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

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Table of Acronyms

BANs – Bond Anticipation Notes
CAFR – Comprehensive Annual Financial Report
CGOBOC – Citizens' General Obligation Bond Oversight Committee
COPs – Certificates of Participation
CPC – Capital Planning Committee / Program
FA – Financial Advisor(s)
GO – General Obligation Bond
IAs – Investment Agreements
IFD – Infrastructure Financing District
MSRB – Municipal Securities Rulemaking Board
OPF – Office of Public Finance, Office of the Controller
NRSRO – Nationally Recognized Statistical Rating Organization
RFP – Request for Proposal / Qualifications
SIFMA – Securities Industry and Financial Markets Association
TIC – True Interest Cost

I. Scope and Application

This Debt Policy ("Policy") establishes policies and procedures for financings under the jurisdiction of the Controller's Office of Public Finance ("OPF") and the Finance Corporation of the City and County of San Francisco ("Finance Corporation"), and pertains to obligations payable from the General Fund of the City and County of San Francisco ("City"). The purpose of the Policy is to identify debt policy objectives, improve the quality of decision making processes, provide a basis for the determination of the appropriate debt structures and to demonstrate a commitment to best practices in municipal debt management planning and execution.

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

This Policy shall govern the issuance and management of all bonds and other forms of indebtedness of the City, together with any credit, liquidity or other security instruments and agreements that may be executed in connection with the issuance of bonds and other forms of indebtedness ("Bonds"). The Board of Supervisors may, in its sole discretion, approve Bonds that deviate from this policy, upon the recommendation of the Director of Public Finance. The failure of the City to comply with any provision of this Policy shall not affect the authorization or the validity or enforceability of any Bonds or other forms of indebtedness that is otherwise issued in accordance with law.

This Policy and any subsequent amendments shall be filed with OPF, and shall be accessible from the City's website. Copies of the Policy have been distributed to the City Treasurer, the City Controller, the Mayor's Budget Director, Clerk of the Board of Supervisors, the Chair of the Budget and Finance Committee of the Board of Supervisors and the Budget and Legislative Analyst to the Board of Supervisors.

II. Mission of the Office of Public Finance

To structure and manage on behalf of the City debt financing of capital projects, capital improvements and capital equipment that produce social and economic benefit to the City and its residents at the lowest costs of capital while mitigating market and credit risk with appropriate internal controls.

Debt Management Objectives

- Maintain cost-effective access to capital markets through prudent debt management policies and practices.

- Maintain moderate debt and debt service levels with effective long-term planning and coordination with City departments.
- Meet significant capital acquisitions or improvements through debt financing and, if cost effective, alternate financing mechanisms such as public/private partnerships.
- Structure long term financings to minimize transaction specific risk and total debt portfolio risk to the City.
- Maintain the highest practical credit ratings to ensure efficient access to capital markets.
- Maintain good investor relationships through the timely dissemination of material financial information.
- Maintain user friendly and publicly accessible electronic portal for the timely dissemination of material information concerning the financial condition of the City.

III. Disclosure Policies and Procedures – Disclosure Practices Working Group

In order to carry out certain policy objectives relating to financial disclosure, OPF shall ensure that written disclosure policies and procedures are adopted and implemented. Such policies and procedures shall be carried out by a Disclosure Practices Working Group, consisting of the Controller, the Director of Public Finance, the Controller's Director of Budget, the Treasurer, and one or more Deputy City Attorney specializing in municipal finance transactions. The City's Disclosure Policies and Procedures are attached hereto as Appendix A.

IV. Types and Purposes of Debt

A. Long Term Debt

Long-term debt with a term to maturity of five years or more is issued to finance the acquisition and/or construction of long-lived capital improvements. Long-term debt financing shall not be used to fund operating costs or operating deficits of the City. The principal types of municipal debt instruments employed by the City to finance long-term capital projects are general obligation ("GO") bonds, lease revenue bonds, certificates of participation ("COPs") and capital leases. Such instruments may be refunded by the issuance of refunding obligations for economic savings and/or restructuring considerations.

1. *General Obligation Bonds*: GO Bonds will be used to finance the acquisition, improvement, and/or construction of real property. Such facilities include but are not limited to, libraries, hospitals, parks, public safety facilities, cultural, and educational facilities.

2. *Lease Revenue Bonds*: Lease revenue bonds will be used to finance the acquisition, improvement, and/or construction of real property; acquisition of

capital equipment; and other capital projects that either (1) have an identified budgetary stream for repayment (e.g. specified fees, tax receipts, etc.); (2) generate project revenue but rely on a broader pledge of General Fund revenues to reduce borrowing costs (e.g. parking garages); or (3) finance the acquisition and installation of equipment for the City's general governmental purposes.

3. *Certificates of Participation*: COPs will be used for acquisition or improvement of existing facilities and/or construction of new facilities that result in immediate or future savings in payments currently made or to be made by the City's General Fund. For example, COPs may be used to provide funds to execute a lease purchase option for a facility whereby future savings accrue to the General Fund during the period for which the COPs and the lease would be outstanding. COPs also are appropriate for projects which will be matched with grant and other additional moneys, reduce operating costs to the City, address critical and urgent seismic and other public safety hazards for which no other sources are practically available, or provide for the delivery of services mandated by law.

4. *Capital Leases*: Capital equipment and personal property of a City department may be eligible for capital lease financing. Eligible equipment must have per unit cost of at least $100,000 unless it is an integral part of a system (such as a computer network) then the aggregate of the various components must be at least $100,000. The useful life of the item will be in excess of three years and at least 120% of the financing and refinancing term.

