

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 2022A 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 2022A Bonds is exempt from State of California personal income taxes. See “TAX MATTERS.”

\$65,420,000

**CITY OF SOUTH SAN FRANCISCO PUBLIC FACILITIES FINANCING AUTHORITY
(MULTIPLE CAPITAL PROJECTS AT ORANGE MEMORIAL PARK)
LEASE REVENUE BONDS, SERIES 2022A**

Dated: Date of Delivery

Due: June 1, as shown on inside cover

The City of South San Francisco Public Facilities Financing Authority (Multiple Capital Projects at Orange Memorial Park) Lease Revenue Bonds, Series 2022A (the “Series 2022A 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 City-owned property as described herein (the “Property”) pursuant to a Lease Agreement, dated as of March 1, 2020, as supplemented and amended by the First Amendment to Lease Agreement dated as of June 1, 2021 and by the Second Amendment to Lease Agreement, dated as of June 1, 2022 (together, 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 2022A BONDS.” The Series 2022A Bonds are payable from the Base Rental Payments on a parity with the payments made by the City with respect to two series of lease revenue bonds previously issued by the Authority (the “Prior Bonds”) and any additional bonds issued under the Indenture (as defined below) in the future.

The Series 2022A Bonds are being issued to provide funds to (i) finance the costs of the acquisition, construction and installation of certain capital improvements of the City to be located at the City-owned Orange Memorial Park, as described herein, (ii) fund capitalized interest on the Series 2022A Bonds through June 30, 2024, and (iii) pay the costs incurred in connection with the issuance of the Series 2022A 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 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 2022A 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 2022A Bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2022. Purchasers will not receive certificates representing their interest in the Series 2022A Bonds. Individual purchases of the Series 2022A 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 2022A 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 2022A Bonds. See “THE SERIES 2022A BONDS—Book-Entry Only System” herein.

The Series 2022A Bonds will be issued pursuant to an Indenture, dated as of March 1, 2020, as supplemented by the First Supplemental Indenture, dated as of June 1, 2021 and the Second Supplemental Indenture, dated as of June 1, 2022 (together, the “Indenture”) each by and among the City, the Authority and the Trustee. The Prior Bonds, the Series 2022A Bonds and any additional bonds issued pursuant to the Indenture (“Additional Bonds”) are collectively referred to herein as the “Bonds.” The Authority has not funded a debt service reserve fund for the Series 2022A Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS.”

The Series 2022A Bonds are subject to optional, extraordinary and mandatory sinking fund redemption prior to maturity. See “THE SERIES 2022A BONDS—Redemption.”

The 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 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 2022A Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Stradling Yocca Carlson & 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, and for the Underwriter by Orrick, Herrington & Sutcliffe LLP, and for the Trustee by its counsel. It is anticipated that the Series 2022A Bonds in definitive form will be available for delivery through the facilities of DTC on or about June 8, 2022.

UBS

\$65,420,000
CITY OF SOUTH SAN FRANCISCO PUBLIC FACILITIES FINANCING AUTHORITY
(MULTIPLE CAPITAL PROJECTS AT ORANGE MEMORIAL PARK)
LEASE REVENUE BONDS, SERIES 2022A

MATURITY SCHEDULE

BASE CUSIP[†]: 840035

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†]</u>
2025	\$ 1,705,000	5.00%	2.37%	107.524	BV0
2026	1,795,000	5.00	2.47	109.535	BW8
2027	1,880,000	5.00	2.57	111.291	BX6
2028	1,975,000	5.00	2.69	112.682	BY4
2029	2,075,000	5.00	2.85	113.522	BZ1
2030	2,180,000	5.00	2.91	114.788	CA5
2031	2,290,000	5.00	2.96	114.405 ^C	CB3
2032	2,400,000	5.00	3.03	113.871 ^C	CC1
2033	2,520,000	5.00	3.18	112.738 ^C	CD9
2034	2,650,000	5.00	3.25	112.214 ^C	CE7
2035	2,780,000	5.00	3.32	111.692 ^C	CF4
2036	2,920,000	5.00	3.39	111.174 ^C	CG2
2037	3,065,000	5.00	3.44	110.805 ^C	CH0
2038	3,220,000	5.00	3.47	110.585 ^C	CJ6
2039	3,380,000	5.00	3.50	110.365 ^C	CK3
2040	3,550,000	5.00	3.53	110.145 ^C	CL1

\$7,600,000 4.00% Term Bonds due June 1, 2042 Yield: 4.00% Price: 100.000 CUSIP[†] CM9

\$17,435,000 5.25% Term Bonds due on June 1, 2046 Yield: 3.60% Price: 111.356^C CUSIP[†] CN7

^C Priced to the first optional redemption date of June 1, 2030 at par.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the City or the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

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 2022A 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 2022A 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 2022A 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 Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does 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. The Series 2022A Bonds may not be sold nor may an offer to buy be accepted prior to the time this Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Series 2022A 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 2022A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2022A 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 UNDERWRITER MAY OFFER AND SELL THE SERIES 2022A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES 2022A 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**

Mark Nagales, *Mayor and Authority Chair*
Buenaflo Nicolas, *Vice Mayor and Authority Vice Chair*
Mark Addiego, *Council Member and Authority Director*
James Coleman, *Council Member and Authority Director*
Eddie Flores, *Council Member and Authority Director*

CITY OFFICIALS

Charles Michael Futrell, *City Manager and Authority Executive Director*
Frank Risso, *Treasurer*
Jason Wong, *Acting Director of Finance and Authority Treasurer*
Sky Woodruff, *City Attorney*
Rosa Govea Acosta, *City Clerk and Authority Secretary*

BOND COUNSEL AND DISCLOSURE COUNSEL

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

MUNICIPAL ADVISOR

Urban Futures, Inc.
Walnut Creek, California

TRUSTEE

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

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OFFICIAL STATEMENT

\$65,420,000

**CITY OF SOUTH SAN FRANCISCO PUBLIC FACILITIES FINANCING AUTHORITY
(MULTIPLE CAPITAL PROJECTS AT ORANGE MEMORIAL PARK)
LEASE REVENUE BONDS, SERIES 2022A**

INTRODUCTION

General

This Official Statement (which includes the cover page, inside cover page and the appendices hereto) (the “Official Statement”), provides certain information concerning the sale and delivery of \$65,420,000 aggregate principal amount of City of South San Francisco Public Facilities Financing Authority (Multiple Capital Projects at Orange Memorial Park) Lease Revenue Bonds, Series 2022A (the “Series 2022A Bonds”).

The net proceeds of the sale of the Series 2022A Bonds will be used to (i) finance the costs of the acquisition, construction and installation of certain capital improvements of the City of South San Francisco (the “City”) to be located at the City-owned Orange Memorial Park, as described herein, (ii) fund capitalized interest on the Series 2022A Bonds through June 30, 2024, and (iii) pay the costs incurred in connection with the issuance of the Series 2022A Bonds. See “THE PROJECT” herein.

The Authority previously issued its City of South San Francisco Public Facilities Financing Authority (Police Station Project) Lease Revenue Bonds, Series 2020A (the “Series 2020A Bonds”) and its City of South San Francisco Public Facilities Financing Authority (Community Civic Campus and Multiple Capital Projects) Lease Revenue Bonds, Series 2021A (the “Series 2021A Bonds” and together with the Series 2020A Bonds, the “Prior Bonds”) currently outstanding in the aggregate principal amount of \$129,380,000, pursuant to an Indenture, dated as of March 1, 2020, as supplemented by the First Supplemental Indenture, dated as of June 1, 2021 (together, the “Original Indenture”), by and among the Authority, the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). As described herein, the Series 2022A Bonds will be payable from Base Rental Payments (defined below) on a parity with the payments made by the City with respect to the Prior Bonds.

The Series 2022A Bonds will be issued pursuant to the Original Indenture, as supplemented by a Second Supplemental Indenture, dated as of June 1, 2022 (together, the “Indenture”), by and among the Authority, the City and 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 Prior Bonds and the Series 2022A Bonds (the Prior Bonds, the Series 2022A Bonds and any such Additional Bonds being collectively referred to herein as the “Bonds”).

In connection with the issuance of the Prior Bonds, the City leased certain City-owned property to the Authority (collectively, the “Property”), pursuant to a Ground Lease, dated as of March 1, 2020, as amended and supplemented by a First Amendment to Ground Lease, dated as of June 1, 2021 (together, the “Ground Lease”), by and between the City and the Authority. See the caption “THE PROPERTY.”

In connection with the issuance of the Prior Bonds, the Authority entered into a Lease Agreement, dated as of March 1, 2020, as amended and supplemented by the First Amendment to Lease Agreement, dated as of June 1, 2021 (together, the “Original Lease Agreement”), between the City, as lessee, and the Authority, as lessor. Upon the issuance of the Series 2022A Bonds, the Original Lease Agreement will be amended by a Second Amendment to Lease Agreement, dated as of June 1, 2022 (the “Second Amendment to Lease Agreement” and together, with the Original Lease Agreement, the “Lease Agreement”), by and between the City, as lessee, and the Authority, as lessor, to amend the amount of Base Rental Payments payable thereunder

such that the amounts of the Base Rental Payments will be sufficient to pay debt service on the Prior Bonds and the Series 2022A Bonds when due. The Lease Agreement obligates the City to make Base Rental Payments to the Authority. See “THE PROPERTY.”

In connection with the issuance of the Prior Bonds, the Trustee and the Authority executed and delivered an Assignment Agreement, dated as of March 1, 2020, as amended and supplemented by the First Amendment to Assignment Agreement dated as of June 1, 2021 (together, the “Assignment Agreement”), pursuant to which the Authority assigned to the Trustee for the benefit of the Owners substantially all of the Authority’s right, title and interest in and to the Ground Lease and the Lease Agreement, including its rights 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 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) (collectively, the “Rental Payments”), 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.

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 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 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 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 2022A 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 Underwriter 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 2022A Bonds. The Series 2022A 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 Underwriter by Orrick, Herrington & Sutcliffe LLP. The City's financial statements for the fiscal year ended June 30, 2021 included as Appendix C hereto have been audited by Maze & Associates, Pleasant Hill, California (the "Auditor"). See APPENDIX C—"ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2021" herein. 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.

COVID-19 Related Impacts on the City

The coronavirus respiratory disease ("COVID-19") pandemic has adversely impacted the City and the local economy in various ways. Since mid-March 2020, based on guidance and directives from the State and public health agencies, the City has undergone varying degrees of closure and limited reopening of City public buildings and businesses such as retail, logistics and manufacturing, offices and limited personal services.

The most significant impact of the COVID-19 pandemic on the City's General Fund major revenue sources in fiscal year 2019-20 was to transient occupancy taxes, which were approximately \$3.3 million below the amount received in fiscal year 2018-19, representing a decrease of approximately 19.1%. Being the first full fiscal year during which the impact of the COVID-19 was experienced, this trend continued through fiscal year 2020-21. Transient occupancy taxes for fiscal year 2020-21 were approximately \$6.7 million which is approximately \$10.4 million below the amount for fiscal year 2018-19 (i.e. before the onset of the COVID-19 pandemic). The other General Fund revenue source that saw a dramatic decrease as a result of the COVID-19 pandemic was Charges for Services, which are collected for services including paramedic and basic life support service fees, certain police service fees, charges for recreational classes, day care, and library programs. In fiscal years 2019-20 and 2020-21, Charges for Services were approximately \$1.6 million and \$5.0 million below the fiscal year 2018-19 amount, respectively. The City's other major General Fund revenue sources held relatively steady in fiscal years 2019-20 and 2020-21 as compared to fiscal year 2018-19.

In response to the COVID-19 pandemic, beginning in March 2020, the City implemented measures to limit expenditures such as limiting non-essential expenditures and enacting hiring freezes. Such hiring freezes have since been lifted.

Despite the significant decreases in transient occupancy tax and service charge revenues, strong financial performance during the first two quarters of fiscal year 2019-20 and the cost cutting measures resulted in the City ending fiscal year 2019-20 with revenues over expenditures of \$23,233,740 (or 21.6% of expenditures) (excluding interfund transfers). Similarly, the resiliency of the City's other major General Fund sources and cost cutting measures resulted in the City ending fiscal year 2020-21 with revenues over expenditures of \$14,611,298 (or 13.4% of expenditures) (excluding interfund transfers).

Based on financial results as of December 31, 2021, the City expects that the significant negative impact of the COVID-19 pandemic to its transient occupancy tax revenues will continue through at least the end of fiscal year 2021-22. Based on the most recent budget revision in February 2022, the City projects total General Fund revenues for fiscal year 2021-22 to be approximately \$125.1 million (which includes Measure W sales tax revenues as described herein) as compared with \$123.5 million in fiscal year 2020-21.

On March 11, 2021, President Biden signed the American Rescue Plan Act (the "Rescue Act") which included \$1.9 trillion of funding for individuals, businesses and state and local governments to mitigate the impacts of the COVID-19 pandemic. The City was allocated approximately \$12.3 million in Rescue Act funding, approximately \$6.14 million of which was received in June 2021. The balance is expected to be received in June 2022.

See APPENDIX A— “CITY FINANCIAL INFORMATION—Budget Information” for information related to the fiscal year 2021-22 budget and the preliminary budget for fiscal year 2022-23. Also see “CERTAIN RISK FACTORS — Impacts of Coronavirus on the City.”

Bondholders’ Risks

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 2022A 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 2021-22 and 2022-23, 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.

Other Information in this Official Statement

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 2022A 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 2022A BONDS

General

The Series 2022A Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2022A 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 2022A Bonds will be paid semiannually on June 1 and December 1 (each, an “Interest Payment Date”) of each year, commencing December 1, 2022.

Interest on the Series 2022A Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2022A 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 2022A 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 2022A 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 2022A 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 2022A Bonds who have provided account information and wiring instructions satisfactory to the Trustee.

The principal of the Series 2022A 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 2022A Bonds will be subject to redemption as set forth herein.

Registration, Transfers and Exchanges

The Series 2022A 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 2022A 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 2022A Bonds. See “THE SERIES 2022A BONDS—Book-Entry Only System.”

Redemption

Extraordinary Redemption from Condemnation Award or Insurance Proceeds. The Series 2022A 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: (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 2022A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Optional Redemption. The Series 2022A Bonds maturing on or after June 1, 2031, are subject to optional redemption, in whole or in part, on any date on or after June 1, 2030, 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 2022A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2022A Bonds with a stated maturity on June 1, 2042 (the “2042 Term Bonds”) are subject to mandatory sinking fund redemption in part (by lot) on each June 1 on and after June 1, 2041, 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>
2041	\$ 3,725,000
2042*	3,875,000

* Final Maturity.

The Series 2022A Bonds with a stated maturity on June 1, 2046 (the “2046 Term Bonds” and together with the 2042 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, 2043, 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>
2043	\$ 4,030,000
2044	4,240,000
2045	4,465,000
2046*	4,700,000

* 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 2022A Bonds not registered in the name of a Securities Depository or its nominee, to the respective Owners of the Series 2022A Bonds designated for redemption at their addresses appearing on the Registration Books, (ii) as to Series 2022A Bonds registered in the name of a Securities Depository or its nominee, to such Securities Depository for such Series 2022A 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 2022A Bond numbers and the maturity or maturities (except in the event of redemption of all of the Series 2022A Bonds of such maturity or maturities in whole) of the Series 2022A Bonds to be redeemed, and will require that such Series 2022A 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 2022A 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 2022A 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 2022A 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 2022A 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 2022A 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 2022A 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 2022A Bonds. The Series 2022A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2022A Bond will be issued for each maturity of the Series 2022A 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 2022A Bonds apply only during any period in which the Series 2022A Bonds are not subject to DTC's book-entry system. While the Series 2022A 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 2022A 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 2022A Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Series 2022A Bond or Series 2022A Bonds will be surrendered for transfer, the Authority will execute and the Trustee will authenticate and will deliver a new Series 2022A Bond or Series 2022A Bonds of the same Series in a like aggregate principal amount, in any Authorized Denomination. The Trustee will require the Series 2022A Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Series 2022A Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Series 2022A Bonds. The Trustee will require the payment by the Series 2022A 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 2022A Bonds during the period established by the Trustee for the selection of Series 2022A Bonds for redemption, or with respect to any Series 2022A Bonds selected for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS

Pledge of Revenues

The Series 2022A 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 on parity with the outstanding Prior Bonds. 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— THE CITY OF SOUTH SAN FRANCISCO 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 covenants 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 in its annual budgets and to make the necessary annual appropriations therefor.

The Authority, pursuant to the Assignment Agreement, has assigned to the Trustee for the benefit of the 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 Prior Bonds and the Series 2022A Bonds. See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—ISSUANCE OF BONDS; APPLICATION OF PROCEEDS—Conditions for the Issuance of Additional Bonds” and “—Procedure for the Issuance of 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 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 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 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 and the interest on and principal of the Prior Bonds and the Series 2022A Bonds.

The Base Rental due under the Lease Agreement is calculated to be sufficient to pay the principal of and interest on the Prior Bonds and the Series 2022A Bonds. The debt service schedules for the Prior Bonds and the Series 2022A Bonds are set forth below under the heading “DEBT SERVICE 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 June 1, 2046. 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 PAYMENTS—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 property for any portion of the Property, 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.

The Authority previously issued the Prior Bonds to finance a portion of the costs of the police facility and the new civic center building described below under “THE PROPERTY — *Community Civic Campus – Police Operations and 911 Dispatch Center*” and “— *Community Civic Campus – Library, Parks and Recreation and Community Theater/Council Chamber*.” Such property is located within the City’s new Community Civic Campus. The police facility is complete and occupied and the new civic center building is under construction. The Lease Agreement provides that, upon completion of construction of the police facility and the new civic center building, the City may release the Property, other than the property relating to the police facility and the new civic center building, from the Lease Agreement and the Ground Lease subject to certain requirements under the Lease Agreement. After the new civic center building is complete and occupied, other than the police facility, the new civic center building and Orange Memorial Park, the City currently expects to release the remaining Property currently leased under the Ground Lease and the Lease Agreement from the Lease Agreement and the Ground Lease. See “THE PROPERTY.”

See APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—NO CONSEQUENTIAL DAMAGES; USE OF THE PROPERTY; SUBSTITUTION OR RELEASE—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, 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 Bonds.

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—DEFAULTS AND REMEDIES” and “—THE INDENTURE—DEFAULT AND LIMITATIONS OF LIABILITY.”

No Reserve Fund

The Authority has not funded a debt service reserve fund for the Series 2022A Bonds.

Additional Bonds

Pursuant to the Indenture, the Authority may issue Additional Bonds payable from the Base Rental Payments on a parity with the outstanding 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—ISSUANCE OF BONDS; APPLICATION OF PROCEEDS—Conditions for the Issuance of Additional Bonds” and “—Procedure for the Issuance of 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*,” “*General Liability Insurance*,” and “*Workers’ Compensation 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, which with respect to any portion of the Property for which initial construction of improvements thereon has not been completed, initially may be in the form of a builder’s risk policy providing coverage in an amount not less than the construction costs expended for such projects and, if no builder’s risk policy is in effect in an amount not less than 100% of the replacement cost of such improvements. 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. The City does not currently maintain insurance coverage for earthquake damage on the Property.

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 above under "*Property Insurance*," 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 under the Lease 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 the Lease Agreement or required thereby 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 2022A Bonds are shown below.

Sources

Principal Amount of Series 2022A Bonds	\$ 65,420,000.00
Plus Original Issue Premium	<u>6,686,316.50</u>
Total Sources	<u><u>\$ 72,106,316.50</u></u>

Uses

Project Fund	\$ 65,000,000.00
Interest Fund ⁽¹⁾	6,675,088.69
Underwriter's Discount	136,977.42
Costs of Issuance ⁽²⁾	<u>294,250.39</u>
Total Uses	<u><u>\$ 72,106,316.50</u></u>

⁽¹⁾ To fund capitalized interest through June 30, 2024.

⁽²⁾ 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 outstanding Prior Bonds and the Series 2022A Bonds:

<i>Fiscal Year</i>	<i>Debt Service on Outstanding Prior Bonds</i>	<i>Series 2022A Bonds</i>		<i>Aggregate Debt Service</i>
		<i>Principal</i>	<i>Interest</i>	
2022	\$8,287,833	\$ --	\$ --	\$ 8,287,833.00
2023	8,289,450	--	3,175,614.97	11,465,064.97
2024	8,286,750	--	3,238,587.50	11,525,337.50
2025	8,288,150	1,705,000	3,238,587.50	13,231,737.50
2026	8,288,200	1,795,000	3,153,337.50	13,236,537.50
2027	8,286,700	1,880,000	3,063,587.50	13,230,287.50
2028	8,288,400	1,975,000	2,969,587.50	13,232,987.50
2029	8,286,000	2,075,000	2,870,837.50	13,231,837.50
2030	8,287,400	2,180,000	2,767,087.50	13,234,487.50
2031	8,287,200	2,290,000	2,658,087.50	13,235,287.50
2032	8,285,200	2,400,000	2,543,587.50	13,228,787.50
2033	8,286,200	2,520,000	2,423,587.50	13,229,787.50
2034	8,284,800	2,650,000	2,297,587.50	13,232,387.50
2035	8,285,800	2,780,000	2,165,087.50	13,230,887.50
2036	8,288,800	2,920,000	2,026,087.50	13,234,887.50
2037	8,288,400	3,065,000	1,880,087.50	13,233,487.50
2038	8,284,400	3,220,000	1,726,837.50	13,231,237.50
2039	8,286,600	3,380,000	1,565,837.50	13,232,437.50
2040	8,284,400	3,550,000	1,396,837.50	13,231,237.50
2041	8,287,600	3,725,000	1,219,337.50	13,231,937.50
2042	8,285,600	3,875,000	1,070,337.50	13,230,937.50
2043	8,288,200	4,030,000	915,337.50	13,233,537.50
2044	8,284,800	4,240,000	703,762.50	13,228,562.50
2045	8,285,200	4,465,000	481,162.50	13,231,362.50
2046	8,288,800	4,700,000	246,750.00	13,235,550.00
Total	\$207,170,883	\$ 65,420,000	\$ 49,797,539.97	\$322,388,422.97

THE PROJECT

The projects to be financed from a portion of the proceeds of the Series 2022A Bonds (together, the “Project”) consists of various improvements and facilities to be located at the City-owned Orange Memorial Park, as described below. As described below, Orange Memorial Park is part of the Property leased under the Lease Agreement. The construction of the Project is not expected to impair the use of Orange Memorial Park during the construction period and the City does not expect an abatement of Rental under the Lease Agreement as a result of the construction of the Project. The total costs of the Project is approximately \$72 million. The City currently expects to finance \$65 million of such costs from proceeds of the Series 2022A Bonds, approximately \$5.3 million from park impact fees and approximately \$1.7 million from a Caltrans grant.

