "City and County of San Francisco Community Facilities City No. 2014-1 (Transbay Transit Center), Special Tax Bonds, Improvement Fund," established under the Fiscal Agent Agreement.

"***Independent Financial Consultant***" means any consultant or firm of such consultants appointed by the City or the Finance Director, and who, or each of whom: (i) is judged by the Finance Director to have experience in matters relating to the issuance and/or administration of bonds under the Act; (ii) is in fact independent and not under the domination of the City; (iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in the CFD, or any real property in the CFD; and (iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

"Information Services" means (i) the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website and (ii) in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"***Interest Payment Date***" for the 2020B Bonds means each September 1 and March 1 of every calendar year, commencing with September 1, 2020.

"***JCFA***" means the Joint Community Facilities Agreement, dated as of December 1, 2014, by and between the City and the Transbay Joint Powers Authority, as amended from time to time

"***Maximum Annual Debt Service***" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

"***Officer's Certificate***" means a written certificate of the City signed by an Authorized Officer of the City.

"***Ordinance***" means any ordinance of the Board of Supervisors of the City levying the Special Taxes, including but not limited to Ordinance No. 1-15 passed by the Board on January 13, 2015.

"***Original Purchaser***" and "***Participating Underwriter***" means the first purchasers of the applicable series of Bonds from the City .

"***Original Resolution of Issuance***" means Resolution No. 2-15, which was approved by the Board of Supervisors on January 13, 2015 and signed by the Mayor on January 20, 2015, authorizing the issuance of the Bonds.

"***Outstanding***," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Fiscal Agent Agreement) all Bonds except: (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Fiscal Agent Agreement; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to the Fiscal Agent Agreement or any Supplemental Agreement.

"***Owner***" or "***Bondowner***" means any person who shall be the registered owner of any Outstanding Bond.

"***Parity Bonds***" means additional bonds issued by the City for the CFD and payable on a parity basis with any then Outstanding Bonds under the Fiscal Agent Agreement.

"***Permitted Investments***" means the following, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit) or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent, its parent, if any and affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any Rating Agency or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank, including its parent (if any), affiliates and subsidiaries, whose short-term obligations are rated in the highest short-term rating category by any Rating Agency or whose long-term obligations are rated A or better by each any Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency, or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of Five Hundred Million ($500,000,000), which obligations are rated A or better by any Rating Agency;

(h) money market funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services) which invest in Federal Securities or which are rated in the highest short-term rating category by any Rating Agency;

(i) any investment agreement representing general unsecured obligations of a financial institution rated A or better by any Rating Agency, by the terms of which the Fiscal Agent is permitted to withdraw all amounts invested therein in the event any such rating falls below A;

(j) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California;

(k) the California Asset Management Program;

(l) any other investment in which the City may invest its funds under California law.

"***Proceeds***" when used with reference to the Bonds, means the face amount of the Bonds, plus any accrued interest and premium, less any original issue and/or underwriter's discount.

"Project" means those items described as the "Facilities" in the Resolution of Formation.

"Qualified Reserve Fund Credit Instrument" means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least "A" from S&P or "A" from Moody's and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P, or "A" from Moody's or, if not rated by S&P or Moody's but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company; (b) such letter of credit, insurance policy or surety bond has a stated term that extends at least to the final maturity date of the Related Parity Bonds; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve

Requirement with respect to which funds are proposed to be released; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to the all or a portion of any Related Parity Bonds.

"***Rate and Method***" means the amended and restated rate and method of apportionment of Special Tax for the CFD, adopted by the Board of Supervisors pursuant to the Resolution of Formation, and as it subsequently may be amended in compliance with the provisions of this Agreement and the Act.

"***Rating Agency***" means any nationally recognized rating agency.

"***Refunding Bonds***" means bonds issued by the City for the CFD, the net proceeds of which are used to refund all or a portion of the then-Outstanding Bonds; provided that (i) the total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds is less than the total interest cost to maturity on the Bonds to be refunded plus the principal amount of the Bonds to be refunded and (ii) the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

"***Related Parity Bonds***" means any series of Parity Bonds for which (i) the Proceeds are deposited into the Reserve Fund so that the balance therein is equal to the Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds.

"***Reserve Fund***" means the fund designated the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center), Special Tax Bonds, Reserve Fund" established and administered under Fiscal Agent Agreement.

"***Reserve Requirement***" means, as of the date of calculation, which shall be (A) the date of issuance of the Bonds and any Related Parity Bonds and (B) the date of defeasance or redemption of any of the Bonds or Related Parity Bonds, an amount equal to the lesser of (i) Maximum Annual Debt Service on the Bonds and any Related Parity Bonds between the date of such calculation and the final maturity of such Bonds or (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the Bonds and any Related Parity Bonds between the date of such calculation and the final maturity of such Bonds and (iii) 10% of the original principal amount of the Bonds and any Related Parity Bonds (or, if the Bonds and any Related Parity Bonds have more than a de minimis amount of original issue discount or premium, 10% of the issue price of the 2017 Bonds and any Related Parity Bonds); provided that, with respect to the issuance of any Related Parity Bonds, if the Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of the Related Parity Bonds (or, if the Related Parity Bonds have more than a de minimis amount of original issue discount or premium, of the issue price of such Related Parity Bonds), then the Reserve Requirement shall be such lesser amount as is determined by a deposit of such ten percent (10%); and provided that accrued interest on any Related Parity Bonds deposited with the Fiscal Agent upon delivery of such Related Parity Bonds shall be excluded for purposes of the calculation of the Reserve Requirement.

"***Resolution***" or "***Resolution of Issuance***" means the Original Resolution of Issuance as supplemented by the Supplemental Resolution of Issuance.

"***Resolution of Formation***" Resolution No. 350-14, adopted by the Board on September 23, 2014 and signed by the Mayor on September 29, 2014, forming the CFD.

“***Securities Depositories***” means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“***Special Tax Fund***” means the special fund designated “City and County of San Francisco Community Facilities City No. 2014-1 (Transbay Transit Center), Special Tax Fund” established and administered under the Fiscal Agent Agreement.

“***Special Tax Prepayments***” means the proceeds of any Special Tax prepayments received by the City, as calculated pursuant to the Rate and Method, less any administrative fees or penalties collected as part of any such prepayment.

“***Special Tax Revenues***” means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

“***Special Taxes***” means the special taxes levied by the Board of Supervisors within the CFD under the Act, the Ordinance and the Fiscal Agent Agreement.

“***State***” means the State of California.

“***Supplemental Agreement***” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

“***Supplemental Resolution of Issuance***” means Resolution No. 247-17, which was approved by the Board of Supervisors on June 13, 2017, and signed by the Mayor on June 22, 2017, supplementing the Original Resolution of Issuance and authorizing the issuance of the 2017 Bonds.

“***Tax Code***” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

“***2017 Bonds***” means the 2017A Bonds and the 2017B Bonds.

“***2017A Bonds***” means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable).

“***2017B Bonds***” means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds).

“***2019 Bonds***” means the 2019A Bonds and the 2019B Bonds, both of which shall constitute Related Parity Bonds.

“***2019A Bonds***” means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019A (Federally Taxable).

"***2019B Bonds***" means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019B (Federally Taxable - Green Bonds).

"***2020B Bonds***" means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2020B (Federally Taxable - Green Bonds).

"***2020B Term Bonds***" means (i) the 2020B Bonds maturing on September 1, 2040, (ii) the 2020B Bonds maturing on September 1, 2045 and (iii) the 2020B Bonds maturing on September 1, 2050.

THE BONDS

Method of Payment. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States of America made on such Interest Payment Date upon written instructions of any Owner of $1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner. The interest, principal of and any premium on the Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the Bonds at the Principal Office of the Fiscal Agent. All Bonds paid by the Fiscal Agent shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and issue a certificate of destruction of such Bonds to the City.

Transfer or Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept under the provisions of the Fiscal Agent Agreement by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange shall be paid by the City from amounts in the Administrative Expense Fund. The Fiscal Agent shall collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount. No transfers or exchanges of Bonds shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

Bond Register. The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds which books shall show the series number, date, amount, rate of interest and last known owner of each Bond and shall at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds.

The City and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the City and the Fiscal Agent shall not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond register for any and all purposes.

FUNDS AND ACCOUNTS

The Fiscal Agent Agreement establishes various funds and accounts for the payment of the Bonds, the payment of costs of issuing the bonds, the payment of costs of the Project and the administration of the CFD. Moneys in the funds and accounts must be invested in accordance with the Fiscal Agent Agreement. Unless otherwise specified in the Fiscal Agent Agreement, interest earnings from investment are retained in the funds and accounts to be used for their purposes. The following funds and accounts are established by the Fiscal Agent Agreement:

Administrative Expense Fund. The Administrative Expense Fund is held by the Fiscal Agent. Moneys in the Administrative Expense Fund are held by the Fiscal Agent for the benefit of the City and are used to pay Administrative Expense, or a Cost of Issuance upon receipt by the Fiscal Agent of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense or a Cost of Issuance and the nature of such Administrative Expense or such Cost of Issuance. Annually, on the last day of each Fiscal Year, the Fiscal Agent shall withdraw any amounts then remaining in the Administrative Expense Fund that have not been allocated to pay Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered, and transfer such amounts to the Special Tax Fund.

Special Tax Fund. The Special Tax Fund is held by the Fiscal Agent to the credit of which the Fiscal Agent shall deposit amounts received from or on behalf of the City consisting of Special Tax Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. Moneys in the Special Tax Fund are held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, and, pending disbursement, are subject to a lien in favor of the Owners of the Bonds.

The City shall promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund. At least seven (7) days prior to each Interest Payment Date or redemption date, as applicable, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer to the Bond Fund amounts required to pay Debt Service on the Bonds, and to replenish the Reserve Fund, if necessary. Each calendar year, following the transfers for the March 1 Interest Payment Date occurring in such calendar year, when amounts (including investment earnings) have been accumulated in the Special Tax Fund sufficient to make the transfers pursuant to the preceding paragraph for the September 1 Interest Payment Date occurring in such calendar year, the Finance Director, during the period up to but not including December 10 of such calendar year, may in his or her sole discretion direct in writing the disposition of moneys in the Special Tax Fund in excess of the amounts needed for such September 1 Interest Payment Date as follows: (i) direct the Fiscal Agent to transfer money to the Improvement Fund (or the accounts therein) for payment or reimbursement of the costs of the Project, (ii) direct the Fiscal Agent to transfer money to the Administrative Expense Fund, in an amount not to exceed the amount included in the Special Tax levy for Administrative Expenses for such Fiscal Year and (iii) direct the Fiscal Agent to transfer money for any other lawful purpose.

Bond Fund. The Bond Fund is held by the Fiscal Agent. Moneys in the Bond Fund are held by the Fiscal Agent for the benefit of and are subject to a lien in favor of the Owners of the Bonds. Moneys in the Bond Fund shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below. Within the Bond Fund, there may be established a Capitalized Interest Account that is used to pay interest on a particular series of Bonds.

If the amount in the Bond Fund is not enough to pay the required Debt Service on an Interest Payment Date, the Fiscal Agent withdraws the amount needed from the Reserve Fund. If there is not enough money in the Bond Fund and the Reserve Fund to pay the scheduled Debt Service, the Fiscal Agent must apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the Bonds by reason of sinking payments.

If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay Debt Service on the Bonds in a timely manner, the Fiscal Agent shall report that to the Finance Director. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies. Any excess moneys remaining in the Bond Fund following the payment of debt service on the Bonds, shall be transferred to the Special Tax Fund.

Reserve Fund. The Reserve Fund is held by the Fiscal Agent. Moneys in the Reserve Fund are held in trust by the Fiscal Agent for the benefit of and are subject to a lien in favor of the Owners of the Bonds and any related Parity Bonds. Moneys in the Reserve Fund are used as a reserve for the payment of principal of, and interest and any premium on, the Bonds.

Except as otherwise provided in the Fiscal Agent Agreement, all amounts drawn on the Reserve Fund shall be used by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds and any Related Parity Bonds or, in accordance with the provisions of the Fiscal Agent Agreement, for the purpose of redeeming Bonds and any Related Parity Bonds from the Bond Fund.

Whenever, on or before any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the Reserve Fund exceeds the Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund, to be used to pay interest on the Bonds and any related Parity Bonds on the next Interest Payment Date.

Amounts in the Reserve Fund shall be withdrawn for purposes of making payment to the federal government to comply with any obligation to do so under this Fiscal Agent Agreement, upon receipt by the Fiscal Agent of an Officer's Certificate specifying the amount to be withdrawn and to the effect that such amount is needed for rebate purposes; provided, however, that no amounts in the Reserve Fund shall be used for rebate unless the amount in the Reserve Fund following such withdrawal equals the Reserve Requirement.

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds and any related Parity Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Finance Director, transfer any cash or Permitted Investments in the Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption of all of the Outstanding Bonds and any related Parity Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds and any related Parity Bonds, the balance in the Reserve Fund shall be transferred to the City, at the written direction of the Finance Director, to be used by the City for any lawful purpose. Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund until after (i) the calculation of any amounts due to the federal government under the rebate provisions of the Fiscal Agent Agreement following payment of the Bonds and withdrawal of any such amount from the Reserve Fund for purposes of making such payment to the federal government, and (ii) payment of any fees and expenses due to the Fiscal Agent.

Whenever Special Taxes are prepaid and any Related Parity Bonds are to be redeemed with the proceeds of such prepayment, a proportionate amount in the Reserve Fund (determined on the basis of the principal of Related Parity Bonds to be redeemed and the then-Outstanding principal of the Related Parity Bonds, but in any event not in excess of the amount that will leave the balance in the Reserve Fund following the proposed redemption equal to the Reserve Requirement) shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the Related Parity Bonds.

The City shall have the right at any time to direct the Fiscal Agent to release funds from the Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Fund Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Fund Credit Instrument will cause interest on the Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, and upon delivery by the City to the Fiscal Agent of written calculation of the amount permitted to be released from the Reserve Fund (upon which calculation the Fiscal Agent may conclusively rely), the Fiscal Agent shall transfer such funds from the Reserve Fund to the City to be deposited in the Improvement Fund and used for the purposes thereof. The Fiscal Agent shall comply with all documentation relating to a Qualified Reserve Fund Credit Instrument as shall be required to maintain such Qualified Reserve Fund Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Fiscal Agent Agreement. If the Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Fund Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Bond Fund with respect to the Related Parity Bonds. If the Reserve Requirement is being maintained with two or more Qualified Reserve Fund Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Bond Fund with respect to the Related Parity Bonds shall be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Fund Credit Instrument is available to be drawn upon for only one or more particular series of Bonds, a separate subaccount in the Reserve Fund may be established for such series, and the calculation of the Reserve Requirement with respect to all other Bonds payable from the Reserve Fund shall exclude the debt service on such issue of Bonds.

The City shall have no obligation to replace the Qualified Reserve Fund Credit Instrument or to fund the Reserve Fund with cash if, at any time that any Related Parity Bonds are Outstanding, amounts are not available under the Qualified Reserve Fund Credit Instrument or if the rating of the claims-paying ability of the provider of the Qualified Reserve Fund Credit Instrument is downgraded.

Improvement Fund. The Improvement Fund is held by the Fiscal Agent and moneys in it are used by the City to pay for the acquisition and/or construction of the Project.

CITY COVENANTS

Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Fiscal Agent Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and of the Bonds.

No Extension of Time. In order to prevent any accumulation of claims for interest after maturity, the City may not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and may not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default under the Fiscal Agent Agreement, to the benefits of the Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

No Encumbrance. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien under the Fiscal Agent Agreement for the benefit of the Bonds, except as permitted by the Fiscal Agent Agreement.

Books and Records. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries are made of all transactions relating to the expenditures from the Administrative Expense Fund, the Special Tax Fund and to the Special Tax Revenues. Such books of record and accounts will at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives.

Covenant to Foreclose. Under the Act, the City covenants under the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as provided in the Fiscal Agent Agreement, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about September 1 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in the CFD to the amount of Special Tax Revenues theretofore received by the City, and:

> (A) Individual Delinquencies. If the Finance Director determines that (i) any single parcel subject to the Special Tax in the CFD is delinquent in the payment of Special Taxes in the aggregate amount of $40,000 or more or (ii) any single parcel subject to the Special Tax in the CFD is delinquent in the payment of three or more installments of Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination.

(B) Aggregate Delinquencies. If the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire CFD, (including the total of delinquencies under paragraph (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year the Finance Director shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the CFD with a Special Tax delinquency.

The Finance Director and the City Attorney, as applicable, are authorized pursuant to the Fiscal Agent Agreement to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings shall be an Administrative Expense under the Fiscal Agent Agreement.

Levy and Collection of Special Taxes. On or within five Business Days of each June 1, the Fiscal Agent shall provide the Finance Director with a notice stating (i) the amount then on deposit in the Bond Fund, the Reserve Fund and any reserve account for Parity Bonds that are not Related Parity Bonds that is held by the Fiscal Agent, and (ii) if the amount in the Reserve Fund is less than the Reserve Requirement or the amount in such other reserve account held by the Fiscal Agent is less than its required amount, informing the City that replenishment of the Reserve Fund or reserve account is necessary. The receipt of or failure to receive such notice by the Finance Director shall in no way affect the obligations of the Finance Director under the following two paragraphs and the Fiscal Agent shall not be liable for failure to provide such notices to the Finance Director. Upon receipt of such notice, the Finance Director shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

The Finance Director shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within the CFD for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

The Finance Director shall fix and levy the amount of Special Taxes within the CFD required for the timely payment of principal of and interest on any outstanding Bonds of the CFD becoming due and payable during the ensuing year, replenishment of the Reserve Fund or other reserve account and payment of Administrative Expenses during such year, taking into account the balances in such funds and in the Special Tax Fund. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Rate and Method.