5. *Refunding Obligations*: Refunding Bonds will be issued typically to achieve debt service savings for the City, although other non-economic factors may support the issuance of such obligations. Pursuant to section 43.8.4(b) of the City's Administrative Code, the Board of Supervisors will establish by resolution the minimum savings to be generated by the issuance of such refunding.

   Absent any significant non-economic factors, it is the policy of the City that a refunding should produce minimum net debt service savings (net of reserve fund earnings and other offsets) of at least 3% of the par value of the refunded bonds on a net present value basis, using the refunding issue's True Interest Cost ("TIC")[1] as the discount rate.

6. *Special Limited Obligations*: Special limited obligations are issued by the City, or by a joint powers authority on behalf of the City, to make proceeds available to finance the acquisition, construction and/or improvement of eligible facilities. The obligations represent special limited obligations of the City.

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

i. Mello-Roos special tax and special assessment districts ("Districts") provide methods to assist in the financing of public infrastructure and community facilities. The creation of the Districts may facilitate improvements to tangible or real property providing substantial general public benefits.

ii. Infrastructure financing districts ("IFD") are formed for the purpose of financing public improvements to any real or other tangible property of communitywide significance.

OPF will comply with goals and policies established by the Board of Supervisors concerning the issuance of special limited obligations.

B. Short Term Debt

Short-term debt with a term to maturity of less than five years is issued to either 1) provide funds to finance operating cash flow deficits within a single fiscal year or 2) to provide financing for the acquisition and/or construction of long-lived capital projects to be refunded by long-term debt financing described above.

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

2. *Commercial Paper*: The City established its tax-exempt and taxable lease revenue commercial paper certificates of participation program ("Commercial Paper Program") for the purpose of providing funds to finance the acquisition, construction, and rehabilitation of capital improvements and the financing of vehicles and equipment. The Commercial Paper Program will be utilized and commercial paper notes will be issued from time to time to provide financing for projects, subject to the conditions that the projects and project financing will have prior approval from the Board of Supervisors and Mayor.

   The Director of Public Finance shall provide a written report to the Board of Supervisors twelve months following the initial issuance of commercial paper notes and annually thereafter through the final maturity of the last commercial paper note outstanding describing the notes issued since commencement of the Commercial Paper Program and since the date of the last report; summarizing the current status of projects financed with commercial paper; and identifying any certificates of participation and other long term obligation refunding commercial paper notes.

3. *Bond Anticipation Notes*: Pursuant to Chapter 43, Article XI of the City's Administrative Code, the City may issue short-term indebtedness ("BANs") in anticipation of the issuance of general obligation bonds which have been approved by the voters for the purposes for which the general obligation bonds were approved by the voters. The BANs will have a final maturity within a period not to exceed five years of its issuance date, may be sold at a discount not to exceed 5%, and any renewal or refunding of BANs will be payable solely from the proceeds of the sale of general obligation bonds. In addition, OPF may consider the issuance of other forms of bond anticipation notes, to the extent the Director of Public Finance determines such issuance is economic and permitted by law.

C. Conduit Financings

Conduit financings are issued by the City to make proceeds available to a non-City conduit borrower in furtherance of a public purpose. Financing proceeds may be loaned to the conduit borrower pursuant to a loan agreement between the City and the conduit borrower. The conduit borrower is responsible for the repayment obligations and the conduit obligations represent non-recourse obligations of the City.

1. *Affordable Housing Nonprofits*: The Mayor's Office of Housing, on behalf of the City, will serve as a conduit issuer and administrator for affordable housing nonprofits given the City's significant interest in maintaining affordable housing in the City, and given that the Mayor's Office of Housing has the requisite resources and oversight ability to manage and administer the conduit financings.

2. *Other Private Parties Conduit Financings*: The City, through OPF, will not generally serve as a conduit issuer for private parties given the lack of resources, lack of authority to oversee such transactions, and availability to private parties of State and other conduit issuers.

D. Other Obligations

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

V. Debt Approval Procedures

A. Approval by Capital Planning Committee

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

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

1. *Board of Supervisors*: The Board of Supervisors shall not place on the ballot or authorize the issuance of any long-term financing until the CPC completes its review of the proposed project and project financing and submits its recommendation to the Board of Supervisors.

2. *Form of Proposal*: Each proposal shall be in form and substance satisfactory to the CPC, and shall be accompanied by descriptive financial, architectural, and/or engineering data, and all other pertinent material in sufficiently complete detail to permit the CPC to review all aspects of the proposal.

3. *Capital Expenditure Plan*: The CPC shall submit a written report to the Mayor and the Board of Supervisors analyzing the feasibility, cost, and priority of each proposal relative to the City's capital expenditure plan.

B. Approval by the Board of Supervisors

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

1. *General Obligation Bonds*: Pursuant to the State Constitution, the California Government Code and the City's Administrative Code, the Board of Supervisors shall hold a minimum of two public hearings prior to placing a GO bond measure on the ballot. In accordance with the State constitution, GO bonds must be approved by 2/3rds vote of the City electorate voting on the measure. Prior to any issuance of any new money, refunding general obligation bonds, or general obligation BANs, the Board of Supervisors shall approve by majority vote, a resolution authorizing such issuance.

2. *Lease Revenue Bonds*: The Board of Supervisors shall hold a minimum of one public hearing to place the lease revenue bond measure on the ballot. In accordance with the City Charter, lease revenue bonds must be approved by majority vote. Subsequent to successful passage and prior to any issuance of new money, refunding lease revenue bonds, or commercial paper notes refinanced with lease revenue bonds, the Board of Supervisors shall approve by majority vote, a resolution authorizing such issuance.

