

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY __, 2020

NEW ISSUE—BOOK-ENTRY ONLY

RATING: S&P: “AA+”

(See “RATING” herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Series 2020A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2020A Bonds is exempt from State of California personal income taxes. See “TAX MATTERS.”

\$ _____*

**CITY OF SOUTH SAN FRANCISCO PUBLIC FACILITIES FINANCING AUTHORITY
(POLICE STATION PROJECT)
LEASE REVENUE BONDS, SERIES 2020A**

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

The City of South San Francisco Public Facilities Financing Authority (Police Station Project) Lease Revenue Bonds, Series 2020A (the “Series 2020A Bonds”) are payable from base rental payments (the “Base Rental Payments”) to be made by the City of South San Francisco (the “City”) for the right to use certain real property consisting of a City-owned parking garage and a City-owned park (the “Property”) pursuant to a Lease Agreement, dated as of March 1, 2020 (the “Lease Agreement”), by and between the City, as lessee, and the City of South San Francisco Public Facilities Financing Authority (the “Authority”), as lessor. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A BONDS.” The Series 2020A Bonds are being issued to provide funds to (i) finance the costs of the acquisition, construction and installation of certain capital improvements constituting a new City police station to be located within the City’s new Civic Center Campus, and related improvements, facilities and equipment, and (ii) pay the costs incurred in connection with the issuance of the Series 2020A Bonds. See “THE PROJECT.” The City has covenanted under the Lease Agreement to make all Base Rental Payments provided for therein, to include all such payments as a separate line item in its annual budgets, and to make all the necessary annual appropriations for such Base Rental Payments. The City’s obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defects in title to the Property, there is substantial interference with the City’s right to use and occupy any portion of the Property. See “RISK FACTORS—Abatement.”

The Series 2020A Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Interest on the Series 2020A Bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2020. Purchasers will not receive certificates representing their interest in the Series 2020A Bonds. Individual purchases of the Series 2020A Bonds may be made in principal amounts of \$5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Series 2020A Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the Beneficial Owners of the Series 2020A Bonds. See “THE SERIES 2020A BONDS—Book-Entry Only System” herein.

The Series 2020A Bonds will be issued pursuant to an Indenture, dated as of March 1, 2020 (the “Indenture”) by and among the City, the Authority and the Trustee. The Series 2020A Bonds and any additional bonds issued pursuant to the Indenture (“Additional Bonds”) are collectively referred to as the “Bonds.” The Authority has not funded a debt service reserve fund for the Series 2020A Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A BONDS.”

The Series 2020A Bonds are subject to optional, extraordinary and mandatory sinking fund redemption prior to maturity. See “THE SERIES 2020A BONDS—Redemption.”

The Series 2020A Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Series 2020A Bonds.

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation. The Authority has no power to tax.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Series 2020A Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval as to their validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Stradling Yocca Carlson and Rauth, a Professional Corporation, Newport Beach, California, is also acting as Disclosure Counsel to the City. Certain legal matters will be passed upon for the City and the Authority by the City Attorney of the City of South San Francisco, and for the Underwriters by Quint & Thimmig LLP, Larkspur, California. It is anticipated that the Series 2020A Bonds in definitive form will be available for delivery to DTC in New York, New York on or about March __, 2020.

[STIFEL LOGO]

* Preliminary, subject to change.

Citigroup

[RAYMOND JAMES LOGO]

Dated: February __, 2020

\$ _____*

**CITY OF SOUTH SAN FRANCISCO PUBLIC FACILITIES FINANCING AUTHORITY
(POLICE STATION PROJECT)
LEASE REVENUE BONDS, SERIES 2020A**

MATURITY SCHEDULE

BASE CUSIP[†]:

<i>Maturity Date</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i>
<i>(June 1)</i>					

\$ _____ % Term Bonds due June 1, 20__ Yield: _____ % Price: _____ CUSIP[†] _____

\$ _____ % Term Bonds due June 1, 20__ Yield: _____ % Price: _____ CUSIP[†] _____

* Preliminary, subject to change.

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No dealer, broker, salesperson or other person has been authorized by the City or the Authority to give any information or to make any representations in connection with the offer or sale of the Series 2020A Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2020A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Series 2020A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

This Official Statement and the information contained herein are subject to completion or amendment without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority or any other parties described herein since the date hereof. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Series 2020A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget,” “intend” or similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption “RISK FACTORS” and in APPENDIX A – “THE CITY OF SOUTH SAN FRANCISCO.”

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2020A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2020A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE SERIES 2020A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

A wide variety of other information, including financial information, concerning the City is available from publications and website of City. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

**CITY OF SOUTH SAN FRANCISCO
COUNTY OF SAN MATEO, CALIFORNIA**

**CITY COUNCIL AND
BOARD OF DIRECTORS OF THE
CITY OF SOUTH SAN FRANCISCO PUBLIC FACILITIES FINANCING AUTHORITY**

Rich Garbarino, *Mayor and Authority Chair*
Mark Addiego, *Vice Mayor and Authority Vice Chair*
Karyl Matsumoto, *Council Member and Authority Director*
Mark Nagales, *Council Member and Authority Director*
Buenaflor Nicolas, *Council Member and Authority Director*

CITY OFFICIALS

Michael Futrell, *City Manager*
Frank Risso, *City Treasurer*
Janet Salisbury, *Director of Finance*
Sky Woodruff, *City Attorney*
Rosa Govea Acosta, *City Clerk*

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth,
a Professional Corporation
Newport Beach, California

MUNICIPAL ADVISOR

Sperry Capital, Inc.
Sausalito, California

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

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MAP OF SOUTH SAN FRANCISCO

OFFICIAL STATEMENT

\$ _____ *

CITY OF SOUTH SAN FRANCISCO PUBLIC FACILITIES FINANCING AUTHORITY (POLICE STATION PROJECT) LEASE REVENUE BONDS, SERIES 2020A

INTRODUCTION

General. This Official Statement (which includes the cover page and the appendices hereto) (the “Official Statement”), provides certain information concerning the sale and delivery of \$ _____ * aggregate principal amount of City of South San Francisco Public Facilities Financing Authority (Police Station Project) Lease Revenue Bonds, Series 2020A (the “Series 2020A Bonds”).

The net proceeds of the sale of the Series 2020A Bonds will be used to (i) finance the costs of the acquisition, construction and installation of certain capital improvements constituting a new City police station to be located within the City’s new Civic Center Campus, and related improvements, facilities and equipment, and (ii) pay the costs incurred in connection with the issuance of the Series 2020A Bonds. See “THE PROJECT” herein.

The Series 2020A Bonds are equally and ratably payable from base rental payments (the “Base Rental Payments”) to be made by the City of South San Francisco (the “City”) for the right to use certain real property consisting of a City-owned parking garage and a City-owned park (as further described under the caption “THE PROPERTY”) (the “Property”) pursuant to a Lease Agreement, dated as of March 1, 2020 (the “Lease Agreement”), between the City, as lessee, and the City of South San Francisco Public Facilities Financing Authority (the “Authority”), as lessor.

The Series 2020A Bonds will be issued pursuant to an Indenture, dated as of March 1, 2020 (the “Indenture”), by and among the Authority, the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Pursuant to the Indenture, the Authority may issue additional bonds (the “Additional Bonds”) payable from the Base Rental Payments on a parity with the Series 2020A Bonds (the Series 2020A Bonds and any such Additional Bonds being collectively referred to as the “Bonds”).

Pursuant to a Ground Lease, dated as of March 1, 2020 (the “Ground Lease”), by and between the City and the Authority, the City has leased the Property to the Authority. The Authority has subleased the Property to the City under the Lease Agreement. The Lease Agreement obligates the City to make Base Rental Payments to the Authority.

The Trustee and the Authority have entered into an Assignment Agreement, dated as of March 1, 2020, pursuant to which the Authority has assigned to the Trustee for the benefit of the Bond Owners substantially all of the Authority’s right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments due under the Lease Agreement and to enforce any remedies in the event of a default under the Lease Agreement by the City.

The City will covenant under the Lease Agreement to take such action as may be necessary to include all Rental Payments, which are comprised of Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, administrative costs of the Authority relating to the Property, fees and expenses of the Trustee and other amounts payable under the Lease Agreement), due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor, subject to abatement as described herein.

* Preliminary, subject to change.

Base Rental Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City's right to use and occupy the Property or any portion thereof. See "RISK FACTORS—Abatement." Abatement of Base Rental Payments under the Lease Agreement, to the extent that payment is not made from alternative sources as set forth below, would result in all Bond Owners receiving less than the full amount of principal of and interest on the Bonds. To the extent that proceeds of insurance are available, Base Rental Payments (or a portion thereof) may be made from such proceeds of insurance during periods of abatement.

The Series 2020A Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California (the "State"), or any political subdivision thereof, is pledged to the payment of the Series 2020A Bonds. The Authority has no power to tax.

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City, the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

The Authority is not funding a debt service reserve fund for the Series 2020A Bonds.

The City has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission certain annual financial information and operating data and, in a timely manner, notice of certain listed events. These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE" herein for a description of the specific nature of the annual report and notices of listed events and a summary description of the terms of the disclosure agreement pursuant to which such reports are to be made.

The Bank of New York Mellon Trust Company, N.A., San Francisco, California, will act as Trustee with respect to the Series 2020A Bonds. The Series 2020A Bonds will be issued subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney of the City of South San Francisco and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by Quint & Thimmig LLP, Larkspur, California. The City's financial statements for the fiscal year ended June 30, 2019 included as Appendix C hereto have been audited by Maze & Associates, Pleasant Hill, California (the "Auditor"). See APPENDIX C—"AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019" herein. The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City.

Certain events could affect the ability of the City to make the Base Rental Payments when due. See "RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2020A Bonds.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, except for a budget discussion for Fiscal Year 2019-20, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. See Appendix A for financial and operating information related to the City.

The summaries or references to the Indenture, the Lease Agreement, the Ground Lease, the Assignment Agreement and other documents, agreements and statutes referred to herein, and the description of the Series 2020A Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to each such document or statute. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Indenture or the Lease Agreement shall have the meanings set forth therein, some of which are summarized in APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS.”

THE SERIES 2020A BONDS

General

The Series 2020A Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2020A Bonds will be dated as of and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the dated date thereof at the rates set forth on the inside cover page hereof. Interest on the Series 2020A Bonds will be paid semiannually on June 1 and December 1 (each, an “Interest Payment Date”) of each year, commencing June 1, 2020.

Interest on the Series 2020A Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2020A Bond is authenticated on or before an Interest Payment Date and after the close of business on the fifteenth day of the month next preceding such Interest Payment Date, whether or not such day is a Business Day (the “Record Date”), in which event it will bear interest from such Interest Payment Date, (ii) a Series 2020A Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the dated date thereof, or (iii) interest on any Series 2020A Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest will be paid in lawful money of the United States on each Interest Payment Date to the Persons in whose names the ownership of the Series 2020A Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date or by wire transfer to Owners of more than \$1,000,000 in principal amount of Series 2020A Bonds who have provided account information and wiring instructions satisfactory to the Trustee.

The principal and premium, if any, of the Series 2020A Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee. The Series 2020A Bonds will be subject to redemption as set forth herein.

Registration, Transfers and Exchanges

The Series 2020A Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Series 2020A Bonds (the “Beneficial Owners”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in Appendix F) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series 2020A Bonds. See “THE SERIES 2020A BONDS—Book-Entry Only System.”

Redemption

Extraordinary Redemption from Condemnation Award or Insurance Proceeds. The Series 2020A Bonds shall be subject to redemption, in whole or in part, on any date, in denominations of \$5,000 or any integral multiple thereof, from and to the extent of and: (i) Net Insurance Proceeds received with respect to all

or a portion of the Property, deposited by the Trustee in the Redemption Fund pursuant to the Indenture, and (ii) eminent domain proceeds received pursuant to the Lease Agreement, at a Redemption Price equal to the principal amount of the Series 2020A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Optional Redemption. The Series 2020A Bonds maturing on or after June 1, 20__, are subject to optional redemption, in whole or in part, on any date on or after June 1, 20__, in denominations of \$5,000 or any integral multiple thereof, from and to the extent of prepaid Base Rental Payments paid pursuant to the Lease Agreement, at a Redemption Price equal to the principal amount of the Series 2020A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2020A Bonds with stated maturities on June 1, 20__ (the “20__ Term Bonds”) are subject to mandatory sinking fund redemption in part (by lot) on each June 1 on and after June 1, 20__, in integral multiples of \$5,000 at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (June 1)</i>	<i>Principal Amount</i>
	\$

*

* Final Maturity.

The Series 2020A Bonds with stated maturities on June 1, 20__ (the “20__ Term Bonds” and together with the “20__ Term Bonds, the “Term Bonds”) are subject to mandatory sinking fund redemption in part (by lot) on each June 1 on and after June 1, 20__, in integral multiples of \$5,000 at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (June 1)</i>	<i>Principal Amount</i>
	\$

*

* Final Maturity.

In the event of a partial optional redemption or extraordinary mandatory redemption of any of the Term Bonds, each of the remaining mandatory sinking fund payments for such Term Bonds will be reduced, as nearly as practicable, on a pro rata basis in the amount of \$5,000 or any integral multiple thereof as directed by an Authorized City Representative.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any optional redemption of Bonds of a Series, among maturities of Bonds of such Series as directed in a Written Request of the Authority provided to the Trustee at least 30 but

no more than 60 days prior to the date of such redemption, (b) with respect to any redemption from and to the extent of any insurance proceeds or condemnation award received with respect to all or a portion of the Property and the corresponding provision of any Supplemental Indenture pursuant to which Additional Bonds are issued, among maturities of all Series of Bonds on a pro rata basis as nearly as practicable, as directed in a Written Request of the Authority provided to the Trustee at least 30 but no more than 60 days prior to the date of such redemption, and (c) with respect to any other redemption of Additional Bonds, among maturities as provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued, and by lot among Bonds of the same Series with the same maturity in any manner which the Trustee in its sole discretion deems appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

Notice of Redemption. Notice of redemption shall be given by the Trustee, not less than 20 nor more than 60 days prior to the redemption date (i) as to Series 2020A Bonds not registered in the name of a Securities Depository or its nominee, to the respective Owners of the Series 2020A Bonds designated for redemption at their addresses appearing on the Registration Books, (ii) as to Series 2020A Bonds registered in the name of a Securities Depository or its nominee, to such Securities Depository for such Series 2020A Bonds, and (iii) the Information Services. Notice of redemption to the Owners pursuant to (i) above shall be given by mail at their addresses appearing on the Registration Books, or any other method agreed upon by such Owner and the Trustee. Notice of redemption to the Securities Depositories pursuant to (ii) above and the Information Services pursuant to (iii) above shall be given by electronically secure means, or any other method agreed upon by such entities and the Trustee.

Such notice will state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers, the Series 2020A Bond numbers and the maturity or maturities (except in the event of redemption of all of the Series 2020A Bonds of such maturity or maturities in whole) of the Series 2020A Bonds to be redeemed, and will require that such Series 2020A Bonds be then surrendered at the principal corporate trust office of the Trustee for redemption at the Redemption Price, giving notice also that further interest on such Series 2020A Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so given, nor any defect in such notice, will affect the validity of the proceedings for the redemption of the Series 2020A Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

With respect to any notice of optional redemption of the Series 2020A Bonds, such notice may state that such redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the principal of, premium if any, and interest on the Series 2020A Bonds to be redeemed and upon other conditions set forth therein and that, if such money has not been so received or such other conditions have not been satisfied, said notice is of no force and effect and the Trustee is not required to redeem such Series 2020A Bonds. If any condition stated in the redemption notice for an optional redemption have not been satisfied on or prior to the redemption date: (i) the redemption notice will be of no force and effect, (ii) the Authority will not be required to redeem such Series 2020A Bonds, (iii) the redemption will not be made, and (iv) the Trustee will within a reasonable time thereafter give notice to the persons in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same Series in authorized denominations equal in aggregate principal amount representing the unredeemed portion of the Bonds surrendered.

Effect of Notice of Redemption. Notice having been given as aforesaid, and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, having been set aside in the Redemption Fund, the Bonds will become due and payable on said date, and, upon presentation and surrender

thereof at the principal corporate trust office of the Trustee, said Bonds will be paid at the Redemption Price thereof, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the Redemption Price of all the Bonds to be redeemed, together with interest to said date, will be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof has been given as aforesaid and not canceled, then, from and after said date, interest on said Bonds will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed without liability to such Owners for interest thereon. All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of the Indenture will be canceled upon surrender thereof and destroyed.

Book-Entry Only System

General. DTC will act as securities depository for the Series 2020A Bonds. The Series 2020A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2020A Bond will be issued for each maturity of the Series 2020A Bonds, each in the initial aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX F—“BOOK-ENTRY ONLY SYSTEM.”

Transfer and Exchange of Bonds. The following provisions regarding the exchange and transfer of the Series 2020A Bonds apply only during any period in which the Series 2020A Bonds are not subject to DTC's book-entry system. While the Series 2020A Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

Any Series 2020A Bond may, in accordance with its terms, be transferred upon the Registration Books required to be kept by the Trustee pursuant to the provisions of the Indenture by the Person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Series 2020A Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Series 2020A Bond or Series 2020A Bonds will be surrendered for transfer, the Authority will execute and the Trustee will authenticate and will deliver a new Series 2020A Bond or Series 2020A Bonds of the same Series in a like aggregate principal amount, in any Authorized Denomination. The Trustee will require the Series 2020A Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Series 2020A Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Series 2020A Bonds. The Trustee will require the payment by the Series 2020A Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee is not obligated to make any transfer or exchange of Series 2020A Bonds during the period established by the Trustee for the selection of Series 2020A Bonds for redemption, or with respect to any Series 2020A Bonds selected for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A BONDS

Pledge of Revenues

The Series 2020A Bonds are equally and ratably payable from and secured by Base Rental Payments and certain amounts on deposit in the Base Rental Payment Fund, the Interest Fund, the Principal Fund and the Redemption Fund established under the Indenture. Base Rental Payments will be payable by the City from any and all legally available funds, however, the City expects that its General Fund will be the primary source

of funds to make Base Rental Payments. See “RISK FACTORS” and APPENDIX A for a description of such available funds and the potential risks associated with the availability of such funds to make Base Rental Payments. The City will covenant in the Lease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor.