Multi-Use Sports Fields. The synthetic multi-use sports fields are planned to include one full size baseball field, one softball field, and two youth baseball fields, one adult soccer field, two junior soccer fields, and four youth soccer fields. Amenities include synthetic turf, lighting and electronic scoreboards, 30 foot chain link backstops with netting, aluminum bleachers, a restroom/concession building, bullpens, dugouts, batting cages, portable goals and fencing, and landscape enhancements. The City estimates the total cost of the multi-use sports fields to be approximately \$14 million and expects to finance approximately \$12.3 million

of such costs from proceeds of the Series 2022A Bonds and to pay approximately \$1.7 million of such costs from grants. The City accepted the construction bid for this project in February 2022. The City expects construction to begin in May 2022 and to be complete in the third quarter of 2023.

Aquatic Center. The existing indoor pool at Orange Memorial Park opened in approximately 1970 and many of its components are in need of major renovations. The new aquatic center is planned to be located adjacent to the existing indoor pool facility and is planned to consist of an 8-lane/25-meter pool, separate teaching pool, swimmer’s lounge, rentable multiuse/party room, staff and pool director offices, locker rooms and support spaces for mechanical equipment within an approximately 28,500 square foot single-story facility. The City estimates the total cost of the aquatic center to be \$49 million and expects to finance such costs from proceeds of the Series 2022A Bonds. The City expects the design phase of this project to be complete in December 2022 and expects to award the construction contract in approximately March 2023. The current expectation is that construction will be complete by the end of 2025.

The City’s plan is for the existing indoor pool facility to remain in use and available to the public during the construction of the new aquatic center. After the aquatic center is complete, the City expects to demolish the existing indoor pool facility and construct a parking lot in its place.

Orange Memorial Park Playground. The existing playground at Orange Memorial Park was installed in 2012. The City plans to replace the existing playground and currently estimates the replacement cost to be approximately \$6 million. The City expects to finance approximately \$2.2 million of such costs from proceeds of the Series 2022A Bonds and to pay approximately \$3.8 million of such costs from park impact fees. The City expects the replacement of the playground to coincide with the final phase of construction of the new aquatic center in 2025, which is located directly adjacent to the playground.

Orange Memorial Park Bridges. There are currently two pedestrian bridges that span Colma Creek, connecting the northern and southern halves of Orange Memorial Park. The City plans to replace the existing pedestrian bridges. The estimated cost of the new pedestrian bridges is approximately \$3 million. The City expects to finance approximately \$1.5 million of such costs from proceeds of the Series 2022A Bonds and to pay approximately \$1.5 million of such costs from park impact fees. The current expectation is that the new pedestrian bridges will be complete in 2024.

Measure W. In 2015, the voters in the City passed Measure W, which increased the sales tax rate within the City by 0.5%. The new Community Civic Campus (described below) is the primary component of the projects that the City is financing with the projected additional sales tax revenues generated by such increase in the sales tax rate. The City also expects to use a portion of such additional sales tax revenues to fund a portion of the Project, as described above. 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 2022A Bonds. See “CITY FINANCIAL INFORMATION—Sales Taxes” in Appendix A hereto.

THE PROPERTY

General. The Property leased under the Ground Lease and the Lease Agreement are described below. No additional property is being added to the property leased under the Ground Lease and the Lease Agreement in connection with the issuance of the Series 2022A Bonds.

The Authority previously issued the Prior Bonds to finance a portion of the costs of the police facility and the new civic center building described below under “— *Community Civic Campus – Police Operations and 911 Dispatch Center*” and “— *Community Civic Campus – Library, Parks and Recreation and Community Theater/Council Chamber.*” Such property is located within the City’s new Community Civic Campus. The police facility is complete and occupied and the new civic center building is under construction. The Lease Agreement provides that, upon completion of construction, the City may release the Property, other than the property relating to the police facility and the new civic center building, from the Lease Agreement and the

Ground Lease subject to certain requirements under the Lease Agreement. After the new civic center building is complete and occupied, other than the police facility, the new civic center building and Orange Memorial Park, the City currently expects to release the remaining Property currently leased under the Ground Lease and the Lease Agreement from the Lease Agreement and the Ground Lease. See “THE PROPERTY.” See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS—Substitution, Addition and Removal of Property.

Orange Memorial Park. Orange Memorial Park is a City-owned park of approximately 28 acres located at 781 Tennis Drive in the City. Facilities located in Orange Memorial 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 in Orange Memorial Park were constructed between 1970 and 2008. The City estimates the insured value of the foregoing improvements in Orange Memorial 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 in Orange Memorial Park and the estimated value per acre set forth in the Park Fees Report, the City estimates the value of Orange Memorial Park to be approximately \$73.3 million.

A portion of Orange Memorial 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 Orange Memorial 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 Orange Memorial Park in compliance with the foregoing covenant and does not have any plans to use such property for other than parks and recreational purposes.

As described under the caption “CITY FINANCIAL INFORMATION—Capital Improvement Program,” the City is constructing stormwater capture improvements to be located on a portion of Orange Memorial Park. In addition, as described above under the “THE PROJECT,” the Project consists of various improvements and facilities to be located on Orange Memorial Park. The construction of the stormwater capture improvements and the Project is not expected to impair the use of Orange Memorial Park during the construction period and the City does not expect an abatement of Rental under the Lease Agreement as a result of such projects.

Community Civic Campus – Police Operations and 911 Dispatch Center. The City’s Police Operations and Dispatch Center (the “Police Facility”) is located at 1 Chestnut Avenue in the City. The Police Operations Center was financed from a portion of the proceeds of the Authority’s Series 2020A Bonds and was completed and occupied in early 2022. The Police Operations Center is approximately 43,000 square feet and consists two buildings and space for administration, operations, investigation, storage, support services, and training for the City’s police department. The total construction cost of the Police Facility was approximately \$56.8 million.

Community Civic Campus – Library, Parks and Recreation and Community Theater/Council Chamber. The site for the new civic center building of the Community Civic Campus is located on approximately 6.5 acres on Camino Real between Chestnut Avenue and Arroyo Drive in the City. The new civic center building is under construction and is designed as a three-story building of approximately 83,000 square feet. When complete, the new civic center building is expected to house the City Council chambers and the City’s Library, Parks and Recreation Department.

The construction contract was awarded in November 2020 and construction commenced in January 2021. The City currently expects the Project to be complete in the spring of 2023. The current estimated construction cost of this project is approximately \$101 million. Through February 2022, the City has spent approximately \$59.2 million in acquisition, design and construction costs associated with the new civic center building. The project is under construction and is being financed from proceeds of the Prior Bonds and Measure W funds and reserves set aside for infrastructure.

The Community Civic Campus project includes a 1.3 acre public park and a surface parking lot to be located adjacent to the new civic center building. The parcel on which such park and surface parking lot are planned to be located is owned by the Bay Area Rapid Transit (BART). BART has granted a permit to the City with respect to the use of such parcel by the City. Such parcel is not included as part of the Property leased under the Ground Lease and the Lease.

Miller Parking Garage. 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 \$12.5 million, exclusive of the cost of the land on which the Parking Garage is located.

City Hall. The City Hall building is located at 400 Grand Avenue in the City. The City Hall is a two-story structure of approximately 14,000 square feet. The City Hall building was built in 1930 and is of masonry construction. In the 1990’s, the City Hall building was retrofitted and reinforced to better withstand the effects of seismic activity. The City Hall building currently houses various City departments including offices of the City Attorney, the City Clerk and the City Manager, the Finance Department and the Economic and Community Development Department. The City estimates the value of the City Hall building to be approximately \$6.1 million.

Westborough Park and Fire Station #64. Westborough Park is a City-owned park of approximately 11 acres located at 2380 Galway Drive in the City. Facilities located in Westborough Park include a multi-purpose recreation building of approximately 6,600 square feet, picnic areas and related amenities. The recreation building at Westborough Park was constructed in 1999 and includes an atrium-style lobby, two large reception rooms and a kitchen. The City estimates the insured value of the foregoing improvements in Westborough Park to be approximately \$2.9 million with approximately \$2.7 million allocable to the recreation building. Based on the insured value of the improvements located in Westborough Park and the estimated value per acre set forth in the Park Fees Report, the City estimates the value of Westborough Park to be approximately \$28.4 million.

The City’s Fire Station #64 is located on the same parcel as Westborough Park with a street address of 2350 Galway Drive. Fire Station #64 includes a wood frame two-bay, apparatus building of approximately

6,400 square feet, which was built in 1970. The City estimates the value of Fire Station #64 to be approximately \$2.3 million.

The parcels relating to Westborough Park and Fire Station #64 were dedicated and conveyed to the City in the 1960s. The instruments dedicating and conveying such parcels restrict their use to parks and recreation and fire station purposes. Such instruments also provide that, should the City abandon the use from the foregoing, title shall revert to the prior owner. The City believes that, pursuant to State law, such reversionary rights are no longer enforceable. However, in the event of an action to enforce the foregoing use restrictions, a reviewing court may find that such use restrictions are still applicable and enforceable.

Should the City default under the Lease Agreement, the Trustee, as assignee of the Authority under the Lease Agreement, may re-enter and re-let the Property. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS—Action on Default.” With respect to Westborough Park and Fire Station #64, due to the foregoing use restrictions, in addition to the specialized nature of such property, no assurance can be given that the Trustee would be able to re-let Westborough Park and Fire Station #64.

Public Works Corporation Yard. The City’s Public Works Corporation Yard is located at 550 North Canal Street in the City. The Public Works Corporation Yard includes a 37,220 square foot building built in 1998 of masonry construction, which currently houses the City’s Public Works Department. The Public Works Corporation Yard also includes two warehouses totaling approximately 16,300 square feet which is used for vehicle parking and maintenance. The City estimates the value of the Public Works Corporation Yard to be approximately \$9.7 million.

Fire Station #61. The City’s Fire Station #61 is located at 480 North Canal Street in the City. Fire Station #61 includes a wood frame, three-bay apparatus building of approximately 18,800 square feet, which was building in 1965. Fire Station #61 also includes an emergency operations training center and classroom totaling approximately 4,300 square feet, which were built in 2010 of steel-frame construction. A fire training tower is also located on the site. The City estimates the value of Fire Station #61 to be approximately \$9.4 million.

City Senior Center (Magnolia Center). The City’s senior center (also known as the Magnolia Center) (the “Senior Center”) is located at 601 Grand Avenue in the City. The Senior Center is a two-story building with approximately 18,600 square feet. The Senior Center was built in 1926 and is of masonry construction. In the 1980’s, the Senior Center was retrofitted and reinforced to better withstand the effects of seismic activity. At the Senior Center, the City offers recreational programs and events, certain health screenings, health insurance counsel and an adult daycare center for senior citizens. The City estimates the value of the Senior Center to be approximately \$6.5 million.

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 Board of Directors 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 General Fund budget for Fiscal Year 2021-22, as revised in February 2022, includes approximately \$125.1 million of revenues and approximately \$122.1 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, 2021 is attached hereto as Appendix C which should be read in its entirety. See APPENDIX C—“ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2021.”

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 2022A 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 2022A 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 2022A Bonds

The Series 2022A 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 2022A 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 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 State Constitution. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII B of the State 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 2022A 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 2022A Bonds, there could be insufficient funds to make payments to Owners in full. The Authority has not funded a debt service reserve fund for the Series 2022A 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 issuance of the Series 2022A Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2022A 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 2022A 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 2022A Bond Owners for nonpayment under such circumstances.

As described above under “THE PROJECT” and “THE PROPERTY,” the new civic center building is that is under construction is part of the Property. The City has determined that the fair rental value of the balance of the Property is sufficient such that, in the event construction of the civic center building is not completed, there would not be an abatement of Base Rental Payments under the Lease Agreement.

No Reserve Fund

The Authority has not funded a debt service reserve fund for the Series 2022A 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 could 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 Fourth National Climate Assessment, published by the U.S. Global Change Research Program in November 2018 (“NCA4”), finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years. NCA4 states that rising temperatures, sea level rise, and changes in extreme events are expected to increasingly disrupt and damage critical infrastructure and property and regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages and service disruptions. NCA4 states that the continued increase in the frequency and extent of high-tide flooding due to sea level rise threatens coastal public infrastructure. NCA4 also states that expected increases in the severity and frequency of heavy precipitation events will affect inland infrastructure, including access to roads, the viability of bridges and the safety of material cost.

Sea levels are expected to continue to rise in the future due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting into the ocean. Between 1854 and 2016, sea level rose about nine inches according to the tidal gauge at Fort Point, underneath the Golden Gate Bridge. Weather and tidal patterns, including 100-year or more storms and king tides, may exacerbate the effects of climate related sea level rise. Coastal areas like San Francisco are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. As a result, the City could lose considerable tax revenues and many residents, businesses, and governmental operations along the waterfront could be displaced, and the City could be required to mitigate these effects at a potentially material cost.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resources Agency, the Governor’s Office of Planning and Research, and the California Energy Commission) published a report that was formally adopted in March 2018, entitled “Rising Seas in California: An Update on Sea Level Rise Science” (the “Sea Level Rise Report”) to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to state and local agencies for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline.

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

county response, the region's economic and transportation systems could be undermined along with the environment. Runways at SFO could largely be under water.

The City is bordered to the east by the San Francisco Bay and as a result, portions of the City could be directly impacted by sea level rise. The City is in the process of updating its Climate Action Plan with more progressive Greenhouse Gas reduction strategies. The City participates in a number of regional collaborations including the San Mateo County Flood and Sea Level Rise Resiliency District (known as One Shoreline) and Sea Change San Mateo County ("Sea Change SMC"). These collaborative efforts are led by the County, with participation by cities within the County and other local stakeholders 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 City also consults with the U.S. Army Corps of Engineers on two feasibility studies, one studying regional assets along Colma Creek and second, the South San Francisco Shoreline Feasibility Study to provide mitigation strategies against flooding and inundation related to Sea Level Rise along the entirety of the City's shoreline.

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 2022A Bonds. The City maintains liability insurance and property casualty insurance (for losses other than from seismic events) for the Property. 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 cybersecurity insurance coverage.

Impacts of Coronavirus on City

The COVID-19 pandemic significantly impacted state and local economies, and City revenues. Although the impacts of the pandemic are abating, any resurgence of the pandemic could materially adversely impact the City's financial condition.

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 2022A 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 2022A 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—NO CONSEQUENTIAL DAMAGES; USE OF THE PROPERTY; SUBSTITUTION OR RELEASE—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 2022A Bonds when due, and the Trustee is not empowered to sell the Property for the benefit of the Owners of the Series 2022A Bonds. See “THE PROPERTY—Westborough Park and Fire Station #64” for a description of certain additional limitations on the use of such property. 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 2022A BONDS” and APPENDIX B—“SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—DEFAULTS AND REMEDIES.”

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 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 2022A 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 2022A Bonds. In a bankruptcy case, the amount recovered by Owners of the Series 2022A 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 2022A 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 Base Rental Payments 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 2022A Bonds.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance of the Series 2022A 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 2022A 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 2022A BONDS—Insurance."

Loss of Tax Exemption

As discussed under the heading “TAX MATTERS,” the interest on the Series 2022A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Series 2022A 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 2022A 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 2022A 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

On January 10, 2022, the Governor released his proposed budget for fiscal year 2022-23. In the Governor’s proposed budget, General Fund revenues and transfers for fiscal year 2022-23 were projected at \$195.7 billion; a decrease of \$1.0 billion, or 0.5 percent, compared with a revised estimate of \$196.7 billion for fiscal year 2021-22. In the Governor’s proposed budget, General Fund expenditures for fiscal year 2022-23 were projected at \$213.1 billion, an increase of \$3.1 billion compared with a revised estimate of \$210.0 billion for fiscal year 2021-22.

On May 13, 2022, the Governor released his May Revise (the “May Revise”) to the proposed budget for fiscal year 2022-23. In the May Revise, General Fund revenues and transfers for fiscal year 2021-22 were revised upward from the time the Governor’s fiscal year 2022-23 budget was proposed to \$227.0 billion and expenditures were revised upward to \$249.2 billion. The May Revise includes revenues and transfers for fiscal year 2022-23 of \$219.6 billion and expenditures of \$227.4 billion. The May Revise acknowledges that, while revenue forecasts have been revised upward, such forecasts have become more uncertain given the potential impacts of the war in Ukraine, high rates of inflation and anticipated actions by the Federal Reserve to raise interest rates. See APPENDIX A— “CITY FINANCIAL INFORMATION—“Property Taxes” for information with respect to a trailer bill to the State’s proposed fiscal year 2022-23 budget which, if enacted, could impact certain City property tax revenues in the future.

The State acknowledges that risks to the State’s general fund include ongoing challenges related to the COVID-19 pandemic and significant unfunded liabilities of the two main retirement systems managed by state entities, the California Public Employees’ Retirement System and the California State Teachers’ Retirement System. 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.

While the City is not substantially reliant on the State’s finances, 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 2022A 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 2022A 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.

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 XIID 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 XIID, 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 XIIC 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 XIII D. 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 XIII D 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 2022A 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 2022A Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Series 2022A Bond (the first price at which a substantial amount of the Series 2022A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Series 2022A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to the Beneficial Owner of the Series 2022A 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 2022A Bond will increase the Beneficial Owner’s basis in the applicable Series 2022A Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of a Series 2022A Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, and 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 2022A 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 2022A 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 the issuance of the Series 2022A Bonds to assure that interest (and original issue discount) on the Series 2022A 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 2022A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2022A 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 2022A 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 2022A 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 2022A Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2022A Bond to the Beneficial Owner. Purchasers of the Series 2022A 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 2022A 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 2022A 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 2022A 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 2022A Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Series 2022A 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 2022A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series 2022A 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 2022A Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2022A Bonds might be affected as a result of such an audit of the Series 2022A 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 2022A Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Series 2022A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2022A 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 2022A 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 2022A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES 2022A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2022A 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 2022A 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 2022A BONDS.

The form of Bond Counsel's proposed opinion with respect to the Series 2022A Bonds is attached hereto in Appendix D.

CERTAIN LEGAL MATTERS

The validity of the Series 2022A 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 2022A Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Series 2022A Bonds. Certain legal matters will be passed upon for the Underwriter by Orrick, Herrington & Sutcliffe LLP. Counsel to the Underwriter will receive compensation contingent upon the issuance of the Series 2022A 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 2022A 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 2022A Bonds are being purchased by UBS Financial Services Inc. (the "Underwriter"). The Underwriter will purchase the Series 2022A Bonds from the Authority at an aggregate purchase price of \$71,969,339.08 (representing the principal amount of the Series 2022A Bonds, plus original issue premium of \$6,686,316.50 and less an Underwriter's discount of \$136,977.42). The purchase agreement relating to the Series 2022A Bonds provides that the Underwriter will purchase all of the Series 2022A 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 Underwriter. The Underwriter may offer and sell the Series 2022A Bonds to certain dealers (including dealers depositing Series 2022A Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

The Underwriter has entered into a distribution and service agreement with its affiliate UBS Securities LLC ("UBS Securities") for the distribution of certain municipal securities offerings. Pursuant to such agreement, the Underwriter will share a portion of its underwriting compensation with UBS Securities. The Underwriter and UBS Securities are each subsidiaries of UBS Group AG.

RATINGS

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") has assigned a rating of "AA+" to the Series 2022A Bonds. S&P has also assigned an issuer credit rating of "AAA" to the City. Such ratings reflect only the views of S&P and any desired explanation of the significance of such ratings 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 ratings will continue for any given period of time or that such ratings 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 ratings may have an adverse effect on the market price of the Series 2022A Bonds. None of the Authority, the City or the Underwriter has undertaken any responsibility either to bring to the attention of the owners of the Series 2022A Bonds a proposed change in or withdrawal of the ratings or to oppose any such proposed revision or withdrawal.

MUNICIPAL ADVISOR

Urban Futures, Inc., Walnut Creek, California (the "Municipal Advisor"), served as municipal advisor to the Authority and the City with respect to the sale of the Series 2022A Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Series 2022A 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 2022A Bonds to provide annually certain financial information and operating data relating to the Series 2022A 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 2021-22.

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 Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

FINANCIAL STATEMENTS OF THE CITY

Included herein as Appendix C is the Annual Comprehensive Financial Report of the City for the Fiscal Year ended June 30, 2021, together with the report thereon dated January 4, 2022 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 January 4, 2022.

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 2022A 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: /s/ Charles Michael Futrell
Executive Director

CITY OF SOUTH SAN FRANCISCO

By: /s/ Charles Michael Futrell
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. In the November 2020 election the City held 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>
Mark Nagales, Mayor	November 2024
Buenaflor Nicolas, Vice Mayor	November 2022
Mark Addiego, Council Member	November 2022
James Coleman, Council Member	November 2024
Eddie Flores, 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. Charles 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.

Mr. Jason Wong joined the City as Deputy Finance Director in 2020 and was named Acting Director of Finance in February 2022. Prior to joining the City, Mr. Wong was the Finance Manager at the City of Oakland where he was responsible for managing the fiscal operations of the department including budgeting, contract negotiations, procurement, accounting, and special projects. Mr. Wong also provided citywide labor costing and bargaining negotiations. Mr. Wong previously worked as an investment banker for over 20 years at Goldman Sachs, Merrill Lynch and RBC Capital Markets structuring debt instruments for public sector clients such as state and local governments, public utilities, healthcare and higher education institutions and other infrastructure agencies. Mr. Wong has senior managed over \$30 billion of municipal bonds including over \$15 billion in general fund backed credits over his career. Mr. Wong hold a bachelor’s degree in Business Administration with emphasis in Finance and Accounting from San Francisco State University. He 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 his 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, 2021, the City had approximately 559 full-time equivalent 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 is 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 April 1, 2022, 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 ⁽¹⁾	June 30, 2021	117
International Association of Firefighters, Local 1507	June 30, 2022	72
South San Francisco Police Association	June 30, 2022	88
International Union of Operating Engineers, Local 39 ⁽¹⁾	June 30, 2021	30
Confidential Unit, Teamsters, Local 856 ⁽¹⁾	June 30, 2021	27
Mid-Management Unit, Teamsters, Local 856 ⁽¹⁾	June 30, 2021	77
Public Safety Managers	June 30, 2022	14
Executive Management	June 30, 2022	<u>14</u>
Total		439

⁽¹⁾ The City and such entity entered into a one year extension of the MOU through June 30, 2022.
Source: City of South San Francisco.