3. *Certificates of Participation*: In accordance with Article IX of the City Charter, COPs may consist of lease financing agreements between the City and a for-profit lessor. All issuances of COPs shall be authorized by resolution or ordinance of the Board of Supervisors by majority vote and then, if necessary, validated by the Superior Court of San Francisco as described in Section C below. COPs are not required to be approved by the electorate.

4. *Capital Leases*: Pursuant to Section 9.118 of the City Charter, all capital leases financing capital equipment with a term exceeding 10 years and requiring anticipated expenditures by the City exceeding $10,000,000 shall be authorized by resolution or ordinance of the Board of Supervisors by majority vote.

5. *Refunding Obligations*: Pursuant to Section 9.109 of the Charter, the Board of Supervisors is authorized to provide for the issuance of Bonds for the purpose of refunding any GO bond, lease revenue bond or COPs. No voter approval is required for the authorization, issuance and sale of refunding obligations which result in net present value savings to the City.

6. *Special Limited Obligations*: All issuances of special limited obligations shall be authorized by resolution of the Board of Supervisors by majority vote and then, if necessary, validated by the Superior Court of San Francisco as described in Section C below. Mello-Roos special tax and special assessment debt require two-thirds approval by the electorate comprising the District.

C. Validation

From time to time proposed financing structures may require a validation action by the Superior Court of San Francisco.

1. A validation action is a procedure under California law (Civil Code 860 *et seq*.) which allows an issuer to have the legality of a bond financing approved, including any issue regarding constitutionality of the bond issue, and accelerates any statute of limitations. Notice of the lawsuit is given by publication in the newspaper and by posting public notices. If no interested person comes forward and challenges the financing, a default judgment is given, binding all parties who may desire to challenge the financing. Once the court issues a judgment,

and the 30-day appeal period expires, the financing cannot later be challenged in court.

2. It is the policy of the City that no offering statement related to any validated financing will be circulated prior to the conclusion of the 30-day appeal period.

VI. Bond Oversight

A. General Obligation Bonds

1. *Citizens' General Obligation Bond Oversight Committee*: Pursuant to the City's Administrative Code Chapter 5, Article IV and this Policy, the Citizens' General Obligation Bond Oversight Committee ("CGOBOC") shall convene to provide oversight ensuring that general obligation bond proceeds are expended in accordance with the applicable ballot measure and / or authorizing legislation. CGOBOC shall ensure that such proceeds are not used for any administrative salaries or other operating expenses.

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

VII. Debt Limitations

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

In the event the Director of Public Finance and the Controller determine any proposed debt transaction exceeds the limits imposed by this Policy, the Board of Supervisors may approve such transaction by a two-thirds majority vote, subject to the City Charter and the City Administrative Code.

A. General Obligation Bonds

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

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

2. *Priority Capital Projects*: A minimum of 0.3% in debt capacity shall be reserved for capital projects deemed by the City's Mayor or Board of Supervisors to be of the highest priority or urgency.

B. Certificates of Participation and Other Long Term Obligations

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

It is the policy of the City that it maintains the percentage of the General Fund spent on General Fund secured debt service at or below 3.25 percent of General Fund discretionary revenues. Stated differently, COPs and other lease financing debt will only be used as funding sources for capital projects when existing debt are retired and/or the City's aggregate General Fund discretionary revenues grow.

C. Capital Equipment

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

VIII. Methods of Sale

A. Competitive Sale

Except as provided below, it is the policy of the City that all new money and refunding Bonds will be issued by competitive sale in accordance with the City's competitive bid policies and State law (Government Code Section 53506 *et seq.*).

The City may take bids in person or by electronic means.

1. *Marketing*: Bond sales will be advertised as broadly as possible, including advertising in an industry newspaper. The financial advisors for each transaction shall undertake to market the bonds to prospective bidders and investors as relevant and in accordance with law.

2. *Amendments*: Terms of the bonds shall be amendable as late as possible and at least until 1:00 p.m. Pacific Time the day prior to the day bids are to be received.

3. *Cancellation*: Bond sales will be cancelable at any time prior to the time bids are to be received.

4. *Award*: The Bonds shall be awarded to the bidder whose conforming bid represents the lowest true interest cost to the City ("TIC"). The City may then restructure the bonds in accordance with the Official Notice of Sale.

    i. the City shall reserve the unfettered right to reject all bids or waive bid irregularities.
    ii. the Treasurer or his/her designee shall make the award of general obligation bonds.
    iii. an officer of the Finance Corporation of the City and County of San Francisco shall award lease revenue bonds issued by the Finance Corporation.
    iv. the Controller or his/her designee shall make the award of certificates of participation.

B. Negotiated Sale

OPF may determine to issue new money and refunding Bonds on a *negotiated basis* if:

1. There is significant deterioration in the City's overall credit rating or outlook,

2. There are credit issues specific to a transaction that are outside of the City's customary credit profile including (a) market issues such as threat of war, market disruptions, proposed changes in taxation or sector risks, or (b) transactions involving public/private partnerships, or

3. The transaction is for variable rate debt, or commercial paper or other non-traditional debt structure.

Further, all variable rate bonds, which may include variable rate demand notes, commercial paper, etc., would be expected to be issued by negotiated sale. The City shall retain a minimum of two broker/dealers or remarketing agents for each issuance of variable rate

indebtedness exceeding $20 million. The broker/dealers or remarketing agents shall be retained for a period co-terminus with the final maturity of any variable rate bonds provided that the City may replace a broker/dealer or remarketing agent with notice at any time for any reason in its sole discretion.