The Authority, pursuant to the Assignment Agreement, will assign to the Trustee for the benefit of the Series 2020A Bond Owners all of the Authority’s right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, its right to receive Base Rental Payments to be paid by the City under and pursuant to the Lease Agreement; provided that, the Authority will retain the rights to indemnification, to give approvals and consents under the Lease Agreement and the Ground Lease and to payment or reimbursement of its reasonable costs and expenses under the Lease Agreement. The City will pay Base Rental Payments directly to the Trustee, as assignee of the Authority. See “—Base Rental Payments” below. Pursuant to the Indenture, the Authority may issue Additional Bonds payable from the Base Rental Payments on a parity with the Series 2020A Bonds. See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—The Indenture—Additional Bonds.”

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Base Rental Payments and any other amounts (including proceeds of the sale of the Bonds) held in the Base Rental Payment Fund, the Interest Fund, the Principal Fund and the Redemption Fund are pledged by the Authority pursuant to the Indenture to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act. Said pledge constitutes a first lien on such assets.

The Series 2020A Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State, or any political subdivision thereof, is pledged to the payment of the Series 2020A Bonds. The Authority has no power to tax.

Base Rental Payments

Rental Payments (defined in the Lease Agreement as collectively, the Base Rental Payments and the Additional Rental Payments) will be paid by the City to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Period for which such Rental Payments are to be paid. Each Base Rental Payment will be deposited with the Trustee no later than the 25th day of the month next preceding each Interest Payment Date (the “Base Rental Deposit Date”) on which such Base Rental Payment is due. All Base Rental Payments will be paid directly by the City to the Trustee, and if received by the Authority at any time will be transferred by the Authority to the Trustee within one Business Day after the receipt thereof. All Base Rental Payments received by the Trustee will be deposited by the Trustee in the Base Rental Payment Fund.

Pursuant to the Indenture, on the Business Day immediately preceding each Interest Payment Date and on the Business Day immediately preceding each Principal Payment Date, the Trustee will transfer amounts in the Base Rental Payment Fund as are necessary to the Interest Fund and the Principal Fund to provide for the payment of the interest on and principal of the Series 2020A Bonds.

Scheduled Base Rental Payments relating to the Series 2020A Bonds are set forth below under the heading “BASE RENTAL PAYMENT SCHEDULE.”

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City, the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is

obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

Additional Rental Payments

For the right to use and occupy the Property, the Lease Agreement requires the City to pay, as Additional Rental payments thereunder, in addition to the Base Rental Payments, such amounts as shall be required for the payment of the following:

(i) All taxes and assessments of any type or nature charged to the Authority or the City or affecting the Property or the respective interests or estates of the Authority or the City therein.

(ii) All reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Lease Agreement or to defend the Authority and its members, officers, agents and employees.

(iii) Insurance premiums for all insurance required pursuant to the Lease Agreement.

(iv) Any amounts with respect to the Lease Agreement or the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Internal Revenue Code of 1986.

(v) All other payments required to be paid by the City under the provisions of the Lease Agreement or the Indenture.

Amounts constituting Additional Rental Payments payable under the Lease Agreement will be paid by the City directly to the person or persons to whom such amounts are payable. The City will pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the City stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Abatement

Base Rental Payments and Additional Rental Payments are paid by the City in each Rental Period for and in consideration of the right to use and occupy the Property. Except as otherwise specifically provided in the Lease Agreement, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property, Rental Payments are subject to abatement proportionately, and the City waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease Agreement by virtue of any such interference, and the Lease Agreement will continue in full force and effect. The amount of such abatement will be agreed upon by the City and the Authority; provided, however, that the Rental Payments due for any Rental Period may not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the City during such Rental Period. Any such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending when such use and occupancy is restored. In the event of abatement, the term of the Lease Agreement will be extended until the date upon which (i) all Bonds shall be fully paid, or provision therefor made in accordance with the Indenture, or (ii) the Indenture shall be discharged by its terms and all Rental Payments shall have been paid in full. Notwithstanding the foregoing, the term of the Lease Agreement will in no event be extended ten years beyond May 1, 2056. The Trustee cannot terminate the

Lease Agreement in the event of such substantial interference. Abatement of Base Rental Payments and Additional Rental Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the City. See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement—Rental Abatement.”

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments due under the Lease Agreement in any of the funds and accounts established under the Indenture (including as a result of the availability of insurance proceeds), such Rental Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts.

Substitution, Addition and Removal of Property

The Authority and the City may amend the Lease Agreement to substitute alternate real property for any portion of the Property, to add additional real property or to release a portion of the Property from the Lease Agreement or to add additional property to the encumbrance of the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement and described below. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement.

The Lease Agreement provides that there will be no reduction in or abatement of the Base Rental Payments due from the City thereunder as a result of such substitution, release or addition. Any such substitution, release or addition is subject to the following specific conditions precedent to such substitution, release or addition:

(a) a Written Certificate of the City to the effect that the Property, as constituted after such substitution, release or addition: (i) has an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, and (ii) has a useful life in excess of the final maturity of any Outstanding Bonds.

(b) with respect to any substituted or added property, the City obtains or causes to be obtained a CLTA or ALTA title insurance policy or policies with respect to the Property (as such term will be defined after such substitution or addition) that when taken together with other title insurance policies covering the Property, will be in an amount at least equal to the aggregate principal amount of any Outstanding Bonds, of the type and with the endorsements described in the Lease Agreement; and

(c) the City, the Authority and the Trustee execute, and the City causes to be recorded with the County of San Mateo Recorder, any document necessary to reconvey to the City the portion of the Property being released and to include any substituted or added real property in the description of the Property contained in the Lease Agreement and in the Ground Lease.

In addition, when the Police Facility (as defined below) being financed with a portion of the proceeds of the Series 2020A Bonds is completed, the Lease Agreement authorizes the City to substitute the Police Facility in place of the Park and the portion of the Parking Garage (as such terms are defined below) leased under the Ground Lease and Lease Agreement, subject to certain requirements under the Lease Agreement.

See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement—Substitution or Release of, or Addition to, the Property.”

Action on Default

Should the City default under the Lease Agreement, the Trustee, as assignee of the Authority under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the City, or may

retain the Lease Agreement and hold the City liable for all Base Rental Payments thereunder on an annual basis, and will have the right to re-enter and re-let the Property. In the event such re-letting occurs, the City would be liable for any resulting deficiency in Base Rental Payments. See “RISK FACTORS—Limited Recourse on Default; No Acceleration of Base Rental.”

For purposes of certain actions of Bond Owners under the Indenture and the Lease Agreement, such as certain consents and amendments and the direction of remedies following default, Series 2020A Bond Owners do not act alone and may not control such matters to the extent such matters are not supported by the requisite number of the Owners of all Series 2020A Bonds and Additional Bonds, if any.

In the event of a default under the Lease Agreement there is no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable. There is no right under the Indenture to accelerate debt service payments on the Bonds in the event of a default under the Indenture or the Lease Agreement.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Lease Agreement and the Indenture, see APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement—Default” and “—The Indenture—Events of Default,” “—Other Remedies of the Trustee,” and “Limitation on Suits.”

No Reserve Fund

The Authority has not funded a debt service reserve fund for the Series 2020A Bonds.

Additional Bonds

Pursuant to the Indenture, the Authority may issue Additional Bonds payable from the Base Rental Payments on a parity with the Series 2020A Bonds upon satisfaction of certain conditions, including, but not limited to, the following:

(a) The Authority shall be in compliance with all agreements, conditions, covenants and terms contained in the Indenture, in the Lease Agreement and in the Ground Lease required to be observed or performed by it;

(b) The City shall be in compliance with all agreements, conditions, covenants and terms contained in the Indenture, in the Lease Agreement and in the Ground Lease required to be observed or performed by it; and

(c) The Ground Lease and the Lease Agreement shall have been amended, to the extent necessary, (i) so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds, payable at such times and in such manner as may be necessary to provide for the payment of the principal of and interest on such Additional Bonds; provided, however, that no such amendment shall be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Rental Payments, in any Rental Period shall be in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith (evidence of the satisfaction of such condition shall be made by a Written Certificate of the City); and (ii) to include provisions for the prepayment of Base Rental Payments attributable to such Additional Bonds.

See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—The Indenture—Additional Bonds.”

Insurance

General. The Lease Agreement requires that the City maintain certain insurance coverages on the Property for loss due to property damage, title defect, loss of use and other liability as described below. Under the Lease Agreement, the City may self-insure for the coverages required under the captions “*Property Insurance*” and “*General Liability Insurance.*” The City self-insures up to certain amounts and purchases additional coverage from commercial carriers as described in Appendix A hereto under “INFORMATION REGARDING THE CITY OF SOUTH SAN FRANCISCO— Risk Management.”

Property Insurance. The Lease Agreement requires the City to maintain or cause to be maintained fire, lightning and special extended coverage insurance (which includes coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. Such property insurance required to be maintained pursuant to the Lease Agreement may be subject to a deductible in an amount not to exceed \$500,000.

General Liability Insurance. The Lease Agreement requires the City to maintain or cause to be maintained a standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of the Property. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of \$500,000 for damage to property (subject to a deductible clause of not to exceed \$100,000) resulting from a single accident or event. Such commercial general liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks.

Rental Interruption Insurance. The Lease Agreement requires the City to maintain rental interruption insurance to cover the Authority’s loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards covered by the casualty insurance described in the preceding paragraph, in an amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period. The City is not permitted to self-insure its obligation to maintain rental interruption insurance.

Workers’ Compensation Insurance. The City is also required to maintain or cause to be maintained workers’ compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the California Labor Code, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers’ compensation insurance to cover all persons employed by the City in connection with the Property and to cover full liability for compensation under any such act.

Title Insurance. The City shall provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, in the aggregate amount of not less than the initial aggregate principal amount of the Bonds. Said policy or policies shall insure (a) the fee interest of the City in the Property, (b) the Authority’s ground leasehold estate in the Property under the Ground Lease, and (c) the City’s leasehold estate hereunder in the Property, subject only to Permitted Encumbrances. All Net Insurance Proceeds received under said policy or policies shall be deposited with the Trustee and applied as provided in the Indenture. So long as any of the Bonds remain Outstanding, each policy of title insurance obtained pursuant to the Indenture or this Lease Agreement or required thereby or hereby shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Bond Owners.

See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement—Insurance.”

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Series 2020A Bonds are shown below.

<i>Sources</i>	
Principal Amount of Series 2020A Bonds	\$
Plus/Less Net Original Issue Premium/Discount	
Total Sources	<u>\$</u>
<i>Uses</i>	
Project Fund	\$
Underwriters' Discount	
Costs of Issuance ⁽¹⁾	
Total Uses	<u>\$</u>

⁽¹⁾ Includes legal, municipal advisory, rating agency, printing fees and other miscellaneous costs of issuance.

DEBT SERVICE SCHEDULE

Following is the annual schedule of debt service due with respect to the Series 2020A Bonds:

<i>Bond Year</i>	<i>Series 2020A Bond Principal</i>	<i>Series 2020A Bond Interest</i>	<i>Total Series 2020A Bond Payments</i>
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Total	\$	\$	\$
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THE PROJECT

The project to be financed from a portion of the proceeds of the Series 2020A Bonds consists of a new police facility (the “Police Facility”) of approximately 43,300 square feet to be located within the City’s new civic center campus, as further described below. The Police Facility is planned to include two buildings and space for administration, operations, investigation, storage, support services, and training for the City’s police department. The City awarded the contract for the construction of the Police Facility in January 2020 and construction began in February 2020. The City expects the cost of the Police Facility to be approximately \$56 million and that the Police Facility will be complete and operational in the third quarter of 2021. However, no assurances can be made as to the cost and timing of such completion.

The Police Facility is the first phase of the City’s plan to construct a new civic center campus (the “Civic Center Campus”). The second phase of the Civic Center Campus is planned to include a new civic center building to house a community library, the City’s Department of Parks and Recreation and the City Council chambers, and an approximately 1.3 acre community park. The third phase of the Civic Center Campus is expected to include a fire station facility and associated parking facilities. The City has conducted all environmental review and obtained the necessary environmental approvals for the Civic Center Campus project (including the Police Facility). The City currently projects the commencement of construction of the

second phase of the Civic Center Campus in the fourth quarter of 2020 and has not yet determined a timeline for the commencement of construction of the third phase. The City estimates the design and construction costs of the first two phases of the Civic Center Campus and the design costs of the third phase to be approximately \$210.8 million.

Through January 2020, the City has spent approximately \$14.3 million in acquisition, design and other preliminary costs associated with the Civic Center Campus. The City expects to fund the remaining costs of the Civic Center Campus primarily with proceeds of Additional Bonds, Measure W sales tax revenues (as described below) and reserves set aside for infrastructure. The City plans to amend the Lease Agreement and the Ground Lease, in accordance with their respective terms, in connection with the issuance of Additional Bonds by the Authority to finance all or a portion of the second phase of the Civic Center Campus.

In 2015, the voters in the City passed Measure W, which increased the sales tax rate within the City by 0.5%. The new Civic Center Campus is the primary component of the projects that the City intends to finance with the projected additional sales tax revenues generated by such increase in the sales tax rate. However, such sales tax revenues may be used for any City purpose and the City has not pledged any sales tax revenues to pay debt service on the Series 2020A Bonds. See “CITY FINANCIAL INFORMATION—Sales Taxes” in Appendix A hereto.

THE PROPERTY

The Property initially leased under the Ground Lease and the Lease Agreement consists of the City’s Orange Memorial Park and a portion of the Miller Parking Garage, as further described below.

Orange Memorial Park (the “Park”) is a City-owned park of approximately 28 acres located at 781 Tennis Drive in the City. Facilities located on the Park include a community building of approximately 6,400 square feet, basketball courts, tennis courts, soccer field, bocce ball court, skate park, a building housing a swimming pool and picnic areas and related amenities. The facilities on the Park were constructed between 1970 and 2008. The City estimates the insured value of the foregoing improvements on the Park to be approximately \$8.9 million. In a Parkland Acquisition and Park Construction Fees Quimby Act and Mitigation Fee Act Report (the “Park Fees Report”), prepared for the City in 2015, the value of parkland within the City was estimated to be \$2.3 million per acre. Based on the insured value of the improvements located on the Park and the estimated value per acre set forth in the Park Fees Report, the City estimates the value of the Park to be approximately \$73.3 million.

A portion of the Park was previously owned and operated by a commercial plant nursery. As a result of such use, certain chemicals used in pesticides and insecticides have been detected in the soil below the capped ground surface. The City has entered into a covenant with the County Environmental Health Services Division to restrict the use of such property. Pursuant to such covenant, the City has agreed that such portion of the Park will only be used for industrial, commercial and parks and recreation purposes. Further, no drilling or disturbance of the soil (e.g. excavation, grading, removal or trenching) shall occur without soil management and safety plans approved by the County Environmental Health Services Division. The City is currently using such portion of the Park in compliance with the foregoing covenant and does not have any plans to use such property for other than parks and recreational purposes.

A portion of the Miller Parking Garage (the “Parking Garage”) is included in the Property leased under the Ground Lease and Lease Agreement. The Parking Garage is located at 329 Miller Avenue in the City. The Parking Garage consists of a five-level open-air concrete structure building of approximately 100,000 square feet with 244 parking spaces. Approximately 14,350 square feet of commercial and office space (the “Commercial Space”) is located on the ground floor of the Parking Garage. Only the four floors where the 244 parking spaces are located are included in the Property leased under the Ground Lease and Lease Agreement.

In February 2020, the City sold the Commercial Space. The Commercial Space is not included in the Property leased under the Ground Lease and Lease Agreement. In connection with the sale of the Commercial Space, a condominium map was recorded with the County to create separate assessor parcel numbers for the Commercial Space and the balance of the property included within the Parking Garage. No rights to the parking spaces were granted to the owners of the Commercial Space in connection with its sale. However, the owners of the Commercial Space may use such spaces upon payment to the City of the applicable parking fees.

The Parking Garage was constructed in 2011 and the City estimates the insured value of the four floors where the 244 parking spaces are located to be approximately \$[13.7] million, exclusive of the cost of the land on which the Parking Garage is located.

As described under the caption “CITY FINANCIAL INFORMATION—Capital Improvement Program,” the City expects to construct stormwater capture improvements to be located on a portion of the Park. The construction of such project is not expected to impair the use of the Park during the construction period and the City does not expect an abatement of Rental under the Lease Agreement as a result of such project.

Under the Lease Agreement, the City has the right to substitute, add to or release all or portion of the Property subject to certain conditions precedent. In addition, when the Police Facility is completed, the Lease Agreement authorizes the City to substitute the Police Facility in place of the Park and the portion of the Parking Garage leased under the Ground Lease and Lease Agreement, subject to certain requirements under the Lease Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A BONDS—Substitution, Addition and Removal of Property.”

THE AUTHORITY

Organization and Membership

The Authority was formed pursuant to the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the “Act”) and the Joint Exercise of Powers Agreement, dated as of December 1, 2019 (the “JPA Agreement”), by and between the City and the Parking Authority of the City of South San Francisco, to assist in financing public capital improvements undertaken by either member. The City Council of the City serves as the Governing Board of the Authority.