The City is currently negotiating new MOU's with all eight of its employee associations. The City expects that new MOU's with such employee associations will be in place by June 30, 2022. 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 to contract expirations (or agreed upon extensions thereof). 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. In fiscal year 2020-21, the City paid \$1,752,289 in premiums to the PLAN JPA.

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, 2021, the City had a balance of \$14,965,224 in the Self-Insurance Internal Service Fund with \$14,884,000 allocated to worker's compensation and \$81,224 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 2020-21 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, 2021 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 unit 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. See "—Rental Revenues from Property Leases" below.

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 and two months of General Fund operating revenues (approximately 15-20% of General Fund operating revenues). The City's Reserve Policy provides that available amounts in excess of the required reserve allocations in (i) through (iii) above will be used 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 2020-21. The City currently expects to meet such targets at the end of fiscal year 2021-22, with projected General Fund reserves at approximately \$21.9 million or 20% of General Fund operating revenues included in the adopted budget for fiscal year 2021-22.

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 March 31, 2022, the City had an investment portfolio with a market value of \$232.4 million. As of such date, the City had invested approximately 22.2% of its investment portfolio in LAIF, 20.7% in federal agencies, 21.7% in U.S. Treasuries, 18.8% of its investment portfolio in corporate securities, 0.1% of its investment portfolio in cash and money markets, and 16.5% of its investment portfolio in asset-backed securities, corporate medium term notes, and supranationals. For additional information with respect to the City’s cash and investments, see Note 2 to the audited financial statements for fiscal year 2020-21 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 department, 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 2021-22 CIP totals approximately \$284.1 million, including \$130.3 million in newly adopted appropriations and \$153.8 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 projects by category included in the adopted fiscal year 2021-22 CIP and the appropriated amounts (including remaining appropriations from prior years) for such projects are shown in the table below. The table below does not include the appropriated amounts for the Community Civic Campus project, which is further described below.

The table below also does not include the costs of the proposed multi-use sports fields, the aquatic center and the other projects to be constructed at Orange Memorial Park and funded with a portion of the proceeds of the Series 2022A Bonds. See “THE PROJECT” in the forepart of this Official Statement for a description of the foregoing projects to be funded with proceeds of the Series 2022A Bonds.

<i>Project Description</i>	<i>Appropriated Amount⁽¹⁾</i>	<i>Primary Funding Source(s)</i>
General City Public Facilities	\$11,848,418	Various ⁽²⁾
Parks Projects	7,855,158	General Fund, Park Fees & Infrastructure Reserves
Storm Drain Projects ⁽³⁾	14,382,963	Caltrans
Sanitary Sewer Projects	55,423,538	Sewer Enterprise
Streets Projects	59,475,935	Various ⁽⁴⁾
Traffic Projects	23,824,319	Various ⁽⁴⁾

⁽¹⁾ Includes remaining appropriations from prior years and the fiscal year 2021-22 appropriations.

⁽²⁾ The largest project included within this category is construction of a new preschool facility (approximately \$5 million) to be funded from the City’s Childcare Impact Fee. Other funding sources include the General Fund, Series 2021A Bond proceeds and Successor Agency funds.

⁽³⁾ The largest project in this category is the Orange Memorial Park Stormwater Capture project (approximately \$13.5 million). See “THE PROPERTY—Orange Memorial Park” in the Official Statement.

⁽⁴⁾ Various street improvements to be funded from the General Fund, monies from the State’s Traffic Congestion relief fund, traffic impact fees, and grants. Includes approximately \$24 million in street rehabilitation projects funded with proceeds of the Series 2021A Bonds.

Source: Adopted CIP for fiscal year 2021-22.

The fiscal year 2021-22 CIP, included approximately \$103.8 million in prior years and current year appropriations for the Police Facility and the second phase of the Community Civic Campus project. The Police Facility was complete and occupied in early 2022. Through February 2022, the City had spent approximately \$126.2 million to complete the Police Facility and costs of the second phase of the Community Civic Center project. Such amounts spent in fiscal year 2021-22 consisted primarily of proceeds of the Prior Bonds and Measure W sale tax revenues. The City expects to fund the remaining costs of the Community Civic Campus project costs from such sources.

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 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 Bonds.

Budget Procedure

The City has historically adopted a biennial operating budget and an addendum to such operating budget midway through each biennial period. Given the greater level of uncertainty of City revenues caused by the COVID-19 pandemic, for fiscal year 2021-22, the City adopted a single year budget. The City will continue a single year budget process in fiscal year 2022-23.

The City's 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 for the biennial budgets, 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.

Budget Information

Fiscal Year 2021-22 Budget. The fiscal year 2021-22 was approved on June 23, 2021 (the "Adopted Budget"). In the Adopted Budget, the General Fund revenue projection for fiscal year 2021-22 was approximately \$110 million, which excludes a budgeted amount of \$12.7 million of Measure W sales tax revenues. Excluding Measure W sales tax revenues, the General Fund revenue projection for fiscal year 2021-22 in the Adopted Budget was approximately \$2.6 million (approximately 2.4%) greater than the fiscal year 2020-21 adjusted budget.

In the Adopted Budget, General Fund operating expenditures were approximately \$113 million, which excludes expenditures of Measure W sale tax revenues of approximately \$9 million. General Fund expenditures in the Adopted Budget were approximately \$10.8 million less than the fiscal year 2020-21 adjusted budget. Such decrease came in the form of reductions in expenditures in certain General Fund-funded departments and a decrease in capital improvements funded from the General Fund.

At the time the Adopted Budget was approved, the City anticipated a General Fund deficit for fiscal year 2021-22 of approximately \$2.8 million, which was anticipated to be funded from the General Fund surplus from fiscal year 2019-20 and/or federal stimulus money through the federal American Rescue Plan Act.

Fiscal Year 2021-22 Budget Updates. The City monitors General Fund revenues and expenditures throughout the year. Based on estimated actual results through December 31, 2021, the City revised the projections for its major General Fund revenue sources in February 2022 as follows: (1) sales tax revenues (excluding the portion attributable to Measure W) were revised upwards by approximately \$0.75 million for a total of approximately \$20.3 million; (2) transient occupancy tax revenues, were revised upwards by approximately \$1.5 million for a total of approximately \$8.6 million; and (3) service charge revenues were reduced by approximately \$1.5 million for a total of approximately \$7.8 million, reflecting continued reductions in parks and recreation service charges resulting from the COVID-19 pandemic. Overall, such budget adjustments resulted in an approximately \$0.75 million increase in projected General Fund revenues for fiscal year 2021-22 (excluding Measure W sales tax revenues). Additional General Fund appropriations in the amount of \$332,000 were approved in connection with the budget update.

Based on the budget revisions approved in February 2022, the City estimates total sales tax revenues of approximately \$33.0 million, consisting of \$20.3 million from the general sales tax and \$12.7 million generated from the 0.5% rate increase authorized by Measure W. As of February 2022, the City had a total of \$23.2 million in sales tax receipts, which includes approximately \$9.6 million of the Measure W Sales Tax. Such sales tax revenues are available to the General Fund for general City projects and services. In the City's

audited financial statements, the expenditures 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 fiscal year 2021-22, based on revisions to the budget made in February 2022, \$21.8 million is budgeted to be expended from Measure W sales tax revenues, which includes portions of current-year Measure W sales tax revenues and existing committed and/or assigned fund balances.

Preliminary Fiscal Year 2022-23 Budget. The City is in the process of preparing its budget for fiscal year 2022-23. The City currently estimates that revenues for the fiscal year 2022-23 General Fund budget (the "2022-23 Preliminary Budget") will be approximately \$132.8 million (including Measure W sales tax revenues), excluding transfers in. The City currently estimates that Measure W sales tax revenues will be approximately \$13.8 million in fiscal year 2022-23. The 2022-23 Preliminary Budget reflects moderate increases in property tax and sales tax revenues. The 2022-23 Preliminary Budget includes transient occupancy tax revenues of approximately \$11.2 million, which is an approximately \$2.6 million increase over the 2021-22 budget (incorporating the adjustments approved in February 2022 described under "*Fiscal Year 2021-22 Budget Updates*" above) and reflects a gradual return to levels experienced prior to the COVID-19 pandemic. The 2022-23 Preliminary Budget includes approximately \$121.9 million in General Fund expenditures, which is generally in line with the 2021-22 budget, as updated in February 2022.

The City presented the 2022-23 Preliminary Budget to the Budget Standing Committee on May 23, 2022. The City expects to present the 2022-23 Preliminary Budget to the City Council Study Session on June 8, 2022 and to the City Council for adoption on June 22, 2022. The 2022-23 Preliminary Budget described herein is subject to revision prior to adoption.

Historical and Preliminary Budget Information. Set forth in Table 1 below are the final General Fund budgets for fiscal years 2019-20 and 2020-21, and the actual results for fiscal years 2019-20 and 2020-21 (shown on a budgetary basis). Table 1 also includes the Adopted Budget for fiscal year 2021-22 (incorporating the adjustments approved in February 2022 described under "*Fiscal Year 2021-22 Budget Updates*" above) and the 2022-23 Preliminary Budget. The General Fund budgets and actuals shown in Table 1 below do not reflect the application of GAAP and therefore differ in certain respects to the audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance shown in Table 2 below.

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

	<i>Final Fiscal Year 2019-20 Budget</i>	<i>Fiscal Year 2019-20 Results</i>	<i>Final Fiscal Year 2020-21 Budget</i>	<i>Fiscal Year 2020-21 Results</i>	<i>Adjusted Fiscal Year 2021-22 Budget⁽⁷⁾</i>	<i>Preliminary Fiscal Year 2022-23 Budget⁽⁸⁾</i>
REVENUES						
Property taxes	\$ 36,659,133	\$ 42,847,443	\$ 43,051,499	\$ 44,239,406	\$ 41,074,710	\$ 43,804,769
Sales taxes ⁽²⁾	31,133,000	31,563,148	31,208,000	32,749,447	32,989,177	34,791,018
Transient occupancy taxes	16,855,297	13,829,025	5,904,328	6,710,271	8,585,194	11,160,752
Franchise fees	4,000,000	4,594,577	4,600,000	4,498,202	4,600,000	4,600,000
Other taxes	6,058,132	4,515,376	3,118,206	4,529,764	3,614,753	4,893,252
Intergovernmental	2,662,818	1,626,529	3,260,631	4,323,151	4,769,652	2,844,618
Interest and rentals	3,059,459	4,845,966	3,827,794	3,063,987	4,194,976	5,453,469
Licenses and permits	12,131,018	15,900,500	14,995,498	15,589,002	16,453,166	15,500,000
Charges for services	10,417,839	9,978,678	7,061,654	6,518,002	7,794,670	8,799,097
Fines and forfeitures	618,500	814,354	789,249	535,750	676,975	710,824
Other	181,994	390,733	175,341	731,752	309,383	259,383
Total Revenues	<u>\$123,777,190</u>	<u>\$130,906,329</u>	<u>\$117,992,200</u>	<u>\$123,488,986</u>	<u>\$125,062,655</u>	<u>\$132,817,182</u>
EXPENDITURES						
City Council	\$ 290,291	\$ 258,413	\$ 284,561	\$ 224,257	\$ 292,426	\$ 244,749
City Clerk	1,091,062	978,451	1,096,593	1,016,698	1,211,844	1,143,342
City Treasurer	143,138	151,726	145,525	38,705	160,245	167,292
City Attorney	1,115,935	1,009,372	910,049	987,044	910,049	940,290
City Manager	6,001,363	6,496,800	5,459,829	6,214,173	4,463,504	4,896,620
Finance	3,851,736	3,397,916	3,639,551	3,442,495	4,332,882	3,892,875
Non-Departmental	1,452,844	1,081,965	1,737,423	1,366,323	1,369,252	1,544,367
Human Resources	2,019,064	1,781,034	2,031,504	1,889,976	2,278,204	2,518,003
Fire	30,983,929	28,434,808	31,010,490	32,023,646	29,787,503	31,313,292
Police	31,071,930	30,190,060	32,020,244	30,984,959	32,761,570	32,894,294
Public Works	5,755,272	6,487,502	5,856,707	5,973,424	6,295,981	7,120,654
Parks and Recreation	17,893,967	17,253,040	16,024,167	15,978,135	17,990,115	19,608,365
Library	6,674,593	5,952,038	6,245,898	5,903,883	6,655,798	6,706,110
Economic and Community Development	<u>13,935,395</u>	<u>9,920,252</u>	<u>9,606,747</u>	<u>8,415,150</u>	<u>13,556,469</u>	<u>8,872,327</u>
Total Expenditures	<u>\$122,280,519</u>	<u>\$113,393,377</u>	<u>\$116,069,288</u>	<u>\$114,458,868</u>	<u>\$122,065,842</u>	<u>\$121,862,580</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	\$ 2,250,000	\$ --	\$ --	\$ (818,692)	\$ 690,000	\$ --
Transfers in ⁽³⁾	1,539,100	1,302,435	2,323,871	2,272,021	4,018,961	3,245,000
Transfers out ⁽⁴⁾⁽⁵⁾	<u>(42,438,974)</u>	<u>(24,642,202)</u>	<u>(41,616,511)</u>	<u>(24,041,188)</u>	<u>(13,748,535)</u>	<u>(13,344,450)</u>
Total Other Financing Sources (Uses)	<u>\$ (38,649,874)</u>	<u>\$ (23,339,767)</u>	<u>\$ (39,292,640)</u>	<u>\$ (22,587,859)</u>	<u>\$ (9,039,574)</u>	<u>\$ (10,099,450)</u>
Net Change in Fund Balances Before Special Items	(37,153,203)	(5,826,815)	(37,369,728)	(13,557,741)	(6,042,761)	855,152
Special Items ⁽⁶⁾	--	(276,939)	--	(1,378,533)	--	--
NET CHANGE IN FUND BALANCE	<u>\$ (37,153,203)</u>	<u>\$ (6,103,754)</u>	<u>\$ (37,369,728)</u>	<u>\$ (14,936,274)</u>	<u>\$ (6,042,761)</u>	<u>\$ 855,152</u>

⁽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 2019-20 and 2020-21 differ from Table 2 below.

⁽²⁾ Includes Measure W sales tax revenues. The City currently estimates that Measure W sales tax revenues will be approximately \$12.7 million and \$13.8 million in fiscal years 2021-22 and 2022-23, respectively. See Table 7 below for Measure W sales tax revenues received in prior years.

⁽³⁾ Fiscal year 2019-20 results reflect a transfer in from Non-Major Governmental Funds and the Child Care Impact Fees Capital Projects Fund. Fiscal year 2020-21 results reflect a transfer in from Non-Major Governmental Funds and the Developer Deposits Capital Projects Fund.

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- (4) Fiscal years 2019-20 and 2020-21 results reflect transfers out to the Capital Improvements Projects Fund, Capital Infrastructure Reserve Capital Projects Fund, Capital Improvements Civic Campus Projects Fund, Non-Major Governmental Funds, Stormwater Enterprise Fund and Internal Service Fund.
 - (5) Fiscal years 2019-20 and 2020-21 amounts include transfers out of Measure W Sales Tax revenues. Transfers out for fiscal year 2021-22 shown in this Table 1 do not include budgeted transfers out of amounts constituting Measure W Sales Tax revenues from the General Fund. In fiscal year 2021-22 City has budgeted transfers of Measure W Sales tax revenues of \$21.8 million 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 2021-22 General Fund revenues.
 - (6) Fiscal Year 2019-20 results reflect a \$971,011 transfer of capital assets from the Successor Agency and \$1,247,950 proceeds from the sale of the commercial space located within the City's Miller Parking Garage. Fiscal year 2020-21 results reflect the distribution of net proceeds to taxing entities relating to the Successor Agency of \$1,378,533 for the sale of property located at 201 – 219 Grand Avenue and the commercial space located within the City's Miller Parking Garage. See "THE PROPERTY—Miller Parking Garage" in the Official Statement.
 - (7) Reflects the Adopted Budget and adjustments approved by the City Council through February 28, 2022.
 - (8) Reflects the preliminary budget which is subject to revision prior to adoption. See "*Preliminary Fiscal Year 2022-23 Budget*" above.
- Source: Audited Financial Statements for fiscal year 2019-20 and fiscal year 2020-21; Adopted Budget for fiscal year 2021-22, including adjustments approved by the City Council; preliminary fiscal year 2022-23 budget.

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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 2016-17 through 2020-21.

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

	2016-17	2017-18	2018-19	2019-20	2020-21
REVENUES					
Property Taxes ⁽¹⁾	\$ 33,405,829	\$ 34,143,627	\$ 38,659,657	\$ 42,847,443	\$ 44,239,406
Sales Taxes ⁽²⁾	24,479,476	28,728,427	32,251,636	31,563,148	32,749,447
Transient Occupancy Taxes ⁽³⁾	13,631,507	13,978,533	17,091,222	13,829,025	6,710,271
Franchise Fees	4,090,073	4,403,493	4,469,808	4,594,577	4,498,202
Other Taxes	5,708,187	5,871,096	4,995,404	4,515,376	4,529,764
Intergovernmental ⁽¹⁾	1,593,508	2,610,233	2,876,545	1,626,529	4,323,151
Interest and Rentals	2,784,072	2,846,967	4,409,185	4,845,966	3,063,987
Licenses and Permits ⁽⁴⁾	7,823,403	14,674,809	15,381,416	15,900,500	15,589,002
Charges for Services	9,451,835	10,924,668	11,563,755	9,978,678	6,518,002
Fines and Forfeitures	899,118	423,604	926,729	814,354	535,750
Other	1,092,691	266,872	330,881	390,733	731,752
Total Revenues	<u>\$ 104,959,699</u>	<u>\$ 118,872,329</u>	<u>\$ 132,956,238</u>	<u>\$ 130,906,329</u>	<u>\$ 123,488,986</u>
EXPENDITURES					
City Council	\$ 206,950	\$ 239,264	\$ 258,760	\$ 258,413	\$ 224,257
City Clerk	607,096	660,306	770,985	978,451	956,698
City Treasurer	110,559	135,218	123,505	151,726	38,705
City Attorney	1,187,716	996,380	961,588	1,009,372	987,044
City Manager	1,948,911	2,691,066	2,339,342	4,139,612	3,993,952
Finance	2,613,473	3,080,769	2,789,187	3,222,657	2,917,393
Non-departmental	1,145,698	1,049,187	1,219,533	1,014,840	1,336,201
Human Resources	1,571,647	1,541,524	1,621,409	1,672,701	1,654,369
Fire	25,567,548	26,059,072	27,572,488	28,138,053	31,817,325
Police	25,539,781	26,639,009	28,482,445	30,190,060	30,959,959
Public Works	4,654,758	5,014,343	5,787,782	6,156,203	5,731,652
Parks and Recreation	14,897,157	15,468,370	16,530,603	17,130,302	15,795,645
Library	5,157,355	5,379,836	5,628,693	5,940,870	5,903,883
Economic and Community Development	7,158,564	7,722,689	8,433,298	7,669,329	6,560,605
Total Expenditures	<u>\$ 92,367,213</u>	<u>\$ 96,677,033</u>	<u>\$ 102,519,618</u>	<u>\$ 107,672,589</u>	<u>\$ 108,877,688</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 12,592,486	\$ 22,195,296	\$ 30,436,620	\$ 23,233,740	\$ 14,611,298
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Assets	--	3,990,605	840,298	--	(818,692)
Transfers in ⁽⁵⁾	6,021,853	6,269,262	4,906,791	1,302,435	2,272,021
Transfers out ⁽⁶⁾	(5,909,636)	(20,317,868)	(11,995,827)	(24,642,202)	(24,041,188)
Total Other Financing Sources (Uses)	<u>112,217</u>	<u>(10,058,001)</u>	<u>(6,248,738)</u>	<u>(23,339,767)</u>	<u>\$ (22,587,859)</u>
Net Change in Fund Balances before special items	12,704,703	12,137,295	24,187,882	(106,027)	(7,976,561)
SPECIAL ITEMS					
Assets Transferred from the Successor Agency ⁽⁷⁾	20,582,335	--	829,315	(971,011)	--
Remittance of Land Sale Proceeds ⁽⁷⁾	--	(7,154,626)	(1,360,906)	1,247,950	(1,378,533)
Net Change in Fund Balances	33,287,038	4,982,669	23,656,291	170,912	(9,355,094)
Fund Balances (Deficits) - July 1	23,017,185	56,304,223	61,286,892	84,943,183	85,114,095
Fund Balances (Deficits) - June 30	<u>\$ 56,304,223</u>	<u>\$ 61,286,892</u>	<u>\$ 84,943,183</u>	<u>\$ 85,114,095</u>	<u>\$ 75,759,001</u>

⁽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 2016-17 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) Includes amounts attributable to the 1% increase in the transient occupancy tax rate authorized by Measure I as follows: \$1,361,779 in fiscal year 2016-17, \$1,397,853 in fiscal year 2017-18, \$1,556,009 in fiscal year 2018-19; \$1,114,911 in fiscal year 2019-20 and \$495,099. Such amounts are included in the General Fund but may only be used toward police, fire, library and parks and recreation expenditures. Reflects the increase in the transient occupancy tax rates as authorized by Measure FF. Measure FF authorized certain increases in the transient occupancy tax rate, the proceeds of which may be expended on any City general services. See “—Transient Occupancy Taxes” below.
- (4) Increase in fiscal year 2017-18 primarily as a result of increased building activity within the City.
- (5) Reflect transfers in from the Capital Infrastructure Reserve Capital Projects Fund, Non-Major Governmental Funds, Developer Deposits Capital Projects Fund and the Child Care Impact Fee Capital Projects Fund.
- (6) Reflect transfers out to the Capital Improvements Projects Fund, Capital Infrastructure Reserve Capital Projects Fund, Capital Improvements Civic Campus Projects Fund, Non-Major Governmental Funds, 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 2016-17 through 2020-21.