Except as set forth in the Ordinance, Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property. The Finance Director is hereby authorized to employ consultants to assist in computing the levy of the Special Taxes hereunder and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the Finance Director (including a charge for City staff time) in conducting its duties hereunder shall be an Administrative Expense hereunder.

As provided in the Fiscal Agent Agreement, delinquent Special Taxes are subject to judicial foreclosure to recover such Special Taxes and costs of collection. The proceeds of such foreclosure are to be credited to the Reserve Fund and to the Bond Fund, after the payment of costs.

Limits on Special Tax Waivers and Bond Tenders. The City covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the owners of the Bonds.

The City covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax Revenues assuming the Special Taxes are levied and collected in the maximum amount permitted by the Rate and Method, to pay the principal of and interest when due on the Bonds remaining Outstanding following such tender. Subject to the foregoing, in the event Bonds are tendered to the Fiscal Agent, such Bonds shall be cancelled by the Fiscal Agent and shall cease to accrue interest from the date such Bonds are tendered. Upon surrender of a Bond to be tendered in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the tendering party a new Bond or Bonds the principal amount of which is equal to the untendered portion of the Bonds and the interest rate and maturity date of which shall be the same as the interest rate and maturity date of the tendered bond. To the extent applicable, the City shall deliver to the Fiscal Agent an Officer's Certificate setting forth any adjustments to the mandatory sinking fund schedule as a result of the tender, which Officer's Certificate must be accompanied by a certificate of an Independent Financial Consultant to the effect that it has reviewed the proposed adjustments in the mandatory sinking fund schedule and that the remaining Special Tax Revenues, if the Special Taxes are levied and collected in the maximum amount permitted by the Rate and Method, will be sufficient to pay principal of and interest on the Bonds when due following such adjustment.

City Bid at Foreclosure Sale. The City will not bid at a foreclosure sale of property in respect of delinquent Special Taxes, unless it expressly agrees to take the property subject to the lien for Special Taxes imposed by the CFD and that the Special Taxes levied on the property are payable while the City owns the property.

Amendment of Rate and Method. The City will not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the City will, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

INVESTMENTS

(A) Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out hereunder, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall hold such funds uninvested. The Finance Director shall make note of any investment of funds hereunder in excess of the yield on the Bonds so that appropriate actions can be taken to assure compliance with provisions of this Fiscal Agent Agreement related to rebate of investment earnings to the federal government.

(B) Moneys in Funds. Moneys in any fund or account created or established by this Agreement and held by the Finance Director shall be invested by the Finance Director in any Permitted Investment or in any other lawful investment for City funds, which in any event by its terms matures prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in this Agreement any moneys are required to be transferred by the City to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

The Fiscal Agent and its affiliates or the Finance Director may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent nor the Finance Director shall incur any liability for losses arising from any investments made pursuant to the Fiscal Agent Agreement. The Fiscal Agent will not be required to determine the legality of any investments.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Fiscal Agent Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Fiscal Agent Agreement or the Act) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of Code and (unless valuation is undertaken at least annually) investments of funds in the Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Tax Code).

Investments in the funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, provided that the Fiscal Agent or the Finance Director , as applicable, shall at all times account for such investments in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement. The Fiscal Agent or the Finance Director, as applicable, shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Finance Director shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

CITY LIABILITY

The City shall not incur any responsibility for the Bonds or the Fiscal Agent Agreement other than for the duties or obligations assigned to or imposed upon it. The City shall not be liable in the performance of its duties under the Fiscal Agent Agreement, except for its own gross negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent in the Fiscal Agent Agreement or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the City, including the Finance Director, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City and conforming to the requirements of the Fiscal Agent Agreement. The City, including the Finance Officer, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of the Fiscal Agent Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The City and the Finance Director may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Fiscal Agent Agreement in good faith and in accordance therewith.

THE FISCAL AGENT

The City shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactory established, if disputed. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in the Fiscal Agent Agreement, and no implied covenants or obligations shall be read into the Fiscal Agent Agreement against the Fiscal Agent.

Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph, shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act.

The City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000, and be subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective only upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made within forty-five (45) days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties under the Fiscal Agent Agreement, all such duties and all of the rights and powers of the Fiscal Agent thereunder shall be assumed by and vest in the Finance Officer of the City in trust for the benefit of the Owners. The City covenants for the direct benefit of the Owners that its Finance Director in such case shall be vested with all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent thereunder, in trust for the benefit of the Owners of the Bonds. In such event, the Finance Director may designate a successor Fiscal Agent qualified to act as Fiscal Agent thereunder.

The recitals of facts, covenants and agreements in the Fiscal Agent Agreement and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of the Fiscal Agent Agreement or of the Bonds, or shall the Fiscal Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Fiscal Agent Agreement or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts. No provision of the Fiscal Agent Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Fiscal Agent Agreement at the request or direction of any of the Owners pursuant to the Fiscal Agent Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Fiscal Agent Agreement in good faith and in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under the Fiscal Agent Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Fiscal Agent Agreement, such matter (unless other evidence in respect thereof be in the Fiscal Agent Agreement specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by an Officer's Certificate, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of the Fiscal Agent Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The City shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under the Fiscal Agent Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Fiscal Agent Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under the Fiscal Agent Agreement. The City further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities which it may incur in the exercise and performance of its powers and duties thereunder which are not due to its negligence or willful misconduct. The obligation of the City under this paragraph shall survive resignation or removal of the Fiscal Agent under the Fiscal Agent Agreement and payment of the Bonds and discharge of the Fiscal Agent Agreement, but any monetary obligation of the City arising under this paragraph shall be limited solely to amounts on deposit in the Administrative Expense Fund.

AMENDMENT

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the City in the Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;

(B) to make modifications not adversely affecting any Outstanding Bonds in any material respect including, but not limited to, amending the Rate and Method, so long as the amendment does not result in debt service coverage less than that set forth in the Fiscal Agent Agreement;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City or the Fiscal Agent may deem necessary or desirable and not inconsistent with the Fiscal Agent Agreement, and which shall not adversely affect the rights of the Owners of the Bonds; and

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from gross federal income taxation of interest on the Bonds.

(E) in connection with the issuance of any Parity Bonds under and pursuant to the Fiscal Agent Agreement.

Any amendment of the Fiscal Agent Agreement may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of the Fiscal Agent Agreement and the Fiscal Agent may conclusively rely on such opinion and shall be absolutely protected in so relying.

The City and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Fiscal Agent Agreement, to take effect when and as provided in the Fiscal Agent Agreement. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent, at the expense of the City), to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as provided in the Fiscal Agent Agreement.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement) and a notice shall have been mailed provided in the Fiscal Agent Agreement. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the Fiscal Agent Agreement. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice provided for in the Fiscal Agent Agreement has been mailed. After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner provided in the Fiscal Agent Agreement for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in the Fiscal Agent Agreement (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by the Fiscal Agent Agreement to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise provided in the Fiscal Agent Agreement) upon the City and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

DISCHARGE

The City shall have the option to pay and discharge all or a portion of the indebtedness on all Bonds Outstanding in any one or more of the following ways:

(A) by paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Bond Fund and the Reserve Fund hereof, is fully sufficient to pay all Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and/or Federal Securities in such amount as the City shall determine, as confirmed by an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Bond Fund and the Reserve Fund (to the extent invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the City shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in this Agreement and all other obligations of the City under this Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent.

Notwithstanding the foregoing, the following obligations and pledges of the City shall continue in any event: (i) the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, (ii) the obligation of the City to pay amounts owing to the Fiscal Agent pursuant to the Fiscal Agent Agreement, and (iii) the obligation of the City to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Upon compliance by the City with the foregoing with respect to all Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the City and any Special Taxes thereafter received by the City shall not be remitted to the Fiscal Agent but shall be retained by the City to be used for any purpose permitted under the Act and the Resolution of Formation.

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APPENDIX D

FORM OF BOND COUNSEL OPINION

May 14, 2020

Board of Supervisors
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

OPINION: $81,820,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2020B (Federally-Taxable - Green Bonds)

Members of the Board of Supervisors:

We have acted as bond counsel to the City and County of San Francisco (the "City") in connection with the issuance by the City, for and on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center), of the captioned bonds, dated the date hereof (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the "Act"), Resolution No. 2-15 of the Board of Supervisors of the City adopted on January 13, 2015 and signed by the Mayor on January 20, 2015, as supplemented, including by Resolution No. 172-20 of the Board of Supervisors adopted on April 28, 2020 and signed by the Mayor on May 1, 2020 (collectively, the "Resolution") and a Fiscal Agent Agreement (the "Master Fiscal Agent Agreement"), dated as of November 1, 2017, by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent") as supplemented, including by a Second Supplement to Fiscal Agent Agreement, dated as of May 1, 2020 (the "Second Supplement"; together with the Master Fiscal Agent Agreement, as previously supplemented, the "Fiscal Agent Agreement"). Under the Fiscal Agent Agreement, the City has pledged certain revenues ("Special Tax Revenues") for the payment of principal, premium (if any) and interest on the Bonds when due.

Regarding questions of fact material to our opinion, we have relied on representations of the City contained in the Resolution and in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The City is a municipal corporation and chartered city and county, duly organized and existing under its charter and the laws of the State of California, with the power to adopt the Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and issue the Bonds.

2. The Fiscal Agent Agreement has been duly authorized, executed and delivered by the City, and constitutes a valid and binding obligation of the City, enforceable against the City.

3. The Fiscal Agent Agreement creates a valid lien on the Special Tax Revenues and other funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with other bonds issued or to be issued under the Fiscal Agent Agreement.

4. The Bonds have been duly authorized and executed by the City, and are valid and binding limited obligations of the City, payable solely from the Special Tax Revenues and other funds provided therefor in the Fiscal Agent Agreement.

5. The City does not intend for the interest on the Bonds to be excluded from gross income for federal income tax purposes. We express no opinion regarding federal tax consequences arising with respect to the Bonds.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to 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. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2020B
(FEDERALLY TAXABLE – GREEN BONDS)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") with respect to the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the "District") in connection with the issuance of the above-captioned (the "2020B Bonds"). The 2020B Bonds are issued pursuant to Resolution No. 2-15, which was approved by the Board of Supervisors on January 13, 2015 and signed by the Mayor on January 20, 2015, as supplemented by Resolution No. 247-17 and Resolution No. 419-18 adopted by the Board of Supervisors on December 4, 2018 and signed by the Mayor on December 12, 2018, and by Resolution No. 172-20 adopted by the Board of Supervisors on April 28, 2020 and signed by the Mayor on May 1, 2020 (collectively, the "Resolution") and Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of February 1, 2019, and by the Second Supplement to Fiscal Agent Agreement, dated as of May 1, 2020 (collectively, the "Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent, and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq*. of the Government Code of the State of California). 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 2020B 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 2020B Bonds (including persons holding 2020B Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any 2020B Bonds or to dispose of ownership of any 2020B Bonds; or (b) is treated as the owner of any 2020B Bonds for federal income tax purposes.

"Dissemination Agent" shall mean Goodwin Consulting Group, Inc., 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 2020B Bonds, or, if the 2020B 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 2020B Bonds required to comply with the Rule in connection with offering of the 2020B 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.

"Salesforce Transit Center" shall mean the one million square foot transit center which will replace the former Transbay Terminal in downtown San Francisco.

"Train Box" shall mean the core and shell of the two below-grade levels of the Salesforce Transit Center, that were built to accommodate the downtown rail extension that will extend the Caltrain rail tracks from 4th & King Streets to the Salesforce Transit Center.

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Fiscal Agent Agreement.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City's fiscal year (which is June 30), commencing with the report for the 2019-20 Fiscal Year (which is due not later than March 31, 2021), 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 such 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(f).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall, in a timely manner, 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. The financial statements required by this subsection (a) shall be accompanied by the following statement:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE 2020B BONDS, AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE 2020B BONDS.

(b) the principal amount of the 2020B Bonds outstanding as of June 30 next preceding the date of the Annual Report.

(c) the balance in the Allocated Bond Proceeds Account as of June 30 next preceding the date of the Annual Report.

(d) the balance in the Reserve Fund for the 2020B Bonds as of June 30 next preceding the date of the Annual Report.

(e) the total assessed value of all parcels subject to the Special Taxes and the current year's assessed value for the District.

(f) concerning delinquent parcels:

- number of parcels delinquent in payment of Special Tax,
- amount of total delinquency and as a percentage of total Special Tax levy, and
- status of the District's actions on covenants to pursue foreclosure proceedings upon delinquent properties.

(g) identity of any delinquent taxpayer obligated for more than 10% of the annual Special Tax levy, together with the assessed value of the applicable properties and a summary of the results of any foreclosure sales, if available.

(h) for the Fiscal Year for which the Annual Report is being issued, identify any Certificate of Occupancy or Tax Commencement Authorization that has been issued on a parcel subject to the Special Taxes.

(i) to the extent not otherwise provided pursuant to the preceding items a-h, annual information required to be filed with respect to the District since the last Annual Report with the California Debt and Investment Advisory Commission pursuant to Sections 50075.1, 50075.3, 53359.5(b), 53410(d) or 53411 of the California Government Code.

(j) updated information of the type set forth in Tables 1 and 2 in the Official Statement, dated May 7, 2020 relating to the 2020B Bonds.

(k) a statement confirming that, during the most recent fiscal year, proceeds of the 2020B Bonds in the Allocated Bond Proceeds Account were spent only on Project costs at the Salesforce Transit Center. The City shall no longer be obligated to include this statement in its Annual Report beginning with the Annual Report for the fiscal year that follows the earliest to occur of (i) the expenditure of all of the proceeds of the 2020B Bonds in the Allocated Bond Proceeds Account and (ii) completion of the Salesforce Transit Center.

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 1-10 with respect to the 2020B 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 11-18 with respect to the 2020B 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 2020B Bonds or other material events affecting the tax status of the 2020B Bonds;
12. Modifications to rights of 2020B Bond holders;
13. Unscheduled or contingent 2020B Bond calls;
14. Release, substitution, or sale of property securing repayment of the 2020B 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; or
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) Within ten (10) business days after the City receives a written statement from the Climate Bonds Initiative to the effect that the 2020B Bonds are no longer certified in accordance with the "Low Carbon Land Transport Criteria" under the Climate Bonds Standard, the City will post, or cause to be posted, notice of such written statement with the MSRB.

(d) Within ten (10) business days after the District is removed from the Teeter Plan, the City will post, or cause to be posted, notice of such event with the MSRB.

(e) 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).

(f) 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.

(g) 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 2020B Bonds pursuant to the Resolution.

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 2020B Bonds. If such termination occurs prior to the final maturity of the 2020B Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

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 2020B 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 2020B 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 2020B 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 2020B 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.

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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 2020B Bonds, and shall create no rights in any other person or entity.

Date: May 14, 2020

CITY AND COUNTY OF SAN FRANCISCO

____
Anna Van Degna
Director of the Office of Public Finance

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: ______________________________
Deputy City Attorney

AGREED AND ACCEPTED:

GOODWIN CONSULTING GROUP, INC., as Dissemination Agent

By: ____________________________
Name: __________________________
Title: ___________________________

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 Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2020B (Federally Taxable – Green Bonds)

Date of Issuance: May 14, 2020

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 2020B Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated May 14, 2020. The City anticipates that the Annual Report will be filed by _____________.

Dated: _____, 20__

CITY AND COUNTY OF SAN FRANCISCO

By: _______[to be signed only if filed]_______
Title: ____________________________________

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC; and DTC's book-entry system has been obtained from sources that City believes to be reliable, but City takes no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2020B Bonds. The 2020B Bonds 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 certificate will be issued for the each issue of the 2020B Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest 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 die provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *Information on such website is not incorporated by reference herein.*

Purchases of 2020B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2020B Bonds on DTC's records. The ownership interest of each actual purchaser of each 2020B Bond ("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 2020B Bonds 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 the 2020B Bonds, except in the event that use of the book-entry system for the 2020B Bonds is discontinued.

To facilitate subsequent transfers, all 2020B Bonds deposited by Direct Participants with DTC are registered in the name of DTCs partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2020B Bonds 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 2020B Bonds: DTC's records reflect only the identity of the Direct Participants to whose accounts such 2020B Bonds 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.

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 well be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2020B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2020B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2020B Bond documents. For example, Beneficial Owners of 2020B Bonds may wish to ascertain that the nominee holding the 2020B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2020B Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2020B Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City 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 the 2020B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2020B Bonds 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 the City or Fiscal 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 nor its nominee, Fiscal Agent, or City, 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 the City or the Fiscal 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.

DTC may discontinue providing its services as depository with respect to the 2020B Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

APPENDIX G

BUDGET OUTLOOK UPDATE FY 2019-20 THROUGH FY 2023-24

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Budget Outlook Update
FY 2019-20 through FY 2023-24

This report summarizes current projections for the City's General Fund for the period fiscal year (FY) 2019-20 through FY 2023-24:

1) The Controller's update on FY 2019-20 revenue and expenditures as required by Charter Section 3.105, with information and projections as of April 15, 2020 ("Nine-Month Report"), and

2) An update to the City's Five-Year Financial Plan prepared by the Mayor, Board of Supervisors Budget & Legislative Analyst, and Controller as required by San Francisco Administrative Code Section 3.6(b) ("May Joint Report"), and

3) A projection of expenditures and revenues associated with the City's response to the COVID-19 public health emergency for the current fiscal year, and a preliminary financial assessment of possible financial impacts for FY 2020-21 and beyond.