THE CITY

General

The City is a general law city that was incorporated in 1908. The City is located in the County of San Mateo (the “County”) on the San Francisco Peninsula. The City currently has an estimated population of approximately 67,000 persons. The City’s adopted General Fund budget for Fiscal Year 2019-20 includes approximately \$124.9 million of revenues and approximately \$[110.6] million of expenditures (excluding interfund transfers). For financial and demographic information regarding the City see APPENDIX A—“THE CITY OF SOUTH SAN FRANCISCO.”

A copy of the financial statements of the City for the fiscal year ended June 30, 2019 is attached hereto as Appendix C which should be read in its entirety. See APPENDIX C—“AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019.”

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Series 2020A Bonds. However, they do not

purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2020A Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations – Security for the Series 2020A Bonds

The Series 2020A Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State, or any political subdivision thereof, is pledged to the payment of the Series 2020A Bonds. The Authority has no taxing power.

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease Agreement to pay the Base Rental Payments and Additional Rental Payments from any source of legally available funds and the City has covenanted in the Lease Agreement that it will take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments, subject to abatement. The City is currently liable and may become liable on other obligations payable from general revenues. See “CITY FINANCIAL INFORMATION—Indebtedness” in Appendix A hereto.

The City has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. In the event the City’s revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental Payments and other payments due under the Lease Agreement. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. However, the City’s appropriations have never exceeded the limitation on appropriations under Article XIII B of the California Constitution. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII B of the California Constitution.”

Abatement

In the event of substantial interference with the City’s right to use and occupy any portion of the Property by reason of damage to, or destruction or condemnation of the Property, or any defects in title to the Property, Base Rental Payments will be subject to abatement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A BONDS—Abatement.” In the event that all or a portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the City’s rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the funds and accounts established under the Indenture, or in the event that casualty insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or redemption of the Series 2020A Bonds, there could be insufficient funds to make payments to Owners in full. The Authority has not funded a reserve fund for the Series 2020A Bonds.

It is not always possible to predict the circumstances under which abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Series 2020A Bonds. Abatement, therefore,

could have an uncertain and material adverse effect on the security for and payment of the Series 2020A Bonds.

If damage, destruction, title defect or eminent domain proceedings with respect to the Property results in abatement of the Base Rental Payments related to such Property and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and eminent domain proceeds, if any, are insufficient to make all payments of principal and interest with respect to the Series 2020A Bonds during the period that the Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Lease Agreement and the Indenture, no remedy is available to the Series 2020A Bond Owners for nonpayment under such circumstances.

No Reserve Fund

The Authority has not funded a debt service reserve fund for the Series 2020A Bonds.

Natural Disasters and Climate Change

The occurrence of any natural disaster in the City, including, without limitation, fire, windstorm, drought, earthquake, landslide, mudslide, flood or a rise in sea levels as result of climate change, could have an adverse material impact on the economy within the City, its General Fund and the revenues available for the payment of Base Rental Payments.

All jurisdictions in California are subject to the effects of damaging earthquakes. Earthquakes are considered a threat to the City due to the highly active seismic region and the proximity of fault zones.

Portions of the City are located above active earthquake faults, heightening the risks associated with seismic events. The peninsula portion of the San Andreas Fault as well as the Northern San Gregorio Fault passes through the County. An earthquake along one of the faults in the vicinity, either known or unknown, could cause a number of casualties and extensive property damage. The effects of such a quake could be aggravated by aftershocks and secondary effects such as fires, landslides, liquefaction and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake could easily exceed the resources of the City and would require a high level of self-help, coordination and cooperation.

Climate change caused by human activities may have adverse effects on the City. Climate change can also result in more variable weather patterns, which can lead to longer and more severe droughts as well as increased risk of flooding and a rise in sea levels.

The City is bordered to the east by the San Francisco Bay and as a result, portions of the City would be directly impacted by sea level rise. In 2014, the City adopted a climate action plan which outlines the options and strategies available to the City to reduce its greenhouse gas emissions and to adapt to challenges posed by increased likelihood of flood events and sea level rise. The City also participates in a regional initiative known as Sea Change San Mateo County (“Sea Change SMC”) which is a collaborative effort by the County, cities within the County and other local stakeholders to educate and assess the risks posed by sea level rise and provide recommendations for adaptation strategies. One result of the Sea Change SMC initiative was the finalization of a San Bruno Creek/Colma Creek Resiliency Study Final Report, which assessed the vulnerability of assets within the lower reaches of the San Bruno Creek and Colma Creek (which runs through the southern portion of the City) to flooding. The resiliency study identified areas within the Colma Creek and San Bruno Creek watersheds which are prone to flooding and provided certain recommendations, including, among others, new floodwalls, tide gates, channel deepening, increased surface detention basins and regional tidal-barrier structures. The Police Facility, the Park and the Parking Garage are not located in such areas.

Projections of the impacts of global climate change on the City are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts. The City has implemented certain adaptation strategies to reduce the risk of flooding including construction of additional facilities and open space for the capture of stormwater flows. The City expects to continue to consider the effects of climate change in its own planning and to participate in regional planning initiatives. While the impacts of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures.

The occurrence of natural disasters in the City could result in substantial damage to the City and the Property which, in turn, could substantially reduce General Fund revenues and affect the ability of the City to make Base Rental Payments or cause an abatement in Base Rental Payments. Reduced ability to pay Base Rental Payments could affect the payment of the principal of and interest on the Series 2020A Bonds. The City maintains liability insurance and property casualty insurance (for losses other than from seismic events) for the Premises. See the caption "INFORMATION REGARDING THE CITY OF SOUTH SAN FRANCISCO—Risk Management" in Appendix A hereto. However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Hazardous Substances

The City knows of no existing hazardous substances which require remedial action on or near the Property. However, it is possible such substances do currently or potentially exist and that the City is not aware of them.

Owners and operators of real property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly and adversely affect the operations and finances of the City, may result in the reduction in the assessed value of property, and therefor property tax revenue.

Cybersecurity

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To date, the City has not experienced an attack on its computer operating systems which resulted in a breach of its cybersecurity systems that are in place. However, no assurances can be given that the City's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the City. Additionally, the City carries cybersecurity insurance. See "INFORMATION REGARDING THE CITY OF SOUTH SAN FRANCISCO— Risk Management" in Appendix A hereto for more information with respect to the City's earthquake insurance coverage.

Substitution, Addition and Removal of Property; Additional Bonds

The Authority and the City may amend the Lease Agreement to substitute alternate real property for any portion of or add additional real property to the Property or to release a portion of the Property from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A BONDS—Substitution, Addition and Removal of Property.” Moreover, the Authority may issue Additional Bonds secured by Base Rental Payments which are increased from current levels.

Although the Lease Agreement requires, among other things, that the Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, it does not require that such Property have an annual fair rental value equal to the annual fair rental value of the Property at the time of substitution or release. Thus, a portion of the Property could be replaced with less valuable real property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Series 2020A Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release. See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement— Substitution or Release of, or Addition to, the Property.”

The Indenture requires, among other things, that upon the issuance of Additional Bonds, the Ground Lease and the Lease Agreement will be amended, to the extent necessary, so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds; provided, however, that no such amendment will be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Rental Payments, in any Rental Period is in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith.

Limited Recourse on Default; No Acceleration of Base Rental

Failure by the City to make Base Rental Payments or other payments required to be made under the Lease Agreement, or failure to observe and perform any other terms, covenants or conditions contained in the Lease Agreement or in the Indenture for a period of 30 days or such additional time as is reasonable required to correct any such default after notice by the Authority to the City, constitute events of default under the Lease Agreement and permit the Trustee or the Authority to pursue any and all remedies available. In the event of a default, notwithstanding anything in the Lease Agreement or in the Indenture to the contrary, there is no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable, nor do the Authority or the Trustee have any right to re-enter or re-let the Property except as described in the Lease Agreement.

The enforcement of any remedies provided in the Lease Agreement and the Indenture could prove both expensive and time consuming. If the City defaults on its obligation to make Base Rental Payments with respect to the Property, the Trustee, as assignee of the Authority, may retain the Lease Agreement and hold the City liable for all Base Rental Payments thereunder on an annual basis and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the City.

Alternatively, the Authority or the Trustee may terminate the Lease Agreement, retake possession of the Property and proceed against the City to recover damages pursuant to the Lease Agreement. Due to the specialized nature of the Property or any property substituted therefor pursuant to the Lease Agreement and the restrictions on its use, no assurance can be given that the Trustee will be able to re-let the Property so as to provide rental income sufficient to make all payments of principal of, interest and premium, if any, on the Series 2020A Bonds when due, and the Trustee is not empowered to sell the Property for the benefit of the

Owners of the Series 2020A Bonds. Any suit for money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A BONDS” and APPENDIX B—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement—Default.”

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the City may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

Under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code) (the “Bankruptcy Code”), which governs bankruptcy proceedings of public entities such as the City, no involuntary bankruptcy petition may be filed against a public entity. However, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the City. The filing of a bankruptcy petition results in a stay against enforcement of remedies under agreements to which the bankrupt entity is a party. A bankruptcy filing by the City could thus limit remedies under the Lease Agreement. A bankruptcy debtor may choose to assume or reject executory contracts and leases, such as the Lease Agreement. In the event of rejection of a lease by debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages.

Under the Indenture, the Trustee holds a security interest in the Revenues, including Base Rental Payments, for the benefit of the Owners of the Bonds, but such security interest arises only when the Base Rental Payments are actually received by the Trustee following payment by the City. The Property is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners. In the event of a bankruptcy filed by the City and the subsequent rejection of the Lease Agreement by the City, the Authority would recover possession of the Property and the Trustee, as assignee of the Authority, would have a claim for damages against the City. The Trustee’s claim would constitute a secured claim only to the extent of Revenues in the possession of the Trustee; the balance of such claim would be unsecured.

Bankruptcy proceedings would subject the Owners of the Series 2020A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently entail risks of delay, limitation, or modification of their rights with respect to the Series 2020A Bonds. In a bankruptcy case, the amount recovered by Owners of the Series 2020A Bonds could be affected by whether the Lease Agreement is determined to be a “true lease” or a loan or other financing arrangement (a “financing lease”), and the Owners’ recovery could be reduced in either case. If the Lease Agreement is determined by the bankruptcy court to constitute a “true lease” (rather than a financing lease), the City could choose not to perform under the Lease Agreement by rejecting it and the claim of the Owners could be substantially limited pursuant to Section 365 of the Bankruptcy Code to a fraction of the scheduled amount of Base Rental Payments, and that reduced claim amount could be impaired as an unsecured claim under a plan of adjustment. If a bankruptcy court were to treat the Lease Agreement as a financing lease then, under a plan of adjustment, the priority, payment terms, collateral, payment dates, payment sources, covenants and other terms or provisions of the Lease Agreement and the Series 2020A Bonds may be altered. Such a plan could be confirmed even over the objections of the Trustee and the Owners, and without their consent. For example, the amount of the Base Rental Payments from the City might be substantially reduced because of the power of the bankruptcy court under the Bankruptcy Code to adjust secured claims to the value of their collateral, which, as described above, could be limited to the Revenues held by the Trustee. In addition there can be a substantial disparity in treatment based

on the nature of the Property. Whether the Lease Agreement is characterized by the bankruptcy court as a true lease or a financing lease, either scenario could result in the Owners not receiving the full amount of the principal and interest due on the Series 2020A Bonds.

The opinions of counsel, including Bond Counsel, delivered in connection with the execution and delivery of the Series 2020A Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Possible Insufficiency of Insurance Proceeds

The Lease Agreement obligates the City to keep in force various forms of insurance, subject to deductibles, for repair or replacement of the Property in the event of damage, destruction or title defects, subject to certain exceptions. The Authority and the City make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy obtained pursuant to the Lease Agreement, and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the Series 2020A Bonds when due. In addition, certain risks, such as earthquakes and floods, are not required to be insured under the Lease Agreement, [and therefore, are not carried by the City.] See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A BONDS—Insurance.”

Loss of Tax Exemption

As discussed under the heading “TAX MATTERS,” the interest on the Series 2020A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Series 2020A Bonds, as a result of acts or omissions of the Authority or the City in violation of their covenants in the Indenture and the Lease Agreement. Should such an event of taxability occur, the Series 2020A Bonds would not be subject to a special redemption and would remain Outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Series 2020A Bonds with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Dependence on State for Certain Revenues

The State’s fiscal health continues to improve since the end of the severe recession in 2009, which caused large budget deficits. Despite the recent significant budgetary improvements, according to the State, there remain a number of major risks and pressures that could adversely impact the State’s financial condition, including the threat of recession, potentially unfavorable changes to federal policies, the still uncertain impact of changes in federal tax law and trade policy and the impact of climate change. The State’s revenues (particularly the personal income tax) can be volatile and correlate to overall economic conditions. There can be no assurances that the State will not face fiscal stress and cash pressures again, or that other changes in the State or national economies will not materially adversely affect the financial condition of the State.

The City cannot predict the extent of any budgetary problems the State will encounter in future fiscal years, and it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the impact that State budgets will have on the City’s finances and

operations, or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by international, national and State economic conditions and other factors over which the City has no control.

A number of the City's revenues are collected and dispersed by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. In the event of a material economic downturn in the State, there can be no assurance that any resulting revenue shortfalls to the State will not reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of the State's efforts to address any such related State financial difficulties.

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A" and "—Proposition 22" below.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Principal of and interest on the Series 2020A Bonds are payable from Base Rental Payments made from the City's General Fund. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020A BONDS." Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 62, 111, 218, 1A and 22, and certain other provisions of law discussed below are included in this Official Statement to describe the potential effect of these Constitutional and statutory measures on the ability of the City to levy taxes and spend tax proceeds for operating and other purposes.

Article XIII A of the State Constitution

On June 6, 1978, State voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, as amended, limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service: (i) on indebtedness approved by the voters prior to December 1, 1978; (ii) on bonded indebtedness approved by a two-thirds vote on or after December 1, 1978, for the acquisition or improvement of real property; or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters voting on the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, including a general economic downturn, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by counties and distributed according to a formula among taxing agencies.

Increases in assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the

“taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full cash value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Split Roll Initiative

An initiative measure (the “Split Roll Initiative”) to amend Article XIII A has qualified for the State’s November 2020 ballot. If adopted, the Split Roll Initiative would base property taxes for commercial and industrial properties on market values beginning in tax year 2020-21. Such market values would be reassessed by the applicable county assessor’s office at least once every three years. The Split Roll Initiative includes exceptions for businesses with a total market value of less than \$2 million (adjusted for inflation), which would continue to be subject to property taxes based on purchase price, and exempts from property tax assessments up to \$500,000 of the value of personal property, or all personal property for businesses with fewer than 50 employees. There can be no assurance that the Split Roll Initiative will be adopted. Moreover, if the Split Roll Initiative is adopted, the City is unable to predict how it would affect the level of commercial building activity within the City and the relationship of the assessed value between land use types (i.e. residential versus commercial) in the City, or what other impacts the Split Roll Initiative might have on the local economy or the City’s financial condition.

Article XIII B of the State Constitution

In addition to the limits that Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual “appropriations limit” imposed by Article XIII B which effectively limits the amount of such revenues that such entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues and the investment proceeds thereof, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized as of October 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each local government’s actual appropriations be tested against its limit every two years.

If the aggregate “proceeds of taxes” for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency’s taxpayers through tax rate or fee reductions over the following two years.

The City's appropriations have never exceeded the limitation on appropriations under Article XIII B.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, State voters approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the State Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments and property-related fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City (such as Measure W) require a majority vote, and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs, such as hearings and stricter and more individualized benefit requirements and findings. These provisions include, among other things: (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel; (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party; and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. If the City is unable to continue to collect revenues of this nature, the services and programs funded with these revenues would have to be curtailed and/or the City's General Fund might have to be used to support them. The City is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by fees, charges and assessments in light of Proposition 218 or, if these services and programs are continued, which amounts (if any) would be used from the City's General Fund to continue to support such activities.

Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts. Legislation implementing Proposition 218 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund.

Although a portion of the City's General Fund revenues are derived from taxes purported to be governed by Proposition 218, all of such taxes were imposed in accordance with the requirements of Proposition 218. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges which support the City's General Fund.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election and: (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity on or after July 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of Santa Clara County Local Transportation Authority v. Guardino, upheld the constitutionality of Proposition 62. In this case, the court held that a countywide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, this special tax was found to be invalid. The decision did not address the question of whether or not it should be applied retroactively.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62, which was passed in November 1986. On June 4, 2001, the California Supreme Court released its decision in one of these cases, Howard Jarvis Taxpayers Association v. City of La Habra, et al. In this case, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

The City has not experienced any substantive adverse financial impact as a result of the passage of Proposition 62.

Proposition 1A

Proposition 1A was approved by the voters at the November 2, 2004 election. Proposition 1A amended the State Constitution to, among other things, reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales, and vehicle license fee revenues as of November 3, 2004. Beginning with Fiscal Year 2008-09, the State may borrow up to eight percent of local property tax revenues, but only if the Governor proclaims such action is necessary due to a severe State fiscal hardship, and two-thirds of both houses of the Legislature approves the borrowing. The amount borrowed is required to be paid back within three years. The State also will not be able to borrow from local property tax revenues for more than two fiscal years within a period of 10 fiscal years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the statewide local sales tax.

Many of the provisions of Proposition 1A have been superseded by Proposition 22 enacted in November 2010 and described below.