Impacts of COVID-19

General. Efforts to respond to and mitigate the spread of COVID-19 had a severe impact on the State and local economy and triggered a recession in 2020. The outbreak resulted in temporary closing of businesses, universities, and schools throughout California. The six Bay Area counties including the County of San Mateo (the “County”), issued a Shelter-in-Place order effective March 17, 2020 and the Governor issued a similar Stay-at-Home shortly thereafter, which required closures of certain businesses including restaurants, bars, and gyms. Since March 2020, the State and the County have issued a variety of reopening plans and additional stay-at-home orders which have been revised over time as metrics related to COVID-19 have changed.

The temporary closures in response to COVID-19 led to a stark increase in unemployment across the County and the nation in 2020. The San Francisco-Oakland-Hayward Metropolitan Statistical Area unemployment rate increased from 2.8% in June 2019 to 12.6% in June 2020. Employment has since recovered. According to a report released by State Employment Development Department, the City’s unemployment rate was 2.4% as of April 2022.

There are many variables that will continue to contribute to the economic impact of the COVID-19 pandemic, including inflationary pressure and the response thereto, supply chain issues, new coronavirus strains and vaccinations efforts. The City cannot predict the extent or duration of such impacts.

Financial Impacts.

Fiscal Year 2019-20. In fiscal year 2019-20, the City experienced an overall decline in General Fund revenues of approximately \$2.0 million (approximately 1.5%) as compared to fiscal year 2018-19. Sales tax and transient occupancy tax revenues performed strongly during the first half of fiscal year 2019-20 but fell dramatically during the second half as a result of the closures of various businesses and restrictions on travel due to the COVID-19 pandemic. Overall, sales tax revenues remained relatively flat in fiscal year 2019-20 as compared to fiscal year 2018-19 with the dramatic drop in the latter half of the fiscal year negating the effect of the strong performance in the first half. Similarly, the dramatic decrease in transient occupancy tax revenues in the latter half of fiscal year 2019-20 negated the strong performance in first half of the fiscal year. Transient occupancy tax revenues were approximately \$3.3 million lower in fiscal year 2019-20 as compared to fiscal year 2018-19, representing a 19.1% decrease. Revenues from property taxes and licenses and permits increased over fiscal year 2018-19 amounts, which helped mitigate the strain on General Fund revenues caused by the decrease in transient occupancy tax revenues.

In response to the COVID-19 pandemic, beginning in March 2020, the City implemented measures to limit expenditures such as limiting non-essential expenditures and enacting hiring freezes. For fiscal year 2019-20, General Fund operating expenditures were approximately \$113.4 million (on a non-GAAP basis), representing an approximately \$8.9 million decrease from the budgeted amount. Despite the decrease in

certain major revenue sources for the General Fund in the second half of fiscal year 2019-20 resulting from the COVID-19 pandemic, the City ended such fiscal year with revenues over expenditures of \$23.2 million (or 21.6% of expenditures) (excluding interfund transfers). The strong property tax base and actions by the City Council and management enabled the City to achieve this positive result. Overall, excluding Measure W revenues (as defined and described below) and interfund transfers, the City's General Fund ended fiscal year 2019-20 with an unassigned/unappropriated fund balance of approximately \$11.5 million.

Fiscal Year 2020-21 and Fiscal Year 2021-22 to Date. Fiscal year 2020-21 was the first full fiscal year during which the impact of the COVID-19 was experienced. In fiscal year 2020-21, the City experienced a decline in General Fund revenues of approximately \$7.4 million (approximately 5.7%) as compared to fiscal year 2019-20. Transient occupancy tax revenues experienced the most dramatic decline, which was approximately \$6.7 million as compared to \$13.8 million in fiscal year 2019-20. By comparison, transient occupancy tax revenues in fiscal year 2018-19 (i.e. before the onset of the COVID-19 pandemic) were approximately \$17.1 million. In the revised budget for fiscal year 2021-22, the City is projecting a slow recovery in transient occupancy tax revenues, which are estimated to be \$8.6 million in fiscal year 2021-22.

The other General Fund revenue source that saw a dramatic decrease as a result of the COVID-19 pandemic was Charges for Services, which are collected for services including paramedic and basic life support service fees, certain police service fees, charges for recreational classes, day care, and library programs. In fiscal year 2020-21, Charges for Services were approximately \$5.0 million below the fiscal year 2018-19 amount.

In fiscal year 2020-21, sales tax revenues remained resilient and experienced an approximately \$1.2 million increase over fiscal year 2019-20. In the revised budget for fiscal year 2021-22, the City estimated approximately \$33.0 million in sales tax revenues, which is approximately in line with the fiscal year 2020-21 actual amount. The foregoing amounts include the Measure W sales tax revenues. Property tax revenues in fiscal year 2020-21 was approximately \$1.4 million higher than the fiscal year 2019-20 amount and is projected to continue its steady growth in fiscal year 2021-22.

The City has lifted the hiring freezes that were implemented as a result of the COVID-19 pandemic. Recruiting to fill vacancies will be an ongoing process and no significant appropriations relating to payroll and related expenses are anticipated in the current or next fiscal year.

On March 11, 2021, President Biden signed the American Rescue Plan Act (the "Rescue Act") which includes \$1.9 trillion of funding for individuals, businesses and state and local governments to mitigate the impacts of the COVID-19 pandemic. The City has been allocated approximately \$12.3 million in Rescue Act funding, approximately \$6.14 million of which was received in June 2021. The balance is expected to be received in June 2022. Of the \$6.14 million that the City has received, approximately \$4.22 million has been appropriated toward: (1) the City's Economic Advancement Center, which provides workforce development and small business and entrepreneurship services; (2) reimbursement of the General Fund for COVID-19 related costs such as public safety and public health efforts; and (3) youth and community programs and restaurant grants.

The City continues to monitor the impact of the COVID-19 pandemic on its revenues and expenditures. See "—Budget Information" above.

Service Impacts. The City continued to provide core services including public safety (police and fire), and sewer services without disruption during the COVID-19 pandemic. However, the COVID-19 pandemic has impacted certain other services that the City provides. While the stay at home order was in effect, recreation centers and pools were closed, and libraries were open for public use on a limited basis. Parks were also open for limited use.

Many City employees that are able to work via telecommuting utilize this option. The City's development plan permitting function transitioned to virtual hearings, inspections, and appointments. The City has also established an electronic option for development plan submittals.

Comparative General Fund Balance Sheets of the City

The table below presents the City's audited General Fund Balance Sheets for fiscal years 2016-17 through 2020-21.

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

	2016-17	2017-18	2018-19	2019-20	2020-21
ASSETS					
Cash and Investments ⁽¹⁾	\$ 33,222,598	\$ 37,648,050	\$ 60,775,901	\$61,426,353	\$56,463,292
Receivables:					
Accounts	6,021,069	7,734,046	8,581,277	7,813,980	10,529,164
Accrued Interest	64,817	213,239	274,790	243,824	164,535
Due from Conference Center	43,668	-	53,589	60,650	62,516
Due from Other Funds	336,000	70,000	1,100,000	4,400,000	-
Inventory	474	106	372	574	4,099
Restricted Cash and Investments	--	200,000	200,000	352,797	152,797
Land Held for Redevelopment ⁽²⁾	<u>20,582,335</u>	<u>20,582,335</u>	<u>19,201,948</u>	<u>18,372,633</u>	<u>16,354,141</u>
Total Assets	<u>\$ 60,270,961</u>	<u>\$ 66,447,776</u>	<u>\$ 90,187,877</u>	<u>\$92,670,811</u>	<u>\$83,730,544</u>
LIABILITIES					
Liabilities:					
Accounts Payable	\$ 2,012,208	\$ 1,307,966	\$ 2,609,145	\$ 2,018,069	\$ 3,200,919
Accrued Salaries and Benefits	1,569,242	3,027,256	1,659,795	3,416,228	2,835,241
Other Payable	278,678	290,552	65,755	186,956	797,807
Deposits	--	411,025	763,563	1,935,463	927,576
Unearned Revenue	<u>106,610</u>	<u>124,085</u>	<u>146,436</u>	<u>--</u>	<u>210,000</u>
Total Liabilities	<u>\$ 3,966,738</u>	<u>\$ 5,160,884</u>	<u>\$ 5,244,694</u>	<u>\$ 7,556,716</u>	<u>\$ 7,971,543</u>
Fund Balances:					
Nonspendable	\$ 474	\$ 106	\$ 372	\$ 574	\$ 4,099
Restricted ⁽²⁾	--	20,582,335	19,201,948	18,372,633	16,354,141
Committed ⁽³⁾	11,780,724	16,725,897	22,619,868	17,723,338	12,372,202
Assigned ⁽³⁾	5,244,279	4,334,322	11,881,363	5,720,788	5,431,178
Unassigned ⁽⁴⁾	<u>39,278,746</u>	<u>19,644,232</u>	<u>31,239,632</u>	<u>43,296,762</u>	<u>41,597,381</u>
Total Fund Balances (Deficits)	<u>56,304,223</u>	<u>61,286,892</u>	<u>84,943,183</u>	<u>85,114,095</u>	<u>75,759,001</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 60,270,961</u>	<u>\$ 66,447,776</u>	<u>\$ 90,187,877</u>	<u>\$92,670,811</u>	<u>\$83,730,544</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 of the City.

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>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>
Property Taxes ⁽¹⁾	\$ 33,405,829	\$ 34,143,627	\$ 38,659,657	\$ 42,847,443	\$ 44,239,406
Sales Taxes	24,479,476	28,728,427	32,251,636	31,563,148	32,749,447
Transient Occupancy Taxes	13,631,507	13,978,533	17,091,222	13,829,025	6,710,271
Licenses and Permits	7,823,403	14,674,809	15,381,416	15,900,500	15,589,002
Charges for Services ⁽²⁾	<u>9,451,835</u>	<u>10,924,668</u>	<u>11,563,755</u>	<u>9,978,678</u>	<u>6,518,002</u>
Total	<u>\$ 88,792,050</u>	<u>\$102,450,064</u>	<u>\$114,947,686</u>	<u>\$114,118,794</u>	<u>\$105,806,128</u>

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

(2) 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 2020-21, property tax receipts of approximately \$44.2 million provided the largest tax revenue source of the City, contributing approximately 36% of total General Fund revenues. General Fund property tax revenues of approximately \$41.1 million are budgeted to be received during fiscal year 2021-22. The City also received a portion of Department of Motor Vehicles license fees (“VLF”) collected Statewide. Several years ago, the State-wide 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.

Under current State law, a portion of property tax revenues in each county are transferred to a county account known as the Educational Revenue Augmentation Fund (“ERAF”) to offset a portion of the State’s obligation to fund local K-14 school districts and community college districts. In certain counties, including the County, amounts in the ERAF in each fiscal year have historically exceeded the amount of the State’s obligation to fund such local educational agencies. Such excess amounts are commonly referred to as “excess ERAF.” Under current State law, a portion of the excess ERAF are returned to local agencies, such as the City. A trailer bill to the Governor’s proposed fiscal year 2022-23 State budget, if enacted, would provide that (1) a local agency’s share of excess ERAF will not exceed its fiscal year 2021-22 amount; and (2) the amount of the property tax revenues related to the VLF backfill described above shall be paid from any additional excess ERAF growth, thus reducing the State’s obligation to backfill the VLF. The County has estimated that, if the trailer bill were enacted, the City’s fiscal year 2021-22 excess ERAF cap would be \$4.7 million. In fiscal year 2022-23, the County has estimated that approximately \$130,000 of excess ERAF could be diverted to VLF, based on the City’s excess ERAF cap. If enacted into law, the proposed trailer bill to the Governor’s proposed budget could reduce the growth in any future excess ERAF allocated to the City.

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.

The table below sets forth the secured and unsecured assessed valuations for property in the City for the fiscal years 2012-13 through 2021-22.

TABLE 5
CITY OF SOUTH SAN FRANCISCO
ASSESSED VALUATION
FISCAL YEARS 2012-13 THROUGH 2021-22⁽¹⁾

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Unsecured</i>	<i>Total</i>
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	19,204,610,134	1,727,590,717	20,932,200,851
2020-21	21,144,945,769	2,056,800,753	23,201,746,522
2021-22	22,579,377,659	1,993,535,514	24,572,913,173

Source: City Comprehensive Audited Financial Reports for fiscal years 2012-13 through 2020-21; County Assessor-County Clerk-Recorder for fiscal year 2021-22.

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 property taxpayers in the City for fiscal year 2020-21 based on total assessed valuation, the land use and the percentage of the City’s total assessed value attributable to each are shown in the below table. The information in Table 6 has been obtained from third-party sources and is included for general information purposes only. The City has not verified the information in Table 6 and does not guarantee the accuracy of such information.

**TABLE 6
CITY OF SOUTH SAN FRANCISCO
TEN PRINCIPAL TAXPAYERS**

	<i>Property Owner</i>	<i>2020-21 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>	<i>Land Use</i>
1.	Genentech Inc.	\$ 2,953,030,213	12.73%	Office/R&D Buildings
2.	HCP Oyster Point III LLC	795,928,157	3.43	Office/R&D Buildings
3.	ARE San Francisco LLC	738,355,548	3.18	Office/R&D Buildings
4.	Slough SSF LLC	685,393,965	2.95	Business Park
5.	GNS South Tower LP	633,313,121	2.73	Office/R&D Buildings
6.	United Airlines Inc.	426,814,705	1.84	Maintenance Facility
7.	Brittania Pointe Grand LP	322,530,116	1.39	Office/R&D Buildings
8.	ARE East Grand Ave Owner LLC	240,428,480	1.04	Office/Amenity Buildings
9.	KR Oyster Point LLC	224,702,833	0.97	Office/R&D Buildings
10.	BMR 1000 Gateway LP	217,352,597	0.94	Office/R&D Buildings
	Totals	\$ 7,237,849,735	31.20%	

⁽¹⁾ 2020-21 Local Assessed Valuation (secured and unsecured): \$23,201,746,522.

Since fiscal year 2015-16, the City has experienced significant increases in residential and commercial building activity. See “ECONOMIC AND DEMOGRAPHIC INFORMATION—Building Activity” below. Several major commercial projects have been completed in that time and several other large-scale commercial and office development projects are either underway or proposed for development within the City. Completed projects include: (i) The Cove at Oyster Point, which includes approximately 880,000 square feet of office and research and development space in seven buildings, approximately 20,000 of retail space, an AC Marriott hotel and associated parking facilities; (ii) Merck Pharmaceuticals west coast headquarters (290,000 square feet); (iii) Verily Life Sciences biotechnology campus (470,000 square feet); (iv) Genentech’s new office building, (160,000 square feet); (v) the Genesis Towers project, which includes two towers with approximately 800,000 square feet of office space, a performing arts center, and retail space; and (vi) the first phase of the Kilroy Oyster Point project which includes three office buildings with approximately 550,000 square feet (which are fully leased to Stripe and Cytokinetics) and associated parking facilities. The Kilroy Oyster Point project is a phased office and research and development campus totaling approximately 2.45 million square feet. Projects underway or planned include: (i) the Gateway of the Pacific project, which is a three-phased office and laboratory campus totaling approximately 1.3 million square feet at buildout, with the first two phases nearing completion and fully leased to Abbvie and Amgen, and the third phase under construction; (ii) the second of four phases of the Kilroy Oyster Point project; (iii) Genentech recently obtained City approval for their new Master Plan, which will allow an additional 4.3 million square feet of office, manufacturing, and research and development space on their corporate headquarters campus, with several projects starting construction in 2021 and full buildout anticipated over 15 years; (iv) a 1.7 million square foot biotechnology campus project being

developed through a joint partnership of Alexandria Real Estate and Boston Properties; and (v) the Southline project, which is a proposed office campus with up to 2.7 million square feet of office or lab space located on a 26-acre former industrial warehouse site (application submitted to the City).

To the extent completed construction has not yet been reflected in the assessed valuation of property in the City, the value of such projects can be expected to increase the total assessed valuation of property in the City. Similarly, the planned and underway building activity, if completed as currently proposed, can be expected to increase the assessed valuation of property in the City and property tax revenues and/or other City revenues. However, no assurances can be given as to the completion thereof or any such increase.

Sales Taxes

During fiscal year 2020-21, sales tax receipts of approximately \$32.7 million provided the second largest tax revenue source for the City, contributing approximately 27% of total General Fund revenues. Based on the revised budget approved in February 2022, sales tax receipts of approximately \$33.0 million are projected for fiscal year 2021-22, which includes approximately \$12.7 million of revenues from Measure W Sales Tax (defined below). As of February 2022, the City had a total of \$19.8 million in sales tax receipts, which includes approximately \$7.4 million of the Measure W Sales Tax.

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>
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
2019-20	19,859,058	11,704,090	31,563,148
2020-21	19,370,155	13,379,292	32,749,447

Source: City of South San Francisco.

Table 8 below shows the taxable transactions by industry type as of June 30, 2021. The information in Table 8 has been obtained from Avenu Insights & Analytics and is included for general information purposes only. The City has not verified the information in Table 8 and does not guarantee the accuracy of such information.

**TABLE 8
CITY OF SOUTH SAN FRANCISCO
TAXABLE TRANSACTIONS BY INDUSTRY**

<i>Industry</i>	<i>Percentage of All Taxable Transactions</i>
General Retail	33.6%
Business to Business	21.9
Transportation	15.2
Food Products	15.0
Construction	12.9
Other	<u>1.4</u>
Total	100.0%

Source: Avenu Insights & Analytics.

Table 9 below provides the top twenty sales tax payers (in alphabetical order) within the City as of June 30, 2021.

**TABLE 9
CITY OF SOUTH SAN FRANCISCO
TWENTY PRINCIPAL SALES TAX PAYERS
(in alphabetical order)**

<i>Property Owner</i>	<i>Property Owner</i>
Bon Appetit Management Co.	MRL San Francisco
Broadmoor Lumber & Plywood Co.	Roofline
Central Concrete Supply Co.	Safeway Stores
Chevron Service Stations	Shell Services Stations
Costco Wholesale	Shift Operations
Flyers Energy	Sigler Wholesale
Genentech	South City Lumber & Supply
Granite Rock	Stitch Fix
McDonald's	Twist Bioscience Corporation
Monogram Biosciences	Verily Life Sciences

Source: Avenu Insights & Analytics.

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Table 10 summarizes the annual volume of taxable transactions within the City for the years 2017 through 2021.

TABLE 10
CITY OF SOUTH SAN FRANCISCO
TOTAL TAXABLE TRANSACTIONS
(Dollars in Thousands)

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2017	1,702	\$1,440,756
2018	1,881	1,547,221
2019	1,974	1,647,962
2020	2,111	1,350,840
2021	1,973	1,541,476

Source: Taxable Sales in California, California Department of Tax and Fee Administration for 2017-2021.

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 2020-21, transient occupancy tax receipts were approximately \$6.7 million, providing approximately 5.4% of total General Fund revenues. In the Adopted Budget for fiscal year 2021-22, the City projected transient occupancy tax revenues of approximately \$7.1 million for fiscal year 2021-22. Based on transient occupancy tax revenues receipts through December 31, 2021, the City adjusted the budgeted amount for fiscal year 2021-22 upward to \$8.6 million. Such amount represents a significant decrease from recent fiscal years (e.g. transient occupancy taxes in fiscal years 2018-19 and 2019-20 were approximately \$17.1 million and \$13.8 million respectively). The City attributes such decline to the greatly reduced levels of tourism and travel resulting from the COVID-19 pandemic. The City cannot predict when, or if, travel and tourism activity will return to the level of such activity which existed prior to the outbreak of the COVID-19 pandemic.

At an election on November 2, 2004, the City’s voters approved Measure I, which is increased the City’s transient occupancy tax rate from 9% to 10%. Transient occupancy tax revenues attributable to Measure I are included in the City’s General Fund but may only be used toward police, fire, library and parks and recreation expenditures. Between fiscal year 2015-16 and 2018-19, General Fund transient occupancy tax revenues attributed to Measure I increased from \$1.34 million to \$1.56 million. As a result of the COVID-19 pandemic and the related restrictions on travel, gatherings and business operations, General Fund transient occupancy tax revenues attributed to Measure I decreased to \$1.1 million and to \$0.5 million in fiscal years 2019-20 and 2020-21, respectively. The increased transient occupancy tax rates authorized by Measure I does not expire.

At an election on November 6, 2018, a majority of voters in the City approved Measure FF, which incrementally increased the transient occupancy tax rate to 14%. The transient occupancy tax increased from 10% to 12% on January 1, 2019, to 13% on January 1, 2020, and to 14% on January 1, 2021. The increases authorized by Measure FF do not expire.

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 2020-21, the City collected approximately \$15.6 million, providing approximately 12.6% of total General Fund revenues. License and permit fees of approximately \$16.5 million are currently budgeted to be received during fiscal year 2021-22.

The City has experienced significant increases in license and permit fee revenues in the last five fiscal years, increasing from approximately \$7.8 million in fiscal year 2016-17 to approximately \$15.6 million in fiscal year 2020-21. 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 2020-21, charges of approximately \$6.5 million (approximately 5.3% 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 currently budgeted at approximately \$7.8 million in fiscal year 2021-22.

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 leases with the Conference Center Authority and Price Club Associates are included in the City’s General Fund. The revenues generated by the lease to Magnolia Housing are not 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 the Series 2020A Bonds, the Series 2021A Bonds and a financing lease entered into for the purpose of acquiring fire trucks. As of April 1, 2022, the Series 2020A Bonds and the Series 2021A Bonds were outstanding in the principal amounts of \$42,970,000 and \$86,410,000, respectively. The aggregate amount outstanding under the fire truck financing lease was \$215,545.

The City has 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. In addition, the City has formed the City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services) (the “CFD”) which CFD issued special tax

bonds in April 2022 in the aggregate principal amount of \$19,685,000. The special tax bonds issued by the CFD are payable solely from special taxes levied on the property in the CFD.

See Note 5 to the City's audited financial statements for fiscal year 2020-21 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.

Proposed Indebtedness. The City Council has approved the issuance of pension obligation bonds to refund all or a portion of the City's unfunded liability under its CalPERS plans for economic savings. The decision as to whether issuance of the pension obligation bonds is dependent upon a variety of factors, including, but not limited to, the interest rate environment. No assurances can be made that the pension obligation bonds will be issued.