May 13, 2020

Board of Supervisors Budget & Legislative Analyst
Mayor's Budget Office
Controller's Office

Executive Summary

PROJECTION SUMMARY

This report summarizes current projections of the City's General Fund revenue and expenditures for the five-year period from FY 2019-20 through FY 2023-24, prepared jointly by the Mayor's Budget Office, the Board of Supervisors Budget & Legislative Analyst, and the Controller's Office.

Our assessment of the severity and duration of economic and financial losses have worsened since our March projection, leading to large shortfalls through the forecast period. **The Mayor and Board of Supervisors will be required to close projected shortfalls totaling $1.7 billion during coming months for the current fiscal year and the upcoming two-year budget period.** We project annual shortfalls of $1.0 billion and $1.1 billion in the final two years of the forecast period.

Cumulative Changes in General Fund Supported Revenues & Expenditures ($ millions)

	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
I. Current fiscal year	(246.2)				
II. Future fiscal years		(753.9)	(735.4)	(1,016.4)	(1,088.5)
III. Projected shortfalls	(246.2)	(753.9)	(735.4)	(1,016.4)	(1,088.5)
FY 2019-20 - FY 2021-22 Total			(1,735.5)		

While we presented the impacts of both an extended and limited recession in our March Joint Report, we no longer believe the rapid recovery underpinning our limited impact scenario from that report will occur. These projections assume a slower economic recovery begins later in 2020 and continues into subsequent fiscal years.

SIGNIFICANT RISKS REMAIN

Economic and Revenue Recovery Delayed

These projections assume a slower economic recovery begins later in 2020 and continues into subsequent fiscal years. Underlying assumptions regarding each General Fund source are outlined in Appendix 2.

To the extent that the recovery occurs later or more gradually than assumed here, tax revenue losses will exceed those projected in this report. Deeper losses would occur if continued community exposure to COVID-19 requires a slower resumption of economic activity, or subsequent outbreaks require re-imposition of public health measures that had been lifted.

Property, business, hotel, and sales tax revenue account for $3.6 billion of General Fund revenues. More significant economic losses that drive either a deeper loss or slower recovery of these revenue sources than assumed would worsen our projections significantly. For illustration, **a 10% deviation from our projections for these four sources would aggravate projected shortfalls by approximately $360 million in FY 2020-21 alone**.

Emergency Expenditures Required for Longer Duration

The City's response to the public health emergency has been expansive, and we project emergency response expenditures to total approximately $375 million during the current fiscal year alone. These costs include extensive procurement of protective equipment for medical staff and first responders, operation and augmentation of the City's public health system, new congregate and non-congregate housing alternatives for vulnerable residents, and economic and social support programs for those effected by both the public health and economic emergencies.

Given uncertainty regarding the duration of the public health emergency and nascent financial planning regarding the need to sustain them in upcoming fiscal years, **these projections assume no additional General Fund cost for these programs beyond June 30, 2020**. However, sustained emergency and public health responses will be required. Preliminary ranges of these costs are included in Appendix 3 and will be significant. We will continue to keep the Mayor and Board updated on these future costs as they are known and refined.

Reliance on Federal and State Support

The City is reliant on federal and state revenues to support a variety of public health, social, and other government services. These funds account for approximately 20% of total General Fund revenues.

The reliance on federal funds is heightened in the current emergency, as Federal Emergency Management Agency (FEMA) and other federal grant programs are needed to offset the costs of the City's emergency response. We project that federal sources, including a significant allocation provided under the federal CARES Act for state and local governments, will offset the majority of emergency costs during the current fiscal year. However, absent additional allocations from the federal government, CARES Act funds will be largely exhausted in the current fiscal year. Similarly, the duration of reimbursements from FEMA are unknown and tied to the duration of the federal emergency. As these federal programs expire, it will significantly decrease non-City revenues available to offset future local emergency response costs.

Additionally, the City receives funding through the State of California for a number of human welfare, public health, and other programs. The public health emergency has significantly weakened the State's financial condition. The Governor is scheduled to release a proposed budget to bridge a projected $54 billion shortfall for the current and upcoming fiscal year in the coming week. To the extent that the State's budget challenge results in reductions in funding for local governments, it will increase General Fund shortfalls accordingly.

Projections in this report assume no loss of federal or state aid. We will continue to update the Mayor and Board as additional information is available.

Other Key Assumptions

This report includes our projections of all General Fund expenditures and revenues for FY 2019-20 through FY 2023-24, as detailed in the appendices that follow, and assuming current service levels and adopted policies. The City is required to adopt and maintain balanced budgets. To the extent that ongoing changes are adopted in doing so, shortfalls will be reduced in the fiscal year in which they are enacted and offset shortfalls in future fiscal years. One-time solutions will reduce projected shortfalls in the year of enactment alone.

UPCOMING BUDGET MILESTONES

Current Year Rebalancing Plan

The Mayor's Office has indicated they intend to submit a plan to offset projected revenue losses in the current fiscal year (FY 2019-20) in the coming weeks. The Board Budget and Appropriations Committee has scheduled a hearing in May to review this plan. We have assumed a plan to bridge the $246 million projected FY 2019-20 shortfall is enacted in the current year in our projections of fund balance available to support future fiscal years.

Budget Process for FY 2020-21 – FY 2021-22

The City has delayed its budget process for the two-year budget for FY 2020-21 and FY 2021-22 given the public health emergency. The Mayor's Office has indicated they intend to issue revised budget instructions to departments in May, and per the revised schedule, is required to submit a proposed balanced budget to the Board of Supervisors by August 1st. The Board will review, amend, and adopt that proposed budget by September 30th.

Periodic Updates

Throughout this process, our offices will continue to update the Mayor and Board on the City's financial condition as new information becomes available to us. Please reach out with any questions or comments regarding this report or other items regarding the City's financial condition.

APPENDICES

1. FY 2019-20 Budget Outlook ("Nine Month Report")
2. FY 2020-21 - FY 2023-24 Budget Outlook ("May Joint Report")
3. FY 2019-20 and FY 2020-21 Emergency Expenditure and Revenue Projections

Appendix 1. FY 2019-20 Budget Outlook (Nine-Month Report)

GENERAL FUND PROJECTED ENDING BALANCE

Table A1-1. FY 2019-20 Projected General Fund Variances to Budget ($ Millions)

	FY 2018-19 Ending Fund Balance	504.7
	Appropriation in the FY 2019-20 Budget	(210.6)
A.	**FY 2019-20 Starting Fund Balance**	**294.0**
	Citywide Revenue Surplus / (Shortfall)	(436.0)
	Baseline Contributions	103.8
	Departmental Operations	123.7
	Approved Supplemental Appropriations	2.2
	Projected Use of General Reserve	(2.2)
B.	**Current Year Revenues and Expenditures**	**(208.5)**
	Deposit to Budget Stabilization Reserve	(66.8)
	Deposit to Budget Stabilization One-Time Reserve	66.8
	Deposit to Budget Savings Incentive Fund	-
C.	**Withdrawals from / (Deposits) to Reserves**	**-**
D.	**FY 2019-20 Projected Ending Balance**	**85.5**
E.	**Previously Projected Available for Budget Years**	**331.7**
F	**FY 2019-20 Mid-Year Shortfall**	**(246.2)**

A. FY 2019-20 STARTING BALANCE

Total projected uses of fund balance at the time the FY 2019-20 and FY 2020-21 budget was adopted were $495.8 million, of which $210.6 million was appropriated in FY 2019-20 and $285.2 million was appropriated in FY 2020-21. General Fund available fund balance at the end of FY 2018-19 was $8.9 million more than appropriated and assigned.

B. CURRENT YEAR REVENUES AND EXPENDITURES

Citywide Revenue Shortfall

Citywide revenues are anticipated to be $436.0 million below budget, a decline of $542.8 million from the Six Month Report. Revenue projections for FY 2019-20 through FY 2023-24 are detailed in Appendix 2.

Baseline Contributions

Formula-driven voter-mandated spending requirements are projected to be $103.8 million below budget, a result of revenue declines. Baseline contributions for FY 2019-20 through FY 2023-24 are detailed in Appendix 2.

Departmental Operations

The Controller's Office projects a net departmental operating surplus of $123.7 million summarized in Table A1-2 below. COVID-19 related revenues and expenditures are separately described in Appendix 3.

At the time of the Six-Month report, several departments anticipated requesting overtime supplemental appropriations in annual operating funds, as required by Administrative Code Section 3.17. This requirement is currently superseded by the Mayor's Emergency Declaration.

Supplemental Appropriations

A supplemental appropriation using $2.2 million of the General Reserve, for the District Attorney, Sheriff, and Police Department to comply with new pretrial detention policies pursuant to a legal settlement, has been approved by the Board of Supervisors. There are three supplementals totaling $28.4 million in uses of General Reserve pending at the Board of Supervisors; passage of these supplemental appropriations is not assumed in these projections.

C. WITHDRAWALS FROM / DEPOSITS TO RESERVES

Given a significant projected revenue shortfall and as permitted by the authorizing legislation, the Controller has suspended deposits to the Citywide Budget Savings Incentive Fund, and no deposits to other reserves are projected. The funded level of the City's economic stabilization reserves remains at the target of 10% of General Fund revenue, absent appropriation of these reserves by policymakers. Due to revenue losses in the current year and high levels of excess ERAF revenues received in the prior fiscal year, the value of the 10% cap has fallen by $66.8 million in the current year, which causes the $66.8 million in excess of the cap to be shifted into the Budget Stabilization One-Time Reserve. A discussion of the status of reserves is included in Appendix 2.

D. PROJECTED ENDING FUND BALANCE OF $85.5 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2019-20 of $85.5 million. This represents a $344.3 million reduction from the Six-Month Report projection of $429.8 million.

E. PREVIOUSLY PROJECTED AVAILABLE ENDING FUND BALANCE OF $331.7 MILLION

The budget outlook for FY 2020-21 – FY 2023-24 contained in Appendix 2 assumes $331.7 million in available fund balance is drawn down to reduce shortfalls in those years. This balance is based upon our estimates of available balance as of our January 2020 projection report for those years.

F. FY 2019-20 MID-YEAR SHORTFALL OF $246.2 MILLION

The difference between our current and previous estimate of ending available fund balance totals $246.2 million. The Mayor's Office has stated they intend to implement a rebalancing plan to bridge this loss in May 2020. To the extent that this plan offsets this projected loss of fund balance, the ending balance for the current fiscal year will be restored to $331.7 million, consistent with our assumptions in Appendix 2.

GENERAL FUND DEPARTMENT PROJECTIONS

Table A1-2. General Fund Supported Operations ($ millions)

Note: Figures may not sum due to rounding

GENERAL FUND ($ MILLIONS)	Expenditures - Revised Budget	Expenditures - Projected Year End	Revenue Surplus/ (Deficit)	Expenditure Savings/ (Deficit)	Net Surplus/ (Deficit)	*Notes*
PUBLIC PROTECTION						
Adult Probation	43.2	43.0	-	0.2	0.2	
Superior Court	32.8	32.1	-	0.7	0.7	*1*
District Attorney	61.5	61.5	-	-	-	
Emergency Management	62.4	61.6	-	0.8	0.8	*2*
Fire Department	400.1	400.1	1.0	-	1.0	*3*
Juvenile Probation	37.9	35.9	(4.4)	2.1	(2.3)	*4*
Public Defender	41.2	40.8	-	0.3	0.3	
Police	615.5	608.5	0.5	7.1	7.6	*5*
Sheriff	252.2	247.5	-	4.7	4.7	*6*
Police Accountability	12.0	9.9	(0.2)	2.1	1.9	*7*
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	87.8	87.8	(3.5)	-	(3.5)	*8*
Economic & Workforce Development	71.8	62.9	(9.0)	9.0	-	
Port		(9.8)	(9.8)	9.8	-	
Board of Appeals	1.2	1.2	-	-	-	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth and Their Families	33.2	33.2	-	-	-	
Human Services Agency	907.3	889.2	(30.5)	18.2	(12.3)	*9*
Human Rights Commission	6.7	6.3	-	0.4	0.4	
Homelessness and Supportive Housing	204.3	200.2	(0.2)	6.1	5.9	*10*
Status of Women	10.0	10.0	-	-	-	
COMMUNITY HEALTH						
Public Health	1,279.4	1,279.4	71.9	7.0	78.9	*11*
CULTURE & RECREATION						
Asian Art Museum	12.1	11.6	-	0.5	0.5	*12*
Arts Commission	8.5	8.3	-	0.3	0.3	
Fine Arts Museum	17.7	17.6	-	0.1	0.1	
Law Library	2.1	2.1	-	0.1	0.1	
Recreation and Park Department	107.9	105.9	(11.1)	2.0	(9.1)	*13*
Academy of Sciences	6.4	6.4	-	-	-	
War Memorial	6.4	6.4	15.8	-	15.8	*14*
GENERAL ADMINISTRATION & FINANCE						
City Administrator	117.6	114.5	(3.2)	3.1	(0.1)	
Assessor/Recorder	28.5	28.2	(0.0)	0.2	0.2	
Board of Supervisors	18.1	17.2	-	0.9	0.9	*15*
City Attorney	88.6	87.6	(1.0)	1.0	-	
Controller	85.5	85.2	0.0	0.2	0.2	
City Planning	50.1	45.1	(5.0)	5.0	-	
Civil Service Commission	1.4	1.3	-	0.1	0.1	
Ethics Commission	4.7	0.5	0.1	4.1	4.2	*16*
Human Resources	29.2	29.0	-	0.1	0.1	
Health Service System	12.4	12.3	(0.1)	0.1	-	
Mayor	79.3	77.1	-	2.2	2.2	*17*
Elections	29.4	29.4	-	-	-	
Technology	4.0	3.6	(0.6)	0.5	(0.1)	
Treasurer/Tax Collector	39.5	39.4	(0.2)	0.2	-	
Retirement System	2.7	2.7	-	-	-	
GENERAL CITY RESPONSIBILITY	170.6	151.1	4.5	19.5	24.0	*18*
TOTAL GENERAL FUND	5,083.4	4,983.7	15.2	108.6	123.8	

Projections in Table A1-2 capture changes in regular department operations. Any additional costs related to the health emergency are captured in Appendix 3 FY 2019-20 and FY 2020-21 Emergency Expenditure and Revenue Projections.

1. Superior Court

The Superior Court projects $0.7 million in expenditure savings in the Indigent Defense program, due to the suspension of most criminal trials and preliminary hearings during the City's shelter-in-place order.

2. Emergency Management

The Department of Emergency Management is projected to end the year with a net surplus of $0.8 million. The department anticipates expenditure savings of $0.6 million in materials and supplies as a result of reimbursable COVID-19 expenditures and savings of $0.3 million in salary and fringe benefits, slightly offset by a projected deficit of $0.1 million in worker's compensation costs.

3. Fire Department

The Fire Department projects to end the fiscal year with a net revenue surplus of $1.0 million in inspection fees and ambulance billings.

4. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year with an operating deficit of $2.3 million. A revenue shortfall of $4.4 million is projected due to delayed claiming of federal and state revenue from grants and subventions. Projected expenditure savings of $2.1 million, primarily in salary and fringe benefit costs due to position vacancies and non-personnel cost savings partially offsets the revenue shortfall. The Controller's Office is closely monitoring hiring, department expenditures, and claiming of grant and subvention revenue to ensure the Department stays within budgeted appropriations.

5. Police

The Police Department projects to end the year with a net operating surplus of $7.6 million. The department projects a revenue surplus of $0.5 million, primarily from alarm permit fees. Salaries and benefits savings of $7.1 million are projected as a result of freezing most civilian hires and cancelled policing at special events during the City's shelter-in-place order.

6. Sheriff

The Sheriff's Department projects to end the fiscal year with an operating surplus of $4.7 million. A revenue surplus of $0.2 million, primarily due to reimbursements for provided services, is offset by a work order recovery deficit of $0.2 million for higher security service costs. In addition, the department projects a $4.7 million expenditure savings on department services that were repurposed to the COVID-19 emergency response and are FEMA reimbursable.

7. Department of Police Accountability

The Department of Police Accountability projects to end the fiscal year with a $1.9 million surplus. Non-personnel services cost savings of $0.7 million and $1.4 million in personnel cost savings from staff vacancies and delayed hiring due to the COVID-19 emergency are slightly offset by a $0.2 million deficit in work order recoveries.

8. Public Works

Public Works projects to end the year with an operating deficit of $3.5 million due to permit fee revenue shortfalls resulting from the shelter-in-place order. The department projects expenditures to be on budget, however, uncertainty regarding the amount and potential reimbursement levels of COVID-19 expenditures may result in a net operating deficit at year-end.

9. Human Services Agency

The Human Services Agency projects to end the year with a net deficit of $12.3 million, comprised of a $30.5 million revenue shortfall and $18.2 million in projected expenditure savings.