Proposition 22

On November 2, 2010, the voters of the State approved Proposition 22, known as “The Local Taxpayer, Public Safety, and Transportation Protection Act” (“Proposition 22”). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the State Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government’s purposes. Furthermore, Proposition 22 restricts the State’s ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds although this provision no longer has any meaningful impact given the statewide dissolution of redevelopment agencies. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government’s control over local revenues. The City cannot predict whether Proposition 22 will have a beneficial effect on the City’s financial condition.

Proposition 26

On November 2, 2010, State voters also approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. The City does not believe that Proposition 26 will adversely affect its General Fund revenues.

Possible Future Initiatives

Articles XIII A, XIII B, XIII C and XIID and Propositions 218, 111, 62, 1A, 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series 2020A Bonds is excluded from gross income for federal

income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2020A Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Series 2020A Bond (the first price at which a substantial amount of the Series 2020A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Series 2020A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to the owner of the Series 2020A Bond before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Beneficial Owner of a Series 2020A Bond will increase the Beneficial Owner's basis in the applicable Series 2020A Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of a Series 2020A Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of a Series 2020A Bond is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series 2020A Bonds is based upon certain representations of fact and certifications made by the Authority, the City and others and is subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to issuance of the Series 2020A Bonds to assure that interest (and original issue discount) on the Series 2020A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Series 2020A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2020A Bonds. The Authority and the City will covenant to comply with all such requirements.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable Series 2020A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner's basis in the applicable Series 2020A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a Series 2020A Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2020A Bond to the Beneficial Owner. Purchasers of the Series 2020A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture, the Lease Agreement and the Tax Certificate relating to the Series 2020A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any Series 2020A Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Series 2020A Bonds is excluded from gross income for federal income tax purposes provided that the Authority and the City continue to comply with certain requirements of the Code, the ownership of the Series 2020A Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Series 2020A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax

consequences. Accordingly, before purchasing any of the Series 2020A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series 2020A Bonds.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2020A Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2020A Bonds might be affected as a result of such an audit of the Series 2020A Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2020A Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Series 2020A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2020A BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE SERIES 2020A BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES 2020A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES 2020A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2020A BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE SERIES 2020A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES 2020A BONDS.

The form of Bond Counsel’s proposed opinion with respect to the Series 2020A Bonds is attached hereto in Appendix D.

CERTAIN LEGAL MATTERS

The validity of the Series 2020A Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation, is also acting as Disclosure Counsel for the City. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix D hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Bond Counsel and Disclosure Counsel will receive compensation from the City contingent upon the sale and delivery of the Series 2020A Bonds. From time to time, Bond Counsel represents the Underwriters on matters unrelated to the Series 2020A Bonds. Certain legal matters will be passed upon for the Underwriters by Quint & Thimmig LLP. Counsel to the Underwriters will receive compensation contingent upon the issuance of the Series 2020A Bonds.

ABSENCE OF LITIGATION

To the best knowledge of the City and the Authority, there is no action, suit or proceeding pending or threatened either restraining or enjoining the execution or delivery of the Series 2020A Bonds, the Lease Agreement, the Ground Lease or the Indenture, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the City taken with respect to any of the foregoing.

UNDERWRITING

The Series 2020A Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated, as representative of Citigroup Global Markets, Inc. and Raymond James & Associates, Inc. (collectively, the “Underwriters”). The Underwriters will purchase the Series 2020A Bonds from the Authority at an aggregate purchase price of \$_____ (representing the principal amount of the Series 2020A Bonds, plus/less original issue premium/discount of \$_____ and less an Underwriters’ discount of \$_____). The purchase agreement relating to the Series 2020A Bonds provides that the Underwriters will purchase all of the Series 2020A Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The initial offering prices that are stated on the inside front cover page of this Official Statement may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2020A Bonds to certain dealers (including dealers depositing Series 2020A Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

RATING

S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”) has assigned an issuer credit rating of “AA+” to the Series 2020A Bonds. Such rating reflects only the views of S&P and any desired explanation of the significance of such rating should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2020A Bonds. None of the Authority, the City or the Underwriters has undertaken any responsibility either to bring to the attention of the owners of the Series 2020A Bonds a proposed change in or withdrawal of the rating or to oppose any such proposed revision or withdrawal.

MUNICIPAL ADVISOR

Sperry Capital, Inc., Sausalito, California (the “Municipal Advisor”), served as municipal advisor to the Authority and the City with respect to the sale of the Series 2020A Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Series 2020A Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Series 2020A Bonds to provide annually certain financial information and operating data relating to the Series 2020A Bonds and the City (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. For a complete listing of items of information which will be provided in each Annual Report and further description of the City’s undertaking with respect to the Annual Report and certain enumerated events, see APPENDIX E—“FORM OF CONTINUING DISCLOSURE AGREEMENT.” The Annual Report is to be provided by the City not later than March 31 after the end of the City’s fiscal year, commencing with the report for fiscal year 2019-20.

The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

FINANCIAL STATEMENTS OF THE CITY

Included herein as Appendix B are the audited financial statements of the City for the year ended June 30, 2018, together with the report thereon dated December 18, 2019 of Maze & Associates, Pleasant Hill, California, certified public accountants (the “Auditor”). The Auditor has not undertaken to update the audited financial statements of the City or its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 18, 2019.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture, the Lease Agreement, the Ground Lease and other documents are available, upon request, and upon payment to the City of a charge for copying, mailing and handling, from the City Clerk at the City of South San Francisco, 400 Grand Avenue, South San Francisco, California 94080.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or Owners of any of the Series 2020A Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority and the City.

**CITY OF SOUTH SAN FRANCISCO PUBLIC
FACILITIES FINANCING AUTHORITY**

By: _____
Executive Director

CITY OF SOUTH SAN FRANCISCO

By: _____
City Manager

APPENDIX A

THE CITY OF SOUTH SAN FRANCISCO

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APPENDIX A

INFORMATION REGARDING THE CITY OF SOUTH SAN FRANCISCO

City Council

The City operates under a council-manager form of government. Five members are elected to overlapping four-year terms with elections held in even-numbered years. Three members are elected together, and the other two are elected in the next election. The Mayor and Vice Mayor are selected by the City Council from its members. In 2018, the City modified its City Council election process from “at-large” elections to election by district. Beginning with the November 2020 election, the City will hold elections for two districts. In November 2022, the City will hold elections for three districts.

The City Council is responsible for, among other things, establishing local law and policies through the enactment of ordinances and resolutions, adopting the City budget, appointing members to advisory municipal activities, and serving on regional committees and boards whose policies may affect the City. The members of the City Council and the expiration dates of their respective terms are as follows:

**CITY OF SOUTH SAN FRANCISCO
City Council**

<i>Name</i>	<i>Term Expires</i>
Rich Garbarino, Mayor	November 2020
Mark Addiego, Vice Mayor	November 2022
Karyl Matsumoto, Council Member	November 2020
Mark Nagales, Council Member	November 2022
Buenaflores Nicolas, Council Member	November 2022

The City Council appoints the City Manager who heads the executive branch of the government, implements City Council directives and policies and manages the administrative and operational functions through the various departmental heads.

City Management

A summary of certain City executive staff are described below.

City Manager. The City Manager is responsible for the day-to-day administration of the City. The City Manager’s office implements policy decisions of the City Council, provides leadership and strategic direction to the City’s leadership team and organization, as well as ensuring that initiatives and programs align with the City’s mission and reflect the values of the community. The City Manager’s office provides overall guidance to all City operating departments and is responsible for the administration of City programs to ensure the delivery of high quality services in an efficient and cost-effective manner.

The City’s current City Manager is Mr. Michael Futrell. Mr. Futrell began serving as City Manager of the City in April 2014, bringing broad executive experience in local, state and federal government. Mr. Futrell was Chief Administrative Officer for the City of Baton Rouge, Louisiana; served on staff in the United States Senate; and was an elected member of the Louisiana House of Representatives and of the Baton Rouge City Council. Mr. Futrell served as a submarine officer in the U.S. Navy and rose to the rank of Navy Captain in the Navy Reserves. Mr. Futrell previously practiced law with a private firm and was Executive Vice President of a public utility company in Hawaii. Mr. Futrell holds a bachelor’s degree in Business/Public

Administration and a Juris Doctorate degree from Louisiana State University, a Master's in Business Administration from the University of Massachusetts-Amherst, and completed the Stanford Graduate School of Business Learn-Engage-Accelerate-Disrupt (LEAD) Certificate program in Corporate Innovation.

Director of Finance. The Director of Finance is responsible for managing the City's budget and day-to-day financial operations and serves as the fiscal advisor to the City Manager, City Council, and City Departments. The Finance Department provides central control of all budgeting and cost accounting citywide in a manner consistent with established and accepted municipal accounting principles to meet statutory requirements. The Finance Department, under the direction of the Director of Finance, formulates, manages, and controls all fiscal policies, as well as initiates strategic actions related to the management of financial operations including accounting, budgeting, planning, treasury/debt management, purchasing and warehousing.

Ms. Janet Salisbury was named Director of Finance in June 2019. Prior to joining the City, she served as the Director of Operations for the IT Department of the City of Oakland, where she built and led the IT Finance and Contracts Division, providing centralized control of all IT-related finance and contract matters, including budgeting, contract negotiations, project finance, procurement and accounting. Ms. Salisbury's career in the public sector began as an investment banker at J.P. Morgan Securities, Inc., structuring debt instruments for public sector clients such as state and local governments, higher education institutions, non-profits and public infrastructure agencies. She transitioned into advisory/consulting and securities underwriting for nationally leading public finance firms Public Financial Management, Inc. and XL Capital Assurance. Ms. Salisbury holds a B.A. in both Economics and History from the University of California, Los Angeles. She is a member of the Government Finance Officers Association and California Society of Municipal Finance Officers.

City Treasurer. The City Treasurer is charged with investing City funds, producing monthly reports to identify amounts and types of investment instruments, arranging payments on City bonds, coordinating financial transactions in cooperation with the Director of Finance, and preparing property tax assessments for residents upon request. The City Treasurer is elected to a four-year term and is a part-time salaried position. The current City Treasurer is Mr. Frank Risso.

City Attorney. The City Attorney is a contract position and is responsible for providing both formal and informal legal opinions, as well as advice to the City's officers, employees, boards and commissions. The current City Attorney is Mr. Sky Woodruff. Mr. Woodruff is a principal with the law firm of Meyers Nave. Mr. Woodruff has extensive experience representing public agency clients and specializes in the areas of revenue and taxation, elections law, and land use and associated environmental issues. Mr. Woodruff received Bachelors of Science degree from Georgetown University and his Juris Doctorate from the University of California, Boalt School of Law.

Employee and Employee Relations

As of June 30, 2019, the City had approximately 439 full-time employees and 115 part-time employees. In accordance with the provisions of California Government Code Section 3500, the City participates in labor negotiations with its employee associations. The result of the negotiations processes are memorialized in memoranda of understanding (MOU's) reached between the City and the City employee associations. The table below lists the City's eight employee associations and the approximate membership as of June 30, 2019, as well as the unrepresented executive employees:

<i>Unit/Affiliation</i>	<i>Contract Expiration Date</i>	<i>Number of Members</i>
American Federation of State, County, and Municipal Employees, Local 829	June 30, 2020	118
International Association of Firefighters, Local 1507	June 30, 2022	73
South San Francisco Police Association	June 30, 2022	84
International Union of Operating Engineers, Local 39	June 30, 2020	32
Confidential Unit, Teamsters, Local 856	June 30, 2020	28
Mid-Management Unit, Teamsters, Local 856	June 30, 2020	78
Public Safety Managers	June 30, 2022	14
Executive Management	June 30, 2022	<u>12</u>
	Total	439

Source: City of South San Francisco.

The City has begun the negotiation process with the employee associations with MOU's expiring on June 30, 2020. The City expects that new MOU's with such employee associations will be in place by June 30, 2020, each with three year terms. While no assurances can be made that new MOU's will be in place prior to the expiration dates of the current MOU's, it has been the City's practice to have agreed upon MOU's prior contract expirations. The City has not experienced a strike or work stoppage in the last ten years.

Risk Management

The City participates in the Pooled Liability Assurance Network Joint Powers Authority (the "PLAN JPA"), a joint powers authority consisting of 28 member cities, to provide liability insurance coverage, claims and risk management and legal defense to its participating members. The PLAN JPA provides up to \$2.5 million of self-funded general liability and automobile coverage and has purchased \$27.5 million in excess coverage per occurrence. The PLAN JPA is responsible for coverage beyond the City's \$100,000 self-insured retention for general liability and automobile coverage.

The PLAN JPA also covers wrongful acts and employee benefits wrongful acts liability up to \$10 million with two retained limits of \$5 million.

The City has also purchased excess coverage insurance for worker's compensation claims from CSAC Excess Insurance Authority (CSAC-EIA) above the City's \$500,000 self-insured retention.

The City has purchased cyber insurance for liability relating to data or security breaches. Coverage limits under such policy are \$100,000 per individual (with a maximum of 100 individuals), \$500,000 for legal forensic and public relations management, and an additional breach response limit of \$2 million.

The City maintains self-insured retentions (which are amounts that the City pays before purchased insurance coverage described above applies) in the Self-Insurance Internal Service Fund. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion, and the amount of the loss is reasonably determinable. As of June 30, 2019, the City had

a balance of \$14,451,253 in the Self-Insurance Internal Service Fund with \$14,140,000 allocated to worker's compensation and \$311,253 allocated to general liability.

Settled claims have not exceeded any of the coverage described above in any of the past five fiscal years. For additional information with respect to the City's risk management program and CSAC-EIA, see Note 11 to the City's audited financial statements for fiscal year 2018-19 attached hereto as Appendix C.

CITY FINANCIAL INFORMATION

Accounting and Financial Reporting

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles (GAAP) and the standards established by the Governmental Accounting Standards Board (GASB).

The government-wide, proprietary, private-purpose trust fund, and discretely presented component unit financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual are property and sales taxes, certain intergovernmental revenues, interest revenue, licenses and permits, charges for services, fines and forfeitures. Sales taxes collected and held by the State at year end on behalf of the City are also recognized as revenue. Other receipts and taxes are recognized as revenue when the cash is received. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenue. Thus, both restricted and unrestricted net position may be made available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

The City considers restricted shared State revenues such as gasoline taxes and public safety sales taxes, restricted locally imposed transportation sales taxes, fines, forfeitures, licenses, permits, charges for services, and program grants as program revenues.

The City Council employs an independent certified public accountant, who, at such time or times as specified by the City Council, at least annually, and at such other times as they determine, examines the financial statements of the City in accordance with generally accepted auditing standards, including tests of the accounting records and other auditing procedures as such accountant considers necessary. As soon as practicable, after the end of the fiscal year, a final audit and report is submitted by the independent accountant to the City Council.

The General Fund is the general operating fund of the City and is used to account for resources and expenditures traditionally associated with general government, such as administration, public safety, library, parks, maintenance and recreation. The City expects to pay Base Rental Payments from amounts in the General Fund. Tables 1 through 3 below set forth certain historical and current fiscal year budget information for the General Fund. Information on the other governmental funds of the City as of June 30, 2019 is set forth in Appendix C.

City Blended Component Units and Discrete Component Units

General. Under Governmental Accounting Standards Board (GASB) guidelines, component units of a primary government (i.e. the City) generally include those that are legally separate entities but raise and hold economic resources for the direct benefit of the primary government. Blended component units, although separate legal entities are, in substance, part of the government's operations. Their funds are treated similarly to funds of the primary government (other than the General Fund). Discrete component units do not meet the definition of a blended component units as they do not share the same governing body and do not only provide services to the primary government unit.

The City's blended component units which have or will have outstanding obligations (the Authority and the South San Francisco Capital Improvements Financing Authority (the "CIP Authority")) and discrete component unit (the City of South San Francisco Conference Center Authority (the "Conference Center Authority")), are described below.

Authority and the South San Francisco Capital Improvements Financing Authority. The City Council serves as the governing board of the Authority and the CIP Authority. Under the Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, the Authority and the CIP Authority have the power to issue bonds to pay the costs of public capital improvements. Separate financial statements are not prepared for the Authority or the CIP Authority. See Note 1 to the City's audited financial statements attached to the Official Statement as Appendix C for more information with respect to the Authority and the CIP Authority. A description of the Authority is also set forth under the caption "THE AUTHORITY" in the Official Statement.

City of South San Francisco Conference Center Authority. The Conference Center Authority operates and manages the City's conference center, which is a public assembly facility consisting of an approximately 40,000 square foot meeting and banquet facility. The Conference Center Authority is governed by a commission of nine members which consists of two City Council members and seven other community and business representatives appointed by the City Council. The Conference Center Authority prepares financial statements which are separate from the City's financial statements.

Financial Policies

General. The City has adopted a comprehensive set of financial policies to serve as a guideline for financial matters as further described below.

Reserve Policy. The City has adopted a reserve policy (the "Reserve Policy") which provides guidance on the establishment and maintenance of reserve levels for operating funds. With respect to the General Fund, the City's Reserve Policy provides for: (i) a reserve for emergencies of two percent of General Fund operating revenues to cover unanticipated costs from catastrophic losses due to natural disasters and/or accidents; (ii) seven percent of General Fund operating revenues for economic contingencies to mitigate the impact to the City's budget of local fluctuations in revenue due to local economic conditions and business relocations; and (iii) an unrestricted reserve equal to the difference of the amounts described in (i) and (ii) above to two months of General Fund operating revenues (approximately 15-20%). The City's Reserve Policy provides that available amounts in excess of the required reserve allocations in (i) through (iii) above will use

to pay down liabilities including addressing critical infrastructure replacement needs or transfers to the City's CalPERS Stabilization Reserve to address volatility with CalPERS expenses.