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 440 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, 2021 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	10.277%	10.277%	10.277%
Required Unfunded Actuarial Liability Contribution ⁽¹⁾		\$5,845,814	

⁽¹⁾ As described under “—Contributions” below, CalPERS no longer collects required contributions for the unfunded portion of pension liability based on a percentage of payroll.

	<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	21.214%	21.214%	21.214%
Required Unfunded Actuarial Liability Contribution ⁽¹⁾		\$7,829,383	

⁽¹⁾ As described under “—Contributions” below, CalPERS no longer collects required contributions for the unfunded portion of pension liability based on a percentage of payroll.

As of the June 30, 2019 actuarial valuation date and the June 30, 2020 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	473	291
Inactive Employees Entitled to but Not Yet Receiving Benefits	381	106
Active employees	<u>290</u>	<u>163</u>
Total	1,144	560

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, 2020, the City's required contributions for the Miscellaneous Plan and Safety Plan were \$6,851,659 and \$10,164,921, respectively. For the year ended June 30, 2021, the City's required contributions for the Miscellaneous Plan and Safety Plan were \$5,845,814 and \$7,829,383, respectively. Such amounts were paid by the City. In the aggregate, the City's total contribution in fiscal year 2020-21 (\$13,675,197) representing approximately 12.6% of General Fund expenditures (exclusive of interfund transfers). However, the City allocates such pension costs to other City funds (i.e. the City's wastewater enterprise fund) as appropriate.

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, 2020 and delivered in July 2021 for the Miscellaneous and Safety plans (together, the "2021 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 2021 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 PEPRAs or other lower cost benefit tiers.

The foregoing projections assumed the investment return for fiscal year 2020-21 would be 7.0 percent. CalPERS announced a preliminary investment return of 21.3% for fiscal year 2020-21. As a result, the actual contribution requirements for the fiscal years 2023-24 and the following years shown below can be expected to differ from such projections.

<i>Fiscal Year</i>	<i>Required Contribution</i>		<i>Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2020-21)</i>			
	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>	<i>2025-26</i>	<i>2026-27</i>	<i>2027-28</i>
<i>Safety Plan</i>						
Normal Cost %	20.45%	19.8%	19.3%	18.7%	18.2%	17.7%
UAL Payment	\$10,492,826	\$11,221,000	\$11,942,000	\$12,423,000	\$12,888,000	\$13,208,000
Total as a % of Payroll*	61.13%	62.2%	63.1%	63.1%	63.0%	62.4%
Projected Payroll	\$25,791,145	\$26,500,401	\$27,229,162	\$27,977,964	\$28,747,358	\$29,537,910
<i>Miscellaneous Plan</i>						
Normal Cost %	9.53%	9.3%	9.2%	9.0%	8.9%	8.7%
UAL Payment	\$7,792,749	\$8,288,000	\$8,803,000	\$9,147,000	\$9,476,000	\$9,712,000
Total as a % of Payroll*	37.25%	38.0%	38.8%	39.0%	39.1%	38.9%
Projected Payroll	\$28,114,131	\$28,887,269	\$29,681,669	\$30,497,915	\$31,336,607	\$32,198,364

* Illustrative only and based on the projected payroll shown.
Source: CalPERS' 2020 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 City's pension plans is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to

June 30, 2020 using standard update procedures. For the June 30, 2020 measurement period, total pension liabilities were based on a June 30, 2019 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	2.75%
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 2.50% 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, 2019 valuation were based on the results of a December 2017 actuarial experience study for the period from 1997 to 2015.

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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, 2019 (Measurement Date) ⁽¹⁾	\$ 244,816,128	\$ 163,510,764	\$ 81,305,364
Changes Recognized for the Measurement Period:			
Service Cost	4,267,487	-	4,267,487
Interest on Total Pension Liability	17,306,781	-	17,306,781
Changes of Assumptions	-	-	-
Differences Between Expected and Actual Experience	1,771,483	-	1,771,483
Plan to Plan Resource Movement	-	(32)	32
Contributions – Employer	-	7,823,463	(7,823,463)
Contributions – Employees	-	1,883,698	(1,883,698)
Net Investment Income	-	8,084,207	(8,084,207)
Benefit Payments, Including Refunds Of Employee Contributions	(13,336,957)	(13,336,957)	-
Administrative Expense	-	(230,510)	230,510
Other Miscellaneous Income/(Expense)	-	-	-
Net Changes	<u>10,008,794</u>	<u>4,223,869</u>	<u>5,784,925</u>
Balance at: June 30, 2020 (Measurement Date) ⁽¹⁾	<u>\$ 254,824,922</u>	<u>\$ 167,734,633</u>	<u>\$ 87,090,289</u>
Safety Plan			
Balance at June 30, 2019 (Measurement Date) ⁽¹⁾	\$ 343,645,905	\$ 231,869,470	\$ 111,776,435
Changes Recognized for the Measurement Period:			
Service Cost	6,880,000	-	6,880,000
Interest on Total Pension Liability	24,284,010	-	24,284,010
Changes of Assumptions	-	-	-
Differences Between Expected and Actual Experience	742,624	-	742,624
Plan to Plan Resource Movement	-	32	(32)
Contributions – Employer	-	11,402,434	(11,402,434)
Contributions – Employees	-	2,890,991	(2,890,991)
Net Investment Income	-	11,506,885	(11,506,885)
Benefit Payments, Including Refunds of Employee Contributions	(16,384,059)	(16,384,059)	-
Administrative Expense	-	(326,879)	326,879
Other Miscellaneous Income/(Expense)	-	-	-
Net Changes	<u>15,522,575</u>	<u>9,089,404</u>	<u>6,433,171</u>
Balance at June 30, 2020 (Measurement Date) ⁽¹⁾	<u>\$ 359,168,480</u>	<u>\$ 240,958,874</u>	<u>\$ 118,209,895</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 years 2018-19 and thereafter 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, 2020 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>Net Pension Liability</i>	<i>Discount Rate – 1% (6.15%)</i>	<i>Current Discount Rate (7.15%)</i>	<i>Discount Rate + 1% (8.15%)</i>
Miscellaneous Plan	\$ 119,735,409	\$ 87,090,289	\$ 60,053,403
Safety Plan	<u>166,899,641</u>	<u>118,209,606</u>	<u>78,199,917</u>
Total Net Pension Liability	<u>\$ 286,635,050</u>	<u>\$ 205,299,895</u>	<u>\$ 138,253,320</u>

For the year ended June 30, 2021, the City recognized pension expense as follows:

<i>Miscellaneous</i>	<i>Safety</i>	<i>Total Plans</i>
\$11,032,435	\$17,164,451	\$28,196,886

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

At June 30, 2020, 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	\$ 8,616,536	\$ --
Change in Assumptions	-	--
Difference Between Expected and Actual Experience	1,930,792	--
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>1,303,366</u>	<u>--</u>
Miscellaneous Plan Total	<u>\$ 11,850,694</u>	<u>\$ 0</u>
Safety Plan		
Contributions Made Subsequent to the Measurement Date	\$ 12,413,770	--
Change in Assumptions	--	(152,187)
Difference Between Expected and Actual Experience	1,742,850	--
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>2,058,777</u>	<u>--</u>
Safety Plan Total	<u>\$ 16,215,397</u>	<u>\$ (152,187)</u>
Totals	<u>\$ 28,066,091</u>	<u>\$ (152,187)</u>

\$21,030,306 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 ending June 30, 2022. 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

Measurement Period Ended June 30,	Miscellaneous	Safety	Total Plans
2022	\$ 762,512	\$ 228,393	\$ 990,905
2023	926,075	1,116,594	2,042,669
2024	856,702	1,310,769	2,167,471
2025	688,869	993,684	1,682,553

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 2020-21 attached hereto as Appendix C.

Funded Status. The tables below are derived from the 2021 Report and show the funded status of the Safety Plan and Miscellaneous Plan as of the valuation dates shown.

Safety Plan

Valuation Date	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll
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
06/30/2019	350,809,431	231,939,143	118,870,288	66.1	23,033,588
06/30/2020	367,610,760	240,251,721	127,359,039	65.4	23,775,252

Miscellaneous Plan

Valuation Date	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll
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
06/30/2019	250,948,962	163,560,436	87,388,526	65.2	25,080,148
06/30/2020	260,347,344	167,235,960	93,111,384	64.2	25,916,668

Source: CalPERS’ 2021 Report.

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.

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 2021 covered CalPERS' fiscal year ended June 30, 2020). 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, 2020 and shown in the report delivered in July 2021 affects the City's fiscal year 2022-23 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 July 12, 2021, CalPERS reported a preliminary 21.3 percent net return on investment for the fiscal year ending June 30, 2021. The return exceeds the system's actuarially assumed 7 percent rate of return for the fiscal year. Using a 7 percent discount rate and these preliminary fiscal year returns, the funded status of the overall Public Employees Retirement Fund was estimated at 82 percent on a preliminary basis.

Since the returns outperformed the discount rate, the Funding Risk Mitigation Policy described above was triggered. Approximately half of the excess return was used for rate relief and half of the excess return was used to lower the discount rate to 6.8 percent. CalPERS notes that for a given risk mitigation event, it is estimated that employer rates will decrease by about half of what they would have with no risk mitigation. The Funding Risk Mitigation Policy requires staff to implement a new strategic asset allocation that will take effect on October 1 of the fiscal year immediately following the year the policy was triggered—in this case, 2020-21 is the trigger year. CalPERS completed its Asset Liability Management Process in November 2021 and this effort resulted in a new strategic asset allocation that keeps the discount rate at 6.8 percent, and incorporates a 5 percent leverage allocation. An implementation plan for the strategic asset allocation, including benchmarks, ranges, and timeline, is anticipated at a future CalPERS Board meeting.

The discount rate is lowered to 6.8 percent for all future years in accordance with thresholds established in the Funding Risk Mitigation Policy. The resulting impact to the required employer contribution rate changes are effective in fiscal year 2023-24 for public agencies. The discount rate reduction will be in effect until either the CalPERS Board makes the decision to change it, or another risk-mitigation event is triggered in a later year. Using this lower discount rate, CalPERS estimates on a preliminary basis the funded status of the overall Public Employees Retirement Fund at 80 percent.

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 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 2020-21 attached hereto as Appendix C.

As of the June 30, 2020 measurement date, membership consisted of the following:

Active Plan Members	196
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	<u>360</u>
Total	<u>556</u>

Source: City Comprehensive Audited Financial Report for fiscal year 2019-20.

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, 2020 using an actuarial valuation as of June 30, 2019. 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, 2020, see Note 9 to the audited financial statements for fiscal year 2020-21 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, in the City’s audited financial statements for fiscal year 2017-18, prior period adjustments (reductions) were made to the City’s

beginning net position for governmental activities in the amount of \$22,807,668 and for business-type activities in the amount of \$5,442,300.

For the year ended June 30, 2021, the City recognized OPEB expense of \$6,003,065 and total contributions to the OPEB plan was \$4,810,361. The following shows the schedule of changes in the total OPEB liability for the measurement period of July 1, 2019 to June 30, 2020.

	<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, 2019 Measurement Date	\$ 88,596,000	\$24,240,000	\$ 64,356,000
Changes Recognized for the Measurement Period			
Service Cost	1,604,244	-	1,604,244
Interest on the Total OPEB Liability	5,951,761	-	5,951,761
Changes in Benefit Terms	--	-	-
Difference Between Expected and Actual Experience	--	-	--
Changes of Assumptions	(1,858,796)	-	(1,858,796)
Contributions from the Employer	--	4,854,000	(4,854,000)
Net Investment Income	--	838,481	(838,481)
Benefit Payments	(4,052,000)	(4,052,000)	-
Administrative Expenses	--	(11,868)	11,868
Net Changes	<u>1,645,209</u>	<u>1,628,613</u>	<u>16,596</u>
Balance at June 30, 2020 Measurement Date	<u>\$ 90,241,209</u>	<u>\$ 25,868,613</u>	<u>\$ 64,372,596</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>
5.75%	6.75%	7.75%
\$76,569,553	\$64,372,596	\$54,326,961

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 and or 1-percentage point higher 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)

<i>1% Decrease</i>	<i>Trend Rate</i>	<i>1% Increase</i>
\$52,802,929	\$64,372,596	\$78,567,339

For additional information with respect to the City's OPEB plan, see Note 9 to the audited financial statements for fiscal year 2020-21 attached hereto as Appendix C.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

The City's population as of January 1, 2021 was approximately 67,135. This represents a decrease of approximately 0.9 percent from January 1, 2020. The following table shows the population for the City, the County and the State of California from 2017 through 2021.

POPULATION For Years 2017 through 2021

<i>Year (January 1)</i>	<i>City of South San Francisco</i>	<i>County of San Mateo</i>	<i>State of California</i>
2017	67,156	769,401	39,352,398
2018	67,193	770,927	39,519,535
2019	67,070	771,160	39,605,361
2020	67,730	771,061	39,648,938
2021	67,135	765,245	39,466,855

Source: State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2021, with 2010 Census Benchmark*, Sacramento, California, May 2021.

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 2016 through 2020 for the City is shown in the following tables.

NEW HOUSING UNITS BUILDING PERMITS City of South San Francisco For Years 2016 through 2020

	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
Single Family Units	4	7	13	51	23
Multifamily Units	<u>95</u>	<u>352</u>	<u>161</u>	<u>269</u>	<u>0</u>
Total Units	<u>99</u>	<u>359</u>	<u>174</u>	<u>320</u>	<u>23</u>

Source: Construction Industry Research Board and California Homebuilding Foundation.

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

	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
Residential					
New Single Family	\$ 1,017	\$ 2,702	\$ 1,396	\$ 168,366	\$ 2,835
New Multifamily	13,539	78,722	3,398	94,791	0
Res. Alt. & Adds	<u>10,320</u>	<u>17,287</u>	<u>15,363</u>	<u>\$ 13,289</u>	<u>\$ 17,099</u>
Total Residential	\$ 24,876	\$ 98,711	\$ 20,157	\$ 276,446	\$ 19,934
Nonresidential					
New Commercial	169,425	\$ 450,445	\$ 262,381	\$ 453,045	\$ 304,733
New Industrial	0	0	0	0	0
New Other ⁽¹⁾	2,101	64,666	6,096	13,175	0
Alters. & Adds.	<u>185,436</u>	<u>138,482</u>	<u>243,227</u>	<u>207,682</u>	<u>439,562</u>
Total Non-Residential	\$ 356,962	\$ 653,592	\$ 511,704	\$ 673,902	\$ 744,295
 Total All Building	 <u>\$ 381,838</u>	 <u>\$ 752,303</u>	 <u>\$ 531,861</u>	 <u>\$ 950,348</u>	 <u>\$ 764,229</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 2011 through 2020. 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
2011-2020

<i>Year</i>	<i>City of South San Francisco</i>	<i>County of San Mateo</i>	<i>California</i>	<i>United States</i>
2011	\$30,053	\$79,025	\$45,574	\$42,783
2012	30,446	87,241	48,154	44,614
2013	30,523	86,833	48,549	44,894
2014	30,923	92,531	51,332	47,017
2015	32,744	101,261	54,632	48,891
2016	33,120	106,115	56,667	49,812
2017	35,193	116,077	58,942	51,811
2018	36,092	125,332	61,663	54,098
2019	39,547	132,133	64,513	56,047
2020	43,136	141,841	70,192	59,510

⁽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 37,700 in 2021, a 2.7 percent decrease from 2020. 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 from 2017 to 2021 for the City, the County, the State of California and the nation as a whole.

The San Francisco-Oakland-Hayward Metropolitan Statistical Area unemployment rate increased from 2.8% in June 2019 to 12.6% in June 2020 According to a report released by State Employment Development Department, the City’s unemployment rate was 2.4% as of April 2022. See “—Impacts of COVID-19” above.

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LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Yearly Average for Years 2017 through 2021

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment⁽¹⁾</i>	<i>Unemployment⁽²⁾</i>	<i>Unemployment Rate (%)⁽³⁾</i>
<u>2017</u>				
City of South San Francisco	38,400	37,200	1,100	2.9%
San Mateo County	444,900	432,700	12,200	2.7
State of California	19,185,400	18,258,100	927,300	4.8
United States ⁽⁴⁾	160,320,000	153,337,000	6,982,000	4.4
<u>2018</u>				
City of South San Francisco	39,000	38,000	1,000	2.4%
San Mateo County	448,900	438,800	10,200	2.3
State of California	19,289,500	18,468,100	821,400	4.3
United States ⁽⁴⁾	162,075,000	155,761,000	6,314,000	3.9
<u>2019</u>				
City of South San Francisco	39,900	39,000	900	2.3%
San Mateo County	457,100	447,600	9,600	2.1
State of California	19,409,400	18,612,600	796,800	4.1
United States ⁽⁴⁾	163,539,000	157,538,000	6,001,000	3.7
<u>2020</u>				
City of South San Francisco	38,700	35,200	3,500	9.1%
San Mateo County	437,800	407,200	30,600	7.0
State of California	18,931,100	16,996,700	1,934,500	10.2
United States ⁽⁴⁾	160,742,000	147,798,000	12,947,000	8.1
<u>2021</u>				
City of South San Francisco	37,700	35,600	2,100	5.7%
San Mateo County	431,200	411,500	19,700	4.6
State of California	18,923,200	17,541,900	1,381,200	7.3
United States ⁽⁴⁾	161,204,000	152,581,000	8,623,000	5.3

(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 2021 benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

The table below summarizes employment by industry in the San Francisco-Redwood City-South San Francisco Metropolitan Division from 2017 to 2021. Service Providing, Professional and Business Services and Trade, Transportation and Utilities are the largest employment sectors in the County.

AVERAGE ANNUAL INDUSTRY EMPLOYMENT 2017-2021
San Francisco Redwood City South San Francisco Metropolitan Division
(San Francisco and San Mateo Counties)

	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
Total Farm	1,900	1,700	1,700	1,600	1,700
Total Nonfarm	1,110,900	1,144,000	1,184,800	1,080,900	1,092,500
Total, All Industries	1,112,700	1,145,800	1,186,500	1,082,500	1,094,200
Goods Producing	81,200	83,400	85,700	80,700	78,500
Natural Resources, Mining and Construction	39,900	42,500	44,600	42,800	41,300
Manufacturing	41,300	40,900	41,100	37,900	37,200
Service Providing	1,029,700	1,060,600	1,099,100	1,000,300	1,014,000
Trade, Transportation and Utilities	151,300	154,300	155,200	136,000	135,100
Wholesale Trade	25,000	25,200	24,500	21,700	21,400
Retail Trade	82,100	81,400	79,500	68,200	67,700
Transportation, Warehousing and Utilities	151,300	154,300	155,200	136,000	135,100
Information	76,400	85,200	97,500	105,300	112,200
Financial Activities	80,900	83,200	85,900	82,900	83,000
Professional and Business Services	271,800	282,700	293,900	282,900	283,800
Educational and Health Services	136,000	138,900	146,100	142,100	145,800
Leisure and Hospitality	142,400	143,600	147,500	90,100	91,300
Other Services	41,100	41,400	41,500	32,500	33,600
Government	129,900	131,400	131,500	128,600	129,200

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 Francisco Redwood City South San Francisco MD (San Francisco and San Mateo Counties) Annual Average Labor Force and Industry Employment, March 2021 Benchmark.

Industry

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

MAJOR EMPLOYERS
City of South San Francisco
2021

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	Genentech Inc.	8,632	Pharmaceutical
2.	ABBVIE	1,000	Pharmaceutical
3.	Costco Wholesale (4 stores)	834	Retail
4.	Amazon.com Services, Inc.	706	Online Retailer
5.	Life Technologies Corporation	622	Biotechnology
6.	Verily Life Sciences LLC	555	Biotechnology
7.	Goodwill Industries of SF, SA	375	Non-Profit Entity
8.	Sutro Biopharma, Inc.	321	Biotechnology/ Pharmaceutical
9.	MRL San Francisco LLC	317	Biotechnology
9.	ZS Associates, Inc.	317	Consultant Management
10.	Frank & Grossman Landscape Contractors	265	Landscaping

Source: City of South San Francisco, Annual Comprehensive Financial Report, Fiscal Year Ending June 30, 2021.

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

The following is a brief summary of the provisions of the Indenture, the Ground Lease, the Lease Agreement and the Assignment Agreement. This summary is not intended to be definitive, and Owners of the Series 2022A Bonds should refer to the documents for the complete text thereof. Copies of the documents summarized herein are available from the City.

THE INDENTURE

DEFINITIONS; EQUAL SECURITY

Definitions

Unless the context otherwise requires, the terms defined in the Indenture shall for all purposes of the Indenture and of any amendment of the Indenture or supplement thereto and of the Bonds and of any certificate, opinion, request or other document mentioned in the Indenture or in the Bonds have the meanings defined in the Indenture, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined in the Indenture. Capitalized terms not otherwise defined in the Indenture shall have the meanings assigned to such terms in the Lease Agreement.

“**Act**” means the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code.

“**Additional Bonds**” means Bonds other than the Series 2020A Bonds, the Series 2021A Bonds and the Series 2022A Bonds issued under the Indenture in accordance with the provisions of the Indenture.

“**Additional Rental Payments**” means all amounts payable by the City as Additional Rental Payments pursuant to the Lease Agreement.

“**Assignment Agreement**” means the Assignment Agreement, dated as of March 1, 2020, as amended by the First Amendment to Assignment Agreement, dated as of June 1, 2021, each by and between the Authority and the Trustee.

“**Authority**” means the City of South San Francisco Public Facilities Financing Authority, a joint exercise of powers entity organized and existing under and by virtue of the laws of the State of California.

“**Authorized Authority Representative**” means the Chair, the Executive Director or the Treasurer of the Authority, or the City Manager, Assistant City Manager, or Director of Finance of the City, or any other person authorized by the Board of Directors of the Authority to act on behalf of the Authority under or with respect to the Indenture.

“**Authorized City Representative**” means the Mayor of the City, the City Manager, the Assistant City Manager, or the Director of Finance of the City, or any other person authorized by the City Council of the City to act on behalf of the City under or with respect to the Indenture.

“**Authorized Denominations**” means \$5,000 or any integral multiple thereof.

