CITY AND COUNTY OF SAN FRANCISCO

NOTICE OF EVENT
(RATING CHANGE)

January 11, 2016

This notice is made by the City and County of San Francisco (the "City") pursuant to the Continuing Disclosure Certificates executed and delivered by the City in connection with certain series of the bonds identified below:

Bond Issue Type	**Associated Base CUSIP Numbers***
City and County of San Francisco General Obligation Bonds	797645 797646
City and County of San Francisco Certificates of Participation	79765D
City and County of San Francisco Finance Corporation Lease Revenue Bonds	79765X

Rating Change

On January 8, 2016, Fitch Ratings ("Fitch") upgraded the City's general obligation bonds to "AA+" from "AA" and upgraded the City's certificates of participation to "AA" from "AA-." Fitch also upgraded to "AA" from "AA-" certain lease revenue bonds issued by the City and County of San Francisco Finance Corporation (the "Corporation") and upgraded to "AA" from "AA-" the bank bond rating on certain of the Corporation's lease revenue bonds. Additionally, Fitch upgraded certain of the Corporation's lease revenue bonds to "AA+" from "AA." A copy of the Fitch rating update is attached herewith as Attachment A.

An explanation of the significance of the ratings may be obtained from Fitch at www.fitchratings.com. Such ratings reflect only the views of Fitch. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that such ratings will continue for any given period or that such ratings will not be revised downward or withdrawn entirely provided, if in the view of such rating agency, circumstances warrant. The City and the Corporation have undertaken no responsibility to oppose any such proposed revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of such rating might have an adverse effect on the market price or marketability of the bonds described herein.

Other Matters

The filing of this notice does not constitute or imply any representation: (i) that the foregoing Listed Event is material to investors; (ii) regarding any other financial, operating or other information

* The CUSIP numbers provided herein are for the convenience of bondholders. The City is not responsible for the accuracy or completeness of such CUSIP numbers.

about the obligations of the City; or (iii) that no other circumstances or events have occurred or that no other information exists concerning any City obligations, the City or any of the Listed Events, which may have a bearing on the security for City obligations, or an investor's decision to buy, sell, or hold any City obligations.

This information is subject to change. This notice speaks only of its date and does not imply that there has been no change in any other information relating to any City obligation.

ATTACHMENT A

FITCH RATING UPDATE

FITCH RATES SAN FRANCISCO, CA'S $52MM GOS 'AA+' & UPGRADES OUTSTANDING; OUTLOOK STABLE

Fitch Ratings-San Francisco-08 January 2016: Fitch Ratings has assigned an 'AA+' rating to the following City and County of San Francisco, California general obligation (GO) bonds:

--$8.7 million (clean and safe neighborhood parks bonds, 2008), series 2016A;
--$43.4 million (clean and safe neighborhood parks bonds, 2012), series 2016B.

The bonds are expected to sell competitively on Jan. 20. Proceeds will be used to improve various park and recreation facilities.

In addition, Fitch has upgraded $1.97 billion of San Francisco GO bonds to 'AA+' from 'AA'.

Fitch has also upgraded to 'AA' from 'AA-' the following certificates of participation (COPs):

--$34.4 million series 2013B (port facilities, non-AMT) and series 2013C (port facilities, AMT);
--$15.1 million series 2013A (Moscone Center Improvements);
--$25.9 million series 2001A (30 Van Ness Ave. Project);
--$44.3 million series 2014R-1 (courthouse project) and 2014R-2 (juvenile hall project);
--$2.4 million series 2007A (city office buildings - multiple properties);
--$137.6 million series 2009A (multiple capital improvement projects);
--$33.3 million series 2009B (multiple capital improvement projects);
--$156 million series 2009C and 2009D (525 Golden Gate Avenue);
--$110 million refunding series 2010A;
--$39.4 million series 2012A (multiple capital improvement projects);
--$54.5 million refunding series 2011A and 2011B (Moscone Center South refunding project) (underlying rating);
--$134.3 million series 2015A and 2015B (War Memorial Veterans Building seismic upgrade and improvements); and
--$123.6 million refunding series 2015-R1 (city office buildings - multiple properties project).

Fitch has also upgraded to 'AA' from 'AA-' the following lease revenue bonds issued by the City and County of San Francisco Finance Corporation (corporation):

--$9.6 million series 2010A, 2011A, 2012A and 2013A (equipment lease program);
--$13.8 million series 2010-R1 (911 information and emergency communications system);
--$29 million series 2009A (branch library improvement project);
--$105 million series 2008-1 and 2008-2 (Moscone Center expansion).

Fitch has also upgraded to 'AA' from 'AA-' the bank bond rating on the corporation's series 2008-1 and 2008-2 bonds.