Table A1-3. Human Services Agency ($ millions)

	Revenue Surplus / (Deficit)	Expenditure Surplus / (Deficit)	Net Surplus / (Deficit)
Aid & Assistance Programs			
In Home Supportive Services	(9.0)	17.5	8.5
Foster Care and Foster Care Child Care Assistance	(0.3)	4.5	4.2
CAAP & CalWorks	4.1	(6.3)	(2.2)
All Other Aid Programs	(0.8)	0.8	(0.0)
Subtotal Aid and Assistance Programs	**(6.1)**	**16.5**	**10.4**
Operations & Administration	(24.5)	1.7	(22.8)
Grand Total	**(30.5)**	**18.2**	**(12.3)**

The department projects a net $10.4 million surplus In Aid and Assistance programs, comprised of $16.5 million in expenditure savings partially offset by a $6.1 million revenue deficit. Revenue shortfalls are primarily due to $9.0 million less revenue in the In-Home Supportive Services program (IHSS), partially offset by a $4.1 surplus due to a technical adjustment in the County Adult Assistance Programs and CalWORKs programs. Net expenditure savings in Aid and Assistance programs are mostly due to state funding adjustments and a decrease in services in IHSS, and Foster Care/Foster Care Child Care assistance reductions in caseload and cost per case. These savings are offset by $6.3 million in projected expenditures above budget in the County Adult Assistance Programs and CalWORKs due to increased caseload and payments to homeless clients for suspended shelter reservations.

A net $22.8 million deficit is projected the department's Operations and Administration, comprised of a $24.5 million revenue shortfall, slightly offset by $1.7 million in expenditure savings. The revenue shortfall is primarily due to lower than budgeted revenues in General Operations and Special Projects ($17.6 million) and Child Welfare programs ($9.7 million), offset by an increase of $3.1 million in Medi-Cal funding. Expenditure savings are mainly due to a shift in the allocation of staff time to various program activities, and underspending in non-personnel costs in the CalWORKs and Workforce Development programs.

10. Homelessness and Supportive Housing

Homelessness and Supportive Housing projects to end the fiscal year with a net operating surplus of $5.9 million. This is due to a revenue deficit of $0.2 million from services provided to other government agencies such as BART, offset by $1.4 million in personnel cost savings due to delayed hiring as a result of the COVID-19 health crisis, and $4.7 million of savings from non-salary expenses.

11. Public Health

The Department of Public Health projects to end the fiscal year with a net operating surplus of $78.9 million. Overall department revenues are projected to be $71.9 million above budget, and expenditures savings of $7.0 million are projected.

Table A1-4. Department of Public Health by Fund ($ millions)

Fund	Sources Surplus/ (Deficit)	Uses Surplus/ (Deficit)	Net Surplus/ (Deficit)
Public Health General Fund	(33.0)	12.2	(20.7)
Laguna Honda Hospital	9.3	3.3	12.5
Zuckerberg San Francisco General Hospital	95.6	(8.5)	87.1
Total	**71.9**	**7.0**	**78.9**

Public Health General Fund

Department of Public Health General Fund programs, including Primary Care, Behavioral Health, Jail Health, Home Health, SF Health Network, Public Health Division, and Central Administration, have a combined revenue shortfall of $33.0 million. Significant revenue variances from budget include an $11.9 million shortfall in 1991 State Realignment Revenue, a $10.9 shortfall in revenues from the San Francisco Health Plan under the City Option program, $8.3 million in reduced Medi-Cal and Short Doyle Revenue due to reduced service levels caused by COVID-19 restrictions, and $5.1 million less than budget in Primary Care Medi-Cal revenue. Expenditure savings of $12.2 are comprised of Health Network over-expenditures of $8.0 million offset by $12.6 million in savings in the Public Health, Behavioral Health and Central Administration divisions.

Laguna Honda Hospital

The department projects a $12.5 million surplus at Laguna Honda Hospital. Revenue is projected to be $9.3 million above budget due to a higher-than-expected Medi-Cal per diem rate, as well as $5.1 million of salary and fringe benefit savings due to staff vacancies, partially offset by over-expenditures in contracted services for temporary staffing.

Zuckerberg San Francisco General Hospital

The Department projects a $87.1 million surplus at Zuckerberg San Francisco General Hospital (ZSFG). Revenues are projected to be $95.6 million above budget. The Department projects a $9.4 million deficit in net patient revenues due to $18.4 million in losses resulting from restrictions under the COVID-19 pandemic, partially offset by higher than expected patient census and improved collections and $21.1 million in designated CARES Act funding for public health. The revenue surplus also includes a $107.1 million favorable variance in GPP (Global Payment Program)/PRIME (Public Hospital Redesign and Incentives in Medi-Cal) due primarily to favorable prior year settlements. The settlements include $40.0 million in one-time prior year Disproportionate Share Hospital (DSH) funds resulting from audit settlements and a retroactive State determination that certain Federally Qualified Health Center (FQHC) costs may be claimed under DSH funding. These funds were received in FY 2018-19 and were deferred to FY 2019-20 under AAO Sections 12.6 and 27. In addition, the department has received a $36.2 million favorable settlement under the Low Income Health Program from a previous Section 1115 Waiver. These surpluses are partially offset by a $16.3 million projected shortfall in capitation revenues resulting from decreased Medi-Cal Managed Care enrollment.

Expenditures are projected to be $8.5 million beyond budget, driven by higher-than anticipated patient census. Significant expenditure budget variances include $5.8 million expenditure overages in salaries and $6.7 million in over-expenditures for non-personnel services, partially offset by $4.0 million in fringe benefits savings due to the increased use of temporary and per diem staffing at the Hospital.

12. Asian Art Museum

The Asian Art Museum projects $0.5 million in salary and fringe benefit savings.

13. Recreation and Park

The Recreation and Park Department projects a net operating deficit of $9.1 million, primarily due to a revenue shortfall of $11.1 million from event cancellations due to the shelter-in-place order, partially offset by $2.0 million of salary and fringe benefit savings.

14. War Memorial

The War Memorial projects a surplus of $15.8 million due to unbudgeted revenue from the sale of transferable development rights.

15. Board of Supervisors

The Board of Supervisors projects $0.9 million of expenditure savings, predominantly from salary and fringe benefits savings.

16. Ethics

The Ethics Department projects a net surplus of $4.2 million, including $3.5 of expenditure savings from public financing of elections, due to fewer candidates than projected in the

November 2019 election. San Francisco Campaign Code Section 1.138(b)(1) caps the fund at $7.0 million per year, and the expenditure savings projected for this year reflect maintaining this cap. Salary and benefit savings of $0.5 million are also projected.

17. Office of the Mayor

The Mayor's Office of Housing and Community Development projects to end the year with a $2.2 million net surplus, primarily due to $1.5 million expenditure savings in the Single Room Occupancy (SRO) Elevator Rebate Program and $0.7 million in staffing and support savings for the San Francisco Housing Authority (SFHA).

18. General City Responsibility

General City Responsibility contains funds that are allocated for use across various City departments and is projected to have a net surplus of $24.0 million. A revenue surplus of $4.5 million is comprised of $0.8 million in unbudgeted SB90 reimbursements and a $4.3 million multi-year retroactive payment in lieu of taxes from a tax-exempt landowner in Mission Bay, partially offset by a $0.5 million shortfall in parking penalty revenue affected by the shelter in place order. A total of $20.8 million in minimum wage increases and cost of living adjustments for community-based organizations is projected to be allocated to departments, resulting in expenditure savings of $19.5 million due to departments' abilities to cover the cost of these obligations through existing budget sources.

NINE-MONTH OVERTIME REPORT

Administrative Code Section 18.13-1 requires the Controller to submit overtime reports to the Board of Supervisors at the time of the Six-Month and Nine-Month Budget Status Reports, and annually. The Administrative Code Section 3.17 requirement for select departments to request a supplemental appropriation to increase overtime budgets in annual operating funds is currently superseded by the Mayor's emergency declaration.

Table A1-5. FY 2019-20 Overtime Expenditures by Department

Department ($ Millions)	FY 2018-19 Actual	FY 2019-20 Revised Budget	FY 2019-20 July though 03/31/2020	FY 2019-20 % of Budget through 03/31/2020
Municipal Transit Agency - Total	**89.0**	**36.9**	**67.7**	**183%**
Police*				
General Fund (Excl. Work Orders)	19.2	20.0	15.0	75%
Airport	2.1	2.5	1.4	58%
General Fund Work Orders	4.5	6.6	3.5	52%
Total Annual Operating Funds	**25.8**	**29.1**	**19.9**	**69%**
Special Revenue (10B)	*18.5*		*13.3*	
Total	*44.3*		*33.3*	
Public Health*				
ZSF General	6.7	13.0	11.3	87%
Laguna Honda	9.2	10.8	6.9	65%
Other Annual Funds	2.8	1.6	2.2	137%
Total Annual Operating Funds	**18.7**	**25.3**	**20.4**	**80%**
Fire*				
General Fund	35.1	32.1	24.1	75%
Airport	4.5	5.7	4.0	70%
Total Annual Operating Funds	**39.6**	**37.7**	**28.1**	**74%**
Sheriff*				
General Fund (Excl. Work Orders)	21.5	19.9	16.1	81%
General Fund Work Orders	7.2	5.6	6.0	107%
Total Annual Operating Funds	**28.7**	**25.5**	**22.1**	**87%**
Airport*				
Annual Operating Funds	2.8	2.6	2.2	82%
Emergency Management*				
Annual Operating Funds	4.5	3.3	2.9	88%
Public Works*				
Annual Operating Funds	2.4	1.5	1.3	86%
General Fund Work Orders	0.5	0.8	0.4	47%
Public Utilities*				
Annual Operating Funds	6.1	5.0	3.8	76%
Recreation and Park*				
Annual Operating Funds	2.2	2.0	1.6	79%
Juvenile Probation	1.4	1.1	0.7	65%
Admin Services	3.3	0.6	2.0	317%
Elections	0.5	0.6	0.9	144%
Technology	1.0	0.6	0.7	132%
Human Services	2.8	0.5	1.8	343%
Port	0.6	0.5	0.4	69%
Controller	0.2	0.5	0.0	9%
Building Inspection	0.5	0.4	0.4	117%
Fine Arts Museum	1.0	0.3	0.5	162%
War Memorial	0.3	0.2	0.2	130%
Public Library	0.4	0.1	0.4	289%
Adult Probation	0.1	0.1	0.1	48%
District Attorney	0.2	0.1	0.1	126%
Academy of Sciences	0.1	0.1	0.0	61%
Asian Art Museum	0.2	0.1	0.1	192%
Public Defender	0.0	0.1	0.0	44%
City Attorney	0.3	0.0	0.2	1659%
Total Overtime**	232.9	175.7	179.1	102%

* Administrative Code Section 3.17 requires these departments to receive appropriation authority from the Board of Supervisors to increase the authorized budget for overtime in annual operating funds. At the time of this report, this requirement is superseded by the Mayor's Emergency Declaration.

** Total overtime excludes: special revenue (10B) and non-annual operating funds in departments listed in Administrative Code 3.17.

Additional Notes: (1) This report reflects supplemental appropriation ordinance #191070, increasing overtime budget for the Police and the Sheriff's Department. (2) This report does not identify COVID-19 related overtime costs separately.

Appendix 2. FY 2020-21 – FY 2023-24 Budget Outlook

BACKGROUND

San Francisco Administrative Code Section 3.6(b) requires that by March of each even-numbered year, the Mayor, Board of Supervisors Budget & Legislative Analyst, and Controller submit an updated estimated summary budget projection for the remaining four years of the City's Five-Year Financial Plan. This section updates our previous projection, which was issued on March 31, 2020.

PROJECTION UDPATE

In January 2020, the Five-Year Financial Plan Update for FY 2020-21 through FY 2023-24 was jointly released by the Mayor's Office, Board of Supervisors' Budget & Legislative Analyst's Office, and Controller's Office. That report projected budget shortfalls over the four-year projection period and estimated the shortfall for the upcoming two-year budget for FY 2020-21 and FY 2021-22 of $419.5 million. This January projection was updated by our offices in March 2020 to provide a range of revenue losses resulting from the public health emergency, and projected a revised shortfall of between $1.1 and $1.7 billion, including the current year. The table below summarizes our current shortfall projection, totaling $1.7 billion through FY 2021-22, with shortfalls of $1.0 billion and $1.1 billion in the final two fiscal years of the projection period.

Table A2-1: Updated Base Case – Summary of FY 2019-20 to FY 2023-24

General Fund Projected Budgetary Cumulative Surplus / (Shortfall) ($ in millions)

		FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
I.	Current fiscal year	(246.2)				
II.	Future fiscal years		(753.9)	(735.4)	(1,016.4)	(1,088.5)
III.	**Projected shortfalls**	**(246.2)**	**(753.9)**	**(735.4)**	**(1,016.4)**	**(1,088.5)**
	FY 2019-20 - FY 2021-22 Total			(1,735.5)		

CHANGES FROM THE JANUARY 2020 PROJECTIONS

This section, summarized in the table below, describes the changes since our January projection report.

Table A2-2: Summary Changes to Updated Projected Budgetary Surplus / (Shortfall), cumulative, as compared to January 2020 Projection

	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Sources - Revenue and Fund Balance	(739.2)	(534.2)	(479.2)	(419.1)
Uses - Baselines & Reserves	138.4	75.5	97.9	77.1
Uses - Salaries & Benefits	43.0	(37.8)	(76.6)	(87.0)
Uses - Citywide Operating Budget Costs	1.4	6.2	0.9	(0.9)
Uses - Departmental Costs	(2.1)	(20.9)	(28.4)	(28.0)
Total Cumulative Change	(558.6)	(511.2)	(485.3)	(457.9)

Change in Two Year Deficit (1,069.8)

- SOURCES – Revenue and Fund Balance: General Fund sources are projected to decrease by $739.2 million in FY 2020-21, $534.2 million in FY 2021-22, $479.2 million in FY 2022-23, and $419.1 million in FY 2023-24, as compared to the January 2020 projection. Incrementally, the year-over-year changes as compared to January 2020 increased by $739.2 million in FY 2020-21, decreased by $205 million in FY 2021-22, $55 million in FY 2022-23, and $60 million in FY 2023-24. These projections reflect the stark and immediate impact of the COVID-19 emergency on revenue.

    - Use of Fund Balance. The current projection is the same as the January projection, assuming the use of $331.7 million of fund balance, as well as the entirety of the fund balance draw down reserve. To achieve this level of fund balance, policymakers will need to eliminate the current year shortfall of $246.2 million, as described in Appendix 1.

    - Citywide Revenue. The current projection includes significant downward revisions of revenue, detailed in the section below.

    - Department of Public Health Revenue. In addition to the January assumptions, the current projection includes a new one-time reduction of public health revenues of $80.2 million in FY 2020-21, recovering in the following year. This amount mostly represents lost patient and Medi-Cal revenue due to the cancellation and deferral of elective medical visits as a result of the health emergency.

- USES – Baselines and Reserves: Decreases to projected General Fund sources over the next four years result in corresponding reduced contributions to baseline and reserves. As compared to January 2020, these costs decrease by $138.4 million in FY 2020-21,

$75.5 million in FY 2021-22, $97.9 million in FY 2022-23, and $77.1 million in FY 2023-24. Year-over-year, the incremental changes as compared to the January 2020 report decreased by $138.4 million in FY 2020-21, increased by $62.9 million in FY 2021-22, decreased by $22.5 million in FY 2022-23, and increased by $20.8 million in FY 2023-24.

- USES – Salaries and Benefits: Compared to January 2020, salary and benefit costs are projected to decrease by $43.0 million in FY 2020-21, increase by $37.8 million in FY 2021-22, $76.6 million in FY 2022-23, and $87.0 million in FY 2023-24. The year-over-year changes as compared to the January 2020 report decreased by $43 million in FY 2020-21, increased by $80.8 million in FY 2021-22, $38.8 million in FY 2022-23, and $10.4 million in FY 2023-24. These figures reflect the following changes:

  - Labor Agreements – This update assumes contracts for Police and Firefighter unions remain closed through FY 2020-21, and contracts for miscellaneous unions remain closed through FY 2021-22. Given that the projected shortfall in FY 2020-21 exceeded $200 million in our March Joint Report, this report assumes the six-month delay of wage increases set to go into effect in July 2020 and December 2020, consistent with language in negotiated memorandums of understanding (MOUs). Compared to the January 2020 report, this results in year-over-year savings of $46.4 million in FY 2020-21, but an additional cost of $40.4 million in FY 2021-22, as the wage increase is pushed into the following calendar year. In years in which contracts are open, the report continues to assume CPI increases, which are revised in this plan to be 3.39% in FY 2021-22, 3.04% in FY 2022-23, and 3.08% in FY 2023-24. These changes are based on updates to the projections of Moody's SF Metropolitan Statistical Area CPI. As compared to the January 2020 report, the year-over-year change increased by $13.4 million in FY 2021-22, $7.1 million in FY 2022-23, and $7.5 million in FY 2023-24.

  - Retirement Benefits – Employer Contribution Rates – Changes in the assumed employer contribution rates for SFERS are a significant driver in the change in salary and benefits costs as compared to the January 2020 report. The projection reflects the employer contribution rate set by the Retirement Board in February 2020 for the upcoming fiscal year 2020-21, resulting in a savings of $5.6 million compared to January. For the remaining years of the projection, the report assumes investment returns of -5.0% in the current year as a result of poor market performance due to the COVID-19 emergency, as opposed to the 7.4% rate of returns assumed in January. These losses result in increased year-over-year costs of $26.9 million in FY 2021-22 and an additional $30.7 million in FY 2022-23 versus the January projection.