C. Private Placement

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

IX. Debt Structuring Practices

A. Standard Terms

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

1. *General Obligation Bonds*:

i.	Term:	20-30 years – useful life of asset;
ii.	Maximum Interest Rate:	Not to exceed 12%;
iii.	Maximum Premium:	Case by case determination;
iv.	Maximum Discount:	Not less than par;
v.	Payment Dates - Fixed:	June 15 (principal redemption and interest) and December 15 (interest only); the first payment may be extended by up to 18 months to ensure that a payment is not placed on the tax roll until AFTER the bonds are issued;
vi.	Coupons	Fixed or variable;
vii.	Call Provisions:	All debt will be callable at the earliest possible optional call date consistent with optimal pricing and provide for not more than 30 days call notice;
viii.	Structure of Debt:	Level debt service;
vii.	Project Fund:	Gross funded;
viii.	Debt Service Reserve:	None;
ix.	Capitalized Interest:	None;
x.	Reimbursement	As required;

	Resolution:	
xi.	Good Faith Deposit:	Lesser of 125% of cost of issuance or 1% of par amount; and
xii.	Budgeting Debt Service	Debt service shall be included in the tax levy.

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2. *Lease Revenue Bonds/Certificates of Participation*:

i.	Term:	25 years is standard, but up to 35 years depending on cash flow assumptions, construction timeline and remaining useful life of the asset being financed;
ii.	Maximum Interest Rate:	Not to exceed 12%;
iii.	Maximum Premium:	Case by case as recommended by FA;
iv.	Maximum Discount:	Case by case as recommended by FA;
v.	Payment Dates – Fixed:	April 1 and October 1; equipment lease revenue bonds pay principal in both April and October;
vi.	Coupons:	Fixed rate or variable;
vii.	Call Provisions:	Shortest possible optional call date consistent with optimal pricing; no more than 30 days notice;
viii.	Structure of Debt:	Level debt service - unless otherwise dictated by underlying remaining useful lives;
ix.	Debt Service Reserve:	Lesser of 10% principal amount, 125% average annual debt service, 100% maximum annual debt service or surety bond; prior to the issuance of any Bonds, the Director of Public Finance may recommend to the Board of Supervisors a lower debt service reserve requirement provided it is economic to do so;
x.	Capitalized Interest:	Sized through substantial completion plus a minimum of six months unless other assets are available; liquidated damages of construction contract must include amount of daily debt service;
xi.	Net Funding:	The project and capitalized interest funds may be net funded if investments are secured upon issuance of bonds;
xii.	Reimbursement Resolution:	Adopted by relevant commission or the Board of Supervisors in absence of a commission;
xiii.	Good Faith Deposit:	Lesser of 125% of cost of issuance or 1% of par amount; and
xiv.	Budgeting Debt Service:	Budget shall be for gross debt service.

3. *Variable Rate Bonds*: The City may elect to issue any bonds as variable rate bonds, which bonds may bear interest at daily, weekly, monthly, semi-annual or commercial paper segment rates.

i.	Purpose:	Reduce net borrowing costs; match of assets and liabilities;
ii.	Max. Portfolio Allocation:	No more than 20% of the City's outstanding debt portfolio shall be in unhedged, variable rate short-term paper;
iii.	Term:	Consistent with policies for underlying debt types;
iv.	Maximum Interest Rate:	12%
v.	Monitoring:	OPF shall monitor all variable rate bonds on a monthly basis and shall determine, from time to time, whether to change modes, alter hedging strategies and/or replace a broker-dealer or remarketing agent;
vi.	Budgeting:	OPF will recommend annually budgeted debt service on any variable rate bonds at 1.5 times the rolling 3-year average of the SIFMA index, or another relevant index of comparable time frame, as well as ongoing fees associated with variable rate bonds.
vii.	Remarketing Provisions:	Remarketing agent agreements shall contain a provision requiring the remarketing agent(s), in the event of a failed remarketing, to purchase the City's bonds, at prevailing interest rates, for up to 30 days; the purpose of such provision is to allow the City ample time to convert illiquid bonds to an alternative, marketable mode before incurring liquidity rates, if market conditions allow.
viii.	Call/Conversion Provisions:	On any date without penalty; no more than 10 days notice;
ix.	Liquidity:	A liquidity facility shall be obtained, either externally or internally, for all short-term indebtedness containing a put feature. Liquidity providers shall maintain the highest short-term ratings

	and long-term ratings at least equivalent to the City's ratings;
x. Disclosure:	The City shall covenant to provide continuing disclosure in accordance with its customary practices for any short-term debt with a final, stated maturity exceeding 3 years; and
xi. Mode:	All bonds issued as variable rate bonds shall be issued as "multi-modal" bonds.

X. Derivatives Policy

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

XI. Permitted Investments

All investments of bond proceeds shall adhere to the City's Investment Policy approved periodically by the County Treasury Oversight Committee. With the exception of investment agreements, investments shall not allow security types or credit standards less than those of the Treasurer's Investment Policy. Investment agreements shall be selected as provided in subsection below.

1. *Investment Agreements ("IAs")*:

i.Purpose:	a) maximize interest earnings thereby reducing net borrowing cost, b) match of assets and liabilities, and/or c) hedging;
ii.Counterparty:	Minimum rating of "AA" from at least one major nationally recognized statistical rating organization ("NRSRO", Fitch Ratings, Moody's

	Investors Service, and Standard and Poor's);
iii.Mandatory Termination:	Limited to credit-related events and non-payment;
iv.Cure Provisions:	Timelines on City's obligations to cure must provide for appropriate legislative action;
v.City's Priority of Payment:	Termination Payments - subordinate to related debt payments;
vi.Procurement/Award:	Award based on best bid as defined in bid form after limited negotiation of terms; and
vii.Term:	Not in excess of the term of the bonds.