The City met its Reserve Policy targets in fiscal year 2018-19. The Adopted Budget also meets such targets, with projected General Fund reserves at approximately \$22.4 million or 20% of General Fund operating revenues.

Debt Management Policy. The City has adopted a debt management policy (the "Debt Management Policy") in compliance with California Government Code Section 8855. The Debt Management Policy sets forth the purposes for which long-term debt financings may be undertaken (i.e. for projects that will provide benefit to constituents over multiple years). The Debt Management Policy provides that short-term financings may be undertaken for operational cash flow purposes and for short-lived capital projects (i.e. equipment leases). The City's Debt Management Policy is implemented in conjunction with annual budgeting and the City's capital improvement program.

Investment Policy. The City invests its funds in accordance with the City's investment policy (the "Investment Policy"). In accordance with Section 53600 *et seq.* of the California Government Code, idle cash management and investment transactions are the responsibility of the City Treasurer. The City's Investment Policy sets forth the policies and procedures applicable to the investment of City funds and designates eligible investments. The Investment Policy sets forth a stated objective, among others, of ensuring the safety of invested funds by limiting credit and market risks. Funds are invested in the following order of priority:

- Safety of Principal;
- Liquidity; and
- Return on Investment.

Eligible investments are generally limited to managed investment pools, including the Local Agency Investment Fund which is operated by the California State Treasurer, U.S. Treasury bills, notes and bonds, federal agency or United States government sponsored enterprise obligations, medium term corporate notes, commercial paper rated A1/P1, as applicable, or better, repurchase agreements with counter-party ratings of "AA" or its equivalent or better, and mutual funds as authorized by State law.

The City Treasurer is required to provide a quarterly report to the City Manager and the City Council showing the type of investment, date of maturity, amount invested, current market value, rate of interest, and other such information as may be required by the City Council. At December 31, 2019, the City had an investment portfolio with a market value of \$220 million. As of such date, the City had invested approximately 29% of its investment portfolio in LAIF, 22% in federal agencies, 16% in U.S. Treasuries, and 31% of its investment portfolio in corporate securities. For additional information with respect to the City's cash and investments, see Note 2 to the audited financial statements for fiscal year 2018-19 attached to the Official Statement as Appendix C.

Capital Improvement Program

The City adopts an annual capital improvement program ("CIP") that covers the current and next succeeding four fiscal years and serves as the City's short and long-term plan for capital projects. Development of the CIP involves the Public Works departments, input from other department heads and the City Manager. A draft CIP is presented to the City Council budget subcommittee. Prior to approval by the City Council, the draft CIP is presented to the City's Planning Commission in order to ensure consistency with the City's general plan.

The City's adopted fiscal year 2019-20 CIP totals approximately \$101.2 million, including \$53.8 million in newly adopted appropriations and \$47.4 million in remaining appropriations from prior years. The projects include upgrades and/or new construction of general City facilities, park improvements, storm drain

improvements, sanitary sewer projects and street and traffic projects. A summary of the major projects included in the adopted fiscal year 2019-20 CIP is shown in the table below. The appropriated amount shown below for the Civic Campus Project does not include proceeds of the Series 2020A Bonds. See the caption “THE PROJECT” in the Official Statement.

<i>Project Description</i>	<i>Fiscal Year 2019-20</i>	
	<i>Appropriated Amount</i>	<i>Funding Source</i>
Civic Campus Project ⁽¹⁾	\$21,905,118	General Fund
Orange Memorial Park Stormwater Capture	8,500,000	Caltrans
Sanitary Sewer Pump Stations	9,500,000	Sewer System Revenues
Oyster Point Traffic Corridor Improvements	4,000,000	Traffic Impact Fees

⁽¹⁾ See the caption “THE PROJECT” in the Official Statement.
Source: Adopted Budget.

As described under the caption “THE PROJECT” in the Official Statement, the Police Facility is the first phase of the City’s new Civic Center Campus. In 2020 and 2021, the City expects to undertake additional financings payable from the City’s General Fund to finance subsequent phases of the Civic Center Campus project in the approximate principal amount of \$60 million.

The City is considering the formation of a City-wide community facilities district (a special district authorized under State law) to finance transportation infrastructure improvements and services. Under State law, a community facilities district may levy special taxes within its boundaries to finance the costs of certain facilities and/or services. Subject to the approval by owners of property upon which the special taxes would be levied, the City’s proposed community facilities district will be authorized to issue bonds to finance transportation improvements such as new street connections, improved interchanges/access points to freeway systems within the City, and shuttle services to increase and expedite access to mass transit (i.e. Bay Area Rapid Transit (BART), Caltrain and ferry services). Bonds issued by the community facilities district would be secured solely from the special taxes and not from the City’s General Fund. In addition, special taxes may be levied to pay for the ongoing to costs of providing such transportation services. If formed, the special taxes levied by the community facilities district would not be included in general City revenues and would not be available for the City to make Base Rental Payments, which secure the Series 2020A Bonds.

Budget Procedure, Current Budget and Historical Budget Information

The City currently adopts a biennial operating budget and adopts an addendum to such operating budget during each biennial period. The City’s current budget process typically begins in December when the City’s Finance Department analyzes the mid-fiscal year finances and meets with the City Manager to review financial projections and identify budget issues and goals. Beginning in February, the City Manager discusses with the various department heads the preliminary budget projections for each department. Between March and May, the Finance Department refines revenue forecasts for the current fiscal year, receives budget requests from department heads and collaborates with the engineering division to identify and forecast funding sources for capital improvement projects. The Finance Department develops revenue and expenditure scenarios which are reviewed with the City Manager. A proposed budget is presented to the Budget Standing Committee of the City Council at a study session generally held in May and, based on feedback, a revised proposed budget is presented to such committee at a subsequent study session. The proposed budget is presented to the City Council for adoption at the last City Council meeting in June. With respect to the mid-biennial budget, the City follows a similar but condensed process to revise projected revenues and refine expenditures for the upcoming fiscal year. During the course of each fiscal year, the originally adopted budget is amended and revised as necessary, depending on fluctuations in revenues, actions by the State and/or unforeseen expenses.

The biennial budget covering fiscal years 2019-20 and 2020-21 was approved on June 26, 2019 (the “Adopted Budget”). The Adopted Budget projects General Fund revenues in fiscal year 2019-20 to be approximately \$124.9 million (exclusive of interfund transfers in), an increase of approximately \$5.8 million or 4.9% from the fiscal year 2018-19 final budget.

The Adopted Budget projects: (i) an increase in property tax revenues of approximately \$2.8 million, (ii) an increase in sales tax revenues of approximately \$1.8 million (including the portion of the sales tax attributable to the 0.5% increase in the City sales tax rate as a result of Measure W (see the caption “—Sales Taxes” below)); and (iii) an increase in transient occupancy tax of approximately \$1.0 million, in each case as compared to the fiscal year 2018-19 final budgeted amounts.

The Adopted Budget projects General Fund expenditures of \$110.6 million in fiscal year 2019-20 (exclusive of interfund transfers out), which is an approximately \$4.3 million decrease from the fiscal year 2018-19 final budget. Such decrease is primarily attributable to a decrease in certain professional costs that were included in the fiscal year 2018-19 final budget.

For fiscal year 2019-20, the City has budgeted \$12.4 million in sales tax revenues which the City attributes to the portion of the sales tax generated from the 0.5% rate increase authorized by Measure W. Such sales tax revenues are available to the General Fund for general City projects and services. In the City’s audited financial statements, the portion of sales taxes attributed to Measure W are accounted for and shown as General Fund expenditures through a transfer to the City’s capital improvement fund. However, in the City’s budget, the City’s current practice is to separate such portion of the sales tax into a Measure W fund for projected revenue and expenditure purposes. In the Adopted Budget, in fiscal year 2019-20, \$17.1 million is budgeted to be expended from Measure W sales tax revenues, which includes portions of current-year and existing committed and/or assigned fund balances.

Set forth in Table 1 below are the final General Fund budgets for fiscal years 2017-18, 2018-19, the adopted budget for 2019-20, and the actual results for fiscal years 2017-18 and 2018-19 (shown on a budgetary basis). The General Fund budgets and actuals shown in Table 1 below do not reflect the application of GAAP and therefore may differ in certain respects to the audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance shown in Table 2 below.

TABLE 1
CITY OF SOUTH SAN FRANCISCO
GENERAL FUND BUDGETS TO ACTUAL COMPARISONS (ON A BUDGETARY BASIS)⁽¹⁾

	<i>Final Fiscal Year 2017-18 Budget</i>	<i>Fiscal Year 2017-18 Results</i>	<i>Final Fiscal Year 2018-19 Budget</i>	<i>Fiscal Year 2018-19 Results</i>	<i>Adopted Fiscal Year 2019-20 Budget</i>
REVENUES					
Property taxes	\$ 33,760,827	\$ 34,143,627	\$ 35,345,744	\$ 38,659,657	\$ 37,189,133
Sales taxes ⁽²⁾	25,448,309	28,728,427	29,361,726	32,251,636	31,133,000
Transient occupancy taxes	14,800,000	13,978,533	15,834,000	17,091,222	16,855,297
Franchise fees	4,000,000	4,403,493	4,000,000	4,469,808	4,000,000
Other taxes	5,343,065	5,871,096	5,833,028	4,995,404	5,528,132
Intergovernmental	2,060,600	2,610,233	3,412,076	2,876,545	1,626,854
Interest and rentals	3,010,263	2,846,967	3,059,459	4,409,185	5,491,453
Licenses and permits	10,232,477	14,674,809	12,072,049	15,381,416	12,131,018
Charges for services	9,329,002	10,924,668	9,328,528	11,563,755	10,417,837
Fines and forfeitures	163,500	423,604	618,500	926,729	615,500
Other	174,991	266,872	289,171	330,881	370,308
Total Revenues	<u>\$ 108,283,034</u>	<u>\$ 118,872,329</u>	<u>\$ 119,154,281</u>	<u>\$ 132,956,238</u>	<u>\$ 124,991,224</u>
EXPENDITURES					
City Council	\$ 246,917	\$ 239,264	\$ 280,694	\$ 258,760	\$ 290,291
City Clerk	666,810	660,306	817,567	803,909	1,056,761
City Treasurer	135,861	135,218	132,901	123,505	143,137
City Attorney	1,038,092	996,380	1,081,462	961,588	1,115,935
City Manager ⁽³⁾	3,167,257	2,937,733	5,737,883	5,364,075	2,542,579
Finance	3,423,768	3,423,768	3,384,364	3,173,973	3,294,240
Non-Departmental	1,108,503	1,107,187	1,130,087	1,265,202	997,844
Human Resources	1,699,257	1,698,958	1,780,097	1,745,612	1,794,862
Fire ⁽⁴⁾	29,347,734	26,763,505	29,104,944	28,621,268	29,608,967
Police ⁽⁴⁾	27,654,237	26,639,009	29,254,475	28,482,445	30,926,920
Public Works	5,339,637	5,339,181	6,512,375	6,831,377	5,018,087
Parks and Recreation	15,929,220	15,649,568	17,103,184	16,795,119	17,762,501
Library	5,575,195	5,394,725	6,149,808	5,655,551	6,132,137
Economic and Community Development ⁽⁴⁾	10,772,828	10,027,304	12,443,981	14,318,597	9,925,951
Total Expenditures	<u>\$ 106,105,316</u>	<u>\$ 101,011,355</u>	<u>\$ 114,913,771</u>	<u>\$ 114,400,981</u>	<u>\$ 110,610,213</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	3,990,600	3,990,605	2,250,000	840,298	--
Transfers in ⁽⁵⁾	1,800,705	6,269,262	5,579,214	4,906,791	1,261,591
Transfers out ⁽⁶⁾⁽⁷⁾	<u>(20,493,106)</u>	<u>(20,317,868)</u>	<u>(5,637,057)</u>	<u>(11,995,827)</u>	<u>(953,453)</u>
Total Other Financing Sources (Uses)	<u>(14,701,801)</u>	<u>(10,058,001)</u>	<u>2,192,157</u>	<u>(6,248,738)</u>	<u>308,138</u>
Net Change in Fund Balances Before Special Items	(12,524,083)	7,802,793	6,432,667	12,306,519	14,689,149
Special Items ⁽⁸⁾	(7,154,626)	(7,154,626)	--	(531,591)	--
NET CHANGE IN FUND BALANCE	(19,678,709)	648,347	6,432,667	11,774,928	14,689,149

⁽¹⁾ This Table 1 is presented using the budgetary basis of accounting and does not reflect the application of GAAP. Certain actual results for fiscal years 2017-18 and 2018-19 differ from Table 2 below.

⁽²⁾ Includes Measure W sales tax revenues.

⁽³⁾ Increase in fiscal year 2018-19 reflects additional professional costs as a result of reprioritization of projects that were allocated to the General Fund for budgeting purposes.

⁽⁴⁾ Fiscal year 2017-18 results were below budget primarily as a result of salary savings due to staff vacancies.

⁽⁵⁾ Fiscal year 2017-18 results reflect transfers in of \$2,502,915 from the Capital Infrastructure Reserve Capital Projects Fund and \$3,766,347 from Non-Major Governmental Funds. Fiscal year 2018-19 results reflect a transfer in from Non-Major Governmental Funds.

⁽⁶⁾ Fiscal years 2017-18 and 2018-19 results reflect transfers out to the Capital Improvements Projects Fund, Capital Infrastructure Reserve Capital Projects Fund, Stormwater Enterprise Fund and Internal Service Fund.

⁽⁷⁾ The City budgets for Measure W Sales tax revenues separate from the General Fund. As a result, transfers out for Fiscal Year 2019-20 shown in this Table 1 do not include budgeted transfers out of amounts constituting Measure W Sales Tax revenues from the General Fund. The City has budgeted transfers of Measure W Sales tax revenues of \$17,067,000 to the Capital Improvements Projects Fund. Portions of such transfer will be from existing committed and/or assigned General Fund balances and from fiscal year 2019-20 General Fund revenues.

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- ⁽⁸⁾ Fiscal year 2017-18 results reflect distributions of net proceeds of the PUC parcel land sale of property previously held for redevelopment to other taxing entities in the approximate amount of \$7,154,000. Fiscal Year 2018-19 results reflect a \$829,315 transfer of capital assets from the Successor Agency to the former City of South San Francisco Redevelopment Agency (the "Successor Agency") and \$1,360,906 remittance of land sale proceeds.

Source: Audited Financial Statements for fiscal year 2017-18 and fiscal year 2018-19; Adopted Budget of the City for fiscal year 2019-20.

Comparative Change in Fund Balance of the City General Fund

The table below presents the City's audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance for fiscal years 2014-15 through 2018-19.

TABLE 2
CITY OF SOUTH SAN FRANCISCO GENERAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

	2014-15	2015-16	2016-17	2017-18	2018-19
REVENUES					
Property Taxes ⁽¹⁾	\$ 23,079,858	\$ 24,777,659	\$ 33,405,829	\$ 34,143,627	\$ 38,659,657
Sales Taxes ⁽²⁾	15,284,011	17,710,425	24,479,476	28,728,427	32,251,636
Transient Occupancy Taxes	12,947,473	13,442,952	13,631,507	13,978,533	17,091,222
Franchise Fees	3,743,656	3,982,092	4,090,073	4,403,493	4,469,808
Other Taxes	4,906,400	5,124,574	5,708,187	5,871,096	4,995,404
Intergovernmental ⁽¹⁾	7,537,766	7,833,659	1,593,508	2,610,233	2,876,545
Interest and Rentals	2,866,296	3,080,567	2,784,072	2,846,967	4,409,185
Licenses and Permits ⁽³⁾	4,795,158	6,896,897	7,823,403	14,674,809	15,381,416
Charges for Services	8,695,265	8,659,873	9,451,835	10,924,668	11,563,755
Fines and Forfeitures	1,221,413	791,756	899,118	423,604	926,729
Other	222,611	336,267	1,092,691	266,872	330,881
Total Revenues	\$ 85,299,907	\$ 92,636,721	\$ 104,959,699	\$ 118,872,329	\$ 132,956,238
EXPENDITURES					
City Council	\$ 221,155	\$ 268,133	\$ 206,950	\$ 239,264	\$ 258,760
City Clerk	426,410	646,518	607,096	660,306	770,985
City Treasurer	102,576	118,788	110,559	135,218	123,505
City Attorney	861,747	782,389	1,187,716	996,380	961,588
City Manager	1,223,159	1,735,423	1,948,911	2,691,066	2,339,342
Finance	1,982,911	2,186,648	2,613,473	3,080,769	2,789,187
Non-departmental	1,075,055	1,124,348	1,145,698	1,049,187	1,219,533
Human Resources	1,266,571	1,468,785	1,571,647	1,541,524	1,621,409
Fire ⁽⁴⁾	21,247,989	24,058,478	25,567,548	26,059,072	27,572,488
Police ⁽⁴⁾	23,512,560	25,319,536	25,539,781	26,639,009	28,482,445
Public Works	4,564,498	5,025,897	4,654,758	5,014,343	5,787,782
Parks and Recreation	11,826,407	13,234,028	14,897,157	15,468,370	16,530,603
Library	4,247,650	4,681,188	5,157,355	5,379,836	5,628,693
Economic and Community Development	4,246,016	6,144,861	7,158,564	7,722,689	8,433,298
Total Expenditures	\$ 76,804,704	\$ 86,795,020	\$ 92,367,213	\$ 96,677,033	\$ 102,519,618
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 8,495,203	\$ 5,841,701	\$ 12,592,486	\$ 22,195,296	\$ 30,436,620
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Assets	--	--	--	3,990,605	840,298
Transfers in ⁽⁵⁾	1,955,824	1,976,872	6,021,853	6,269,262	4,906,791
Transfers out ⁽⁶⁾	(9,698,911)	(6,082,763)	(5,909,636)	(20,317,868)	(11,995,827)
Total Other Financing Sources (Uses)	(7,743,087)	(4,105,891)	112,217	(10,058,001)	(6,248,738)
Net Change in Fund Balances before special items	752,116	1,735,810	12,704,703	12,137,295	24,187,882
SPECIAL ITEMS					
Assets Transferred from the Successor Agency ⁽⁷⁾	--	--	20,582,335	--	829,315
Remittance of Land Sale Proceeds ⁽⁷⁾	--	--	--	(7,154,626)	(1,360,906)
Net Change in Fund Balances	752,116	1,735,810	33,287,038	4,982,669	23,656,291
Fund Balances (Deficits) - July 1	20,529,259	21,281,375	23,017,185	56,304,223	61,286,892
Fund Balances (Deficits) - June 30	\$ 21,281,375	\$ 23,017,185	\$ 56,304,223	\$ 61,286,892	\$ 84,943,183

(1) Beginning with fiscal year 2016-17, the City reclassified Department of Motor Vehicles license fees from the Intergovernmental revenue category to the Property Tax category. See "--Property Taxes" below.