“**Base Rental Payment Fund**” means the fund by that name established in accordance with the Indenture.

“Base Rental Payments” means all amounts payable to the Authority by the City as Base Rental Payments pursuant to the Lease Agreement.

“Beneficial Owner” means, whenever used with respect to a Book-Entry Bond, the person whose name is recorded as the beneficial owner of such Book-Entry Bond or a portion of such Book-Entry Bond by a Participant on the records of such Participant or such person’s subrogee.

“Bonds” means the Series 2020A Bonds, the Series 2021A Bonds, the Series 2022A Bonds and any Additional Bonds issued under the Indenture.

“Book-Entry Bonds” means the Bonds of a Series registered in the name of the nominee of DTC, or any successor securities depository for such Series of Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“Business Day” means a day which is not (a) a Saturday, Sunday or legal holiday, (b) a day on which banking institutions in the State of California, or in any state in which the Office of the Trustee is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to a Series of Book-Entry Bonds.

“City” means the City of South San Francisco, a municipal corporation and general law city duly organized and existing under and by virtue of the Constitution and laws of the State of California.

“Closing Date” means, with respect to the Series 2022A Bonds, June 8, 2022.

“Code” means the Internal Revenue Code of 1986, as amended.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement executed by the City in connection with the issuance of a Series of Bonds, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Costs of Issuance” means all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Bonds and any preliminary official statement and final official statement pertaining to the Bonds, rating agency fees, CUSIP Service Bureau charges, market study fees, legal fees and expenses of counsel, fees and expenses of the municipal advisor, the initial fees and expenses of the Trustee and its counsel and other fees and expenses incurred in connection with the issuance and delivery of the Bonds, to the extent such fees and expenses are approved by the City.

“Costs of Issuance Fund” means the fund by that name established in accordance with the Indenture.

“DTC” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for any Series of Book-Entry Bonds, including any such successor appointed pursuant to the Indenture.

“Federal Securities” means (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America.

“First Amendment to Lease Agreement” means the First Amendment to Lease Agreement, dated as of June 1, 2021, by and between the Authority and the City.

“Fitch” means Fitch Ratings, Inc., New York, New York, or its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Ground Lease” means the Ground Lease, dated as of March 1, 2020, as originally executed, as amended by the First Amendment to Ground Lease dated as of June 1, 2021, each by and between the City and the Authority, and as it may from time to time be further amended in accordance with the provisions thereof and of the Lease Agreement.

“Indenture” means the Indenture dated as of March 1, 2020, as originally executed, as amended and supplemented by the First Supplemental Indenture dated as of June 1, 2021, and by the Second Supplemental Indenture, dated as of June 1, 2022, each by and among the Authority, the City and the Trustee, and as it may be further amended or supplemented from time to time by any Supplemental Indenture.

“Information Services” means Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (EMMA) website; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Interest Fund” means the fund by that name established in accordance with the Indenture.

“Interest Payment Date” means, with respect to the Series 2022A Bonds, June 1 and December 1 of each year, commencing on December 1, 2022.

“Lease Agreement” means the Lease Agreement, dated as of March 1, 2020, by and between the City and the Authority, as originally executed, as amended by the First Amendment to Lease Agreement and the Second Amendment to Lease Agreement, and as it may be from time to time further amended in accordance with the provisions of the Lease Agreement.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, or its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Office of the Trustee” means the principal corporate trust office of the Trustee in San Francisco, California, or such other office as may be specified to the Authority and the City by the Trustee in writing, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or the agency of the Trustee at which, at any particular time, its corporate trust agency shall be conducted as specified to the Authority and the City by the Trustee in writing.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority or the City and which written opinion is satisfactory to the Trustee.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture; and

(c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Owner” means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

“Participant” means any entity which is recognized as a participant by DTC in DTC’s book-entry system of maintaining records with respect to Book-Entry Bonds.

“Participating Underwriter” means the original underwriter or underwriters of a Series of Bonds required to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, in connection with the offering of such Series of Bonds.

“Permitted Investments” means any of the following to the extent then permitted by the general laws of the State of California:

(1) (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively “United States Obligations”). These include, but are not necessarily limited to:

- U.S. Treasury obligations
All direct or fully guaranteed obligations
- Farmers Home Administration
Certificates of beneficial ownership
- General Services Administration
Participation certificates
- U.S. Maritime Administration
Guaranteed Title XI financing
- Small Business Administration
Guaranteed participation certificates
Guaranteed pool certificates
- Government National Mortgage Association (GNMA)
GNMA-guaranteed mortgage-backed securities
GNMA-guaranteed participation certificates

-U.S. Department of Housing & Urban Development
Local authority bonds

-Washington Metropolitan Area Transit Authority
Guaranteed transit bonds

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

-Federal Home Loan Mortgage Corporation (FHLMC)
Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

Senior debt obligations

-Farm Credit Banks (formerly: Federal Land Banks, Federal intermediate Credit Banks and Banks for Cooperatives)
Consolidated systemwide bonds and notes

-Federal Home Loan Banks (FHL Banks)
Consolidated debt obligations

-Federal National Mortgage Association (FNMA)
Senior debt obligations
Mortgage-backed securities (excluded are stripped mortgages securities which are purchased at prices exceeding their principal amounts)

-Financing Corporation (FICO)
Debt obligations

-Resolution Funding Corporation (REFCORP)
Debt obligations

- Federal Agricultural Mortgage Corporation (Farmer Mac)
Debt obligations

(4) Bank deposit products, unsecured certificates of deposit (including those placed by a third party pursuant to an agreement between the City and the Trustee), trust funds, trust accounts, overnight banking deposits, interest bearing deposits, interest bearing money market accounts, time deposits, demand deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank (including the Trustee and any affiliate) the short-term obligations of which are rated "A-1" or "A-2" without regard to qualifier by a nationally recognized rating agency service.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks, including the Trustee and its affiliates, which have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "A-1" or better S&P or "Prime-1" by Moody's.

(7) Money market mutual funds rated “AAM” or “AAM-G” by a nationally recognized rating agency service, or better (including those for which the Trustee or its affiliates receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise) but excluding such funds with a floating net asset value.

(8) Investments in repurchase agreements which comply with the requirements of California Government Code Section 53601(j) pursuant to which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the Trustee by book entry, physical delivery, or by third party custodial agreement. The term “securities,” for the purpose of repurchase agreements, means securities of the same issuer, description, issue date and maturity.

Repurchase agreements are required to be collateralized by securities or cash authorized under California Government Code Section 53601(j)(2) as described below:

(a) To anticipate market changes and provide a level of security for all repurchase agreement transactions, the market value of securities that underlie a repurchase agreement shall be valued at 102% or greater for U.S. securities listed in paragraph (1) above and 105% for U.S. Government Agency securities listed in paragraph (3) above, of the funds borrowed against those securities and the value shall be adjusted no less frequently than weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% or 105%, as applicable, no later than the next business day.

(b) Collateral will be limited to U.S. Treasury securities listed in paragraph (1) above and U.S. Government Agency securities listed in paragraph (3) above. Collateral will be held by an independent third party with whom the Trustee has a current custodial agreement. A clearly marked evidence of ownership (safekeeping/custody receipt) must be supplied to the Trustee and retained. The Trustee retains the right to substitute or grant substitutions of collateral.

(9) State Obligations:

(a) Direct general obligations of any state of the United States or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A2” by Moody’s or “A” by S&P or Fitch, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct, general short-term obligations of any state agency or subdivision described in (a) above and rated “A-1+” by S&P or “F1+” by Fitch or “Prime-1” by Moody’s.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated “AA” or better by S&P or Fitch or “Aa” or better by Moody’s.

(10) Local Agency Investment Fund of the State of California.

(11) Any investment agreement with a domestic or foreign bank or insurance company whose senior long-term debt obligations, deposit rating or claims-paying ability are rated, or guaranteed by an entity whose obligations are rated (at the time the investment is entered into) at least “A+” by S&P, “A1” by Moody’s or “A+” by Fitch; provided, that prior written notice of an investment in the investment agreement is provided to S&P, and provided, further by the terms of the investment agreement:

(a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time for purposes identified in the Indenture other than acquisition of alternative investment property upon not more than seven days prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date); provided that the Indenture specifically requires the Trustee or the City to give notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(d) a guaranteed rate of interest is to be paid on invested funds and all future deposits, if any, required to be made to restore the amount of such funds to the level specified under the Indenture;

(e) the Trustee and the City receive the opinion of domestic counsel (which opinion shall be addressed to the City) that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable);

(f) The investment agreement shall provide that if during the term thereof, the provider's rating by any two of the following rating agencies, S&P, Moody's, or Fitch, is withdrawn or suspended or falls below "A-" by S&P, "A3" by Moody's, or "A-" by Fitch, the provider must at the direction of the City within ten (10) days of receipt of such downgrade, (i) deliver and grant, or cause to be delivered and granted, to a third party custodian a first priority security interest under the applicable Uniform Commercial Code, or other applicable law, in and to Permitted Collateral; or (ii) transfer the investment agreement and the rights and obligations of the provider thereunder to an entity reasonably satisfactory to the City and the Trustee whose long-term, senior unsecured debt obligations or claims-paying ability, or whose guarantor's long term, senior unsecured debt obligations or claims-paying ability are rated at not less than "A-" by S&P, "A3" by Moody's or "A-" by Fitch or its equivalent from another Rating Agency; or (iii) repay the principal of and accrued by unpaid interest on the investment with no penalty or premium to the City and the Trustee;

(g) the investment agreement shall state, and an opinion of counsel shall be rendered to the effect, that the Trustee has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Trustee is in possession); and

(h) the investment agreement must provide that if during its term (A) the provider shall default in its payment obligations, the provider's obligation under the investment agreement shall, at the direction of the City or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or Trustee, as appropriate, and (B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or Trustee, as appropriate.

(12) Pre-refunded municipal obligations rated "AAA" by S&P or Fitch or "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their

call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments.

“**Person**” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“**Principal Fund**” means the fund by that name established in accordance with the Indenture.

“**Project**” means the acquisition, construction and/or installation of a new City police station, other improvements to the City’s community civic center, and related improvements, facilities and equipment, and such other capital facilities that may be financed from proceeds of Additional Bonds as set forth in a Supplemental Indenture.

“**Project Fund**” means the fund of that name established pursuant to the Indenture.

“**Property**” has the meaning ascribed thereto in the Lease Agreement.

“**Rating Agency**” means Fitch, Moody’s and Standard & Poor’s, or any one of such entities, as the context requires.

“**Rebate Fund**” means the fund by that name established in accordance with the Indenture.

“**Rebate Requirement**” has the meaning ascribed thereto in the Tax Certificate.

“**Record Date**” means the fifteenth day of the month next preceding an Interest Payment Date, whether or not such day is a Business Day.

“**Redemption Fund**” means the fund by that name established in accordance with the Indenture.

“**Redemption Price**” means the aggregate amount of principal of and premium, if any, on the Bonds upon the redemption thereof pursuant to the Indenture.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

“Rental Payments” means, collectively, the Base Rental Payments and the Additional Rental Payments.

“Rental Period” means the twelve-month period commencing on June 2 of each year during the term of the Lease Agreement.

“Representation Letter” means the Letter of Representations from the Authority to DTC, or any successor securities depository for any Series of Book-Entry Bonds, in which the Authority makes certain representations with respect to issues of its securities for deposit by DTC or such successor depository.

“S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, or its successors and assigns, except that if such entity shall no longer perform the functions of a securities rating agency for any reason, the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Second Amendment to Lease Agreement” means the Second Amendment to Lease Agreement, dated as of June 1, 2022, by and between the Authority and the City.

“Securities Depositories” means The Depository Trust Company, New York, New York 10041-0099, Fax-(212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Series” means all of the Series 2020A Bonds, the Series 2021A Bonds, the Series 2022A Bonds or the Additional Bonds issued and designated under a Supplemental Indenture as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such bonds as provided in the Indenture.

“Series 2020A Bonds” means the City of South San Francisco Public Facilities Financing Authority (Police Station Project) Lease Revenue Bonds, Series 2020A issued under the Indenture.

“Series 2021A Bonds” means the City of South San Francisco Public Facilities Financing Authority (Community Civic Campus and Multiple Capital Projects) Lease Revenue Bonds, Series 2021A issued pursuant to the Indenture.

“Series 2022A Bonds” means the City of South San Francisco Public Facilities Financing Authority (Multiple Capital Projects at Orange Memorial Park) Lease Revenue Bonds, Series 2022A issued pursuant to the Indenture.

“Series 2022A Project Account” means the account by that name established in accordance with the Indenture.

“Supplemental Indenture” means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Certificate” means the Tax Certificate executed by the Authority and the City at the time of issuance of a Series of Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“**Term Bonds**” means with respect to the Series 2022A Bonds, the Series 2022A Bonds maturing on June 1, 2042 and on June 1, 2046.

“**Trustee**” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States, or any successor thereto as Trustee under the Indenture, appointed as provided in the Indenture.

“**Written Certificate of the Authority**” and “Written Request of the Authority” mean, respectively, a written certificate or written request signed in the name of the Authority by an Authorized Authority Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument

“**Written Certificate of the City**” and “Written Request of the City” mean, respectively, a written certificate or written request signed in the name of the City by an Authorized City Representative. Any such certificate or request may, but need, not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Equal Security

In consideration of the acceptance of the Bonds by the Owners thereof, the Indenture shall be deemed to be and shall constitute a contract among the Authority, the City, the Trustee and the Owners from time to time of all Bonds authorized, executed, issued and delivered under the Indenture and then Outstanding to secure the full and final payment of the principal of, premium, if any, and interest on all Bonds which may from time to time be authorized, executed, issued and delivered under the Indenture, subject to the agreements, conditions, covenants and provisions contained in the Indenture; and all agreements and covenants set forth in the Indenture to be performed by or on behalf of the Authority or the City shall be for the equal and proportionate benefit, protection and security of all Owners of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided in the Indenture or in the Bonds.

THE BONDS

Transfer and Exchange of Bonds

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

Prior to any transfer of Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the Code. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same Series of other authorized denominations. The Trustee shall require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be obligated to make any transfer or exchange of Bonds of a Series pursuant to the Indenture during the period established by the Trustee for the selection of Bonds of such Series for redemption, or with respect to any Bonds of such Series selected for redemption.

Registration Books

The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall be open to inspection during regular business hours and upon reasonable notice by the City; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as provided in the Indenture.

Execution of Bonds

The Bonds shall be executed in the name and on behalf of the Authority with the manual or facsimile signature of an Authorized Officer of the Authority attested by the manual or facsimile signature of the Secretary of the Authority. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of such officers of the Authority who shall have signed or attested any of the Bonds shall cease to be such officers of the Authority before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority, and also any Bonds may be signed and attested on behalf of the Authority by such Persons as at the actual date of execution of such Bonds shall be the proper officers of the Authority although at the nominal date of such Bonds any such Person shall not have been such officer of the Authority.

Authentication of Bonds

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form as that set forth in Exhibit A to the Indenture, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered under the Indenture and are entitled to the benefits of the Indenture.

Temporary Bonds

The Bonds of a Series may be issued in temporary form exchangeable for definitive Bonds of such Series when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the Authority, shall be in fully registered form without coupons and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds of a Series it will execute and deliver definitive Bonds of such Series as promptly thereafter as practicable, and thereupon the temporary Bonds of such Series, may be surrendered, for cancellation, at the Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of such Series in Authorized Denominations. Until so exchanged, the temporary Bonds of such Series shall be entitled to the same benefits under the Indenture as definitive Bonds of such Series authenticated and delivered under the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen

If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and Series in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or in accordance with the order of, the Authority. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence and indemnity satisfactory to the Trustee shall be given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and Series in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been selected for redemption, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under the Indenture and of the expenses which may be incurred by the Authority and the Trustee. Any Bond of a Series issued under the provisions of the Indenture in lieu of any Bond of such Series alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Bonds of such Series secured by the Indenture.

Book-Entry Bonds

(a) Prior to the issuance of a Series of Bonds, the Authority may provide that such Series of Bonds shall initially be issued as Book-Entry Bonds and, in such event, the Bonds of such Series for each maturity shall be in the form of a separate single fully registered Bond (which may be typewritten). The Series 2022A Bonds shall initially be issued as Book-Entry Bonds.

Except as provided in the Indenture, the registered Owner of all of the Book-Entry Bonds shall be Cede & Co., as nominee of DTC. Notwithstanding anything to the contrary contained in the Indenture, payment of interest with respect to any Book-Entry Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of same-day funds to the account of Cede & Co. on the Interest Payment Date at the address indicated on the Record Date for Cede & Co. in the Registration Books or as otherwise provided in the Representation Letter.

(b) The Trustee and the Authority may treat DTC (or its nominee) as the sole and exclusive Owner of Book-Entry Bonds registered in its name for the purposes of payment of the principal, premium, if any, or interest with respect to Book-Entry Bonds, selecting Book-Entry Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Owners of Book-Entry Bonds under the Indenture, registering the transfer of Book-Entry Bonds, obtaining any consent or other action to be taken by Owners of Book-Entry Bonds and for all other purposes whatsoever, and neither the Trustee nor the Authority shall be affected by any notice to the contrary. Neither the Trustee nor the Authority shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in Book-Entry Bonds under or through DTC or any Participant, or any other person which is not shown on the Registration Books as being an Owner, with respect to the accuracy of any records maintained by DTC or any Participant, the payment by DTC or any Participant of any amount in respect of the principal, premium, if any, or interest with respect to Book-Entry Bonds, any notice which is permitted or required to be given to Owners of Book-Entry Bonds under the Indenture, the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of Book-Entry Bonds, or any consent given or other action taken by DTC as Owner of Book-Entry Bonds. The Trustee shall pay all principal, premium, if any and interest with respect to Book-Entry Bonds, only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the principal, premium, if any, and interest with respect to the Book-Entry Bonds to the extent of the sum or sums so paid. Except under the conditions of the Indenture, no person other than DTC shall receive an executed Book-Entry Bond for each separate stated

maturity. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in the Indenture with respect to record dates, the term “Cede & Co.” in the Indenture shall refer to such new nominee of DTC.

(c) In the event (i) DTC, including any successor as securities depository for a Series of Bonds, determines not to continue to act as securities depository for such Series of Bonds, or (ii) the Authority determines that the incumbent securities depository shall no longer so act, and delivers a written certificate to the Trustee to that effect, then the Authority will discontinue the book-entry system with the incumbent securities depository for such Series of Bonds. If the Authority determines to replace the incumbent securities depository for such Series of Bonds with another qualified securities depository, the Authority shall prepare or direct the preparation of a new single, separate fully registered Bond of such Series for the aggregate outstanding principal amount of Bonds of such Series of each maturity, registered in the name of such successor or substitute qualified securities depository, or its nominee, or make such other arrangement acceptable to the Authority, the Trustee and the successor securities depository for the Bonds of such Series as are not inconsistent with the terms of the Indenture. If the Authority fails to identify another qualified successor securities depository for such Series of Bonds to replace the incumbent securities depository, then the Bonds of such Series shall no longer be restricted to being registered in the Registration Books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository for such Series of Bonds, or its nominee, shall designate. In such event the Authority shall execute, and deliver to the Trustee, a sufficient quantity of Bonds of such Series to carry out the transfers and exchanges provided in the Indenture. All such Bonds of such Series shall be in fully registered form in Authorized Denominations.

(d) Notwithstanding any other provision of the Indenture to the contrary, so long as any Book-Entry Bond is registered in the name of DTC, or its nominee, all payments with respect to the principal, premium, if any, and interest with respect to such Book-Entry Bond and all notices with respect to such Book-Entry Bond shall be made and given, respectively, as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Owners of Book-Entry Bonds pursuant to the Indenture by the Authority, the City or the Trustee with respect to any consent or other action to be taken by Owners, the Authority, the City or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

Issuance of Series 2022A Bonds

The Authority may, at any time, execute the Series 2022A Bonds for issuance under the Indenture and deliver the same to the Trustee. The Trustee shall authenticate the Series 2022A Bonds and deliver the Series 2022A Bonds to the original purchaser thereof upon receipt of a Written Request of the Authority and upon receipt of the purchase price therefor.

Costs of Issuance Fund

The Trustee shall establish and maintain a separate fund designated the “Costs of Issuance Fund.” On the Closing Date, there shall be deposited in the Costs of Issuance Fund the amount specified in the Indenture. There shall be additionally be deposited in the Cost of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Authority stating (a) the Person

to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. Each such Written Request of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

Project Fund

The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Project Fund.” The moneys in the Project Fund or the accounts therein shall be disbursed by the Trustee on behalf of the City as specified in a Written Request of the City in the form attached to the Indenture as Exhibit B. Each Written Request of the City shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the date on which the City determines that amounts in the Project Fund are no longer necessary for payment of the cost of the Project, the City shall submit a Written Request to the Trustee to transfer any remaining balance in the Project Fund not needed for Project Fund purposes, at the City’s sole discretion, either (a) to the Base Rental Payment Fund for application in accordance with the Indenture, or (b) to the City for use on eligible capital facilities, and the Project Fund shall be closed.

Investment earnings on amounts on deposit in the Project Fund shall remain on deposit in the Project Fund for application in accordance with the Indenture.

Establishment and Application of Series 2022A Project Account of the Project Fund.

The Trustee shall establish and maintain an account within the Project Fund designated as the “Series 2022A Project Account.” The moneys in the Series 2022A Project Account shall be disbursed by the Trustee on behalf of the City as specified in a Written Request of the City. Each Written Request of the City shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the date on which the City determines that amounts in the Series 2022A Project Account are no longer necessary for payment of the cost of the Project, the City shall submit a Written Request to the Trustee to transfer any remaining balance in the Series 2022A Project Account not needed for Series 2022A Project Account purposes, at the City’s sole discretion, either (a) to the Base Rental Payment Fund for application in accordance with the Indenture, or (b) to the City for use on eligible capital facilities, and the Series 2022A Project Account shall be closed.