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XII. External Consultants

1. *Bond, Tax and Disclosure Counsel*: The City Attorney's Office shall select bond, tax and /or disclosure counsel ("Bond Counsel") for each transaction. The City Attorney's Office shall periodically discuss the performance of Bond Counsel with OPF in terms of quality and timeliness of legal services.

2. *Financial Advisors*: OPF may determine to utilize the services of independent financial advisor(s) and feasibility consultant(s) ("FA") on debt financing when prudent. OPF shall utilize a request for qualifications and/or request for proposals ("RFP") selected pool of such financial advisors to mitigate time constraints and reduce overhead costs of the City in procuring such services. Services shall be documented by contract and compensation shall be capped. All financial advisors shall be registered with the Municipal Securities Rulemaking Board ("MSRB"). No financial advisor shall serve as an underwriter on a transaction.

3. *Rebate Consultant*: Rebate consultant shall be selected by RFP for all tax-exempt long-term obligations for a set term with 1-year extensions. Rebate analyses will be performed annually at fiscal year end by the rebate consultant and on every fifth anniversary of the bond issue until proceeds are fully expended.

XIII. Counterparty and Fiduciary Relationships

1. *Auction Agents*: Selected for each relevant transaction by RFP issued by OPF or its agent and subject to negotiation of terms.

2. *Broker-Dealers and Remarketing Agents*: For all variable rate bonds, OPF shall select by RFP broker-dealers or remarketing agents for each transaction and monitor performance on a monthly basis. The City may replace a remarketing agent or broker-dealer with notice at any time.

3. *Investment Agreement Counterparties*: Selected by RFP in accordance with relevant bond documents and the City's Investment Policies.

    a. In general, uncollateralized Investment Agreements shall be executed with counterparties rated at least "AAA" with collateral required upon downgrade below "AAA."

    b. Repurchase Agreements or Forward Delivery Agreements shall be executed with counterparties rated at least "AA" (by at least one of the major NRSRO) with downgrade provisions requiring assignment or collateral should the rating fall below "A-" by or "A3" by Standard & Poor's and Moody's Investor Services respectively.

4. *Credit and Liquidity Facility Providers*:

   a. *Bond Insurance* – All or any portion of an issue of Bonds may be secured by bond insurance provided by municipal bond insurers ("Bond Insurers") if it is economically advantageous to do so, or if it is otherwise deemed necessary or desirable in connection with a particular issue of Bonds. The relative cost or benefit of bond insurance may be determined by comparing the amount of the bond insurance premium to the present value of the estimated interest savings to be derived as a result of the insurance. The Director of Public Finance shall take into consideration the ability and / or likelihood of the Bond Insurer maintaining its ratings over the term of the bond insurance.

   b. *Credit and Liquidity Facilities* – The issuance of certain types of Bonds requires a letter of credit or line of credit ("Credit Facility") from a qualified financial institution to provide liquidity and / or credit support. The types of Bonds where a Credit Facility may be necessary include commercial paper, variable rate bonds with a tender option, and Bonds that could not receive an investment grade credit rating in the absence of such Credit Facility.

      The Director of Public Finance shall take into consideration, in advance of the issuance of the applicable Bonds, the likely remedial strategies in the event of a material decline in the Credit Facility provider's credit quality.

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

      i. Long-term ratings from at least two NRSRO equal to or better than those of the City;
      ii. Short-term ratings from at least two NRSRO of at least P-1 / A-1+ / or equivalent;
      iii. Experience providing such facilities to state and local government issuers;
      iv. Fees, including without limitation initial and ongoing costs of the Credit Facility; draw, transfer, and related fees; counsel fees; termination fees and any trading differential; and
      v. Willingness and ability to agree to the terms and conditions required by the City.

   c. *Selection* – Credit and liquidity facility providers will be selected by RFP issued by OPF or its agent and subject to negotiation of terms.

d. *Replacement* – In the event that a credit or liquidity facility provider experiences financial or other distress, such as a material credit rating downgrade below the thresholds detailed in Section XIII., the Director of Public Finance, to the extent necessary or desirable, shall seek to replace the related provider subject to any required approvals by the Board of Supervisors. The Director of Public Finance shall take into consideration:

i. The impact on the City's own credit rating;
ii. The remaining value of the existing Credit Facility;
iii. The financial impact of any replacement; and
iv. Any other material financial or other consideration.

5. *Trustees*: Selected for each issue by RFP. The Trustee shall have a combined capital and surplus of at least $50,000,000 and be subject to supervision or examination by federal or state authority.

6. *Underwriters*: OPF may determine to retain underwriters for negotiated and private placement bond transactions. OPF will utilize an RFP-selected pool of such underwriters advisors to mitigate time constraints and reduce overhead costs of the City in procuring such services. Services shall be documented by contract and compensation shall be capped. Underwriters may be required to execute confidentiality agreements with the City prior to the commencement of work.

XIV. Post Issuance Debt Administration and Covenant Compliance

1. *Secondary Market Disclosure*: OPF shall comply with all federal securities disclosure laws and strive to maintain good investor relations through the timely dissemination of pertinent and material financial information.

2. *Annual Report*: The City will covenant to provide annual disclosure in accordance with SEC Rule 15c2-12. The City will also covenant to provide its annual disclosure report (the "Annual Report") no later than 270 days following the end of the fiscal year, but the City will strive to issue the Annual Report as soon as practical following the issuance of the City's annual Comprehensive Annual Financial Report ("CAFR"). The Annual Report, in addition to being posted in accordance with law, will also be posted at the Main Library and be on file with the Clerk of the Board of Supervisors. The Annual Report shall include CUSIPs, trustee and City contacts, and applicable project status as required, for all transactions subject to annual reporting.