(2) Increases beginning in fiscal year 2015-16 reflect the increase in the City sales tax rate of 0.5% authorized by Measure W. See "--Sales Taxes" below.

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- (3) Increase in fiscal year 2017-18 primarily as a result of increased building activity within the City.
- (4) [Increases in fiscal year 2015-16 primarily as a result of increased employee salary and benefits.]
- (5) Reflect transfers in from the Capital Infrastructure Reserve Capital Projects Fund and from Non-Major Governmental Funds.
- (6) Reflect transfers out to the Capital Improvements Projects Fund, Capital Infrastructure Reserve Capital Projects Fund, Stormwater Enterprise Fund and Internal Service Fund.
- (7) Reflect transfers of capital assets from the Successor Agency to the former City of South San Francisco Redevelopment Agency and remittance of land sale proceeds.

Source: Audited Financial Statements for fiscal years 2014-15 through 2018-19.

Comparative General Fund Balance Sheets of the City

The table below presents the City’s audited General Fund Balance Sheets for fiscal years 2014-15 through 2018-19.

**TABLE 3
CITY OF SOUTH SAN FRANCISCO
GENERAL FUND BALANCE SHEETS
FIVE YEAR COMPARISON**

	2014-15	2015-16	2016-17	2017-18	2018-19
ASSETS					
Cash and Investments ⁽¹⁾	\$ 20,795,013	\$ 19,931,377	\$ 33,222,598	\$ 37,648,050	\$ 60,775,901
Receivables:					
Accounts	4,087,846	7,945,482	6,021,069	7,734,046	8,581,277
Accrued Interest	65,237	57,493	64,817	213,239	274,790
Due from Conference Center	--	--	43,668	-	53,589
Due from Other Funds		100	336,000	70,000	1,100,000
Inventory	1,134	824	474	106	372
Restricted Cash and Investments	--	--	--	200,000	200,000
Land Held for Redevelopment ⁽²⁾	--	--	20,582,335	20,582,335	19,201,948
Prepays	--	32,756	--	--	--
Total Assets	<u>\$ 24,949,230</u>	<u>\$ 27,968,032</u>	<u>\$ 60,270,961</u>	<u>\$ 66,447,776</u>	<u>\$ 90,187,877</u>
LIABILITIES					
Liabilities:					
Accounts Payable	\$ 787,724	\$ 1,006,737	\$ 2,012,208	\$ 1,307,966	\$ 2,609,145
Accrued Salaries and Benefits	2,454,423	3,621,781	1,569,242	3,027,256	1,659,795
Other Payable	267,772	206,402	278,678	290,552	65,755
Deposits	--	--	--	411,025	763,563
Unearned Revenue	157,936	115,927	106,610	124,085	146,436
Total Liabilities	<u>\$ 3,667,855</u>	<u>\$ 4,950,847</u>	<u>\$ 3,966,738</u>	<u>\$ 5,160,884</u>	<u>\$ 5,244,694</u>
Fund Balances:					
Nonspendable	1,134	33,580	474	106	372
Restricted ⁽²⁾	--	--	--	20,582,335	19,201,948
Committed ⁽³⁾	2,536,790	3,654,283	11,780,724	16,725,897	22,619,868
Assigned ⁽³⁾	1,458,029	1,578,153	5,244,279	4,334,322	11,881,363
Unassigned ⁽⁴⁾	<u>17,285,422</u>	<u>17,751,169</u>	<u>39,278,746</u>	<u>19,644,232</u>	<u>31,239,632</u>
Total Fund Balances (Deficits)	<u>21,281,375</u>	<u>23,017,185</u>	<u>56,304,223</u>	<u>61,286,892</u>	<u>84,943,183</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 24,949,230</u>	<u>\$ 27,968,032</u>	<u>\$ 60,270,961</u>	<u>\$ 66,447,776</u>	<u>\$ 90,187,877</u>

⁽¹⁾ Increase in fiscal year 2016-17 primarily a result of increase in property tax, sales tax and permit fees. See Table 2 above.

⁽²⁾ In fiscal year 2016-17, land held for redevelopment was transferred by the Successor Agency to the City. Such land is expected to be sold, at which point the City and other tax entities will receive a share of sale proceeds.

⁽³⁾ Includes Measure W sales tax revenues and other funds committed or assigned to capital projects and local services.

⁽⁴⁾ Reflects General Fund reserves maintained pursuant to the City’s Reserve Policy. See “Financial Policies—Reserve Policy” above.

Source: Audited Financial Statements for fiscal years 2014-15 through 2018-19.

Major Revenues

The City derives its General Fund revenues from a variety of sources including *ad valorem* property taxes, sales taxes, licenses, permits, transient occupancy taxes, charges for services provided by the City and other miscellaneous revenues. The City’s total General Fund revenues for selected major revenue sources for the past five fiscal years are set forth below.

TABLE 4
CITY OF SOUTH SAN FRANCISCO
SELECTED MAJOR REVENUE SOURCES

<i>Revenue Category</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>
Property Taxes ⁽¹⁾	\$ 23,079,858	\$ 24,777,659	\$ 33,405,829	\$ 34,143,627	\$ 38,659,657
Sales Taxes ⁽²⁾	15,284,011	17,710,425	24,479,476	28,728,427	32,251,636
Transient Occupancy Taxes	12,947,473	13,442,952	13,631,507	13,978,533	17,091,222
Licenses and Permits	4,795,158	6,896,897	7,823,403	14,674,809	15,381,416
Charges for Services ⁽³⁾	<u>8,695,265</u>	<u>8,659,873</u>	<u>9,451,835</u>	<u>10,924,668</u>	<u>11,563,755</u>
Total	<u>\$ 64,801,765</u>	<u>\$ 71,487,806</u>	<u>\$ 88,792,050</u>	<u>\$ 102,450,064</u>	<u>\$ 114,947,686</u>

(1) Inclusive of Department of Motor Vehicles license fees. See “—Property Taxes” below.

(2) Increases beginning in fiscal year 2015-16 reflect the increase in the City sales tax rate of 0.5% authorized by Measure W. See “—Sales Taxes” below.

(3) Comprised of paramedic and basic life support service fees, certain police service fees, charges for recreational classes, day care, and library programs, as well as the General Fund administration fee charged to other funds.

Source: City of South San Francisco.

Property Taxes

During fiscal year 2018-19, property tax receipts of approximately \$38.7 million provided the largest tax revenue source of the City, contributing approximately 29.1% of total General Fund revenues. General Fund property tax revenues of approximately \$37.2 million are budgeted to be received during fiscal year 2019-20. The City also received a portion of Department of Motor Vehicles license fees (“VLF”) collected Statewide. Several years ago, the Statewide VLF was reduced by approximately two-thirds. However, the State continued to remit to cities and counties the same amount that those local agencies would have received if the VLF had not been reduced, known as the “VLF backfill.” The State VLF backfill was phased out, and as of Fiscal Year 2011-12, all of the VLF is now received through an in-lieu payment from State property tax revenues.

In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens, arising pursuant to State Law, on the secured property, regardless of the time of the creation of other liens. The valuation of property is determined as of January 1 each year, and installments of taxes levied upon secured property are due November 1 and February 1 and become delinquent on the following December 10 and April 10, respectively. Taxes on unsecured property are due July 1, and become delinquent August 31.

Secured and unsecured properties are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes of the State for the amount of taxes that are delinquent. The taxing authority has four methods of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for

record in the County Recorder's Office in order to obtain a lien on certain property of the taxpayer, and (4) seizure and sale of personal property, improvement or possessory interest belonging or taxable to the assessee.

A ten percent penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, beginning on the July 1 following a delinquency, interest begins accruing at the rate of 1 1/2% per month on the amount delinquent. Such property may thereafter be redeemed by the payment of the delinquent taxes and the ten percent penalty, plus interest at the rate of 1 1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A ten percent penalty also applies to the delinquent taxes or property on the unsecured roll, and further, an additional penalty of 1 1/2% per month accrues with respect to such taxes beginning on the varying dates related to the tax billing date.

Legislation enacted in 1984 (Section 75 *et seq.* of the Revenue and Taxation Code of the State of California), provides for the supplemental assignment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessment for up to 14 months. Collection of taxes based on supplemental assessments occurs throughout the year. Taxes due are prorated according to the amount of time remaining in the tax year, with the exception of tax bills dated January 1 through May 31, which are calculated on the basis of the remainder of the current fiscal year and the full 12 months of the next fiscal year.

In the past, the State Legislature has shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund. The term "ERAF" is often used as a shorthand reference for this shift of property taxes. In 1992-93 and 1993-94, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over \$3 billion of property taxes from cities, counties, and special districts to schools and community college districts. The 2004-05 State budget included an additional \$1.3 billion shift of property taxes from certain local agencies, including the City, to occur in fiscal years 2004-05 and 2005-06. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A" and "—Proposition 22" for a description of certain limitations on the State's authority over local government revenue sources.

The table below sets forth the secured and unsecured assessed valuations for property in the City for the fiscal years 2010-11 through 2019-20.

TABLE 5
CITY OF SOUTH SAN FRANCISCO
ASSESSED VALUATION
FISCAL YEARS 2010-11 THROUGH 2019-20⁽¹⁾

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Unsecured</i>	<i>Total</i>
2010-11	\$12,366,942,486	\$1,279,681,193	\$13,646,623,679
2011-12	12,531,951,091	1,295,085,027	13,827,036,118
2012-13	12,704,362,559	1,288,434,392	13,992,796,951
2013-14	13,091,998,899	1,212,353,871	14,304,352,770
2014-15	13,650,652,805	1,244,971,467	14,895,624,272
2015-16	14,283,534,240	1,197,263,526	15,480,797,766
2016-17	15,074,300,488	1,381,715,511	16,456,015,999
2017-18	15,850,972,006	1,423,348,022	17,274,320,028
2018-19	17,421,411,964	1,765,066,449	19,186,478,413
2019-20	19,123,130,609	1,727,417,402	20,850,548,011

Source: City Comprehensive Audited Financial Reports for fiscal years 2010-11 through 2018-19; County Assessor-County Clerk-Recorder for fiscal year 2019-20.

The County operates under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the County. The City’s share of the *ad valorem* property tax levy is included in the County’s Teeter Plan. As a result, the City currently receives 100% of such levy and is not impacted by delinquencies in payment. However, the County may choose to discontinue to the Teeter Plan at any time.

The 10 largest taxpayers in the City as shown on the fiscal year 2018-19 secured tax roll, the assessed valuation, land use and the percentage of the City’s total assessed value attributable to each are shown in the below table.

TABLE 6
CITY OF SOUTH SAN FRANCISCO
TEN PRINCIPAL TAXPAYERS

	<i>Property Owner</i>	<i>2018-19 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>	<i>Land Use</i>
1.	Genentech Inc.	\$ 2,628,033,718	13.70%	Industrial, Office, R&D
2.	Slough SSF LLC	646,570,261	3.37	Industrial
3.	ARE San Francisco LLC	454,787,159	2.37	Industrial, Commercial
4.	HCP Oyster Point III LLC	439,463,289	2.29	Commercial, Office
5.	Brittania Pointe Grand LP	309,612,762	1.61	Industrial
6.	United Airlines Inc.	271,668,869	1.42	Industrial
7.	AP3-SF2 CT South LLC	216,949,238	1.13	Commercial, Office
8.	KR Oyster Point LLC	169,580,792	0.88	Commercial, Office
9.	Gateway Center LLC	149,332,266	0.78	Commercial
10.	SSF Logistics Inc.	<u>127,129,688</u>	<u>0.66</u>	Business, Commercial
	Total	\$ 5,413,128,002	28.21%	

⁽¹⁾ 2018-19 Local Secured Assessed Valuation: \$19,186,478,413.
Source: City of South San Francisco.

Between fiscal years 2015-16 and 2017-18, the City experienced significant increases in residential and commercial building activity. See “ECONOMIC AND DEMOGRAPHIC INFORMATION—Building Activity” below.

In addition, there are currently several large-scale commercial and office development projects either underway or proposed for development within the City. Brief descriptions of certain of such projects and their current status are as follows: (i) the Southline project, which is a proposed office campus with up to 2.8 million square feet of office or lab space located on a 26-acre former industrial warehouse site (application submitted to the City); (ii) the Gateway of the Pacific project, which is a three-phased office and laboratory campus totaling approximately 1.3 million square feet at buildout (first phase (approximately 450,000 square feet) is complete and fully leased, and the second phase is under construction); and (iii) the Kilroy Oyster Point project, which is a two-phased office and research and development campus totaling approximately 2.2 million square feet (phase one (approximately 500,000 square feet) is complete and fully leased). While the foregoing building activity, if completed as currently planned, can be expected to increase the assessed valuation of property and property tax revenues, no assurances can be given as to the completion thereof or any such increase.

Sales Taxes

During fiscal year 2018-19, sales tax receipts of approximately \$32.3 million provided the second largest tax revenue source for the City, contributing approximately 24.3% of total General Fund revenues. Sales tax receipts of approximately \$31.1 million are budgeted to be received during fiscal year 2019-20, which includes approximately \$12.3 million of revenues generated by the Measure W Sales Tax (defined below). A sales tax is imposed on retail sales or consumption of personal property. The current total sales tax rate in the City is 9.75%, which includes the Measure W Sales Tax rate increase of 0.5%.

The basic sales tax rate is established by the State Legislature, and local overrides may be approved by voters. In an election on November 3, 2015, a majority of voters in the City approved Measure W, a general sales tax measure that imposes a 0.5% tax on retail sales within the City (the “Measure W Sales Tax”). The Measure W Sales Tax commenced on April 1, 2016 and will be collected for a thirty-year period ending on March 31, 2046. While such sales tax revenues are available to the General Fund for general City projects and services, the City’s current practice for budgetary purposes is to separate such portion of the sales tax from the General Fund.

The following table shows the sales tax revenues from the City’s share of the basic sales tax, Measure W Sales Tax revenues and total sales tax revenues since the 0.5% increase went into effect on April 1, 2016.

**TABLE 7
CITY OF SOUTH SAN FRANCISCO
SALES TAX REVENUES**

<i>Fiscal Year</i>	<i>General Sales Tax Revenues</i>	<i>Measure W Sales Tax Revenues</i>	<i>Total Sales Tax Revenues</i>
2015-16 ⁽¹⁾	\$ 16,217,000	\$ 1,493,425	\$ 17,710,425
2016-17	15,593,032	8,886,444	24,479,476
2017-18	17,566,189	11,162,238	28,728,427
2018-19	19,606,689	12,644,947	32,251,636

⁽¹⁾ The 0.5% increase in the City’s sales tax rate authorized by Measure W went into effect on April 1, 2016. Fiscal year 2015-16 amount reflects three months of Measure W Sales Tax receipts.

Source: City of South San Francisco.

The following table shows the top twenty sales tax payers (in alphabetical order) within the City as of _____, 2020.

TABLE 8
CITY OF SOUTH SAN FRANCISCO
TWENTY PRINCIPAL SALES TAX PAYERS
(in alphabetical order)

<i>Property Owner</i>	<i>Property Owner</i>
7-Eleven Food Stores	Fuel 24:7 Service Stations
Ahern Rentals	Genentech
Blueprint Studio	Hertz Rent-A-Car
Bon Appetit Management Co.	Lowe's Home Centers
Central Concrete Supply Co.	Monogram Biosciences
Chevron Service Stations	Safeway Stores
Costco Wholesale	Shell Service Stations
Granite Rock Company	Shift Operations
Flyers Energy	Sixt Rent a Car
Freeman Decorating Services	South City Lumber & Supply

Source: City of South San Francisco.

Transient Occupancy Tax

A transient occupancy tax is imposed on persons staying 30 days or less in a hotel, motel, inn or other lodging place within the City. In fiscal year 2018-19, transient occupancy tax receipts were approximately \$17.1 million, providing approximately 12.9% of total General Fund revenues. Transient occupancy tax revenues of approximately \$16.8 million are budgeted to be received during fiscal year 2019-20. In an election on November 6, 2018, a majority of voters in the City approved Measure FF, which incrementally increases the transient occupancy tax rate to 14%. The current transient occupancy tax rate is 13% of the room rate and will increase to 14% on January 1, 2021. The increases authorized by Measure FF do not expire.

In the adopted budget for fiscal year 2019-20, the City projected a 6% increase in transient occupancy taxes over the fiscal year 2018-19 adopted budget. The City attributes such estimated increases to the higher transient occupancy tax rate authorized by Measure FF, new hotels which are expected to open during such time period and indicators (i.e. passenger traffic at San Francisco International Airport, average hotel room rates and average occupancy rates) that show a relatively strong tourism industry in the San Francisco Bay area.