  - Health Benefits for Active Employees and Retirees – The update includes a number of changes to the cost of health benefits for active employees and retirees. In January 2020, the average health rate increases for active and retirees was approximately 6.0% across the projection period; in this update, average health rates are projected to increase to 6.7%. For active employees, health rates were increased modestly from the January report to account for projected increases in health care costs. For retirees, the update includes increased retiree health costs in FY 2020-21 to reflect actual retiree health costs in the current fiscal year, and then assumes increased rates in the final three years of the projection. This report also assumes the elimination of the so-called Cadillac Tax, which was repealed by Congress in December 2019, reducing expected costs of health care. Together, these changes result in an additional year-over-year increase of $8.7 million in FY 2020-21, $2.1 million in FY 2021-22, $3.9 million in FY 2022-23, and $3.8 million in FY 2023-24, as compared to the January projection.

- USES – Citywide Operating Costs: Citywide operating costs are projected to decrease by $1.4 million in FY 2020-21, $6.2 million in FY 2021-22, and $0.9 million in FY 2022-23, and increase by $0.9 million in FY 2023-24, as compared to the January 2020 projection. The year-over-year changes as compared to the January 2020 report decreased by $1.4 million in FY 2020-21 and $4.9 million in FY 2021-22, and increased by $5.3 million in FY 2022-23, and $1.8 million in FY 2023-24. Changes are primarily driven by updated assumptions about debt service, real estate, and the City's capital program.

  - Debt Service & Real Estate: Changes to citywide debt service are related to the City's long-range capital planning efforts. On March 5, 2019, the City's Proposed Ten-Year Capital Plan for 2019-20 through 2028-29 was introduced to the Board of Supervisors. The assumptions in the Capital Plan, including the schedule of issuances of Certificates of Participation (COPs), are reflected in this update. This update reflects lower projected General Fund debt payments compared the January report, due to the recent issuance of a COP refunding bond series. Additionally, projected General Fund lease and operating costs for City-owned and leased facilities have increased by $7.1 million in FY 2020-21 and have incrementally decreased by $4.9 million in FY 2021-22, as compared to the January report. This change in cost is primarily due to updated information on lease terms, changes to projected lease extension schedules, and changes in tenancy in FY 2020-21. Taken together, these changes result in an increased year-over-year cost of $7.3 million in FY 2020-21, a decrease of $5.8 million in FY 2021-22, an increase of $4.1 million in FY 2022-23, and a decrease of $1.1 million in FY 2023-24.

  - Capital, Equipment, & Technology: The projected cost increases in debt service and real estate are offset by savings in the City's General Fund capital program. The City receives revenues from the Road Maintenance and Rehabilitation Program authorized in state Senate Bill 1 (SB1) that contribute to the capital program for road repaving work. For FY 2020-21, these revenues are projected to decrease by $7.2 million in FY 2020-21, and then increase along with CPI in the remaining years of the projection by $0.3 million, $0.4 million, and $0.5 million, respectively. The revised estimates reflect reduced gasoline consumption and an overall slowdown in the U.S. economy as a result of the COVID-19 emergency. To account for this revenue loss, the City's capital program is reduced by a subsequent amount in FY 2020-21 and is not assumed to be backfilled by other sources, resulting in a savings as compared to January 2020. Taken together, these changes result in a reduced year-over-year cost of $7.3 million in FY 2020-21, $0.9 million in FY 2021-22, $0.2 million in FY 2022-23, and an increase of $0.2 million in FY 2023-24.

- USES – Departmental Costs: Compared to the January 2020 report, departmental costs are projected to increase by $2.1 million in FY 2020-21, $20.9 million in FY 2021-22,

$28.4 million in FY 2022-23, and $28.0 million in FY 2023-24. The year-over-year changes as compared to the January 2020 report increased by $2.1 million in FY 2020-21, $18.8 million in FY 2021-22, and $7.4 million in FY 2022-23, and decreased by $0.4 million in FY 2023-24. These changes are primarily due to a projected increased General Fund subsidy for the Moscone Convention Center and increased cost for entitlements and other benefits, offset by some savings in the annualization of current year supplementals.

- City Administrator's Office – Convention Facilities Subsidy – This update assumes the significant impact that the COVID-19 emergency is expected to have on operating revenues and expenditures at the Moscone Center. Compared to the January report, this update assumes the General Fund subsidy to the Convention Facilities Fund will increase by $4.6 million FY 2020-21 and an additional $1.3 million in FY 2021-22, in order to offset expected revenue shortfalls from reduced convention center activity. Operating revenues and expenditures are projected to remain at previously projected levels in FY 2022-23 and FY 2023-24.

- Human Services Agency – Entitlement and Other Benefit Costs – Increases in General Fund costs for public assistance programs, including California Work Opportunity and Responsibility to Kids (CalWORKs) and County Adult Assistance Program (CAAP), are included in this report, with most of the local cost increases attributable to changes in CAAP. In March 2020, the state suspended its discontinuance policy, allowing clients to remain in the programs for a longer duration. Additionally, the updated cost projections assume growing caseloads in line with current unemployment trends, resulting in a greater number of adults becoming eligible for benefits. This report also updates assumptions in state revenues tied to sales tax, further increasing the General Fund share of these costs.

  Finally, this report assumes that a $1.00 increase to gross hourly compensation for In-Home Support Service (IHSS) workers will not take effect on July 1, 2020. The collective bargaining agreement (CBA) between the IHSS Public Authority and the union representing these workers indicates that increases are subject to appropriation in the annual budget and certified to be sufficient by the Controller. Taken together, these changes result in increased year-over-year costs of $0.7 million in FY 2020-21, $15.9 million in FY 2021-22, $5.4 million in FY 2022-23, and $0.8 million in FY 2023-24, as compared to the January 2020 report.

- Buffin Supplemental – Ongoing Costs - The January report included costs related to the ongoing implementation of a new pre-arraignment release process in lieu of cash bail, as stipulated by the September 2019 settlement in the case of *Buffin et al. vs. Vicki Hennessy in her official capacity as Sheriff*. These cost projections have since been revised downward to reflect current operations for this new pre-arraignment process, including lower personnel costs than previously assumed in the Police Department and the District Attorney. These changes result in a $1.9 million savings in FY 2020-21, as compared to the January report.

KEY FACTORS THAT COULD AFFECT THE FORECAST

As with all projections, uncertainties exist regarding key factors that could affect the City's financial condition. This level of uncertainty is at historically high levels given the current public health and economic emergency. Key risk areas are highlighted below.

Economic and Revenue Recovery Delayed

These projections assume a slower economic recovery begins later in 2020 and continues into subsequent fiscal years. Underlying assumptions regarding each General Fund source are outlined in Appendix 2.

To the extent that the recovery occurs later or more gradually than assumed here, tax revenue losses will exceed those projected in this report. Deeper losses would occur if continued community exposure to COVID-19 requires a slower resumption of economic activity, or subsequent outbreaks of the disease require re-imposition of public health measures that had been lifted.

Property, business, hotel, and sales tax revenue account for $3.6 billion of General Fund revenues. More significant economic losses that drive either a deeper loss or slower recovery of these revenue sources than assumed would worsen our projections significantly. For illustration, **a 10% deviation from our projections for these four sources would aggravate projected shortfalls by approximately $360 million in FY 2020-21 alone**.

Emergency Expenditures Required for Longer Duration

The City's response to the public health emergency has been expansive, and we project emergency response expenditures to total approximately $375 million during the current fiscal year alone. These costs include extensive procurement of protective equipment for medical staff and first responders, operation and augmentation of the City's public health system, new congregate and non-congregate housing alternatives for vulnerable residents, and economic and social support programs for those effected by both the public health and economic emergencies.

Given uncertainty regarding the duration of the public health emergency and nascent financial planning regarding the need to sustain them in upcoming fiscal years, **these projections assume no additional General Fund cost for these programs beyond June 30, 2020**. However, sustained emergency and public health responses will be required. Preliminary ranges of these costs are included in Appendix 3 to this report and will be significant. We will continue to keep the Mayor and Board updated on these future costs as they are known and refined.

Reliance on Federal and State Support

The City is reliant on federal and state revenues to support a variety of public health, social, and other government services. These funds account for approximately 20% of total General Fund revenues.

The reliance on federal funds is heightened in the current emergency, as Federal Emergency Management Agency (FEMA) and other federal grant programs are needed to offset the costs of the City's emergency response. We project that federal sources, including a significant allocation provided under the federal CARES Act for state and local governments, will offset the majority of emergency costs during the current fiscal year. However, absent additional allocations from the federal government, CARES Act funds will be largely exhausted in the current fiscal year. Similarly, the duration of reimbursements from FEMA are unknown and tied to the duration of the federal emergency. As these federal programs expire, it will significantly decrease non-City revenues available to offset future local emergency response costs.

Additionally, the City receives funding through the State of California for a number of human welfare, public health, and other programs. The public health emergency has significantly weakened the State's financial condition. The Governor is scheduled to release a proposed budget to bridge a projected $54 billion shortfall for the current and upcoming fiscal year in the coming week. To the extent that the State's budget challenge results in reductions in funding for local governments, it will increase General Fund shortfalls accordingly.

Projections in this report assume no loss of federal or state aid. We will continue to update the Mayor and Board as additional information is available.

Table A2-3 Updated Base Case – Change in year-over-year General Fund-Supported Sources & Uses FY 2020-24

Reflects changes in year-over-year costs as compared to Table A-1 from the January Five Year Financial Plan Update.

Table A-1 Base Case Projection - Change in Year-Over-Year as compared to January 2020

SOURCES Increase / (Decrease)	**2020-21**	**2021-22**	**2022-23**	**2023-24**
General Fund Taxes, Revenues and Transfers net of items below	(605.9)	104.6	56.5	61.7
Change in One-Time Sources	-	-	-	-
Public Health - Operating and one-time revenues	(84.6)	80.2	0.1	-
Other General Fund Support	(48.7)	20.2	(1.5)	(1.6)
TOTAL CHANGES TO SOURCES	**(739.2)**	**205.0**	**55.0**	**60.0**
USES Decrease / (Increase)				
Baselines & Reserves				
Contributions to Baselines	117.6	(35.5)	17.5	(20.6)
Contributions to Reserves	20.8	(27.5)	4.9	(0.2)
Subtotal Changes to Baselines & Reserves	**138.4**	**(62.9)**	**22.5**	**(20.8)**
Salaries & Benefits				
Previously Negotiated Closed Labor Agreements & Current Staffing Costs	46.4	(40.4)	0.0	-
Projected Costs of Open Labor Agreements	-	(13.4)	(7.1)	(7.5)
Health & Dental Benefits - Current & Retired Employees	(8.7)	(2.1)	(3.9)	(3.8)
Retirement Benefits - Employer Contribution Rates	5.6	(26.9)	(30.7)	(0.0)
Other Salaries and Benefits Savings / (Costs)	(0.3)	1.9	2.8	0.9
Subtotal Changes to Salaries & Benefits	**43.0**	**(80.8)**	**(38.8)**	**(10.4)**
Citywide Operating Budget Costs				
Minimum Wage and Minimum Compensation Ordinance	-	(0.0)	(0.0)	(0.0)
Capital, Equipment, & Technology	7.3	0.9	0.2	(0.2)
Inflation on non-personnel costs and grants to non-profits	-	(0.1)	(1.3)	(2.4)
Debt Service & Real Estate	(7.3)	5.8	(4.1)	1.1
Sewer, Water, and Power Rates	-	-	-	-
Other Citywide Costs	1.4	(1.7)	(0.2)	(0.2)
Subtotal Changes Citywide Operating Budget Costs	**1.4**	**4.9**	**(5.3)**	**(1.8)**
Departmental Costs				
City Administrator's Office - Convention Facilities Subsidy	(4.6)	(1.3)	0.3	0.1
Elections - Number of Scheduled Elections	-	0.0	(0.0)	(0.0)
Ethics Commission - Public Financing of Elections	-	-	-	-
Free City College	-	-	(0.0)	0.5
Mission Bay Transportation Improvement Fund	1.8	(0.8)	(0.2)	(0.1)
Mayor's Office of Housing - HOPE SF and Local Operating Subsidy	(0.6)	0.2	(0.9)	0.7
Human Services Agency - IHSS and Other Benefit Costs	(0.7)	(15.9)	(5.4)	(0.8)
Public Health - Operating and one-time costs for capital projects	-	-	-	-
Buffin Supplemental - Ongoing Costs	1.9	(0.8)	0.0	0.0
All Other Departmental Savings / (Costs)	0.0	(0.2)	(1.3)	(0.0)
Subtotal Changes to Departmental Costs	**(2.1)**	**(18.8)**	**(7.4)**	**0.4**
TOTAL CHANGES TO USES	**180.7**	**(157.7)**	**(29.1)**	**(32.6)**
Change in Projected Surplus (Shortfall) vs. Prior Year	**(558.6)**	**47.4**	**25.9**	**27.4**
Change in Cumulative Projected Surplus (Shortfall)	**(558.6)**	**(511.2)**	**(485.3)**	**(457.9)**
Change in 2-Year Number		**(1,069.8)**		

Table A2-4: Updated Base Case – Updated General Fund-Supported Sources & Uses FY 2020-24 – CUMULATIVE CHANGE

This table provides an updated version of Table A-2 from the January Five Year Financial Plan Update.

Table A-2 Base Case Projection - Cumulative Change

SOURCES Increase / (Decrease)	**2020-21**	**2021-22**	**2022-23**	**2023-24**
General Fund Taxes, Revenues and Transfers net of items below	(487.3)	(306.0)	(110.3)	89.1
Change in One-Time Sources	2.0	149.1	(76.0)	(110.5)
Public Health - Operating and one-time revenues	(132.1)	(31.6)	(12.3)	7.5
Other General Fund Support	(32.9)	0.4	8.8	18.4
TOTAL CHANGES TO SOURCES	**(650.3)**	**(188.2)**	**(189.7)**	**4.4**
USES Decrease / (Increase)				
Baselines & Reserves				
Contributions to Baselines	63.6	2.3	(43.6)	(99.8)
Contributions to Reserves	29.3	19.1	14.4	13.6
Subtotal Baselines & Reserves	**92.9**	**21.4**	**(29.2)**	**(86.3)**
Salaries & Benefits				
Previously Negotiated Closed Labor Agreements & Current Staffing Costs	(69.9)	(177.6)	(171.8)	(160.6)
Projected Costs of Open Labor Agreements	-	(41.9)	(139.7)	(237.6)
Health & Dental Benefits - Current & Retired Employees	(31.4)	(56.6)	(84.5)	(114.2)
Retirement Benefits - Employer Contribution Rates	(38.2)	(35.4)	(13.5)	21.8
Other Salaries and Benefits Savings / (Costs)	14.5	4.0	(5.7)	(4.0)
Subtotal Salaries & Benefits	**(124.9)**	**(307.4)**	**(415.1)**	**(494.5)**
Citywide Operating Budget Costs				
Minimum Wage and Minimum Compensation Ordinance	-	(0.5)	(1.0)	(1.6)
Capital, Equipment, & Technology	(13.2)	(31.1)	(45.6)	(72.5)
Inflation on non-personnel costs and grants to non-profits	(14.0)	(55.7)	(94.4)	(134.8)
Debt Service & Real Estate	(34.6)	(64.5)	(75.4)	(80.3)
Sewer, Water, and Power Rates	(1.9)	(5.0)	(8.2)	(11.2)
Other Citywide Costs	(1.9)	(4.6)	(9.5)	(15.0)
Subtotal Citywide Operating Budget Costs	**(65.5)**	**(161.5)**	**(234.1)**	**(315.4)**
Departmental Costs				
City Administrator's Office - Convention Facilities Subsidy	(12.9)	(17.8)	(18.2)	(18.8)
Elections - Number of Scheduled Elections	2.0	(0.2)	(0.6)	(6.4)
Ethics Commission - Public Financing of Elections	4.7	5.1	5.1	5.1
Free City College	(9.1)	(9.8)	(10.3)	(10.3)
Mission Bay Transportation Improvement Fund	1.6	0.6	0.3	0.0
Mayor's Office of Housing - HOPE SF and Local Operating Subsidy	(4.1)	(16.4)	(18.4)	(25.5)
Human Services Agency - Entitlements and Other Benefit Costs	(3.9)	(37.8)	(61.3)	(72.4)
Public Health - Operating and one-time costs for capital projects	15.1	(15.3)	(36.2)	(58.5)
Buffin Supplemental - Ongoing Costs	(1.2)	(1.2)	(1.2)	(1.3)
All Other Departmental Savings / (Costs)	1.8	(6.8)	(7.3)	(8.7)
Subtotal Departmental Costs	**(6.0)**	**(99.7)**	**(148.2)**	**(196.8)**
TOTAL CHANGES TO USES	**(103.6)**	**(547.2)**	**(826.6)**	**(1,093.0)**
Projected Surplus (Shortfall) vs. Prior Year	**(753.9)**	**(735.4)**	**(1,016.4)**	**(1,088.5)**
2-Year Number		**(1,489.3)**		