Conditions for the Issuance of Additional Bonds

The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Series 2020A Bonds, the Series 2021A Bonds and the Series 2022A Bonds) payable from Base Rental Payments as provided in the Indenture on a parity with all other Bonds theretofore issued under the Indenture, but only subject to the following conditions, which are conditions precedent to the issuance of such Additional Bonds:

(a) The issuance of such Additional Bonds shall have been authorized under and pursuant to the Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following:

- (1) The application of the proceeds of the sale of such Additional Bonds;
- (2) The principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds;

(3) The date, the maturity date or dates, the interest payment dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, however, that (i) the serial Bonds of such Series of Additional Bonds shall be payable as to principal annually on June 1 of each year in which principal falls due, and the term Bonds of such Series of Additional Bonds shall have annual mandatory sinking fund redemptions on June 1, (ii) the Additional Bonds shall be payable as to interest semiannually on June 1 and December 1 of each year, (iii) all Additional Bonds of a Series of like maturity shall be identical in all respects, except as to number or denomination, and (iv) serial maturities of serial Bonds or mandatory sinking fund redemptions for term Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(4) The redemption premiums and terms, if any, for such Additional Bonds;

(5) The form of such Additional Bonds; and

(6) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture;

(b) 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;

(c) 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

(d) 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.

Nothing contained in the Indenture shall limit the issuance of any bonds or other obligations payable from Base Rental Payments if, after the issuance and delivery of such bonds or other obligations, none of the Bonds theretofore issued under the Indenture will be Outstanding.

Procedure for the Issuance of Additional Bonds

At any time after the sale of any Additional Bonds in accordance with the Act, such Additional Bonds shall be executed by the Authority for issuance under the Indenture and shall be delivered to the Trustee and thereupon shall be authenticated and delivered by the Trustee, but only upon receipt by the Trustee of the following:

(a) Certified copies of the Supplemental Indenture authorizing the issuance of such Additional Bonds, the amendment to the Lease Agreement required by the Indenture and the amendment to the Ground Lease, if any, required by the Indenture, together with satisfactory evidence that provision has been made for such amendment to the Lease Agreement and such amendment to the Ground Lease, if any, to be recorded in the official records of the appropriate county;

(b) a Written Request of the Authority as to the delivery of such Additional Bonds;

(c) an opinion of Bond Counsel substantially to the effect that (i) the Indenture (including all Supplemental Indentures), the Lease Agreement (including the amendment thereto required by the Indenture) and the Ground Lease (including any amendment thereto required by the Indenture) have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Authority and the City, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California), and (ii) such Additional Bonds constitute valid and binding special obligations of the Authority payable solely from Base Rental Payments as provided in the Indenture and are enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California);

(d) a Written Certificate of the Authority that the requirements of the Indenture with respect to the issuance of the Additional Bonds have been met;

(e) a Written Certificate of the City that the requirements of the Indenture and the Lease Agreement with respect to the issuance of the Additional Bonds have been met, and a Written Certificate of the City as to the annual fair rental value of the Property, after giving effect to the issuance of the Additional Bonds, and to the use of proceeds received therefrom; and

(f) Such further documents as are required by the provisions of the Indenture or by the provisions of the Supplemental Indenture authorizing the issuance of such Additional Bonds.

Additional Bonds

So long as any of the Bonds remain Outstanding, the Authority shall not issue any Additional Bonds or obligations payable from the Base Rental Payments, except pursuant to the Indenture.

SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS

Pledge; Special Obligations

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 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 shall constitute a first lien on such assets.

All obligations of the Authority under the Indenture shall be special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor under the Indenture; provided, however, that all obligations of the Authority under the Bonds shall be 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 the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds. The Authority has no taxing power.

Flow of Funds

(a) The Trustee shall establish and maintain separate funds designated the “Base Rental Payment Fund,” the “Interest Fund,” the “Principal Fund” and the “Redemption Fund.”

All Base Rental Payments shall be paid directly by the City to the Trustee, and if received by the Authority at any time shall be transferred by the Authority with the Trustee within one Business Day after the receipt thereof. All Base Rental Payments received by the Trustee shall be deposited by the Trustee in the Base Rental Payment Fund.

(b) The Trustee shall transfer the amounts on deposit in the Base Rental Payment Fund, at the times and in the manner provided in the Indenture, to the following respective funds:

(i) Interest Fund. On the Business Day immediately preceding each Interest Payment Date, the Trustee shall transfer from the Base Rental Fund to the Interest Fund the amount, if any, necessary to cause the amount on deposit in the Interest Fund to be equal to the interest due on the Bonds on such Interest Payment Date.

(ii) Principal Fund. On the Business Day immediately preceding each June 1, the Trustee shall transfer from the Base Rental Fund to the Principal Fund the amount, if any, necessary to cause the amount on deposit in the Principal Fund to be equal to the principal amount of the Bonds due on such June 1, either as a result of the maturity thereof or mandatory sinking fund redemption payments required to be made with respect thereto. Moneys in the Principal Fund shall be used by the Trustee for the purpose of paying the principal of the Bonds when due and payable at their maturity dates or upon earlier mandatory sinking fund redemption.

(iii) Redemption Fund. The Trustee, on the redemption date specified in the Written Request of the City filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Lease Agreement, shall deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Additionally, the Trustee shall deposit in the Redemption Fund any amounts required to be deposited therein from Net Insurance Proceeds or proceeds of title insurance pursuant to the Indenture or eminent domain proceeds pursuant to the Lease Agreement. Moneys in the Redemption Fund shall be used by the Trustee for the purpose of paying the principal of and interest and premium, if any, on Series 2020A Bonds, Series 2021A Bonds and Series 2022A Bonds optionally redeemed or subject to extraordinary redemption from Net Insurance Proceeds pursuant to the provisions of the Indenture and Additional Bonds redeemed pursuant to the corresponding provisions of the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Application of Net Insurance Proceeds

If the Property or any portion thereof shall be damaged or destroyed, subject to the further requirements of the Indenture, the City shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the City elects not to repair or replace the Property or the affected portion thereof in accordance with the provisions of the Indenture.

The Net Insurance Proceeds (other than Net Insurance Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special fund entitled the “Insurance and Condemnation Fund” and made available for and, to the extent necessary, shall be applied to the cost of repair or replacement of the Property or the affected portion thereof upon receipt of a Written Request of the City, together with invoices therefor. Each such Written Request of the City shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Pending such application, such proceeds may be invested by the Trustee

as directed by the City in Permitted Investments that mature not later than such times moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the City shall, within 60 days of the occurrence of the event of damage or destruction, notify the Trustee in writing as to whether the City intends to replace or repair the Property or the portions of the Property which were damaged or destroyed. If the City does intend to replace or repair the Property or portions thereof, the City shall deposit with the Trustee the full amount of any insurance deductible to be credited to the special account.

If the damage, destruction or loss was such that there resulted in a substantial interference with the City's right to the use or occupancy of the Property and an abatement of Rental Payments results from such damage or destruction pursuant to the Lease Agreement, then the City shall be required either to (a) apply sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Property or the portions thereof which have been damaged to the condition which existed prior to such damage or destruction, or (b) apply sufficient funds from the insurance proceeds and other legally available funds to the extraordinary redemption of Bonds, as set forth in the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued, in full of all the Outstanding Bonds or all of those Outstanding Bonds which would have been payable from that portion of the Base Rental Payments which are abated as a result of the damage or destruction. Funds to be applied to the redemption of Bonds in accordance with clause (b) above shall be deposited in the Redemption Fund. If the City is not required to replace or repair the Property, or the affected portion thereof, as set forth in clause (a) above or to use such amounts to redeem Bonds as set forth in clause (b) above, then such proceeds shall, if there is first delivered to the Trustee a Written Certificate of the City to the effect that the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Lease Agreement in the then current Rental Period or any subsequent Rental Period and the fair replacement value of the Property after such damage or destruction is at least equal to the principal amount of the Outstanding Bonds, be paid to the City to be used for any lawful purpose.

The proceeds of any award in eminent domain received in respect to the Property shall be deposited by the Trustee in the Redemption Fund and applied to the extraordinary redemption of Bonds pursuant to the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued.

Title Insurance

Proceeds of any policy of title insurance received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(a) if the City determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the City under the Lease Agreement, upon Written Request of the City, such proceeds shall be remitted to the City and used for any lawful purpose thereof; or

(b) if the City determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement of Rental Payments payable by the City under the Lease Agreement, then, upon Written Request of the City, the Trustee shall immediately deposit such proceeds in the Redemption Fund and such proceeds shall be applied to the extraordinary redemption of Bonds in the manner provided in the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued.

Rebate Fund

(a) The Trustee shall establish and maintain a special fund designated the “Rebate Fund.” There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate, as specified in a Written Request of the Authority. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to the Indenture or anything to the contrary contained in the Indenture, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by the section of the Indenture described under this caption “Rebate Fund” and by the Tax Certificate (which is incorporated in the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate. The Trustee may conclusively rely upon the Authority’s determinations, calculations and certifications required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Authority’s calculations.

(b) Any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described in the section of the Indenture described under this caption “Rebate Fund,” shall be withdrawn by the Trustee and remitted to the Authority.

Investment of Moneys

Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture and held by the Trustee shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the Authority filed with the Trustee at least two Business Days in advance of the making of such investments. Moneys in all funds and accounts held by the Trustee shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture; provided, however, that such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date. Absent timely written direction from the Authority, the Trustee shall hold any funds held by it uninvested. The Trustee may conclusively rely upon the Authority’s written instructions as to both the suitability and legality of the directed investments and such written direction shall be deemed to be a certification that such directed investments constitute Permitted Investments.

Subject to the provisions of the Indenture described above under the caption “Rebate Fund,” all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture shall be retained therein.

Permitted Investments acquired as an investment of moneys in any fund established under the Indenture shall be credited to such fund. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued by the Trustee at the cost thereof.

The Trustee may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the Authority, the Trustee shall sell or present for redemption any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Indenture.

The Trustee may make any investments under the Indenture through the bond or investment department or trust investment department of the entity acting as Trustee under the Indenture, or those of such

entity's parent or any affiliate, and such entity, or its parent or affiliate, as applicable, shall be entitled to its normal, customary and reasonable compensation for such services.

The entity acting as Trustee under the Indenture, or any of its affiliates, may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture and such entity, or its affiliate, as applicable, shall be entitled to its normal, customary and reasonable compensation for such services.

The Authority and the City acknowledge that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority and the City the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the Authority and the City specifically waive receipt of such confirmations to the extent permitted by law.

COVENANTS

Compliance with Agreements

The Trustee will not authenticate or deliver any Bonds in any manner other than in accordance with the provisions of the Indenture, and the Authority and the City will not suffer or permit any default by them to occur under the Indenture, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Indenture required to be complied with, kept, observed and performed by them.

Compliance with Ground Lease and Lease Agreement

The Authority and the City will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Ground Lease and the Lease Agreement required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Ground Lease and the Lease Agreement against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations

The Authority, the City and the Trustee will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens

The City will keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which materially impairs the City in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the City ten days' written notice to comply therewith and failure of the City to so comply within such ten-day period) may, but is in no event obligated to, defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the City from liability for or on account of any of its agreements and covenants contained in the Indenture, or from its liability under the Indenture and to perform such agreements and covenants.

So long as any Bonds are Outstanding, none of the Trustee, the Authority or the City shall create or suffer to be created any pledge of or lien the amounts on deposit in any of the funds or accounts created under the Indenture, other than the pledge and lien of the Indenture.

The Authority, the City and the Trustee shall not encumber the Property other than in accordance with the Ground Lease, the Lease Agreement, the Indenture and the Assignment Agreement.

Prosecution and Defense of Suits

The City will promptly, upon request of the Trustee (which request the Trustee is not required to make), take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Property or any part thereof, whether now existing or hereafter developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee harmless from all cost, damage, expense or loss, including attorneys' fees and expenses, which it or the Owners may incur by reason of any such cloud, defect, action, suit or other proceeding.

Accounting Records and Statements

The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, deposit and disbursement of the Base Rental Payments, and such accounting records shall be available for inspection by the Authority and the City at reasonable hours and under reasonable conditions.

Recordation and Filing

The City will record, or cause to be recorded, with the appropriate county recorder, the Lease Agreement, the Ground Lease and the Assignment Agreement, or memoranda thereof.

Tax Covenants

(a) Neither the Authority nor the City will take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on any tax-exempt Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority and the City will comply with the requirements of the Tax Certificate, which is incorporated in the Indenture as if fully set forth in the Indenture. This covenant shall survive payment in full or defeasance of the Bonds.

(b) In the event that at any time the Authority is of the opinion that for purposes of the section of the Indenture described under this caption "Tax Covenants" it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established under the Indenture, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of the section of the Indenture described under this caption "Tax Covenants," if the Authority shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under the section of the Indenture described under this caption "Tax Covenants" is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Trustee may conclusively rely on such opinion in complying with the such requirements of the Indenture and of the Tax Certificate, and such covenants shall be deemed to be modified to that extent.

Continuing Disclosure

The City will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the City to comply with the Continuing Disclosure Agreement shall not constitute an event of default under the Indenture; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter or the holders of at least 25% of the aggregate principal amount of Outstanding Bonds, and upon being indemnified to its reasonable satisfaction therefor, shall) or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Further Assurances

Whenever and so often as requested to do so by the Trustee, the Authority and the City will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon it by the Indenture or by the Assignment Agreement, the Ground Lease or the Lease Agreement.

DEFAULT AND LIMITATIONS OF LIABILITY

Action on Default

If an event of default (within the meaning of the Lease Agreement) shall happen, then such event of default shall constitute an event of default under the Indenture. The Trustee shall give notice, as assignee of the Authority, of an event of default under the Lease Agreement to the City. In each and every case during the continuance of an event of default, the Trustee may and, at the direction of the Owners of not less than a majority of the aggregate principal amount of Bonds then Outstanding, and upon being indemnified to its reasonable satisfaction therefor, shall, upon notice in writing to the City and the Authority, exercise any of the remedies granted to the Authority under the Lease Agreement and, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Indenture.

Other Remedies of the Trustee

Subject to the provisions of the Indenture, the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or the City or any member, director, officer or employee thereof, and to compel the Authority or the City or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants contained in the Indenture required to be performed by it or him or her;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any event of default under the Indenture to require the Authority and the City to account as the trustee of an express trust.

Nothing in the Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Notwithstanding any provision of the Indenture to the contrary, no event of default under the Indenture or under the Lease by the Authority or the City shall result in the acceleration of debt service on the Bonds under the Indenture.

Non-Waiver

A waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Indenture may be enforced and exercised from time to time and as often the Trustee shall deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner, then subject to any adverse determination, the Trustee, such Owner, the Authority and the City shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive

Subject to the provisions of the Indenture, no remedy in the Indenture conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No Liability by the Authority to the Owners

Except as expressly provided in the Indenture, the Authority shall not have any obligation or liability to the Owners 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 the other agreements and covenants required to be performed by it contained in the Lease Agreement or in the Indenture, or with respect to the performance by the Trustee of any right or obligation contained in the Indenture required to be performed by it.

No Liability by the City to the Owners

Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Lease Agreement, the Ground Lease or in the Indenture, the City shall not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Base Rental Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation contained in the Indenture required to be performed by it.

No Liability of the Trustee to the Owners

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

Application of Amounts After Default

All payments received by the Trustee with respect to the rental of the Property after a default by the City pursuant to the Lease Agreement (including, without limitation, any proceeds received in connection with the sale, assignment or sublease of the Authority's right, title and interest in the Ground Lease), and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Lease Agreement, shall be deposited into the Base Rental Payment Fund and as soon as practicable thereafter applied, together with all other funds held under the Indenture (except funds in the Rebate Fund):

- (a) to the payment of all amounts due the Trustee under the Indenture;
- (b) to the payment of all amounts then due for interest on the Bonds, in respect of which, or for the benefit of which, money has been collected (other than Bonds which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of interest on such Bonds due and payable; and
- (c) to the payment of all amounts then due for principal of the Bonds, in respect of which, or for the benefit of which, money has been collected (other than Bonds which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal of such Bonds due and payable.

Trustee May Enforce Claims Without Possession of Bonds

All rights of action and claims under the Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners in respect of which such judgment has been recovered.

Limitation on Suits

No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or Trustee, or for any other remedy under the Indenture, unless (a) such Owner shall have previously given written notice to the Trustee of a continuing event of default, (b) the Owners of not less than 25% of the aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Indenture, (c) such Owner or Owners shall have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceedings, and (e) no direction inconsistent with such written request shall have been given to the Trustee during such 60 day period by the Owners of a majority of the aggregate principal amount of Bonds then Outstanding; it being understood and intended that no one or more Owners shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Owner, or to obtain or seek to

obtain priority or preference over any other Owner or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all the Owners.

THE TRUSTEE

Employment of the Trustee

The Authority appoints and employs the Trustee to receive, deposit and disburse the Base Rental Payments, to authenticate, deliver and transfer the Bonds and to perform the other functions contained in the Indenture, all in the manner provided in the Indenture and subject to the conditions and terms of the Indenture. By executing and delivering the Indenture, the Trustee accepts the appointment and employment referred to in the Indenture and accepts the rights and obligations of the Trustee provided in the Indenture, subject to the conditions and terms of the Indenture. Other than when an event of default has occurred and is continuing, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee. In case an event of default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Duties, Removal and Resignation of the Trustee

The Authority may, by an instrument in writing, remove the Trustee initially a party to the Indenture with 30-days' prior notice and any successor thereto unless an event of default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Indenture and any successor thereto if at any time (a) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal amount of Bonds at the time Outstanding (or their attorneys duly authorized in writing), or (b) the Trustee shall cease to be eligible in accordance with the following sentence, and shall appoint a successor Trustee. The Trustee and any successor Trustee shall be a banking corporation or association or trust company having (or if such banking corporation or association or trust company is a member of a bank holding company, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000 and subject to supervision or examination by federal or state authorities. If such banking corporation or association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus of such banking corporation, association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City and by giving notice, by first class mail, postage prepaid, of such resignation to the Owners at their addresses appearing on the Registration Books. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the Authority does not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the Authority, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

Any corporation, association or agency into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, provided that such entity meets the combined capital and surplus requirements of the Indenture, ipso facto, shall be and become successor trustee under the Indenture and vested with all the trusts, powers, discretions, immunities, privileges and all other matters as was

its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything in the Indenture to the contrary notwithstanding.

Compensation of the Trustee

The City shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered under the Indenture and reimburse the Trustee for all its reasonable advances and expenditures (which shall not include “overhead expenses” except as such expenses are included as a component of the Trustee’s stated annual fees) under the Indenture, including but not limited to advances to and reasonable fees and reasonable expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations under the Indenture. The Trustee may take whatever legal actions are lawfully available to it directly against the Authority or the City.

The City shall, to the extent permitted by law, indemnify and save the Trustee harmless against any liabilities, costs, claims or expenses, including those of its attorneys, which it may incur in the exercise and performance of its powers and duties under the Indenture, under the Lease Agreement, or in connection with any document or transaction contemplated under the Indenture or thereunder, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its misconduct. The duty of the City to compensate and indemnify the Trustee shall survive the termination and discharge of the Indenture and the earlier removal or resignation of the Trustee.

No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture or in the exercise of any of its rights or powers under the Indenture.

Upon an Event of Default, and only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Protection of the Trustee

The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners of the Bonds pursuant to the Indenture, unless such Owners shall have offered to the Trustee security or indemnity, reasonably satisfactory to the Trustee, against the reasonable costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. The Trustee may consult with counsel, who may be counsel to the Authority or the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it under the Indenture in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the Bonds or the Lease Agreement, or of the assignment made to it by the Assignment Agreement, or for statements made in any preliminary or final official statement relating to the Bonds, or of the title to the Property.

Whenever in the administration of its rights and obligations under the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be in the Indenture specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the City or a Written Certificate of the Authority, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it deems reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Indenture, The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Authority or the City, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Authority or the City as freely as if it were not the Trustee under the Indenture.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers of the Indenture and perform any rights and obligations required of it under the Indenture by or through agents, attorneys or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations under the Indenture, and the Trustee shall not be answerable for the negligence or misconduct of any such agent, attorney or receiver selected by it with reasonable care; provided, however, that in the event of any negligence or misconduct of any such attorney, agent or receiver, the Trustee shall in a commercially reasonable manner pursue all remedies of the Trustee against such agent, attorney or receiver. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers under the Indenture or for anything whatsoever in connection with the funds established under the Indenture, except only for its own willful misconduct, negligence or breach of an obligation under the Indenture.

The Trustee shall not be deemed to have knowledge of an event of default unless it has actual knowledge thereof.

The Trustee may, on behalf of the Owners, intervene in any judicial proceeding to which the Authority or the City is a party and which, in the opinion of the Trustee and its counsel, affects the Bonds or the security therefor, and shall do so if requested in writing by the Owners of at least 5% of the aggregate principal amount of Bonds then Outstanding, provided the Trustee shall have no duty to take such action unless it has been indemnified to its reasonable satisfaction against all risk or liability arising from such action.

The Trustee's rights to immunities and protection from liability under the Indenture and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the Bonds.

All indemnifications and releases from liability granted in the Indenture to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful default. The Trustee shall have no responsibility or liability with respect to any information, statements or recitals in any offering

memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds. The Trustee shall not be accountable for the use or application by the City or the Authority of any of the Bonds or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of the Indenture or for the use and application of money received by any paying agent.

In acting or omitting to act pursuant to the Lease Agreement or Ground Lease, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under the Indenture and the Lease Agreement.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to the Indenture and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Indenture); provided, however, that the Authority and City shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority and City whenever a person is to be added or deleted from the listing. If the Authority and City elect to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The Authority and City understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority and City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority and City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority and City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority and City agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority and City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

The Trustee shall not be liable to the parties to the Indenture or deemed in breach or default under the Indenture if and to the extent its performance under the Indenture is prevented by reason of force majeure. The term “force majeure” means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

MODIFICATION OR AMENDMENTS

Modifications and Amendments Permitted.

(a) The Indenture and the rights and obligations of the Authority, the City, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the City and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which shall have been filed with

the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or the rate of interest thereon, or extend the time of payment, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Base Rental Payments and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Base Rental Payments and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(b) The Indenture and the rights and obligations of the Authority, the City, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the City and the Trustee may enter into without the consent of any Bond Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority or the City contained in the Indenture, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority or the City;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture;

(iii) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(iv) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(v) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and

(vi) in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners under the Indenture.