In June 2019, the City Council adopted an ordinance which requires the payment of transient occupancy taxes for short term rentals of residential dwelling units (i.e. those made available through platforms such as AirBnB and VRBO). While such ordinance could result in an increase in transient occupancy tax receipts, the City can make no assurances as to any increase or the amount of such increase.

Licenses and Permits

The City collects fees for licenses and permits provided by the City, including, but not limited to, regulatory permits, conditional use permits, development permits, plan check and permitting, building permits and inspections and other development fees. In fiscal year 2018-19, the City collected approximately \$15.4 million, providing approximately 11.6% of total General Fund revenues. License and permit fees of approximately \$12.1 million are budgeted to be received during fiscal year 2019-20.

The City has experienced significant increases in license and permit fee revenues in the last five fiscal years, increasing from approximately \$4.8 million in fiscal year 2014-15 to approximately \$15.4 million in fiscal year 2018-19. Such increases have been driven primarily by increased residential and commercial building activity in the City. See “ECONOMIC AND DEMOGRAPHIC INFORMATION—Building Activity” below.

Charges for Services

In fiscal year 2018-19, charges of approximately \$11.6 million (approximately 8.7% of total General Fund revenues) were collected for services including paramedic and basic life support service fees, certain police service fees, charges for recreational classes, day care, and library programs, as well as the General Fund administration fee charged to other funds. Charges for services are budgeted at approximately \$10.4 million in fiscal year 2019-20.

Rental Revenues from Property Leases

From time-to-time the City enters into leases with respect to City-owned property which generates rental revenues. The City has entered into a lease with the Conference Center Authority for the site on which the South San Francisco Conference Center is located. Pursuant to such lease, the Conference Center Authority pays annual rental payments to the City of \$420,000. Such lease expires on January 31, 2029 unless further extended.

The City has also leased the land on which a Costco store and the Magnolia Senior Housing Apartments are located with Price Club Associates and Magnolia Housing, respectively. Such leases generate in the aggregate approximately \$451,800 annually for the City. The lease with Price Club Associates terminates in 2029 (with an option for a six-year extension), and the lease with Magnolia Housing terminates in 2062.

[The revenues generated by the foregoing leases are included in the City’s General Fund.]

Indebtedness

Long-Term Debt. The City’s long-term obligations payable from the General Fund currently consist of financing leases entered into for the purpose of acquiring fire trucks and street sweepers. As of June 30, 2019, the aggregate amount outstanding under such financing leases was \$5,598,771.

The City has also entered into loans obtained from the State Water Resources Control Board and outstanding bonds which were issued to finance improvements to the City’s water and wastewater systems. Such loans and outstanding bonds are secured revenues of the water and wastewater system and are not payable from the General Fund.

See Note 5 to the City’s audited financial statements for fiscal year 2018-19 attached hereto as Appendix C for a description of the City’s outstanding indebtedness.

Short-Term Debt. The City currently has no short-term debt outstanding.

Retirement System

This caption contains certain information relating to the California Public Employees Retirement System (“CalPERS”). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The City has not independently verified the information provided by CalPERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Summary of Plans. The City contributes to CalPERS, an agent multiple-employer public employee defined benefit pension plan, on behalf of approximately 426 active City employees who participate in the City's Miscellaneous Plan or the City's Safety Plan. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the City. CalPERS plan benefit provisions and all other requirements are established by State statute and the City Council.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The City participates in separate CalPERS tiers within the Miscellaneous and Safety plans for employees based on hire date. The City's plans are part of CalPERS risk pools. Benefit provisions for each plan as of June 30, 2019 are set forth below.

	<i>Miscellaneous</i>		
	Prior to April 25, 2010	After April 25, 2010 but prior to January 1, 2013	On or after January 1, 2013
Hire Date			
Benefit Formula	2.7% @ 55	2.0% @ 60	2% @ 62
Benefit Vesting Schedule	5 years service	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life	monthly for life
Retirement Age	50-55	50-67	52-67
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.7%	1.092% - 2.418%	1.0% - 2.5%
Required Employee Contribution Rates	8%	7%	6.5%
Required Employer Contribution Rates ⁽¹⁾	29.179%	29.179%	6.5%

⁽¹⁾ As described under "—Contributions" below, such percent CalPERS no longer collects required contributions for the unfunded portion of pension liability based on a percentage of payroll. Percentages are provided by CalPERS for illustrative purposes.

	<i>Safety</i>		
	Prior to April 25, 2010	After April 25, 2010 but prior to January 1, 2013	On or after January 1, 2013
Hire Date			
Benefit Formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit Vesting Schedule	5 years service	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life	monthly for life
Retirement Age	50	50-55	50-57
Monthly Benefits, as a % of Eligible Compensation	3.0%	2.4% - 3.0%	2.0% - 2.7%
Required Employee Contribution Rates	9%	9%	11.5%
Required Employer Contribution Rates ⁽¹⁾	48.901%	48.901%	11.5%

⁽¹⁾ As described under “—*Contributions*” below, such percent CalPERS no longer collects required contributions for the unfunded portion of pension liability based on a percentage of payroll. Percentages are provided by CalPERS for illustrative purposes.

As of the June 30, 2017 actuarial valuation date and the June 30, 2018 measurement date, the following employees were covered by the benefit terms of the plans:

<i>Description</i>	<i>Number of members</i>	
	<i>Miscellaneous Plan</i>	<i>Safety Plan</i>
Inactive Employees or Beneficiaries Receiving Benefits	440	284
Inactive Employees Entitled to but Not Yet Receiving Benefits	334	105
Active employees	<u>281</u>	<u>159</u>
Total	1,055	548

AB 340, Public Employee Pension Reform Act of 2013 (PEPRA). On September 12, 2012, the California Governor signed Assembly Bill 340 (“AB 340”), which implements pension reform in California. Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer-paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36-month period; and (v) caps pensionable income at \$110,100 (\$132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases. Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit.

Pursuant to AB 340, the City established new pension tiers: 2.0% at 62 for Miscellaneous and 2.7% at 57 for Safety for employees hired on or after January 1, 2013 who were not previously CalPERS members.

Contributions. Section 20814(c) of the California Public Employee’s Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are the estimated amount necessary to finance the costs of benefits earned by employees during the years, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the City’s required contributions for the Miscellaneous Plan and Safety Plan were \$5,228,454 and \$8,071,060, respectively. For the year ended June 30, 2019, the City’s required contributions for the Miscellaneous Plan and Safety Plan were \$6,165,764 and \$9,323,936, respectively. Such amounts were paid by the City.

Beginning with fiscal year 2017-18 CalPERS began collecting employer contributions toward the plan’s unfunded liability as dollar amounts instead of the prior method of a contribution rate. According to CalPERS, this change was to address potential funding issues that could arise from a declining payroll or reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to the underfunding of the plans. Due to stakeholder feedback regarding internal needs for total contributions expressed as an estimated percentage of payroll, the CalPERS reports include such results in the contribution projection set forth in the tables below. These results are provided for information purposes only. Contributions toward the unfunded liability will continue to be collected as set dollar amounts.

The tables below are derived from the City of South San Francisco Annual Valuation Reports with valuation dates as of June 30, 2018 and delivered in July 2019 for the Miscellaneous and Safety plans (together, the “2019 Report”) and show the required and projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in the 2019 Report. Such projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages in the projections below does not reflect that the normal cost will decline over the time as new employees are hired into PEPRA or other lower cost benefit tiers.

<i>Fiscal Year</i>	<i>Required Contribution</i>	<i>Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2018-19)</i>				
	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>	<i>2025-26</i>
<i>Safety Plan</i>						
Normal Cost %	21.214%	21.2%	21.2%	21.2%	21.2%	21.2%
UAL Payment	\$8,098,777	\$9,147,000	\$10,086,000	\$10,640,000	\$11,187,000	\$11,494,000
Total as a % of Payroll*	56.7%	60.3%	63.1%	64.2%	65.2	65.2%
Projected Payroll	\$22,796,603	\$23,423,509	\$24,067,656	\$24,729,517	\$24,409,579	\$26,108,343
<i>Miscellaneous Plan</i>						
Normal Cost %	10.277%	10.3%	10.3%	10.3%	10.3%	10.3%
UAL Payment	\$6,046,957	\$6,741,000	\$7,352,000	\$7,727,000	\$8,121,000	\$8,345,000
Total as a % of Payroll*	33.8%	35.8%	37.3%	37.9%	38.6%	38.6%
Projected Payroll	\$25,751,395	\$26,459,559	\$27,187,196	\$27,934,844	\$28,703,052	\$29,492,386

* Illustrative only and based on the projected payroll shown.
Source: CalPERS’ 2019 Report.

No assurance can be provided that the City’s CalPERS plan expenses will not increase significantly in the future.

Net Pension Liability. The City’s net pension liability is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. For the June 30, 2018 measurement period, total pension liabilities were based on a June 30, 2017 actuarial valuation date and the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Salary Increase	Varies by Entry Age and Service
Investment Rate of Return ⁽¹⁾	7.15%
Mortality Rate Table ⁽²⁾	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

⁽¹⁾ Net of investment and administrative expenses and includes inflation.

⁽²⁾ The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of MP 2016.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a December 2017 actuarial experience study for the period from 1997 to 2015.

The following table shows the changes in net pension liability recognized over the measurement period.

	<i>Total Pension Liability (a)</i>	<i>Increase (Decrease) Plan Fiduciary Net Position (b)</i>	<i>Net Pension Liability/(Assets) (c)=(a)-(b)</i>
Miscellaneous Plan			
Balance at June 30, 2017 (Valuation Date) ⁽¹⁾	\$ 227,427,722	\$ 149,962,251	\$ 77,465,471
Changes Recognized for the Measurement Period:			
Service Cost	4,001,207	-	4,001,207
Interest on Total Pension Liability	15,885,315	-	15,885,315
Changes of Assumptions	(1,361,078)	-	-
Differences Between Expected and Actual Experience	187,342	-	187,342
Plan to Plan Resource Movement	-	(365)	365
Contributions – Employer	-	6,165,764	(6,165,764)
Contributions – Employees	-	1,727,041	(1,727,041)
Net Investment Income	-	12,458,090	(12,458,090)
Benefit Payments, Including Refunds Of Employee	(12,164,689)	(12,164,689)	-
Contributions			
Administrative Expense	-	(233,683)	233,683
Other Miscellaneous Income/(Expense)	-	(443,767)	443,767
Net Changes	<u>6,548,097</u>	<u>7,508,391</u>	<u>(960,294)</u>
Balance at: June 30, 2018 (Measurement Date) ⁽¹⁾	<u>\$ 233,975,819</u>	<u>\$ 157,470,642</u>	<u>\$ 76,505,177</u>
Safety Plan			
Balance at June 30, 2017 (Valuation Date) ⁽¹⁾	\$ 314,037,249	\$ 208,630,800	\$ 105,406,449
Changes Recognized for the Measurement Period:			
Service Cost	6,511,672	-	6,511,672
Interest on Total Pension Liability	22,129,483	-	22,129,483
Changes of Assumptions	(1,293,579)	-	(1,293,579)
Differences Between Expected and Actual Experience	1,318,613	-	1,318,613
Plan to Plan Resource Movement	-	(512)	512
Contributions – Employer	-	9,323,936	(9,323,936)
Contributions – Employees	-	2,134,552	(2,134,552)
Net Investment Income	-	17,363,158	(17,363,158)
Benefit Payments, Including Refunds of Employee	(15,629,698)	(15,629,698)	-
Contributions			
Administrative Expense	-	(325,104)	328,104
Other Miscellaneous Income/(Expense)	-	(617,378)	617,378
Net Changes	<u>13,036,491</u>	<u>12,248,954</u>	<u>787,537</u>
Balance at June 30, 2018 (Measurement Date) ⁽¹⁾	<u>\$ 327,073,740</u>	<u>\$ 220,879,754</u>	<u>\$ 106,193,986</u>

⁽¹⁾ The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.

On June 25, 2012, the Governmental Accounting Standards Board approved GASB Statement No. 68 (“GASB 68”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. GASB 68 states that, for pensions within the scope of the statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. While the new accounting standards change financial statement reporting requirements, they do not impact funding policies of the pension systems. The audited financial statements of the City for fiscal year 2018-19 reflect the application of the GASB 68. GASB 68 is a change in accounting reporting standards but it does not change the City’s CalPERS plan funding obligations.

The following presents the net pension liability of the City’s Miscellaneous Plan and Safety Plan as of the June 30, 2018 measurement date, calculated using the discount rate of 7.15 percent, as well as what the net

pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	<i>Discount Rate – 1%</i> <i>(6.15%)</i>	<i>Current Discount Rate</i> <i>(7.15%)</i>	<i>Discount Rate + 1%</i> <i>(8.15%)</i>
Miscellaneous Plan's Net Pension Liability	\$ 106,628,983	\$ 76,505,177	\$ 51,566,615
Safety Plan's Net Pension Liability	<u>151,151,365</u>	<u>106,193,986</u>	<u>69,322,327</u>
Total Net Pension Liability	<u>\$ 257,780,348</u>	<u>\$ 182,699,163</u>	<u>\$ 120,888,942</u>

For the year ended June 30, 2019, the City recognized pension expense as follows:

<i>Miscellaneous</i>	<i>Safety</i>	<i>Total Plans</i>
\$12,587,621	\$17,406,955	\$29,994,576

Note that no adjustments have been made for contributions subsequent to the measurement date.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Miscellaneous Plan		
Contributions Made Subsequent to the Measurement Date	\$ 6,851,612	\$ --
Change in Assumptions	3,220,352	(874,979)
Difference Between Expected and Actual Experience	628,106	--
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>422,905</u>	<u> </u>
Miscellaneous Plan Total	<u>\$ 11,122,975</u>	<u>\$ (874,979)</u>
Safety Plan		
Contributions Made Subsequent to the Measurement Date	\$ 10,164,821	--
Difference Between Expected and Actual Experience	7,095,088	(913,115)
Change in Assumptions	2,711,451	(152,544)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>684,378</u>	<u> </u>
Safety Plan Total	<u>\$ 20,655,738</u>	<u>\$ (1,065,659)</u>
Totals	<u>\$ 31,778,713</u>	<u>\$ (1,940,638)</u>

\$17,016,433 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Deferred Outflows/(Inflows) of Resources

<i>Measurement Period Ended June 30,</i>	<i>Miscellaneous</i>	<i>Safety</i>	<i>Total Plans</i>
2020	\$ 5,252,328	\$ 9,406,529	\$ 14,668,857
2021	99,663	2,680,468	2,780,131
2022	(1,565,708)	(2,131,680)	(3,697,388)
2023	(389,899)	(530,059)	(919,958)

For additional information with respect to the discount rate, deferred outflows/(inflows) of resources, and recognition of gains and losses, see Note 7 to the City’s audited financial statements for fiscal year 2018-19 attached hereto as Appendix C.

Funded Status. The tables below are derived from the 2019 Report and show the funded status of the Safety Plan and Miscellaneous Plan as of the valuation dates shown.

Safety Plan

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Market Value of Assets</i>	<i>Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
06/30/2014	\$262,658,350	\$195,485,441	\$67,172,909	74.4%	\$17,438,756
06/30/2015	272,709,925	194,898,121	77,811,804	71.5	18,679,533
06/30/2016	292,968,688	191,629,326	101,339,362	65.4	19,645,492
06/30/2017	311,121,026	208,173,300	102,947,726	66.9	21,100,030
06/30/2018	336,135,831	221,056,300	115,079,531	65.8	21,014,770

Miscellaneous Plan

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Market Value of Assets</i>	<i>Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
06/30/2014	\$195,184,332	\$143,487,656	\$51,696,676	73.5%	\$17,659,528
06/30/2015	201,849,821	142,062,698	59,787,123	70.4	18,331,815
06/30/2016	213,904,611	138,845,967	75,058,644	64.9	21,645,275
06/30/2017	224,239,098	149,630,762	74,608,336	66.7	22,532,802
06/30/2018	241,027,844	157,597,543	83,430,301	65.4	23,738,609

Source: CalPERS’ 2019 Report.

CalPERS Plan Actuarial Methods. The staff actuaries at CalPERS prepare annually an actuarial valuation which is typically delivered in the time period from July through October of each year (thus, the actuarial valuation dated July 2019 covered CalPERS’ fiscal year ended June 30, 2018). The actuarial valuations express the City’s required contribution which the City must contribute in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (thus, the City’s contribution requirement derived from the actuarial valuation as of June 30, 2018 and shown in the report delivered in July 2019 affects the City’s fiscal year 2020-21 required contribution). CalPERS rules require the City to implement the actuary’s recommended rates.

The CalPERS Chief Actuary considers various factors in determining the assumptions to be used in preparing the actuarial report. Demographic assumptions are based on a study of the actual history of retirement, rates of termination/separation of employment, years of life expectancy after retirement, disability,

and other factors. This experience study is generally done once every four years. The most recent experience study was completed in 2017 in connection with the preparation of actuarial recommendations by the CalPERS Chief Actuary as described below.

In December 2016, the CalPERS Board approved lowering the funding discount rate to be phased in over three years: for fiscal year 2018-19 to a rate of 7.375 percent; for fiscal year 2019-20 to a rate of 7.25 percent; and for fiscal year 2020-21 to a rate of 7.0 percent. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate. As noted above, there is an approximately fifteen month lag between the time that CalPERS provides its annual actuarial valuation and the fiscal year in which the required contribution therein impacts the City.