In addition, Fitch has upgraded $49.9 million of corporation lease revenue bonds, series 2006 and 2007 (open-space fund) to 'AA+' from 'AA'.

The Rating Outlook for all series is revised to Stable from Positive.

SECURITY

The GO bonds are payable from an unlimited ad valorem tax pledge on all taxable property in the city without limit as to rate or amount.

COPs and lease revenue bonds are payable from lease rental payments by the city for use and occupancy of various city-owned facilities, subject to abatement. The city covenants to budget and appropriate lease payments.

The open-space fund lease revenue bonds are payable from lease payments made from the open-space property tax set-aside fund, which is restricted to use for open space acquisition.

KEY RATING DRIVERS

STRONG RESERVES/FINANCIAL POLICIES SUPPORT UPGRADE: The upgrade to 'AA+' reflects the city's fiscally prudent institutionalized financial policies which, along with several years of strong economic and revenue growth, have resulted in robust rainy day and budgetary reserves. These policies are expected to result in maintenance of solid financial flexibility through the economic cycle.

EXCEPTIONALLY STRONG ECONOMIC BASE: San Francisco's large and dynamic economy has seen continued strong labor force and employment growth rates. Taxable assessed valuation (TAV) growth remains robust. Wealth indicators are very strong and the tax and employment bases are very diverse.

SOUND FINANCIAL OPERATIONS: Five years of operating surpluses have resulted from strong economic and revenue growth; controlled, moderate expenditure growth; and policies to fund reserves with one-time and above-trend revenues.

STRONG FINANCIAL MANAGEMENT, OVERSIGHT: The city's charter requires thorough periodic budget monitoring and gives the independent controller strong expenditure control.

MIXED LONG-TERM LIABILITY PROFILE: The city's overall debt is high on a per capita basis, but Fitch considers it affordable given the city's wealth level and strong tax base. Capital needs are large, but above-average amortization and tax base growth should keep the city's debt levels affordable. Carrying costs including debt service, pension and other post-employment benefit (OPEB) costs are moderate but rising despite recent reforms.

RATING SENSITIVITIES

SOLID FINANCIAL FLEXIBILITY: Fitch expects policies adopted by the city since the last recession to provide significant protection through the economic cycle. Should actual performance be materially weaker than anticipated, there could be downward rating pressure.

STRONG FINANCIAL OVERSIGHT SUPPORTS ENHANCED FLEXIBILITY

The city's charter features several conservative requirements that promote financial stability. The budget must be based on revenue projections published by the independent controller. The charter also requires periodic budget status reports and permits the controller to freeze appropriations if actual revenues are less than budgeted.

A 2009 voter-approved charter amendment led to the adoption of various financial policies including: two-year budgeting, a biennial five-year forecast with balancing strategies, use of one-time revenues for one-time expenditures, and budgetary reserve funding policies and procedures. Importantly, one of the budgetary reserves, the budget stabilization account, is funded from two of the city's most volatile revenue sources, including real property transfer tax revenues in excess of the five-year average.

The new reserve policies in particular have contributed to the city's improved financial position, helping to rein in expenditure growth during an extended period of economic expansion. Rainy day and budget stabilization reserves have increased materially since their low point in fiscal 2010; furthermore, the requirement to fund reserves from above-average growth in certain cyclical revenues helps curb the city's historical reliance on unsustainable revenue growth for ongoing expenditures. Although most of the city's new mechanisms remain untested by a severe fiscal shock, in Fitch's view the city is now well-positioned to absorb future economic and revenue uncertainty.

In fiscal 2015, the city added another $32 million to its rainy day and budget stabilization reserves, raising the balance to $247.2 million (about 6.2% of general fund spending). This is up from $39 million at fiscal year-end 2010. Furthermore, since voters amended the charter to limit the amount of the rainy day reserve available for the separately-managed local school district, city reserves are more protected than in previous downturns.

HOSPITAL OPERATIONS REMAIN HEALTHY

San Francisco's public hospital (SFGH) has maintained sound financial operations since implementation of the Affordable Care Act. To date, increased revenue from newly insured patients has exceeded the reductions in state and federal support and the city's general fund transfers to the hospital remain at historical levels. Nonetheless, continued reductions in state and federal support for indigent care as well as competition for insured patients will be a challenge going forward. Uncertainties remain in the rapidly changing healthcare environment. Fitch believes the city's hospital is well positioned to address these challenges and that its general fund financial exposure is manageable.

DIVERSE REVENUES; GROWING FUND BALANCES

As both a city and county, San Francisco enjoys a relatively diverse revenue base which performed adequately during the national recession and has shown solid growth over the last several years. Locally generated taxes generate more than two-thirds of general fund revenues, resulting in somewhat less exposure to potential state and federal funding shifts than other California counties. Total tax revenues for fiscal 2015 were 11% above prior year levels and 42% above receipts for fiscal 2011. Total revenues have increased 8.5% on average annually from fiscal 2011-2015.