GENERAL FUND REVENUE AND TRANSFERS IN

Table A2-5: FY 2019-20 General Fund Revenue and Transfers In

	FY 2018-19	Prior Projections for FY 2019-20				May Projection		
GENERAL FUND ($ Millions)	Year End Actual	Original Budget	Revised Budget	6-Month	Extended Projection	FY 2019-20	Surplus/ Shortfall	Note
PROPERTY TAXES	$ 2,246.3	$ 1,956.0	$ 1,956.0	$ 2,002.0	$ 1,951.8	$ 2,031.8	75.8	1
BUSINESS TAXES								
Business Registration Tax	45.3	48.2	48.2	46.9	46.9	0.0	(48.2)	
Payroll Tax	190.0	178.4	178.4	293.2	290.1	224.6	46.2	
Gross Receipts Tax	665.7	783.1	783.1	649.1	703.3	602.4	(180.7)	
Admin Office Tax	16.9	40.9	40.9	16.5	16.5	16.5	(24.4)	
Total Business Taxes	917.8	1,050.6	1,050.6	1,005.8	1,056.9	843.5	(207.1)	2
OTHER LOCAL TAXES								
Sales Tax	213.6	204.1	204.1	212.5	171.4	170.3	(33.7)	3
Hotel Room Tax	392.3	389.1	389.1	377.7	253.5	239.0	(150.1)	4
Utility Users Tax	94.0	98.7	98.7	94.5	94.5	86.4	(12.3)	5
Parking Tax	86.0	83.0	83.0	83.1	66.5	60.9	(22.1)	6
Real Property Transfer Tax	364.0	296.1	296.1	422.7	305.0	320.0	23.9	7
Sugar Sweetened Beverage Tax	16.1	16.0	16.0	16.0	16.0	14.0	(2.0)	
Stadium Admission Tax	1.2	5.5	5.5	1.2	0.9	0.3	(5.2)	
Access Line Tax	48.0	48.9	48.9	48.9	48.9	48.9	(0.0)	5
Cannabis Tax	0.0	3.0	3.0	0.0	0.0	0.0	(3.0)	
Total Other Local Taxes	1,215.3	1,144.4	1,144.4	1,256.6	956.7	939.9	(204.5)	
LICENSES, PERMITS & FRANCHISES								
Licenses & Permits	12.7	12.8	12.8	12.8	2.5	2.5	(10.2)	8
Franchise Fee	15.6	17.7	17.7	15.6	15.6	15.6	(2.0)	5
Total Licenses, Permits & Franchises	28.3	30.4	30.4	28.4	18.2	18.2	(12.3)	
FINES, FORFEITURES & PENALTIES	5.3	3.1	3.2	3.2	1.6	2.7	(0.5)	
INTEREST & INVESTMENT INCOME	80.5	76.6	76.6	67.0	49.4	49.4	(27.2)	9
RENTS & CONCESSIONS	14.2	15.1	15.1	15.1	11.8	10.4	(4.8)	8
INTERGOVERNMENTAL REVENUES								
Federal Government	257.4	280.0	289.8	289.8	289.8	268.1	-21.7	10
State Government								
Health & Welfare Realignment - Sales Tax	175.2	175.5	175.5	181.3	142.4	151.6	(24.0)	3
Health & Welfare Realignment - VLF	42.4	45.5	45.5	44.6	44.6	44.6	(0.9)	3
Public Safety Sales Tax	107.6	104.6	104.6	107.3	86.6	90.5	(14.1)	3
Public Safety Realignment (AB109)	39.4	42.1	42.1	41.6	33.5	27.3	(14.8)	3
All Other	457.4	438.1	444.6	432.0	432.0	450.5	5.9	10
Total State Grants and Subventions	822.0	805.9	812.3	806.8	739.1	764.4	(47.8)	
Other Regional Government								
Redevelopment Agency	2.1	2.7	12.5	2.7	2.7	2.4	(10.1)	
CHARGES FOR SERVICES	250.3	232.3	232.9	224.2	224.2	208.9	-24.1	
RECOVERY OF GEN. GOV'T. COSTS	13.0	12.9	12.9	12.9	12.9	12.9	-	
OTHER REVENUES	31.7	69.4	52.8	44.8	44.8	64.2	11.4	
TOTAL REVENUES	5,884.2	5,679.6	5,689.5	5,759.4	5,359.9	5,216.7	(472.8)	
TRANSFERS INTO GENERAL FUND:								
Airport	49.1	51.5	51.5	48.9	34.2	34.2	50.7	11
Other Transfers	189.9	111.9	115.9	115.9	115.9	115.9	114.7	
Total Transfers In	239.1	163.5	167.4	164.8	150.1	150.1	165.4	
TOTAL GENERAL FUND RESOURCES	$ 6,123.2	$ 5,843.0	$ 5,857.0	$ 5,924.2	$ 5,510.0	$ 5,366.8	$ (307.5)	

Table A2-6: FY 2020-21 – FY 2023-24 General Fund Revenue and Transfers In

GENERAL FUND ($ Millions)	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Note
PROPERTY TAXES	$ 2,025.9	$ 1,819.0	$ 1,922.0	$ 2,037.0	1
BUSINESS TAXES					
Business Registration Tax	95.2	49.8	51.3	52.3	
Payroll Tax	237.5	242.7	246.4	249.9	
Gross Receipts Tax	632.3	688.0	699.0	709.2	
Admin Office Tax	15.0	15.0	15.0	15.0	
Total Business Taxes	980.0	995.5	1,011.7	1,026.4	2
OTHER LOCAL TAXES					
Sales Tax	173.0	183.7	186.8	190.0	3
Hotel Room Tax	163.9	258.5	314.0	363.2	4
Utility Users Tax	89.4	92.5	93.3	94.1	5
Parking Tax	70.6	84.6	84.6	84.6	6
Real Property Transfer Tax	216.0	253.4	253.4	253.4	7
Sugar Sweetened Beverage Tax	14.0	14.0	14.0	14.0	
Stadium Admission Tax	0.9	1.2	3.8	6.5	
Access Line Tax	50.4	52.0	53.6	55.1	5
Cannabis Tax	4.3	8.5	8.5	8.5	
Total Other Local Taxes	782.6	948.5	1,012.0	1,069.4	
LICENSES, PERMITS & FRANCHISES					
Licenses & Permits	2.5	13.3	13.3	13.3	8
Franchise Fee	15.6	15.6	15.6	15.6	5
Total Licenses, Permits & Franchises	18.2	29.0	29.0	29.0	
FINES, FORFEITURES & PENALTIES	1.6	3.1	3.1	3.1	
INTEREST & INVESTMENT INCOME	26.6	23.1	22.1	22.4	9
RENTS & CONCESSIONS	11.8	15.4	15.4	15.4	8
INTERGOVERNMENTAL REVENUES					
Federal Government	284.6	284.6	284.6	284.6	10
State Government					
Health & Welfare Realignment - Sales Tax	136.8	145.7	152.1	158.7	3
Health & Welfare Realignment - VLF	44.7	44.7	47.0	47.0	3
Public Safety Sales Tax	94.7	99.7	103.7	107.8	3
Public Safety Realignment (AB109)	38.9	33.6	35.0	36.3	3
All Other	422.6	422.6	422.6	422.6	10
Total State Grants and Subventions	737.7	746.4	760.4	772.4	
Other Regional Government					
Redevelopment Agency	2.7	2.7	2.7	2.7	
CHARGES FOR SERVICES	163.7	233.7	233.7	233.7	
RECOVERY OF GEN. GOV'T. COSTS	12.9	12.9	12.9	12.9	
OTHER REVENUES	42.1	42.1	42.1	42.1	
TOTAL REVENUES	5,090.4	5,155.9	5,351.7	5,551.1	
TRANSFERS INTO GENERAL FUND:					
Airport	36.9	38.5	38.9	39.3	11
Other Transfers	98.3	98.3	98.3	98.3	
Total Transfers In	135.2	136.7	137.1	137.5	
TOTAL GENERAL FUND RESOURCES	$ 5,225.5	$ 5,292.7	$ 5,488.8	$ 5,688.6	

1. Property Tax

Changes in property tax revenues lag other recessionary revenue losses due to statutory deadlines. Current fiscal year taxable values reflect the lower of either the current market value of the property as of the January 1, 2019 lien date or the property's base year value (when first acquired or new construction improvements completed) plus accumulated annual inflation (capped at 2% per year) since that base year. Taxable values for FY 2020-21 were set as of the January 1, 2020 lien date. The first upcoming fiscal year that may reflect negative economic conditions is FY 2021-22 with a lien date of January 1, 2021.

Over two-thirds of the FY 2019-20 secured taxable value of San Francisco real estate is comprised of either single or multi-unit residential properties. Due to Prop 13 limitations on reassessments, the median taxable value of single-family dwellings of $590,000 in San Francisco is well below recent median market sales prices above $1 million, and most valuations will continue to increase with California Consumer Price Index (CPI). The revenue risk from declining residential property market values would stem largely from new construction and recently sold properties with taxable base year valuations set near their full market values. Given restrictions on travel and commerce and the move toward telecommuting, hotel and commercial retail property values are at greatest risk of reduction, followed by office space.

FY 2019-20 property tax revenue is projected to be $2,031.8 million, an increase of approximately $80 million compared to the worst case, "extended" scenario published in the March Joint Report. The improvement is primarily due to reduced risk of refunds from assessment reductions, greater certainty about the due date for FY 2019-20 secured annual property tax second installment payments, increased escape property tax assessment expectations, and an assumption about final FY 2017-18 excess ERAF results. The projection includes $224.8 million of Excess ERAF, of which $201.9 million is for FY 2019-20 and $22.9 million represents the release of a 10% reserve held for final adjustments to FY 2017-18 Excess ERAF, assuming there will be no changes in state's final FY 2017-18 input recalculations released at the end of June.

FY 2020-21 revenue projections are revised to $2,025.9 million, including $205.9 million of Excess ERAF. Updated secured roll growth information and an assumption that penalty revenues will return to historical averages underly the $18.4 million increase. Though there is little argument for reductions to values as of the January 1, 2020 lien date, there is a risk that legislators may approve changes (e.g. SB 1431) that would allow the COVID-19 public health emergency to be considered a misfortune and calamity for commercial properties such as hotels, retail, and office that could result in material losses of property tax revenue. Multi-unit residential buildings values would not be immune from downward revision if harmed by the emergency.

FY 2021-22 General Fund property tax revenues are projected to be $1,819.0 million. This is the first fiscal year that COVID-19 is anticipated to substantially impact property tax revenues. Automatic inflationary increases to taxable values, usually assumed at the 2% Prop 13 limit, have been reduced to 1%, and hotel, retail, and office assessed values are assumed reduced by $8.5 billion, reflecting declines of about 20%, 20%, and 7%, respectively. A 20% reduction in unsecured business property tax assessments is included in the projection, reflecting the real possibility that many businesses will dissolve prior to the January 1, 2021 lien date. Excess ERAF is not assumed in FY 2021-22 and beyond due to the risk of state legislative changes to address the state's own budget shortfall.

FY 2022-23 and FY 2023-24 General Fund property tax revenues are projected to be $1,922 million and $2,037 million, respectively, assuming California CPI will provide the Prop 13 capped 2% growth in secured property taxable valuations along with 2% growth from changes in ownership that result taxable values set to higher market rates.

2. Business Tax

Business tax revenue in FY 2019-20 will be negatively affected by COVID-19. The March Joint Report projection of FY 2019-20 business tax revenue of $1,056.9 million under the extended COVID-19 scenario is reduced to $843.5 million, for three main reasons.

First, the due date for business registration fees was delayed from May 31 to September 30. This delay will move an estimated $47 million out of FY 2019-20 and into FY 2020-21. There will now be two years of business registration fees received in FY 2020-21.

Second, the payroll tax is calculated based on work performed within San Francisco. With shelter in place order, more people are telecommuting from home rather than commuting into the City, as evidenced by the fact that BART traffic has decreased approximately 90% since the order went into effect. Because far more workers commute into the City than out of it, shelter-in-place reduces payroll tax revenue. Moreover, more than half of San Francisco businesses use their San Francisco payroll as a factor to determine their gross receipts subject to the gross receipts tax. As their San Francisco payroll falls, gross receipts tax revenue will also fall. We estimate that telecommuting during shelter-in-place will reduce payroll and gross receipts tax revenue by more than $60 million in FY 2019-20.

Third, the first and second quarter payments for tax year 2020 that businesses remit in April and July 2020 for revenue in FY 2019-20 are billed based on 25% of the 2019 total tax liability. However, businesses have the option of paying 25% of their current year liability, if it is lower. We estimate that this will reduce FY 2019-20 revenue by approximately $25 million.

Because of the shift in business registration fees from FY 2019-20 to FY 2020-21 offset by a continued decline in business tax revenue due to telecommuting, our projection for FY 2020-21 revenue will increase $136.5 million over the prior year, from $843.5 million to $980.0 million.

COVID-19 will continue to impact business tax revenue beyond FY 2020-21. In the extended scenario in the March Joint Report, we assumed that business tax revenues will decline 6% in tax year 2020 and increase 3% in tax year 2021. We continue to assume a 6% decline in 2020 but now assume 6% growth in 2021. We also assume 3% growth in 2022 and 2% in 2023. Given these calendar year growth rates and the policy changes discussed above that effectively shifted revenue into FY 2020-21, we project FY 2021-22 business tax revenue of $995.5 million, an increase of $15.5 million (1.6%) over the prior year; FY 2022-23 revenue of $1,011.7 million, an increase of $16.2 million, or 1.6%; and FY 2023-24 revenue of $1,026.4 million, an increase of $14.7 million, or 1.5%.

There remains significant short-term and long-term uncertainty in business tax revenue due to the effects of COVID-19. In the short-term, shelter-in-place rules could be extended, to varying degrees, until therapeutics are developed to treat the disease. Businesses could expand their use of telecommuting even after shelter-in-place rules have ended, which would lower both payroll and gross receipts revenue. The long-term risk is that the economy will be subject to future closings and even after, recover very slowly, given the magnitude of job losses to date expected business closures.

3. Local Sales Tax and State Sales Tax Subventions

Tax on the sale of goods impacts several General Fund revenues, including the local 1% sales tax and three subventions of state sales tax: public safety realignment, health and welfare realignment, and public safety sales tax. The local 1% sales tax reflects local spending – what is sold or delivered to San Francisco. State subventions to San Francisco reflect the sale of taxable goods statewide, mediated by statutory formulas for various categories of health, social service, and public safety spending. Current projections assume COVID-19 impacts San Francisco and California sales tax in the same proportions.

Like the hotel industry, the retail industry is directly impacted by the pandemic and shelter-in-place order. The significant decrease in visitors, closure of many restaurants and retail establishments, surging unemployment, and pessimistic consumer sentiment are expected to result in a significant contraction in consumer and business spending. Restaurants and bars are expected to be disproportionately affected, so we assume different rates of decline for them relative to all other industries. Sales tax collected from restaurants, bars, and food service in hotels comprises just under 35% of total revenue.

In the first quarter of 2020 (January to March), sales are projected to fall by 10% for restaurants and bars and 5% for all other categories, compared to pre-COVID-19 projections, and 60% for restaurants and bars and 30% for all other sectors in second quarter (April to June). In addition, the Governor issued executive orders to introduce two sales tax deferral programs to provide relief for qualified businesses, which has an estimated $33.0 million impact in the current year on all sales tax related revenue and subventions. Approximately 80% of the deferral is anticipated to be recovered over a 12-month period in the following year.

In FY 2020-21, our projection assumes a more moderate sales decrease from pre-COVID-19 levels in July to September to a 50% reduction for restaurants and bars and 25% for all other sectors, and a 25% reduction for restaurants and bars and 10% for all other sectors into December. Beyond FY 2020-21, consumer spending is expected to slowly recover, and sales tax is anticipated to rise to $190.0 million by FY 2023-24, which would still be 11.1% below the FY 2018-19 peak.

4. Hotel Room Tax

San Francisco hotels have closed or experienced significant drops in occupancy and room rates given travel and meeting restrictions. Hotel tax revenue is directly correlated with the combined effect of average daily room and occupancy rate, represented by the metric of revenue per available room (RevPAR). In March, RevPAR dropped by over 75%, from what was originally anticipated, and April RevPAR has declined by over 90%. During the week of April 26, San Francisco hotels had an average occupancy rate of 19.3% and an average daily rate of $120.60, which, when combined, resulted in revenue per available room (RevPAR) of $23.30, a decline of

88.4% from the same period in 2019. These figures have led to more severe hotel tax revenue losses than the prior projection in March.

Our current projection assumes a decline in RevPAR of 38% in the first quarter (January to March), and a 90% decrease into September 2020, 75% in the fourth quarter (October to December), 30% through June 2022, and 20% through the end of FY 2022-23. The industry is anticipated to slowly recover; hotel tax across all funds is projected to be $402.3 million in FY 2023-24, still below the prior peak, with $363.2 million in the General Fund, $29.2 million (7.4%) less than that in FY 2018-19.

Prop E (November 2018) caps decreases and increases of hotel tax allocations to arts programs at 10%, significantly below the FY 2019-20 projected decreases of 35.2% for all funds. Losses exceeding 10% will accrue to the General Fund. As a result, hotel tax in the General Fund is projected to decrease 39.1% to $239.0 million. Allocations to the Hotel Tax for the Arts fund are projected to be $28.8 million in the current year.

5. Utility Users and Franchise Taxes

Due to the shelter-in-place order, most businesses will reduce utility consumption (particularly electricity and gas). FY 2019-20 utility users tax (UUT) revenues are projected to decline 8% from the prior year, and to recover to FY 2018-19 levels by FY 2021-22. Franchise taxes are expected to follow a similar trajectory as they are dependent upon the gross receipts of Pacific Gas & Electric. However, given data constraints, we do not adjust our franchise tax forecast.