On November 18, 2015, the CalPERS Board adopted a Funding Risk Mitigation Policy that seeks to reduce funding risk over time. It establishes a mechanism whereby CalPERS investment performance that significantly outperforms the discount rate triggers adjustments to the discount rate, expected investment return, and strategic asset allocation targets. Reducing the volatility of investment returns is expected to increase the long-term sustainability of CalPERS pension benefits for members. In February 2017, the CalPERS Board revised the Funding Risk Mitigation Policy. The revisions include suspension of the policy until fiscal year 2020-21, and a decrease of the required first excess investment return threshold from 4% to 2%.

On February 14, 2018, the CalPERS Board of Administration adopted revisions to its actuarial amortization policy. Major revisions that affect state plans were made to the amortization of investment gains and losses, as well as to actuarial surplus. For the amortization of investment gains and losses, the amortization period was reduced from 30 years to 20 years, and the 5-year direct smoothing process was removed from the end of the amortization period. Amortization of actuarial surplus was eliminated. These policy revisions will be applied to the amortization of investment gains and losses, and actuarial surplus, experienced on or after June 30, 2019. These revisions will affect contributions starting in fiscal year 2020-21.

Other Post-Employment Benefits

The Retiree Health Plan. For employees hired prior to April 25, 2010, the City provides certain healthcare benefits for employees who retire after attaining age 50 with at least five years of service or disability at any age. For employees hired after April 25, 2010, the City offers a defined contribution post-retirement healthcare plan and contributes 1.5% of salary to such plan. For additional information with respect to the benefits offered under the City’s other post-employment benefit plan (“OPEB”), see Note 9 to the audited financial statements for fiscal year 2018-19 attached hereto as Appendix C.

At June 30, 2018, membership consisted of the following:

Active Plan Members	388
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	<u>231</u>
Total	<u>619</u>

Total OPEB Liability. The City participates in the CalPERS California Employer’s Retiree Benefit Trust Program, a prefunding plan trust fund. The City’s total OPEB Liability was measured as of June 30, 2018 using an actuarial valuation as of June 30, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates. For the actuarial assumptions used to determine the City’s total OPEB liability as of June 30, 2018, see Note 9 to the audited financial statements for fiscal year 2018-19 attached hereto as Appendix C.

In June 2015, GASB issued Statement No. 75, which became effective for fiscal years beginning after June 15, 2017. The primary objective of Statement No. 75 is to improve accounting and financial reporting by

state and local governments for postemployment benefits other than pensions (i.e. OPEB). Statement No. 75 is also intended to improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Statement No. 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

More specifically, Statement No. 75 requires the liability of employers to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. Statement No. 75 requires the recognition of the total OPEB liability in the Statement of Net Position. As a result of the implementation of GASB Statement No. 75, the City restated its governmental and business-type activities net position in the amounts of \$91,263,899 and \$12,098,781, respectively.

For the year ended June 30, 2019, the City recognized OPEB expense of \$5,420,533 and total contributions to the OPEB plan was \$4,180,000. The following shows the schedule of changes in the total OPEB liability for the measurement period of July 1, 2017 to June 30, 2018.

	<i>Increase (Decrease)</i>		
	<i>Total OPEB Liability (a)</i>	<i>Plan Fiduciary Net Position (b)</i>	<i>Net OPEB Liability/(Asset) (c) = (a) - (b)</i>
Balance at June 30, 2017 Measurement Date	\$ 79,000,000	\$ 19,710,000	\$ 59,290,000
Changes Recognized for the Measurement Period			
Service Cost	1,535,000	-	1,535,000
Interest on the Total OPEB Liability	5,325,000	-	5,325,000
Changes in Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	91,000	-	91,000
Changes of Assumptions	-	-	-
Contributions from the Employer	-	4,128,000	(4,128,000)
Net Investment Income	-	1,566,000	(1,566,000)
Benefit Payments	(3,326,000)	(3,326,000)	-
Administrative Expenses	-	(37,000)	37,000
Net Changes during July 1, 2016 to June 30, 2017	<u>3,625,000</u>	<u>2,331,000</u>	<u>1,294,000</u>
Balance at June 30, 2018 Measurement Date	<u>\$ 82,625,000</u>	<u>\$ 22,041,000</u>	<u>\$ 60,584,000</u>

Sensitivity to Changes in Discount Rate and Healthcare Cost Rate. The following what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75 percent) or 1-percentage point higher (7.75 percent) than the current discount rate:

Plan's Total OPEB Liability/(Asset)

<i>Discount Rate -1%</i>	<i>Current Discount</i>	<i>Discount Rate +1</i>
5.57%	6.75%	7.75%
\$72,219,000	\$60,584,000	\$51,052,000

The following presents what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower than the current healthcare cost trend rates. The current assumed healthcare trend rates are 7.5% for non-Medicare and 6.5% for Medicare.

Plan's Total OPEB Liability/(Asset)

1% Decrease	Trend Rate	1% Increase
\$49,567,000	\$60,584,000	\$74,215,000

For additional information with respect to the City's OPEB plan, see Note 9 to the audited financial statements for fiscal year 2018-19 attached hereto as Appendix C.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

The City's population as of January 1, 2019 was approximately 67,078. This represents an increase of approximately 0.04 percent from January 1, 2018. The following table shows the population for the City, the County and the State of California from 2015 through 2019.

**POPULATION
For Years 2015 through 2019**

Year (January 1)	City of South San Francisco	County of San Mateo	State of California
2015	66,819	760,679	38,952,462
2016	66,981	766,649	39,214,803
2017	66,990	769,570	39,504,609
2018	67,054	772,372	39,740,508
2019	67,078	774,485	39,927,315

Source: State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2019, with 2010 Census Benchmark*, Sacramento, California, May 2019.

Education

K-12 public instruction in the City is provided by South San Francisco Unified School District, which encompasses the City and parts of Daly City and San Bruno. The City is also served by the San Mateo Community College District.

Building Activity

Residential and nonresidential building activity for 2014 through 2018 for the City is shown in the following tables.

**NEW HOUSING UNITS BUILDING PERMITS
City of South San Francisco
For Years 2014 through 2018**

	2014	2015	2016	2017	2018
Single Family Units	2	2	4	7	13
Multifamily Units	<u>3</u>	<u>35</u>	<u>95</u>	<u>352</u>	<u>161</u>
Total Units	<u>5</u>	<u>37</u>	<u>99</u>	<u>359</u>	<u>174</u>

Source: Construction Industry Research Board and California Homebuilding Foundation.

BUILDING PERMIT VALUATIONS
City of South San Francisco
(Dollars in Thousands)

	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Residential					
New Single Family	\$ 500	\$ 940	\$ 1,017	\$ 2,702	\$ 1,396
New Multifamily	650	6,042	13,539	78,722	3,398
Res. Alt. & Adds	<u>7,485</u>	<u>18,119</u>	<u>10,320</u>	<u>17,287</u>	<u>15,363</u>
Total Residential	\$ 8,635	25,101	\$ 24,876	\$ 98,711	\$ 20,157
Nonresidential					
New Commercial	\$ 117,643	46,621	169,425	\$ 450,445	\$ 262,381
New Industrial	0	0	0	0	0
New Other ⁽¹⁾	5,186	2,775	2,101	64,666	6,096
Alters. & Adds.	<u>98,864</u>	<u>128,808</u>	<u>185,436</u>	<u>138,482</u>	<u>243,227</u>
Total Non-Residential	\$ 221,693	\$ 178,203	\$ 356,962	\$ 653,592	\$ 511,704
Total All Building	<u>\$ 230,328</u>	<u>\$ 203,305</u>	<u>\$ 381,838</u>	<u>\$ 752,303</u>	<u>\$ 531,861</u>

⁽¹⁾ Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings.

Note: "Total All Building" is the sum of Residential and Nonresidential Building Permit Valuations. Totals may not add to sum because of independent rounding.

Source: Construction Industry Research Board and California Homebuilding Foundation.

Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

The following table summarizes per capita personal income for the City, the County, the State of California and the United States for the years 2010 through 2018. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME⁽¹⁾
City of South San Francisco, County of San Mateo, State of California, and United States
2010-2018

<i>Year</i>	<i>City of South San Francisco</i>	<i>County of San Mateo</i>	<i>California</i>	<i>United States</i>
2010	\$29,118	\$73,805	\$43,634	\$40,546
2011	30,053	79,903	46,170	42,735
2012	30,446	88,058	48,798	44,599
2013	30,523	87,711	49,277	44,851
2014	30,923	93,765	52,324	47,058
2015	32,744	102,606	55,758	48,978
2016	33,120	107,207	57,739	49,870
2017	35,193	117,389	60,156	51,885
2018	36,092	126,392	63,557	54,446

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis and the City of South San Francisco.

Employment

The civilian labor force in the City totaled 82,700 in 2018, a 3.6 percent increase from 2017. For the past five years the unemployment rate in the City and the County has been below the State of California's rate. The following table summarizes the labor force, employment and unemployment figures over the past five years for the City, the County, the State of California and the nation as a whole.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT Yearly Average for Years 2014 through 2018

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment⁽¹⁾</i>	<i>Unemployment⁽²⁾</i>	<i>Unemployment Rate (%)⁽³⁾</i>
2014				
City of South San Francisco	37,200	35,600	1,700	4.5%
San Mateo County	426,900	408,900	18,000	4.2
State of California	18,758,400	17,351,300	1,407,100	7.5
United States ⁽⁴⁾	155,922,000	146,305,000	9,617,000	6.2
2015				
City of South San Francisco	37,700	36,300	1,400	3.6%
San Mateo County	434,700	419,800	14,800	3.4
State of California	18,896,500	17,724,800	1,171,700	6.2
United States ⁽⁴⁾	157,130,000	148,834,000	8,296,000	5.3
2016				
City of South San Francisco	38,200	37,000	1,200	3.2%
San Mateo County	442,100	428,700	13,500	3.0
State of California	19,093,700	18,048,800	1,044,800	5.5
United States ⁽⁴⁾	159,187,000	151,436,000	7,751,000	4.9
2017				
City of South San Francisco	38,500	37,400	1,100	2.9%
San Mateo County	446,100	433,900	12,100	2.7
State of California	19,312,000	18,393,100	918,900	4.8
United States ⁽⁴⁾	160,320,000	153,337,000	6,982,000	4.4
2018				
City of South San Francisco	39,200	38,300	900	2.3%
San Mateo County	454,900	444,900	10,000	2.2
State of California	19,398,200	18,582,800	815,400	4.2
United States ⁽⁴⁾	162,075,000	155,761,000	6,314,000	3.9

(1) Includes persons involved in labor-management trade disputes.

(2) Includes all persons without jobs who are actively seeking work.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

(4) Not strictly comparable with data for prior years.

Note: Data is not seasonally adjusted.

Source: California Employment Development Department, based on March 2018 benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

The table below summarizes employment by industry in the San Mateo County from 2014 to 2018. Service Providing, Professional and Business Services and Government are the largest employment sectors in the County.

AVERAGE ANNUAL INDUSTRY EMPLOYMENT 2014-2018
San Mateo County

	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Total Farm	1,800	1,800	1,800	1,700	1,400
Total Nonfarm	368,000	375,100	390,500	391,800	403,500
Goods Producing	41,200	42,800	43,500	45,000	45,500
Natural Resources, Mining and	15,700	17,400	18,100	18,900	19,400
Construction					
Manufacturing	25,500	25,400	25,400	26,100	26,100
Service Providing	326,800	332,400	347,100	346,800	358,000
Trade, Transportation and Utilities	72,300	74,100	76,400	70,800	71,200
Wholesale Trade	11,600	12,200	12,100	12,000	11,800
Retail Trade	34,900	33,700	33,900	33,700	34,100
Transportation, Warehousing and					
Utilities	27,800	28,200	30,500	25,200	25,200
Information	26,700	27,900	31,600	34,800	39,100
Financial Activities	21,700	21,600	22,500	22,400	23,300
Professional and Business Services	75,200	76,200	81,700	81,200	83,600
Educational and Health Services	43,000	44,100	45,000	47,000	48,500
Leisure and Hospitality	40,900	42,200	42,600	43,600	45,400
Other Services	13,900	14,000	13,900	13,600	13,800
Government	<u>31,200</u>	<u>32,300</u>	<u>33,300</u>	<u>33,300</u>	<u>33,200</u>
Total, All Industries	369,800	376,900	392,300	393,500	404,900

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, San Mateo-Carlsbad MSA Annual Average Labor Force and Industry Employment, March 2018 Benchmark.

Industry

The following tables list the largest private and public employers in the City:

MAJOR EMPLOYERS
City of South San Francisco
2019

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	Genentech Inc.	8,632	Pharmaceutical
2.	Costco Wholesale (3 stores)	834	Retail
3.	Life Technologies Corporation	622	Biotechnology
4.	Amgen San Francisco LLC	500	Biotechnology/Pharmaceutical
5.	MRL San Francisco LLC (2 locations)	449	Biotechnology
6.	Successfactors, Inc.	352	Software Development
7.	ZS Associates, Inc.	300	Consultant Management
8.	Amazon.com Services, Inc.	291	Online Retailer
9.	Fluidigm Corporation	223	Biotechnology
10.	American Etc Inc./Royal Laundry	211	Commercial Laundry Services

Source: City of South San Francisco, Comprehensive Annual Financial Report, Fiscal Year Ending June 30, 2019.

Commercial Activity

The following table summarizes the annual volume of taxable transactions within the City for the years 2014 through 2018.

TABLE OF TOTAL TAXABLE TRANSACTIONS
City of South San Francisco
For the Years 2014 Through 2018
(Dollars in Thousands)

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2014	1,560	\$1,254,175
2015	1,692	1,309,289
2016	1,704	1,335,571
2017	1,702	1,440,756
2018	1,881	1,547,221

Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization for 2014. Taxable Sales in California, California Department of Tax and Fee Administration for 2015-2018.

Transportation

The City is accessible via various modes of transportation. Several Bay Area Rapid Transit (BART) stations are located in the City, providing rapid transit service to other cities in the San Francisco Bay area. The City is linked by Caltrain, a commuter rail, which runs from the San Jose area through the City and to the City of San Francisco. A ferry service runs from the Oyster Point Marina in the City to the east San Francisco Bay (cities of Oakland and Alameda). The City is intersected by two major freeways – U.S. Route 101 and Interstate 280. The City is located directly to the north of the San Francisco International Airport (SFO).

APPENDIX B

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

**AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE YEAR ENDED JUNE 30, 2019**

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

City of South San Francisco Public Facilities Financing Authority
South San Francisco, California

Re: \$_____ *City of South San Francisco Public Facilities Financing Authority (Police Station Project) Lease Revenue Bonds, 2020A*

Ladies and Gentlemen:

We have acted as bond counsel to the City of South San Francisco Public Facilities Financing Authority (the "Authority") in connection with the issuance by the Authority of \$_____ City of South San Francisco Public Facilities Financing Authority (Police Station Project) Lease Revenue Bonds, Series 2020A (the "Bonds"), pursuant to the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Law"), and pursuant to an Indenture, dated as of March 1, 2020 (the "Indenture"), by and among the Authority, the City of South San Francisco (the "City") and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Bonds will be principally secured by lease payments to be made by the City pursuant to a Lease Agreement, dated as of March 1, 2020 (the "Lease"), by and between the Authority and the City. We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. This opinion is based on current statutory and constitutional law and published court decisions as of the date hereof. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed thereto in the Indenture.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Indenture and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing we are of the opinion, under existing law, as follows:

1. The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California with the full power to enter into the Indenture and the Lease, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Indenture and the Lease have each been duly authorized and approved by the Authority and constitute the valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally, by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases, and by the limitations on legal remedies against public agencies in the State of California. The Indenture creates a valid pledge of the Base Rental Payments and other moneys pledged under the Indenture, subject to the provisions of the Indenture.

3. The Indenture and the Lease have each been duly authorized and approved by the City and constitute the valid and binding obligations of the City enforceable against the City in accordance with their respective terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally,

by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases, and by the limitations on legal remedies against public agencies in the State of California.

4. The Bonds have been duly and validly authorized by the Authority and are legal, valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally, by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases, and by the limitations on legal remedies against public agencies in the State of California. The Bonds are limited obligations of the Authority payable solely from the Base Rental Payments and other moneys pledged under the Indenture as provided in the Indenture, but are not a debt of the City, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and, neither the faith and credit nor the taxing power of the City, the State of California, or any of its political subdivisions is pledged for the payment thereof. The Authority has no taxing power.

5. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

6. Interest (and original issue discount) on the Bonds is exempt from personal income taxes imposed in the State of California.

7. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. Original issue discount that accrues to the Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals (as described in paragraph 5 above) and is exempt from State of California personal income tax.

8. The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner.

The opinions expressed in paragraphs (5) and (7) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds are subject to the condition that the City complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements. Except as set forth in paragraphs (5), (6), (7) and (8) above, we express no opinion as to any tax consequences related to the Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Lease and Tax Certificate may be changed, and certain actions may be taken, under the circumstances and subject to the terms

and conditions set forth in the Indenture, the Lease and Tax Certificate, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion of interest on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur). Our engagement with respect to the Bonds terminates upon their issuance, and we disclaim any obligation to update the matters set forth herein.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, nor do we express any opinion with respect to the state or quality of title to any of the real or personal property described in the Indenture or the Lease, or the accuracy or sufficiency of the description of any such property contained therein. We expressly disclaim any duty to advise the owners of the Bonds with respect to the matters contained in the Official Statement and any other offering material relating to the Bonds.

We have not made or undertaken to make an investigation of the state of title to any of the real property described in the Lease or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

Respectfully submitted,

APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2020A Bonds, payment of principal, premium, if any, accreted value and interest on the Series 2020A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2020A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2020A Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an

authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.