3. *Material Event Notices*: The City will disseminate timely event notices in accordance with the provisions of SEC Rule 15c2-12. Prior to the dissemination of any event notice, OPF may convene a meeting of DPWG to discuss the

materiality of any event and the process for equal, timely and appropriate disclosure to the marketplace.

4. *Voluntary Event Disclosure*: The City shall submit its 3-month Budget Report, 6-month Budget Report, 9-month Budget Report, 3-year Budget projections ("Joint Report"), 5-year Financial Plan, Annual Proposed Budget, Annual Appropriation Ordinances, and CAFR to the MSRB as soon as practical.

5. *Arbitrage Rebate Compliance*: Because of the complexity of the Federal arbitrage rebate statutes and regulations and the severity of potential penalties for non-compliance, the City will retain an arbitrage rebate services provider in connection with its outstanding Bonds and may solicit related legal and tax advice from its bond counsel and the City Attorney.

   The City shall cause the calculation of its arbitrage rebate liability annually in each year that the related construction fund (or equivalent) has had an outstanding balance. Thereafter, the City shall calculate arbitrage on the fifth anniversary of the bond issuance in accordance with IRS recommended practices. In addition, the arbitrage rebate service provider shall be responsible for the following:

   a. the periodic calculation of any accrued arbitrage rebate liability and of any rebate payments due under and in accordance with the federal tax code and the related rebate regulations;
   b. advice regarding strategies for minimizing arbitrage rebate liability;
   c. the preparation and filing of periodic forms and information required to be submitted to the Internal Revenue Service;
   d. the preparation and filing of requests for reimbursement of any prior overpayments; and
   e. other related matters as requested by the Director of Public Finance.

6. *Insurance Certifications*: The City (through its Risk Manager) shall provide annual insurance certification to the Trustee and Bond Insurer on lease revenue bonds and COP financings as long as the bonds are outstanding.

7. *Annual Budgetary Certifications*: The City shall covenant to provide annual budgetary certifications to interested parties, if any, no less than 60 days following the adoption of the City's budget. Pursuant to the City Charter, the Board must adopt the annual budget by each July 31st and the Mayor must sign it 10 days thereafter.

8. *Ratings*: OPF will secure underlying ratings on all newly issued obligations from the three major nationally recognized statistical rating organizations, provided it is economic to do so.

9. *Annual Meeting*: OPF shall offer to meet with each rating agency at least annually.

10. *Citywide Ratings Notification*: OPF shall promptly provide notice of any changes in City ratings or outlook to the Mayor, the Mayor's Finance (or Budget) Director and Press Secretary, City Controller, City Treasurer, Chief Investment Officer, President of the Board of Supervisors, Chair of the Finance Committee of the Board of Supervisors, Budget Analyst to the Board of Supervisors and the DPWG.

11. *Training*: City officials or employees shall attend disclosure training sessions as provided in the City's Disclosure Controls and Procedures attached hereto as Appendix A.

12. *Relationship with Other City Entities*: The Director of Public Finance shall maintain communications with the City's related issuers of long-term obligations, including through periodic meetings, conference calls and status reports, and may consult with such issuers regarding the proposed issuance of Bonds, the use of derivatives, credit and rating strategies, and other related matters.

13. *Review of Policy*: OPF shall conduct an annual review and evaluation of the Policy. As appropriate, OPF shall amend the Policy to be consistent with changes in the federal and state securities laws, pronouncements of the Securities and Exchange Commission and such other matters as the Director of Public Finance deems necessary or desirable.

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Appendix A:
Municipal Finance Disclosure Policies and Procedures

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Article I
General

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

These Procedures do not apply to certain departments or enterprises of the City, including the Airport Commission, the Mayor's Office of Housing, the Municipal Transportation Authority, the Port Commission, or the Public Utilities Commission. These Procedures are being adopted by the Office of Public Finance ("OPF") as a debt issuance and disclosure best practice.

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

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

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

"*CAFR*" means the City's Comprehensive Annual Financial Report.

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

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

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

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

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

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

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

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

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

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

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

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

Article II
Disclosure Documents

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

(A) Preliminary and final Official Statements, and preliminary and final Private Placement Memoranda, including but not limited to any City financial information included therein, relating to the City's securities, together with any supplements;

(B) the City's Financial Statements, including but not limited to the MM&D and Notes thereto;

(C) any filing made by the City with the MSRB, whether made under a continuing disclosure agreement to which the City is a party or made voluntarily;

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

Article III
Review Process

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

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

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

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

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

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

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

(4) The Disclosure Coordinator shall confirm to and advise the DPWG that each section of and all financial and operating information contained in the Disclosure Document has been critically reviewed by an appropriate person. To the extent practicable, the Disclosure Coordinator shall endeavor to establish an "audit trail" with respect to the preparation of any disclosure document. Of paramount importance is that the "Appendix A" and other information concerning the City's financial condition is thoroughly and critically compared for accuracy against the City's Financial Statements, including the notes of said financial statements, and the other financial reports prepared and released by the Controller and the Mayor's Office.

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

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

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

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

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

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

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

(1) identify material information that should be disclosed;

(2) identify other persons that may have material information or knowledge of any information omitted from such Disclosure Document; and

(3) determine when the Disclosure Document is final and ready for review by the DPWG.

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

Article IV
Training Policy

Section 4.1. Training Sessions.

(A) City officials or employees with responsibility for collecting or analyzing information that may be material to the preparation of a Disclosure Document, as designated under Paragraph (B) below, shall attend disclosure training sessions as conducted from time to time. The Controller and/or the Director of Public Finance shall cause training material to be distributed to new employees of the City who will participate in the preparation of Disclosure Documents. New employees shall be provided with disclosure training materials within three months of their first day of employment. Such training materials shall include information on the City's disclosure obligations under applicable federal and state securities laws and such individual's responsibilities and potential liability regarding such obligations. Such training sessions may be conducted by videotape, if available. The Director of Public Finance shall present such training material to the DPWG for its review and approval.