With discretionary spending constrained under the fiscal policies, general fund balances have improved steadily over the same period, culminating in a $310 million net operating surplus in fiscal 2015 resulting in an unrestricted fund balance of just over $1 billion, equal to a solid 25.3% of spending. General fund cash balances are likewise robust, rising to about $1.3 billion at the end of fiscal 2015.

LONG-TERM BUDGET CHALLENGES REMAIN

The city's fiscal 2016 budget closed an estimated $21 million deficit while adding social services for homeless, additional public safety officers, as well as funding a modest cost of doing business increase for its nonprofit service providers. However, the Dec. 1, 2015 updated five-year financial forecast revealed a growing deficit due to higher retiree costs resulting from lower than assumed investment returns, adjustments to mortality data, and a court ruling reversing a voter approved adjustment to benefits.

In response to the projected $100 million fiscal 2017 deficit (growing to about $234 million in fiscal 2019), the Mayor directed departments to cut 1.5% of ongoing costs from fiscal 2017 and 2018 budgets, roughly offsetting the increased retiree costs.

The five-year forecast continues to project that expenditures will increase more rapidly than revenue and presents options for closing the projected gap, the largest of which are slowing capital spending and department savings. Fitch believes the city has sufficient expenditure flexibility to address the larger forecast deficits, though wage pressures could present a challenge. Notably, the five-year forecast includes a recession scenario allowing the city to begin discussing actions that would be needed to address significantly larger deficits.

ECONOMIC GROWTH OUTPACES STATE AND NATION

TAV levels rose by 6.9% in fiscal 2016 with an aggregate 23% increase since fiscal 2011. Employment growth has been similarly robust and the city's unemployment rate fell to a very low 3.4% in October 2015, well below state and national averages. Job growth continues to exceed state and national averages and wealth and income levels are high.

PENSION AND OPEB COSTS RISING BUT AFFORDABLE

The city is pre-funding a portion of its OPEB costs, aided by charter-required employee contributions. The pay-as-you-go amount was about $167.2 million in fiscal 2015, or 3.5% of governmental expenditures, and funding at the actuarially required level ($350.4 million or 7.3% of governmental expenditures) would be challenging. Further supporting OPEB funding is voters' approval of a 2013 ballot measure to prevent future use of the OPEB trust until the liability is fully prefunded.

The vast majority of city employees participate in the San Francisco Employee Retirement System (SFERS). SFERS is adequately funded, estimated at 86% as of June 30, 2014 using Fitch's 7% return assumption. Pension contributions had been expected to flatten but are now expected to continue to rise for at least the near term. Some concern about pension contribution trends are offset by the recent pension reforms that require employees to share responsibility for the rising costs. The city's attempt to limit cost of living adjustments was reversed by the recent appellate court ruling.

Carrying costs, including pension, OPEB and debt service, consumed about 22% of fiscal 2015 governmental expenditures, a level Fitch believes is sizable but manageable. However, if retiree costs rise faster than revenue growth, operations could be pressured.

AFFORDABLE DEBT AND LARGE CAPITAL NEEDS

San Francisco's debt burden remains affordable despite sizeable recent issuances. Including overlapping entities, debt totals a high $5,858 per capita but a moderate 2.6% of taxable market value. Future debt issuance plans are expected as the city addresses needs identified in its 10-year, $4.7 billion general fund capital improvement plan. Future borrowing could raise debt burden above current levels, depending on the timing of issuances and repayment schedules as well as the pace of population and tax base growth.

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Additional information is available at 'www.fitchratings.com'.

Fitch recently published an exposure draft of state and local government tax-supported criteria (Exposure Draft: U.S. Tax-Supported Rating Criteria, dated Sept. 10, 2015). The draft includes a number of proposed revisions to existing criteria. If applied in the proposed form, Fitch estimates the revised criteria would result in changes to fewer than 10% of existing tax-supported ratings. Fitch expects that final criteria will be approved and published by Jan. 20, 2016. Once approved, the criteria will be applied immediately to any new issue and surveillance rating review. Fitch anticipates the criteria to be applied to all ratings that fall under the criteria within a 12-month period from the final approval date.

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from CreditScope.

Applicable Criteria
Exposure Draft: U.S. Tax-Supported Rating Criteria (pub. 10 Sep 2015)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=869942
Tax-Supported Rating Criteria (pub. 14 Aug 2012)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015
U.S. Local Government Tax-Supported Rating Criteria (pub. 14 Aug 2012)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=685314

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