6. Parking Tax

Vehicle traffic has declined sharply due to emergency orders, resulting in lower estimated parking tax revenues. In FY 2019-20, revenues are assumed to fall by 85% of pre-COVID-19 levels between March and May, and to 50% of pre-COVID-19 levels in the last month of the fiscal year, resulting in an overall 30% decline from FY 2018-19 results. Revenues are projected to recover to FY 2018-19 levels by FY 2021-22 and remain steady through FY 2023-24. Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit under Charter Section 16.1110.

7. Real Property Transfer Tax

Transfer tax revenue is largely driven by transfers of commercial real estate and is highly dependent on credit availability, interest rates, and the relative value of San Francisco real estate compared to other investment options. As of April 31, 2020, the City recorded $306.9 million of transfer tax in FY 2019-20, of which $242.2 (or 79%) was recorded between July and December 2019.

The FY 2019-20 projection of $320 million assumes that May and June 2020 collections decrease slightly from March 2020 receipts of $10.9 million. May and June assumptions reflect diminished activity in the commercial real estate sector. Transactions underway before the pandemic will be finalized, but fewer new ones will be generated given the climate of heightened economic uncertainty. In FY 2020-21, we continue to assume dampened commercial real estate activity through the first half of the fiscal year, with monthly receipts of $15 million, rising to $21 million per month in the second half of the year. Transfer tax is assumed to return its long-term historical average of $253.4 million by FY 2021-22 and remain at that level through FY 2023-24.

8. Licenses & Permits; Fines, Forfeitures & Penalties; and Rents & Concessions

The shelter-in-place order and deferral of license fees will also result in losses of departmental revenue from licenses & permits; fines, forfeitures & penalties; and rents and concessions. In FY 2019-20, we assume a reduction of $15.5 million in revenue versus the 6-Month Report. In FY 2020-21, we continue to assume the same level of loss but by FY 2021-22, revenues recover to their prior projected levels.

9. Interest & Investment

In March 2020, the Federal Reserve made two emergency interest rate cuts, totaling 1.5%, within two weeks, in an attempt to bolster financial markets. The cuts are projected to decrease the Treasury Investment Pool's annual average earned income yield (EIY) by 0.4% in FY 2019-20. To account for reduced cash flow caused by delayed and reduced tax payments, potential use of reserves, and other factors, projections assume a 35% decrease in average daily cash balances in the final quarter of the fiscal year, and carried through FY 2023-24. This results in projected General Fund interest earnings of $49.4 million in the current year, $26.6 million in FY 2020-21, and $22.4 million in FY 2023-24.

10. State and Federal Grants and Subventions

This report does not assume changes to federal and state subventions other than state sales tax subventions. Figures will depend on reimbursements for health and human services programs. Demand for these programs is expected to spike given historically high job losses, however, funding levels may be cut as these levels of government address significant budget shortfalls of their own.

11. Airport Transfer In

Due to steep declines in passenger traffic at the San Francisco International Airport, the Airport's payment to the General Fund (based on concessions activity) is expected to decline to $34.2 million in FY 2019-20, a 30% decline from FY 2018-19 actuals. In all subsequent years, the Airport expects lowered passenger traffic, as travelers remain wary of COVID-19 risks. The anticipated Airport transfers to the General Fund are $36.9 million, $38.5 million, $38.9 million, and $39.3 million from FY 2020-21 through FY 2023-24.

RESERVE STATUS

Various code and Charter provisions govern the establishment and use of reserves. Reserve uses, deposits, and projected year-end balances are displayed in Tables A2-7 and A2-8 and discussed in detail below.

Table A2-7 FY 2019-20 Reserve Balances ($ Millions)

	FY 2018-19 Balance	Starting Balance	Projected Deposits - 9-Month Update	Projected Withdrawals	Projected Ending Balance
General Reserve	$ 127.3	$ 156.2	$ -	$ (2.2)	154.0
Budget Savings Incentive Fund	87.0	87.0	-	-	87.0
Recreation & Parks Savings Incentive Reserve	0.8	0.8	-	-	0.8
Rainy Day Economic Stabilization City Reserve	229.1	229.1	-	-	229.1
Rainy Day Economic Stabilization School Reserve	54.5	54.5	-	-	54.5
Rainy Day One-Time Reserve (1)	95.9	45.5	-	-	45.5
Budget Stabilization Reserve	359.3	359.3	-	(66.8)	292.6
Budget Stabilization Reserve - One Time Reserve	37.4	0.1	66.8	-	66.9
Salary and Benefits Reserve	29.0	52.5	-	(52.5)	-
Contingency Reserve - State and Federal	40.0	40.0	-	-	40.0
Contingency Reserve - Housing Authority	5.0	5.0	-	-	5.0
Contingency Reserve - Affordable Care Act	50.0	50.0	-	-	50.0
Contingency Reserve - Fund Balance Draw Down Reserve	213.0	213.0	-	-	213.0
Public Health Revenue Management Reserve	121.5	121.5	-	(40.0)	81.5
Total	**1,449.8**	**1,414.6**	**66.8**	**(161.5)**	**1,319.9**
Economic reserves					521.7
Economic reserves as a % of General Fund revenues					10.0%

Table A2-8 FY 2020-21 – FY 2023-24 Reserve Balances ($ Millions)

	FY 2020-21			FY 2021-22			FY 2022-23			FY 2023-24		
	Projected Deposits	Projected Withdrawals	Projected Ending Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance
General Reserve	$ (1.2)	-	152.7	$ 2.0	-	154.7	$ 5.9	-	160.6	$ 6.0	-	166.5
Budget Savings Incentive Fund	-	-	87.0	-	-	87.0	-	-	87.0	-	-	87.0
Recreation & Parks Savings Incentive Reserve	-	-	0.8	-	-	0.8	-	-	0.8	-	-	0.8
Rainy Day Economic Stabilization City Reserve	-	-	229.1	-	-	229.1	-	-	229.1	-	-	229.1
Rainy Day Economic Stabilization School Reserve	-	-	54.5	-	-	54.5	-	-	54.5	-	-	54.5
Rainy Day One-Time Reserve (1)	-	-	45.5	-	-	45.5	-	-	45.5	-	-	45.5
Budget Stabilization Reserve	-	-	292.6	-	-	292.6	-	-	292.6	-	-	292.6
Budget Stabilization Reserve - One Time Reserve	-	-	66.9	-	-	66.9	-	-	66.9	-	-	66.9
Salary and Benefits Reserve	23.4	(23.4)	-	24.3	(24.3)	-	25.0	(25.0)	-	25.8	(25.8)	-
Contingency Reserve - State and Federal	-	-	40.0	-	-	40.0	-	-	40.0	-	-	40.0
Contingency Reserve - Housing Authority	-	-	5.0	-	-	5.0	-	-	5.0	-	-	5.0
Contingency Reserve - Affordable Care Act	-	-	50.0	-	-	50.0	-	-	50.0	-	-	50.0
Contingency Reserve - Fund Balance Draw Down Reserve	-	-	213.0	-	(100.0)	113.0	-	(75.3)	37.7	-	(37.7)	-
Public Health Revenue Management Reserve	-	-	81.5	-	-	81.5	-	-	81.5	-	-	81.5
Total	**22.2**	**(23.4)**	**1,318.6**	**26.2**	**(124.3)**	**1,220.6**	**30.9**	**(100.3)**	**1,151.1**	**31.8**	**(63.4)**	**1,119.4**

General Reserve

A supplemental appropriation of $2.2 million of the General Reserve for the District Attorney, Sheriff and Police Department to comply with new pretrial detention policies has been approved by the Board of Supervisors, resulting in a projected year-end balance of $154.0 million.

Administrative Code Section 10.60(b) requires a General Reserve starting balance not less than 3.0% of regular General Fund revenues in FY 2020-21. Table A2-8 shows the annual deposits needed to meet this requirement. The code further provides that during any fiscal year in which a withdrawal from the City Rainy Day Reserve is appropriated, the required level of the General Reserve may be reduced to 1.5% of budgeted regular General Fund revenues.

Budget Savings Incentive Fund

The Citywide Budget Savings Incentive Fund (authorized by Administrative Code Section 10.20) receives 25% of year-end departmental expenditure savings to be available for one-time expenditures, unless the Controller determines that the City's financial condition cannot support deposits into the fund. The FY 2018-19 ending balance was $87.0 million. The Controller may suspend deposits in years when the City's financial condition cannot support deposits into the fund. In light of projected deficits, deposits in the current fiscal year have been suspended.

Recreation and Parks Savings Incentive Reserve

Through FY 2016-17, this reserve, established by Charter Section 16.107(c), was funded by the retention of net year-end revenue and expenditure savings at the Recreation and Parks Department. Due to modifications approved by voters in June 2016 (Proposition B), beginning in FY 2016-17, 100% of net revenue surpluses are deposited to the Recreation and Parks Savings Incentive Reserve and 25% of net expenditure savings are deposited to the citywide Budget Savings Incentive Fund. The FY 2018-19 balance is $0.8 million. No deposits or withdrawals are projected in the current year or in any future years.

Rainy Day Economic Stabilization Reserve

Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by 50% of excess revenue growth in good years, which can be used to support the City General Fund and San Francisco Unified School District (SFUSD) operating budgets in years when revenues decline. The Charter was amended in November 2014 with the passage of Proposition C, which replaced the Rainy Day Economic Stabilization Reserve with two separate reserves—the School Reserve and the City Reserve. Of the excess revenue growth formerly deposited to the Rainy Day Economic Stabilization Reserve, 75% will be deposited to the City Reserve and 25% to the School Reserve.

At FY 2018-19 year-end, the City Rainy Day Economic Stabilization Reserve had a balance of $229.1 million and the School Rainy Day Reserve had a balance of $54.4 million. There are no anticipated deposits to these reserves in any of the projection years. Due to projected revenue shortfalls, the City will be eligible to draw from these balances beginning in FY 2020-21.

Rainy Day One-Time Reserve

Charter Section 9.113.5 establishes a Rainy Day One-Time Reserve funded by 25% of excess revenue growth, which can be used for one-time expenses. As of FY 2018-19 year-end, the City Rainy Day One-Time Reserve had a balance of $95.9 million. The FY 2019-20 budget appropriated $50.4 million of this, resulting in a FY 2019-20 beginning balance of $45.5 million. There are no anticipated deposits or withdrawals to this reserve.

Budget Stabilization Reserve

Established in 2010 by Administrative Code Section 10.60(c), the Budget Stabilization reserve augments the Rainy Day Economic Stabilization Reserve. The Budget Stabilization Reserve is funded by the deposit each year of 75% of real property transfer taxes above the prior five-year average (adjusted for policy changes) and ending unassigned fund balance above that amount is appropriated as a source in the subsequent year's budget. The FY 2018-19 ending balance of the Reserve is $359.3 million. When the combined value of the City Rainy Day Reserve and the Budget Stabilization Reserve reaches 10% of General Fund revenues, amounts above this cap are deposited into a Budget Stabilization One-Time Reserve for nonrecurring expenses. At FY 2018-19 year end, reserves reached this 10% cap.

Due to the projected decline in General Fund revenues in the current year and three years' of excess ERAF revenues received in FY 2018-19, this 10% cap is a smaller number, resulting in a $66.8 million shift from the Budget Stabilization Reserve proper to the Budget Stabilization One-Time Reserve, resulting in ending balances of $292.6 million and $66.9 million, respectively.

State and Federal Revenue Risk Contingency Reserve

The FY 2018-19 and FY 2019-20 budget assigned $40.0 million in unappropriated fund balance to a contingency reserve for managing state and federal revenue uncertainty in the budget. There are no projected deposits or withdrawals.

Housing Authority Contingency Reserve

The FY 2019-20 and FY 2020-21 budget assigned $5.0 million in unappropriated fund balance to a contingency reserve for managing costs related to shortfalls in the San Francisco Housing Authority's available funding for housing vouchers in FY 2019-20 and mitigating uncertainty around future shortfall funding from the federal Department of Housing and Urban Development. There are no projected deposits or withdrawals.

Affordable Care Act Contingency Reserve

The FY 2017-18 and FY 2018-19 budget assigned $50.0 million in unappropriated fund balance to a budget contingency reserve for Zuckerberg San Francisco General Hospital (ZSFG) for managing cost and revenue uncertainty related to federal and state changes to the administration and funding of the Affordable Care Act (ACA) during the term of the budget. There are no projected deposits or withdrawals.

Fund Balance Draw Down Contingency Reserve

The FY 2019-20 and FY 2020-21 budget assigned $213.0 million in unappropriated fund balance to a budget contingency reserve for the purpose of preserving fund balance available as a source for budget balancing in FY 2021-22 and beyond. The Joint Report projections assume the reserve is depleted through uses of $100.0 million in FY 2021-22, $75.3 million in FY 2022-23, and $37.7 million in FY 2023-24.

Public Health Revenue Management Reserve

Section 12.6 of the administrative provisions of the Annual Appropriation Ordinance authorizes the Controller to defer surplus transfer payments, indigent health revenues, and Realignment funding to offset future reductions or audit adjustments associated with the ACA and funding allocations for indigent health services. The FY 2019-20 budget for ZSFG includes $40.0 million in prior year Disproportionate Share Hospital (DSH) funds resulting from audit settlements and a retroactive State determination that certain Federally Qualified Health Center (FQHC) costs may be claimed under DSH funding. These funds were received in FY 2018-19, placed in this reserve under Section 12.2 of the Administrative Provisions of the AAO, and used in the current year to align the timing of the revenue with the fiscal year in which it was appropriated.

Salary and Benefits Reserve

Administrative Provision Section 10.4 of the Annual Appropriation Ordinance (AAO) authorizes the Controller to transfer funds from the Salary and Benefits Reserve to adjust appropriations for employee salaries and related benefits for collective bargaining agreements adopted by the Board of Supervisors. The reserve had a fiscal year starting balance of $52.5 million ($29.0 million carried forward from FY 2018-19 and $23.6 million appropriated in the FY 2019-20 budget). The Controller's Office has transferred $0.6 million to departments and anticipates transferring an additional $35.1 million by year-end, as detailed in Table A2-9. Joint Report projections assume continued funding and use of the reserve in each fiscal year.

Table A2-9. Salary and Benefits Reserve ($ millions)

Sources	
Adopted AAO Salary and Benefits Reserve	23.6
Carryforward balance from FY18-19	29.0
Total Sources	**52.5**
Uses	
Transfers to Departments	
For Police Department - recruitment	0.3
Visual Display Terminal Insurance (Q1 and Q2)	0.1
For Police Department - training tech assistance	0.2
For Member MAA members' bar dues	0.1
Visual Display Terminal Insurance (Q3)	0.0
Total Transfer to Departments	**0.6**
Anticipated Allocations	
Citywide Premium, retirement and severance payouts	15.9
Public Safety, including premium, wellness, one-time	16.4
Various training, tuition, other reimbursements	2.8
Visual Display Terminal Insurance (Q4)	0.1
Total Anticipated Uses in the Current Year	**35.1**
Available for eligible expenses	**16.8**
Net Surplus / (Shortfall)	-

BASELINES AND PROPERTY TAX SET ASIDES

The projected General Fund revenues in Tables A2-5 and A2-6 above result in revenue transfers shown in Tables A2-10 and A2-11 below. Increases to the Recreation and Park baseline, Dignity Fund and Street Tree Maintenance Fund are assumed suspended due to the magnitude of projected shortfalls, as provided in the Charter.