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

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

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

Article V
Document Retention Policies

Section 5.1. Official Statements.

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

a period of five years from the date of delivery of the securities referenced in such Disclosure Document.

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

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

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

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

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

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

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

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

(1) the final version of the Disclosure Document,

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

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

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

Article VI
Confidential Submissions

Section 6.1. Whistle Blower Complaint's Program. The City shall encourage City employees to contact the Controller's Whistle Blower Complaint program with any significant disclosure questions or concerns. The Controller's office shall contact the

DPWG as soon as practical for any matter which would have a serious impact on the City's Disclosure Documents.

Article VII
Annual Review

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

Table of Exhibits

A. Request for Information from Contributors

B. Transmittal by Departmental Director to Disclosure Coordinator

C. Underwriter's/Financial Advisor's Confidentiality Agreement

D. Municipal Finance Disclosure Reference Materials

E. Transmittal of Official Statement by Disclosure Coordinator to DPWG

Exhibit A

Request for Information from Contributors

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

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

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

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

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

Exhibit B

Transmittal by Department Director

to Disclosure Coordinator

I am the [Department Director] responsible for reviewing the portion of the Disclosure Document that is attached. I have reviewed this disclosure and have made certain that each identified Contributor also reviewed the disclosure and that it was discussed at a meeting of the _____ department. I have also attached copies of any materials that were a source for all or a portion of this disclosure. I have reviewed and complied with the procedures set forth in subsection C. of Section 4.2 of the Disclosure Policies and Procedures. In the event of any material change to the attached disclosure between the date of this letter and the scheduled delivery date for the bonds (X date), I shall promptly advise the Financing Group.

_____
[Department Director]

Attachments

- reviewed disclosure
- source materials
- list of Contributors

Exhibit C

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

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

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

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

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

Exhibit D

Municipal Finance Disclosure Reference Materials

1. Disclosure Roles of Counsel in State and Local Government Securities Offerings, Third Edition, ABA Section of State and Local Government Law; ABA Section of Business Law; Committee of Federal Regulation of Securities; and National Association of Bond Lawyers, 2009.

2. Public Finance Criteria, Standard & Poor's (see www.standardandpoors.com, click on "Criteria and Definitions" under "Credit Ratings").

3. Questions to Ask Before You Approve a Bond Issue: A Pocket Guide for Elected and Other Public Officials, National League of Cities; National Association of Counties; National Association of State Auditors, Comptrollers, and Treasurers; and the Government Finance Officers Association, Dec. 1996

4. Recommended Best Practices in Disclosure, National Federation of Municipal Analysts, 2004.

5. Making Good Disclosure: The Role and Responsibilities of State and Local Officials Under the Federal Securities Laws, Government Finance Officers Association, 2001.

6. Disclosure Guidelines for State and Local Government Securities, Government Finance Officers Association, 1991.

Exhibit E

Certification by Controller Regarding Official Statements

Board of Supervisors:

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

1. the Disclosure Document fairly presents, in all material respects, the financial condition and results of operations of the City;

2. the Disclosure Document does not make any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and

3. that the financial statements and other financial information from the City Financial Statements included in such Disclosure Document, if any, fairly present in all material respects the financial condition and results of operations of the City as of, and for, the periods presented in the City Financial Statements.

_____
Controller

Appendix B:
Direct Pay Bond Compliance Policy

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This policy establishes procedures to ensure the City and County of San Francisco (the "City") complies with rules and regulations relating to Direct Pay Bonds, including Build America Bonds ("BABs") authorized under the American Recovery and Reinvestment Act. These procedures shall be reviewed and modified from time to time.

Section A – Pre-Issuance

1. The Office of Public Finance ("OPF") will establish, prior to settlement of the Bonds, separate and discreet accounting codes for the following funds and accounts of the Bonds:
    a. Project Fund
    b. Debt Service Fund
    c. Debt Service Reserve Fund
    d. Capitalized Interest Account
    e. Cost of Issuance Fund

2. OPF will, in consultation with bond counsel engaged on the transaction and the City Attorney, determine the expected placed-in-service dates of capital improvements to be financed with Bonds. Placed-in-service date considerations shall be as follows:
    a. Placed-in-service dates will be estimated conservatively, with the early project completion date for any financed project used in formulating capitalized interest on the Bonds, to the extent capitalized interest is necessary, desirable and permissible.
    b. The City's financial advisor(s) will use the above-information regarding placed in service dates to structure debt service on the Bonds and will provide detailed analyses of the methods and assumptions employed in determining the amount and duration of capitalized interest, if any.
    c. OPF, the City Attorney and the City's financial advisor(s) will present the analyses to bond counsel engaged on the transaction for tax compliance review and approval.

3. In coordination with its financing team, OPF shall instruct bond counsel to draft an "Underwriter's Certificate" or "Purchase Price Certificate" or other appropriate document (singularly or collectively, "Underwriter's Certificate") to be included with the Bid Form or Notice of Sale, clearly setting forth OPF's requirements for and expectations of a bona fide public offering of the Bonds and establishment of the "issue price" of the Bonds.

4. To the extent necessary and required, OPF will coordinate with the City' s financing team to ensure that all notices, bid forms and other documentation as may be necessary, clearly state limiting parameters relating to costs of issuance, capitalized interest, underwriters' discount, initial offering price and bona fide public offering for the Bonds.

Section B – Date of Issuance

1. OPF will coordinate with its financing team and the underwriter of the Bonds for receipt of the Underwriter's Certificate attesting to the bona fide public offering and establishment of the "issue price" of the Bonds. OPF shall rely on this certificate for purposes of complying with section 54AA(d)(2)(C) of the Code.