Table A2-10. FY 2019-20 Baselines and Set Asides ($ millions)

	Original Budget	6-Month Projection	March Extended Projection	May Projection
General Fund Aggregate Discretionary Revenue (ADR)	4,205.3	4,272.0	3,904.7	3,796.4
Municipal Transportation Agency (MTA)				
MTA - Municipal Railway Baseline: 6.686% ADR	284.6	285.6	261.1	253.8
MTA - Parking & Traffic Baseline: 2.507% ADR	105.4	107.1	97.9	95.2
MTA - Population Adjustment	56.3	49.7	49.7	49.7
MTA - 80% Parking Tax In-Lieu	66.4	66.5	53.2	48.7
Subtotal Municipal Transportation Agency	512.7	509.0	461.9	447.5
Library Preservation Fund				
Library - Baseline: 2.286% ADR	96.1	96.6	89.3	86.8
Library - Property Tax: $0.025 per $100 Net Assessed Valuation (NAV)	65.3	66.7	65.7	67.3
Subtotal Library	161.4	163.3	155.0	154.0
Children's Services				
Children's Services Baseline - Requirement: 4.830% ADR	203.1	206.3	188.6	183.4
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	24.4	24.8	22.7	22.0
Public Education Services Baseline: 0.290% ADR	12.2	12.4	11.3	11.0
Children and Youth Fund Property Tax Set-Aside: $0.0375-0.4 per $100 NAV	104.5	106.8	105.2	107.6
Public Education Enrichment Fund: 3.057% ADR				
1/3 Annual Contribution to Preschool for All	42.9	43.5	39.8	38.7
2/3 Annual Contribution to SF Unified School District	85.7	87.1	79.6	77.4
Subtotal Childrens Services	472.7	480.9	447.1	440.0
Recreation and Parks				
Open Space Property Tax Set-Aside: $0.025 per $100 NAV	65.3	66.7	65.7	67.3
Recreation & Parks Baseline - Requirement	76.2	76.2	76.2	76.2
Subtotal Recreation and Parks	141.5	142.9	141.9	143.4
Other Financial Baselines				
Housing Trust Fund Requirement	36.8	36.8	36.8	36.8
Dignity Fund	50.1	50.1	50.1	50.1
Street Tree Maintenance Fund	21.7	22.0	20.1	19.6
Mission Bay Transportation Improvement Fund	9.1	9.1	9.1	7.6

Table A2-11. FY 2020-21 – FY 2023-24 Baselines and Set Asides ($ millions)

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	
General Fund Aggregate Discretionary Revenue (ADR)	3,761.7	3,738.2	3,921.1	4,128.6	
Municipal Transportation Agency (MTA)					
MTA - Municipal Railway Baseline: 6.686% ADR	262.9	265.5	278.6	292.7	
MTA - Parking & Traffic Baseline: 2.507% ADR	94.3	93.7	98.3	103.5	
MTA - Population Adjustment	55.4	57.7	60.3	67.8	
MTA - 80% Parking Tax In-Lieu	56.5	67.7	67.7	67.7	
Subtotal Municipal Transportation Agency	469.1	484.6	504.8	531.7	
Library Preservation Fund					
Library - Baseline: 2.286% ADR	86.0	85.5	89.6	94.4	
Library - Property Tax: $0.025 per $100 Net Assessed Valuation (NAV)	66.7	67.3	71.4	75.8	
Subtotal Library	152.7	152.8	161.0	170.2	
Children's Services					
Children's Services Baseline - Requirement: 4.830% ADR	181.7	180.5	189.4	199.4	
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	21.8	21.7	22.7	24.0	
Public Education Services Baseline: 0.290% ADR	10.9	10.8	11.4	12.0	
Children and Youth Fund Property Tax Set-Aside: $0.0375-0.4 per $100 NAV	106.8	107.7	114.2	121.3	
Public Education Enrichment Fund: 3.057% ADR					
1/3 Annual Contribution to Preschool for All	38.3	38.1	40.0	42.1	
2/3 Annual Contribution to SF Unified School District	76.7	76.2	79.9	84.1	
Subtotal Childrens Services	436.2	435.0	457.5	482.8	
Recreation and Parks					
Open Space Property Tax Set-Aside: $0.025 per $100 NAV	66.7	67.3	71.4	75.8	
Recreation & Parks Baseline - Requirement	76.2	79.2	82.2	85.2	*
Subtotal Recreation and Parks	142.9	146.5	153.5	161.0	
Other Financial Baselines					
Housing Trust Fund Requirement	39.6	42.4	45.2	48.0	
Dignity Fund	50.1	53.1	56.1	59.1	*
Street Tree Maintenance Fund	19.4	19.3	20.2	21.3	
Mission Bay Transportation Improvement Fund	7.5	8.5	8.8	9.1	

* Growth in Recreation and Parks and Dignity Fund baselines are suspended in FY 2020-21, pursuant to the Charter.

Appendix 3. FY 2019-20 and FY 2020-21 Emergency Expenditure and Revenue Projections

SUMMARY

The City's response to the COVID-19 public health emergency has been extensive, and has involved significant public health, emergency management, shelter and temporary housing, and social and economic support programs. This appendix summarizes our projection of these costs during the current fiscal year (FY 2019-20) and our preliminary assessment of possible spending levels in the coming fiscal year (FY 2020-21).

City costs and encumbrances in the current year are projected to total $372.2 million, which will be offset in part by FEMA reimbursements, local philanthropy, and other sources of approximately $231.9 million. The remaining projected shortfall of $140.8 million will likely be covered by one-time allocations available from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), but largely deplete the value of those allocations available to support those expenditures in coming fiscal years.

City costs for FY 2020-21, and potentially beyond, are largely unknown at this time, but are likely to be significant. The level of costs will depend on the intensity and duration of local health risks in the next phases of the COVID-19 emergency and the investment in strategies to mitigate this risk.

For illustration, if current spending rates are sustained for the coming fiscal year, local costs remaining after FEMA reimbursement would total approximately $470 million. If costs drop to to 25% of current spending levels, the local share after FEMA reimbursement would total approximately $85 million.

Local costs pressures will rise if the duration of FEMA reimbursements, which is tied to the federally-declared national emergency, is shortened.

FY 2019-20 COVID RESPONSE COSTS & REVENUES

Summary of FY 2019-20 COVID Response

Table A3-1 below summarizes projected expenditures and revenues related to the City's emergency response efforts to mitigate, prepare for, and respond to the spread of COVID-19, and to provide immediate relief and assistance to San Francisco residents and workers. The figures represent projected expenditures and revenues for the current fiscal year, ending on June 30, 2020. We project current year expenditures and encumbrances totaling $372.7 million, offset by projected claims to FEMA, local philanthropic allocations to date, and some state or federal sources that have already been allocated for specific programs of $231.9 million. We project that the remaining FY 2019-20 shortfall of $140.8 million can be covered in the current year by available one-time allocations of $183.2 million from the CARES Act Coronavirus Relief Fund and the State's Senate Bill 89. However, this will largely exhaust these CARES Act allocations, resulting in significantly higher local pressures for continued emergency response costs in FY 2020-21, discussed below.

Table A3-1. FY 2019-20 COVID-19 Response Expenditures & Revenues ($ millions)

	Total Cost	FEMA & Other	Net Local
Expenditures			
Health system costs	177.7	132.5	45.2
Shelter and housing programs	91.6	46.2	45.4
Emergency operations and staffing	30.7	10.7	20.0
Economic and social relief programs	72.7	42.5	30.2
Subtotal, Expenditures	372.7	231.9	140.8
Other Federal & State Sources			
CARES Act - State & Local Governments			153.8
CARES Act - Other allocations			22.0
State Senate Bill 89 - Emergency homelessness funding			7.4
Subtotal, Other Federal & State Sources			183.2
Balance of CARES Act Funding for Response Costs in FY 2020-21			42.4

FY 2019-20 COVID Expenditures

Our projections account for spending in four key programmatic areas summarized in the table above and described in greater detail below. The repurposing of existing staff time to support these programs is not included in this total, as these costs are already accounted for in the adopted budget and generally not reimbursable from FEMA or other sources.

Health System Costs – Our projections of these costs include costs incurred to date and projections of known costs through June 30th for the major healthcare-related efforts in response to COVID-19. The most significant expenses are for the procurement of personal protective equipment (PPE), disinfectant, and other cleaning supplies and services and include purchases made through the Department of Public Health (DPH) for a multitude of City staff and functions. Estimates for the costs of the City's testing initiatives include CityTestSF for health care workers and other essential workers, testing at the Zuckerberg San Francisco General Hospital, and several health centers. Expanded medical staffing capacity expenses include overtime for DPH medical staff as well as the contracting of additional nurses, physicians, and health workers to handle surges in medical demand. Medical transport costs account for medical-related transportation of patients serving hospitals, clinics, and health centers. Finally, miscellaneous services within DPH, such as security, translation, food, and communications related to the health crisis are accounted for.

The total projected costs of these operations through June 30th is $177.7 million. Most of these costs are expected to be reimbursed by FEMA, bringing the expected General Fund cost to $45.2 million.

As noted above, not included in this report are projections for the City's contact tracing efforts, which will be a key part of the City's ongoing health response and are likely to have a major cost impact on the City's General Fund in the upcoming fiscal year. Contact tracers are an interorganizational group that perform the time-intensive process of identifying recent contacts of those infected with COVID-19 and engaging them to take immediate action. The program will strengthen the City's response to the pandemic by allowing for swifter communication, better data tracking, and stronger interventions to reduce further spread. DPH staff are currently working to estimate the costs of a comprehensive contact tracing program in San Francisco.

Shelter and Housing Programs – Shelter and housing estimates include costs incurred to date and projections of known costs through June 30th for temporary emergency housing and shelter options for vulnerable populations, individuals directly affected by COVID-19, critical frontline workers, and individuals in the criminal justice system without secure and safe access to housing. They include costs of providing the City's shelters, permanent supportive housing sites, and single-room occupancy (SRO) hotels with additional services for residents and additional cleaning capacity to protect against the spread of COVID-19. The City has also expanded of the hours and availability of Pit Stops, monitored restrooms, public toilets, and handwashing stations which are intended to serve unhoused residents or those without regular access to restrooms to help curb the spread of the virus.

Specifically, projections for non-congregate shelter for vulnerable populations and frontline workers assume the cost of leasing approximately 630 hotel rooms for first responders and essential service workers at an estimated local cost of $4.4 million through June 30th. At the time of this report, the costs and plans for these rooms are being re-evaluated based on need, and expense projections are subject to change. This estimate for non-congregate shelter also assumes the ramp-up to providing 6,370 hotel rooms for individuals needing to isolate or self-quarantine, but without access to a safe and healthy space to do so, as well as hotel rooms for unhoused, vulnerable residents to have safe spaces to shelter.

The ramp up to 6,370 rooms for this population is estimated to cost a total of $71.6 million by June 30th, inclusive of meals, supplies, and staffing at hotel sites. After estimating FEMA reimbursement for eligible rooms, the local share is projected to be $31.3 million. Further expansion from the total 7,000 rooms in this estimate would reach individuals who do not meet current FEMA criteria and therefore, would increase the local share of the total costs on a per room basis. An additional 1,250 rooms would cost the City approximately $10.3 million per month, assuming no FEMA reimbursement.

At the time of this report, the ongoing cost is estimated to be approximately $275 per room per night, inclusive of food, supplies, and staffing costs. The costs are subject to procurement efforts and contract negotiations that are underway.

Emergency Operations and Staffing – The estimates for emergency operations and staffing costs incurred to date and projections of known costs through June 30th for operating the EOC, since the City's Emergency Declaration was made on February 25, 2020. This includes costs for newly incurred staffing and overtime expenses for public safety employees working at the EOC, clinics, testing sites, and leased hotel sites, as well as cost for Department of Public Works (DPW) staff to maintain cleanliness and safe conditions in public spaces throughout the city. These figures also include the City's costs for technology services and equipment to support the EOC and remote work operations during the Shelter-in-Place Order. Finally, they include the costs of running San Francisco's emergency child and youth care centers and providing meals for the children of first responders, health care workers, and essential City employees.

The total projected costs of these operations through June 30th is $30.7 million. After accounting the City's estimates for FEMA reimbursement, the projected General Fund cost is $20 million.

Economic and Social Relief Programs – The City has provided a host of new and expanded community programs intended to provide financial support for San Francisco residents, workers, and businesses. Our projection includes costs for the City's Small Business Emergency Loan Fund, Neighborhood Mini-Grants initiative, and the Arts Relief Program. The Workers and Families First Program provides additional weeks of sick leave pay to impacted private-sector workers. There is also funding committed to provide financial support to undocumented and extremely low-income families who do not qualify for federal stimulus relief.

The City has initiated many new programs intended to address food insecurity among residents, totaling $32.8 million in projected spending through June 30th and an expected local match of $3.9 million. The highest cost is for the City's implementation of Great Plates Delivered, which provides restaurant meals for seniors, and has been approved for reimbursement from both FEMA and Cal OES, bringing the local cost down significantly. Further, food security efforts include meal programming within the Department of Disability and Aging Services' network of senior-serving community organizations, home-delivered meals, and groceries for qualifying households requiring isolation or quarantine, as well as direct funding for grocery purchases among low-income households.

Altogether, local relief programs are projected to cost at total of $72.7 million. These costs are expected to be further offset by private donations made to the Give2SF COVID-19 Response and Recovery Fund to address critical facility and supply needs, care for vulnerable neighbors, and support local businesses and nonprofits. With the Give2SF funds and expected FEMA and Cal OES reimbursement for feeding initiatives, the local share is estimated to cost $30.2 million.

FY 2019-20 COVID Revenues

FEMA & Cal OES – Currently, the FEMA Public Assistance Grant program is expected to reimburse the City for 75% of eligible costs incurred in direct response to the health crisis. FEMA has provided some guidance around what direct response efforts are reimbursable, including:

emergency medical care, Emergency Operation Center costs, disinfection of public facilities, medical sheltering, purchase and distribution of food and protective equipment, movement of supplies and persons, security and law enforcement, and public communications of health and safety information. In general, all costs for new staff hired by the City directly for response efforts are eligible for reimbursement, while for existing budgeted City staff only overtime pay is eligible. However, the City will not know final reimbursement totals until all costs have been reviewed and obligated by FEMA. This report assumes that FEMA reimburses a full 75% of the costs incurred for direct COVID-19 response through this program. The City has begun to file claims for FEMA reimbursements, and some payments have already been obligated.

The State of California's Governor's Office of Emergency Services (Cal OES) has, in the past, matched a portion of FEMA reimbursements to reduce the cost burden on local governments, providing an additional 18.75% reimbursement of eligible costs, bringing the local share of emergency response costs down to 6.25% of the total costs. Cal OES has not yet activated this program, so this report does not assume this further reimbursement rate. The exception to this is the expected reimbursement from Cal OES for the City's Great Plates Delivered Program, which has already been approved by Cal OES.

The CARES Act and Other Revenues – The CARES Act passed Congress on March 27, 2020. The $2.2 trillion legislation provides a broad range of financial support including a $150 billion Coronavirus Relief Fund (CRF), which provides direct assistance to states and localities, based on a population formula, to use for expenditures incurred due to the public health emergency between March 1 and December 30, 2020. Of the approximately $15.3 billion that California will receive from the CRF, San Francisco has received $153.8 million.

The City will also receive at least $29.4 million in other funding from the CARES Act and state funding for homelessness and housing programs, or Project Room Key, from Senate Bill 89, as detailed in Table 3.

Table A3-2. Projected Revenues from New Federal and State Emergency Relief Programs ($ millions)

Program	San Francisco Allocation
CARES Act Local Government Relief Fund	153.8
CARES Act HUD Funds	16.4
CARES Act Miscellaneous Departmental	1.5
CARES Act: HUD Funding for HOPWA	1.0
CARES Act: HHS Funding for Aging and Disability Services	2.1
CARES Act: Healthcare & Hospitals Funding (Ryan White & Community Health)	1.0
State Senate Bill 89 - Emergency homelessness funding	7.4
Total	**183.2**

San Francisco will receive at least $10.9 million for Community Development Block Grants (CDBG) and $5.5 million for Emergency Solutions Grants (ESG) from the U.S. Department of Housing and Urban Development (HUD) to support local community, housing, and homelessness programs. The City will also receive about $1 million for Housing for Persons with HIV/AIDS (HOPWA) through HUD, nearly $1 million for community health clinics, and $2.1 million through the Administration for Community Living (ACL) for aging and disability services programs. The Act also includes $1.5 million for COVID-19 related expenses for public safety departments.

In addition to these state and federal sources, there are a variety other provisions within the CARES Act with potential local funding that has not yet been confirmed, either because the federal agency has not announced the allocation, a state agency has not yet determined how it will distribute funding to counties, or the funds are only accessible through an application process. Examples of these sources not yet confirmed include Federal Elections Commission funding, Assistance to Firefighter Grants, and additional CDBG and ESG grants that will be distributed based on a to-be-announced formula.

The CARES Act also provides direct funding to two of the City's enterprise departments, San Francisco International Airport (SFO) and Municipal Transportation Agency (MTA). SFO will receive $254.8 million through a Federal Aviation Administration (FAA) grant. The MTA will receive an initial amount of $197 million from the Federal Transit Administration (FTA) for operating expenses related to the response to COVID-19, and expects more after Bay Area regional deliberations are complete at the Metropolitan Transportation Commission.

FY 2020-21 COVID RESPONSE COSTS & REVENUES

Summary of FY 2020-21 COVID Response

City costs for FY 2020-21, and potentially beyond, are largely unknown at this time, but are likely to be significant. These costs will depend on future choices made by the Mayor and the Board, which in turn will depend on:

- The duration and intensity of the health risks likely to be present in the City during the coming fiscal year
- The investment in strategies to mitigate this risk
- The duration of FEMA reimbursement tied to the federally-declared national emergency, and potential future federal or state appropriations to provide local government relief
- Specific plans for reopening San Francisco and lifting of the Shelter-in-Place Order
- Changing nature of major response initiatives and new programs or efforts that may emerge to further protect residents and workers, including plans for ongoing shelter efforts, health care services, and plans to implement contact tracing

These General Fund cost pressures will be aggravated by the minimal balance from the CARES Act local and state government allocation which is projected to be largely depleted in FY 2019-20 based on current projections.

For illustration, the table below depicts a wide range of costs that would be incurred if (1) current spending rates remain at current or diminished levels in the fiscal year ahead, (2) FEMA reimbursements remain available for the full year, and (3) no additional federal or state programs are authorized to offset local government costs.

Table A3-3. FY 2020-21 COVID-19 Response Expenditure and Revenue Forecast ($ millions)

	Total	CARES Balance	FEMA	Net City Cost
Expenditures				
Sustained at current spending rate	1,190.2	42.4	678.9	468.9
At 50% spending rate	595.1	42.4	339.5	213.3
At 25% spending rate	297.6	42.4	169.7	85.4

These ranges are provided for preliminary planning purposes only, and these costs are not included in the projections of General Fund shortfalls discussed in Appendices 1 or 2. Our offices will continue to update the Mayor and Board as more information is available regarding possible health risks and the possible costs of the City's response to mitigate that risk in the weeks and months ahead. Ultimate decisions regarding these programs will be determined in the adoption of the FY 2020-21 and FY 2021-22 budget, which will be proposed by the Mayor by August 1st and, following review and amendment, adopted by the Board of Supervisors by September 30th.

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