2. In coordination with its financial advisor(s), OPF will determine that the underwriter has complied with all terms and provisions of the bond offering, including:
    a. Minimum and maximum bid and price parameters;
    b. Permissible costs of issuance, including underwriters' discount, at or below 2% of the par amount of Bonds.

3. OPF will receive from its financial advisor(s) and/or bond counsel, a computation of initial offering price for each maturity of the Bonds. Such computation shall include the maximum price Bonds may be sold to the public without violation of the de minimis premium limitation.

Section C – Post-Issuance

1. Beginning on the sale date and continuing until the settlement date, OPF in coordination with its financial advisor(s) will track the secondary market prices of its Bonds to determine that the underwriter has complied with the provisions of the Underwriter's Certificate.
    a. All secondary market trades of the newly issued BABs as reported on EMMA (or other publicly available records and records) will be noted and kept in a file, in hard copy or in electronic form.
    b. OPF in coordination with its financial advisor(s) will track the principal amount and dollar price of all trades to determine if and when at least the first 10% of each maturity of Bonds has been sold to the general public at or below the initial offering price.
    c. OPF may cancel its sale or otherwise refuse to settle the Bonds if it determines that the underwriter is in violation of any provision of the Underwriter's Certificate or is otherwise unable to provide bond counsel with a sufficient certification as to the establishment of the "issue price" of the Bonds.

2. Immediately after issuance of the Bonds, OPF and the City Attorney will meet with project staff and accounting staff to brief them on the federal tax rules and requirements regarding investment (including rebate), expenditure and recordkeeping relating to the Bonds (including BABs). All BABs proceeds, other than moneys in a reasonably required reserve fund, if any, or used to pay costs of issuance, must be spent on capital expenditures.

3. At least on a quarterly basis following the issuance of the Bonds, OPF and the City Attorney shall review expenditures made with proceeds relating to BABs from the bond-related funds and accounts held with the Trustee and the City Treasurer to ensure compliance with all spend-down rules. If OPF and the City Attorney determine that any violations of the Tax have occurred, such violations will be remedied through the "remedial action" regulations (Treas. Reg. Section 1.141-12) or the Voluntary Closing Agreement Program (VCAP) described in IRS Notice 2008-31 (or successor guidance). If any changes to the terms or provisions of Bonds are contemplated, OPF and the City Attorney will consult bond counsel.

4. Immediately after issuance of any Bonds, OPF shall engage a nationally-recognized arbitrage rebate consultant for purposes of complying with arbitrage restrictions on all issuances of the Bonds.

5. Quarterly, semi-annually or annually, as appropriate, OPF shall confirm that investment earnings on all BABs-related funds and accounts are properly transferred to the Project Fund and spent on eligible capital projects. The Controller's Office will reconcile balances recorded by project accountants.

6. Not sooner than 90 days nor later than 45 days prior to each interest payment date on BABs, OPF shall, in cooperation with the Trustee on the Bonds, BABs calculation agent, City departments, and other relevant parties, as applicable and necessary, calculate the amount of interest coming due on the immediately pending interest payment date and determine the amount of the refundable credit then due for inclusion on IRS Form 8038-CP for submittal to the US Treasury.

7. OPF will coordinate with the Trustee on the Bonds, BABs calculation agent, City departments, and other relevant parties, as applicable and necessary, for completion and submittal of each IRS Form 8038-CP.

8.
    a. OPF shall cause the Trustee on the Bonds, BABs calculation agent, City departments, and other relevant parties, as applicable and necessary, to prepare the appropriate forms (including the IRS Form 8038-CP), which shall be signed by an appropriate officer of the City and County of San Francisco.
    b. The City Treasurer or his designee or the Trustee on the Bonds, as applicable, shall be the recipient of the refundable credit for deposit to the debt service fund of the appropriate series of the City's BABs.

9. No later than 15 days before each interest payment date, OPF will coordinate with the Trustee on the Bonds, BABs calculation agent, City departments, and other relevant parties, as applicable and necessary, to confirm that the interest subsidy payment has been received and will be applied in compliance with the Tax Code for BABs.

a. In the event that a partial interest subsidy payment or no interest subsidy payment is received, OPF will coordinate with the Trustee on the Bonds, BABs calculation agent, City departments, and other relevant parties, as applicable and necessary, to
    i. determine the cause of the partial payment or no payment
    ii. resolve disagreements, disputes, etc. with the IRS and/or US Treasury.
b. In the event that a partial interest subsidy payment or no interest subsidy payment is received, OPF will coordinate with the Trustee on the Bonds, BABs calculation agent, City departments, and other relevant parties, as applicable and necessary, to budget the gross amount of interest due on the Bonds in the applicable fiscal year until the full amount of interest subsidy payments are received.

10. OPF will create a binder, folder and/or computer file that tracks compliance with all applicable provisions of the Tax Code for BABs.

11. The City will maintain a copy of each Form 8038-CP that is submitted. In addition, the City will maintain copies of all relevant documents and records sufficient to support that the tax requirements relating to BABs have been satisfied, including the following: closing transcript; all records of investments, arbitrage reports, returns filed with the IRS and underlying documents; construction contracts, purchase orders, invoices and payment records; documents relating to costs reimbursed with bond proceeds; all contracts and arrangements involving private business use of the bond-financed property; all reports relating to the allocation of bond proceeds and private business use of bond-financed property; and itemization of property financed with bond proceeds. Records may be kept in any combination of paper or electronic form.

12. OPF will confirm that no more than two percent (2%) of the proceeds of any issue of BABs will be used for costs of issuance.