(c) Promptly after the execution by the Authority, the City and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(d) No Supplemental Indenture shall modify any of the rights or obligations of the Trustee without its prior written consent.

Effect of Supplemental Indenture

Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the City, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes. The City shall notify the rating agencies in accordance with the Indenture upon the execution of any Supplemental Indenture.

Endorsement of Bonds; Preparation of New Bonds

Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

Amendment of Particular Bonds

The provisions of the Indenture shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

Execution of Supplemental Indentures

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by the Indenture or the modification thereby of the trusts created by the Indenture, the Trustee shall be provided, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by the Indenture and complies with the terms of the Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

DEFEASANCE

Discharge of Indenture

If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the Indenture and therein, then the Owners of such Bonds shall cease to be entitled to the pledge of the Base Rental Payments and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority and the City to the Owners of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority and the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the City all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of and interest and premium, if any, on such Bonds.

Subject to the provisions of the above paragraph, when any of the Bonds shall have been paid and if, at the time of such payment, the Authority and the City shall have kept, performed and observed all of the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by them on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of the Indenture and such lien and all covenants, agreements and other obligations of the Authority and the City under the Indenture shall cease, terminate become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners of the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the compensation and indemnity of the Trustee shall remain in effect and shall be binding upon the Trustee, the City and the Authority.

Bonds Deemed To Have Been Paid

If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bonds and the interest thereon at the maturity or redemption date thereof, such Bonds shall be deemed to have been paid within the meaning and with the effect provided in the Indenture. Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to give, on a date in accordance with the provisions of the Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the Indenture, (b) there shall have been deposited with the Trustee either (i) money in an amount which shall be sufficient, or (ii) Federal Securities that are not subject to redemption other than at the option of the holder thereof, the interest on and principal of which when paid will provide money which, together with the money, if any deposited with the Trustee at the same time, shall, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bonds, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to give as soon as practicable, a notice to the Owners of such Bonds that the deposit required by clause (b) above has been made with the Trustee and that such Bonds, are deemed to have been paid in accordance with the Indenture and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bonds.

Payment of Bonds After Discharge of Indenture

Notwithstanding any provisions of the Indenture, to the extent permitted by law, any moneys held by the Trustee in trust for the payment of the principal of, or premium or interest on, any Bonds and remaining unclaimed for two years after the date of deposit of such moneys, shall be repaid to the Authority (without liability for interest) free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may (at the cost of the Authority) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the

Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

MISCELLANEOUS

Benefits of Indenture Limited to Parties

Nothing contained in the Indenture, expressed or implied, is intended to give to any person other than the Authority, the City, the Trustee and the Owners any claim, remedy or right under or pursuant to the Indenture, and any agreement, condition, covenant or term required in the Indenture to be observed or performed by or on behalf of the Authority or the City shall be for the sole and exclusive benefit of the Trustee and the Owners.

Successor Deemed Included in all References to Predecessor

Whenever the Authority, the City or the Trustee, or any officer thereof, is named or referred to in the Indenture, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority, the City or the Trustee, or such officer, and all agreements, conditions, covenants and terms required by the Indenture to be observed or performed by or on behalf of the Authority, the City or the Trustee, or any officer thereof, shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners

Any declaration, request or other instrument which is permitted or required in the Indenture to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Bonds and the amount, payment date, number and date of owning the same may be proved by the Registration Books.

Any declaration, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Authority, the City or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability

Notwithstanding anything contained in the Indenture to the contrary, no member, officer or employee of the Authority or the City shall be individually or personally liable for the payment of any moneys, including without limitation, the principal of or interest on the Bonds, but nothing contained in the Indenture shall relieve any member, officer or employee of the City or the Authority from the performance of any official duty provided by any applicable provisions of law, by the Lease Agreement or by the Indenture.

Destruction of Bonds

Whenever provision is made in the Indenture for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such Bonds.

Funds and Accounts

Any fund or account required to be established and maintained in the Indenture by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund, but all such records with respect to all such funds and accounts shall at an times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners.

The Trustee may commingle any of the moneys held by it under the Indenture for investment purposes only; provided, however, that the Trustee shall account separately for the moneys in each fund or account established pursuant to the Indenture. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under the Indenture.

Partial Invalidity

If any one or more of the agreements, conditions, covenants or terms required in the Indenture to be observed or performed by or on the part of the Authority, the City or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void to the extent contrary to law and shall be deemed separable from the remaining agreements, conditions, covenants and terms of the Indenture and shall in no way affect the validity of the Indenture or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The Authority, the City and the Trustee declare that they would have executed the Indenture, and each and every Article, Section, paragraph, subsection, sentence, clause and phrase of the Indenture and would have authorized the issuance of the Bonds pursuant to the Indenture irrespective of the fact that any one or more Articles, Sections, paragraphs, subsections, sentences, clauses or phrases of the Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Disqualified Bonds

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are actually known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination; except that, in determining whether the Trustee shall be protected in relying upon any such demand, request, direction, consent or waiver of an Owner, only Bonds which the Trustee actually knows to be owned or held by or for the account of the Authority or the City, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City, shall be disregarded unless all Bonds are so owned or held, in which case such Bonds shall be considered Outstanding for the purpose of such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of the Indenture if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Authority and the City shall specify in a certificate to the Trustee those Bonds disqualified pursuant to the Indenture and the Trustee may conclusively rely on such certificate.

Money Held for Particular Bonds

The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of the Indenture but without any liability for interest thereon.

Payment on Non-Business Days

In the event any payment is required to be made under the Indenture on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such non-Business Day.

California Law

The Indenture shall be construed and governed in accordance with the laws of the State of California.

THE GROUND LEASE

DEFINITIONS

Except as otherwise defined in the Ground Lease, or unless the context clearly otherwise requires, words and phrases defined in the Lease Agreement shall have the same meaning in the Ground Lease.

LEASE OF THE PROPERTY; RENTAL

Lease of Property

The City has leased to the Authority, and the Authority has leased from the City, for the benefit of the Owners of the Bonds, the Property, and all rights appurtenant thereto, including, but not limited to, rights of access, subject only to Permitted Encumbrances, to have and to hold for the term of the Ground Lease.

Rental

The Authority shall pay to the City as and for rental of the Property under the Ground Lease, the sum of \$1.00, the receipt of which is acknowledged, and has entered into the Lease Agreement.

QUIET ENJOYMENT

The Property has been leased back to the City pursuant to the Lease Agreement for the term thereof. It is intended that, to the extent provided in the Ground Lease and in the Lease Agreement, if an event of default occurs under the Lease Agreement, the Authority, or its assignee, will have the right, for the then remaining term of the Ground Lease to (a) take possession of the Property, (b) if it deems it appropriate, cause an appraisal of the Property and a study of the then reasonable use thereof to be undertaken, and (c) relet the Property. Subject to any rights the City may have under the Lease Agreement (in the absence of an event of default) to possession and enjoyment of the Property, the City covenants and agrees that it will not take any action to prevent the Authority from having quiet and peaceable possession and enjoyment of the Property during the term of the Ground Lease and will, at the request of the Authority and at the City's cost, to the extent that it may lawfully do so, join in any legal action in which the Authority asserts its right to such possession and enjoyment.

SPECIAL COVENANTS AND PROVISIONS

Waste

The Authority agrees that at all times that it is in possession of the Property, it will not commit, suffer or permit any waste on the Property, and that it will not willfully or knowingly use or permit the use of the Property for any illegal purpose or act.

Further Assurances and Corrective Instruments

The City and the Authority agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to the Lease Agreement and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property leased by the Ground Lease or intended so to be or for carrying out the expressed intention of the Ground Lease, the Indenture and the Lease Agreement.

Waiver of Personal Liability

All liabilities under the Ground Lease on the part of the Authority shall be solely liabilities of the Authority as a joint exercise of powers entity, and the City releases each and every director, officer and employee of the Authority of and from any personal or individual liability under the Ground Lease. No director, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable under the Ground Lease to the City or to any other party whomsoever for anything done or omitted to be done by the Authority under the Ground Lease.

All liabilities under the Ground Lease on the part of the City shall be solely liabilities of the City as a public corporation, and the Authority releases each and every member, officer and employee of the City of and from any personal or individual liability under the Ground Lease. No member, officer or employee of the City shall at any time or under any circumstances be individually or personally liable under the Ground Lease to the Authority or to any other party whomsoever for anything done or omitted to be done by the City under the Ground Lease.

Taxes

The City covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Property.

Right of Entry

The City reserves the right for any of its duly authorized representatives to enter upon the Property at any reasonable time to inspect the same.

Representations of the City

The City represents and warrants to the Authority and the Trustee as follows:

- (a) the City has the full power and authority to enter into, to execute and to deliver the Ground Lease, and to perform all of its duties and obligations under the Ground Lease, and has duly authorized the execution of the Ground Lease;
- (b) except for Permitted Encumbrances, the Property is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the use of the Property for governmental purposes as contemplated by the City;
- (c) all taxes, assessments or impositions of any kind with respect to the Property, except current taxes, have been paid in full; and
- (d) the Property is necessary to the City in order for the City to perform its governmental functions.

Representations of the Authority

The Authority represents and warrants to the City and the Trustee that the Authority has the full power and authority to enter into, to execute and to deliver the Ground Lease, and to perform all of its duties and obligations under the Ground Lease, and has duly authorized the execution and delivery of the Ground Lease.

ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING

Assignment and Subleasing

The Ground Lease may be sold or assigned and the Property subleased, as a whole or in part, by the Authority without the necessity of obtaining the consent of the City, if an event of default occurs under the Lease Agreement. The Authority shall, within 30 days after such an assignment, sale or sublease, furnish or cause to be furnished to the City a true and correct copy of such assignment, sale or sublease, as the case may be.

Restrictions on City

The City agrees that, except with respect to Permitted Encumbrances, it will not mortgage, sell, encumber, assign, transfer or convey the Property or any portion thereof during the term of the Ground Lease.

TERM; TERMINATION

Term

The term of the Ground Lease commenced as of the date of issuance of the Series 2020A Bonds and shall remain in full force and effect from such date to and including June 1, 2046, unless such term is extended or sooner terminated as provided in the Ground Lease.

Extension; Early Termination

If, on June 1, 2046, the Bonds shall not be fully paid, or provision therefor made in accordance with the Indenture, or the Indenture shall not be discharged by its terms, or if the Rental Payments payable under the Lease Agreement shall have been abated at any time, then the term of the Ground Lease shall be automatically extended until the date upon which all Bonds shall be fully paid, or provision therefor made in accordance with the Indenture described above under the caption "THE INDENTURE—DEFEASANCE," and the Indenture shall be discharged by its terms, except that the term of the Ground Lease shall in no event be extended beyond ten years after June 1, 2046. If, prior to June 1, 2046, all Bonds shall be fully paid, or provisions therefor made in accordance with the Indenture described above under the caption "THE INDENTURE—DEFEASANCE," and the Indenture shall be discharged by its terms, the term of the Ground Lease shall end simultaneously therewith.

MISCELLANEOUS

Binding Effect

The Ground Lease shall inure to the benefit of and shall be binding upon the City, the Authority and their respective successors and assigns.

Severability

In the event any provision of the Ground Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of the Ground Lease.

Amendments, Changes and Modifications

The Ground Lease may be amended, changed, modified, altered or terminated only in accordance with the provisions of the Lease Agreement.

Assignment to Trustee

The Authority and City acknowledge that the Authority has assigned its right, title and interest in and to the Ground Lease (but none of its obligations and none of its rights to provide consents or approvals under the Ground Lease) to the Trustee pursuant to certain provisions of the Assignment Agreement. The City consents to such assignment.

Applicable Law

The Ground Lease shall be governed by and construed in accordance with the laws of the State of California.

THE LEASE AGREEMENT

DEFINITIONS

Definitions. Unless the context otherwise requires, the terms defined in the Lease Agreement shall, for all purposes of the Lease Agreement, have the meanings therein specified, which meanings shall be equally applicable to both the singular and plural forms of any of the terms therein defined. Capitalized terms not otherwise defined in the Lease Agreement shall have the meanings assigned to such terms in the Indenture.

“Additional Bonds” means bonds other than the Series 2020A Bonds, the Series 2021A Bonds and the Series 2022A Bonds issued under the Indenture in accordance with the provisions thereof.

“Additional Rental Payments” means all amounts payable by the City as Additional Rental Payments pursuant to the Lease Agreement.

“Authority” means the City of South San Francisco Public Facilities Financing Authority, a joint exercise of powers authority organized and existing under the laws of the State of California.

“Base Rental Deposit Date” means the 25th day of the month next preceding each Interest Payment Date.

“Base Rental Payments” means all amounts payable to the Authority from the City as Base Rental Payments pursuant to the Lease Agreement.

“Base Rental Payment Schedule” means the schedule of Base Rental Payments payable to the Authority from the City pursuant to the Lease Agreement, as from time to time amended as permitted in the Lease Agreement.

“Bonds” means the Series 2020A Bonds, the Series 2021A Bonds and the Series 2022A Bonds issued under the Indenture, and any Additional Bonds.

“City” means the City of South San Francisco, a municipal corporation and general law city duly organized and existing under and by virtue of the Constitution and laws of the State of California.

“Community Civic Campus – Phase II” means the portion of the Project described in the First Amendment to Lease Agreement and in the Official Statement under the caption *“THE PROPERTY—Community Civic Campus – Library, Parks and Recreation and Community Theater/Council Chamber.”*

“Delivery Date” means, with respect to the Series 2022A Bonds, June 8, 2022.

“Ground Lease” means the Ground Lease, dated as of March 1, 2020, as amended by the First Amendment to Ground Lease, dated as of June 1, 2021, each by and between the City and the Authority, as originally executed and as it may from time to time be further amended in accordance with to the provisions thereof and of the Lease Agreement.

“Indenture” means the Indenture, dated as of March 1, 2020, as originally executed, as supplemented by the First Supplemental Indenture, dated as of June 1, 2021, and by the Second Supplemental Indenture dated as of June 1, 2022, each by and among the Authority, the City and the Trustee, and as it may from time to time be further amended or supplemented in accordance with the provisions thereof.

“Joint Powers Agreement” means the Joint Exercise of Powers Agreement, dated as of December 1, 2019, by and between the City and the Parking Authority of the City of South San Francisco as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Lease Agreement” means the Lease Agreement, dated as of March 1, 2020, as originally executed, as supplemented and amended by the First Amendment to Lease Agreement, dated as of June 1, 2021, and by the Second Amendment to Lease Agreement, dated as of June 1, 2022, each by and between the City and the Authority, and as it may from time to time be further amended in accordance with the provisions thereof.

“Net Insurance Proceeds” means any insurance proceeds or condemnation award in excess of \$50,000, paid with respect to any of the Property, remaining after payment therefrom of all reasonable expenses incurred in the collection thereof.

“Permitted Encumbrances” means, with respect to the Property, as of any particular time, (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of the Lease Agreement, permit to remain unpaid, (b) the Assignment Agreement, (c) the Lease Agreement, (d) the Ground Lease, (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law as normally exist with respect to properties similar to the Property for the purposes for which it was acquired or is held by the City, (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Delivery Date which the City certifies in writing will not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and the Assignment Agreement and to which the Authority and the City consent in writing, (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Delivery Date which the City certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and the Assignment Agreement and to which the Authority and the City consent in writing, and (h) all of the exceptions to title listed in the title insurance policies relating to a Series of Bonds and dated the respective Delivery Date.

“Phase I” means the Project described in Exhibit C to the Lease Agreement, consisting of the Police Facility as described in the Official Statement.

“Property” means the real property described in Exhibit A to the Lease Agreement and the improvements located thereon as such real property description may be amended or modified (including the addition, release or substitution of property as part of the Property), in accordance with the Lease Agreement.

“Rental Payments” means, collectively, the Base Rental Payments and the Additional Rental Payments.

“Rental Period” means the twelve-month period commencing on June 2 of each year during the term of the Lease Agreement.

“Series 2020A Bonds” means the City of South San Francisco Public Facilities Financing Authority (Police Station Project) Lease Revenue Bonds, Series 2020A issued under the Indenture.

“Series 2021A Bonds” means the City of South San Francisco Public Facilities Financing Authority (Community Civic Campus and Multiple Capital Projects) Lease Revenue Bonds, Series 2021A issued under the Indenture.

“Series 2022A Bonds” means the City of South San Francisco Public Facilities Financing Authority (Multiple Capital Projects at Orange Memorial Park) Lease Revenue Bonds, Series 2022A issued under the Indenture.

“Trustee” means the trustee appointed under the Indenture and referred to therein as the Trustee.

LEASE OF PROPERTY; TERM

Lease of Property. The Authority has leased to the City and the City has leased from the Authority the Property, and all rights appurtenant thereto, including, but not limited to, rights of access, on the terms and conditions set forth in the Lease Agreement, subject to all Permitted Encumbrances.

The leasing of the Property by the City to the Authority pursuant to the Ground Lease shall not effect or result in a merger of the City's leasehold estate pursuant to the Lease Agreement and the City's fee estate as lessor under the Ground Lease, and the Authority shall continue to have a leasehold estate in the Property pursuant to the Ground Lease throughout the term thereof and of the Lease Agreement. The leasehold interest granted by the City to the Authority pursuant to the Ground Lease is and shall be independent of the Lease Agreement; the Lease Agreement shall not be an assignment or surrender of the leasehold interest granted to the Authority under the Ground Lease.

Term; Occupancy. The term of the Lease Agreement commenced on the Delivery Date of the Series 2020A Bonds and shall end on June 1, 2046, unless such term is extended or sooner terminated as provided in the Lease Agreement. If on June 1, 2046 the Bonds shall not be fully paid, or provision therefor made in accordance with the Indenture described above under the caption "THE INDENTURE—DEFEASANCE," or the Indenture shall not be discharged by its terms, or if the Rental Payments shall remain due and payable or shall have been abated at any time and for any reason, then the term of the Lease Agreement shall be extended until the date upon which (i) all Bonds shall be fully paid, or provision therefor made in accordance with the Indenture described above under the caption "THE INDENTURE—DEFEASANCE," 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 shall in no event be extended beyond June 1, 2056. If prior to June 1, 2046, all Bonds shall be fully paid, or provision therefor made in accordance with the Indenture described above under the caption "THE INDENTURE—DEFEASANCE," the Indenture shall be discharged by its terms and all Rental Payments shall have been paid in full, the term of the Lease Agreement shall end simultaneously therewith.

RENTAL PAYMENTS

Base Rental Payments. (a) Subject to the provisions of the Lease Agreement relating to a revision of the Base Rental Payment Schedule pursuant to subsection (b) of below, the City shall pay to the Authority, as Base Rental Payments (subject to the provisions of the Lease Agreement described under the captions "Rental Abatement" and "EMINENT DOMAIN; PREPAYMENT" below) the amount at the times specified in the Base Rental Payment Schedule, a portion of which Base Rental Payments shall constitute principal, and a portion of which shall constitute interest. Rental Payments, including Base Rental Payments, shall 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.

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City or of 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.

(b) If the term of the Lease Agreement shall have been extended pursuant to the Lease Agreement, the obligation of the City to pay Rental Payments shall continue to and including the Base Rental Deposit Date preceding the date of termination of the Lease Agreement (as so extended pursuant to the Lease Agreement). Upon such extension, the Base Rental Payments shall be established so that they will be sufficient to pay all extended and unpaid Base Rental Payments; provided, however, that the Rental Payments

payable in any Rental Period subsequent to such extension shall not exceed the annual fair rental value of the Property.

Additional Rental Payments. The City shall also pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following:

- (a) 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;
- (b) 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;
- (c) insurance premiums for all insurance required pursuant to the Lease Agreement;
- (d) 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 Code; and
- (e) 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 shall be paid by the City directly to the person or persons to whom such amounts shall be payable. The City shall 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.

Fair Rental Value

The parties to the Lease Agreement have agreed and determined that the annual fair rental value of the Property is not less than the maximum annual Rental Payments due in any year. In making such determination of fair rental value, consideration has been given to the uses and purposes that may be served by the Property and the benefits therefrom which will accrue to the City and the general public. Payments of the Rental Payments for the Property during each Rental Period shall constitute the total rental for said Rental Period.

Payment Provisions

Each installment of Base Rental Payments payable under the Lease Agreement shall be paid in lawful money of the United States of America to or upon the order of the Authority at the principal office of the Trustee in San Francisco, California, or such other place or entity as the Trustee shall designate. Each Base Rental Payment shall be deposited with the Trustee no later than the Base Rental Deposit Date preceding the Interest Payment Date on which such Base Rental Payment is due. Any Base Rental Payment which shall not be paid by the City when due and payable under the terms of the Lease Agreement shall bear interest from the date when the same is due under the Lease Agreement until the same shall be paid at the rate equal to the highest rate of interest on any of the Outstanding Bonds. Notwithstanding any dispute between the Authority and the City, the City shall make all Rental Payments when due without deduction or offset of any kind and shall not withhold any Rental Payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent Rental Payments due under the Lease Agreement or refunded at the time of such determination. Amounts required to be deposited by the City

with the Trustee pursuant to the Lease Agreement on any date shall be reduced to the extent of available amounts on deposit in the Base Rental Payment Fund, the Interest Fund or the Principal Fund.

Appropriations Covenant

The City covenants to take such action as may be necessary to include all 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. The covenants on the part of the City contained in the Lease Agreement shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the City.

Rental Abatement

Except as otherwise specifically provided in the section of the Lease Agreement described under this caption "Rental Abatement," 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 shall be abated 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 shall continue in full force and effect. The amount of such abatement shall be agreed upon by the City and the Authority; provided, however, that the Rental Payments due for any Rental Period shall 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. The City and the Authority shall calculate such abatement and shall provide the Trustee with a certificate setting forth such calculation and the basis therefor. Such abatement shall 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 are restored; and the term of the Lease Agreement shall be extended as provided in the Lease Agreement, except that the term shall in no event be extended beyond June 1, 2056.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments shall not be abated as provided above but, rather, shall be payable by the City as a special obligation payable solely from said funds and accounts.

MAINTENANCE, ALTERATIONS AND ADDITIONS

Maintenance and Utilities

Throughout the term of the Lease Agreement, as part of the consideration for rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Property, which may include, without limitation, janitor service, security, power gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the Rental Payments, the Authority agrees to provide only the Property.

Additions to Property

Subject to the Lease Agreement, the City and any sublessee shall, at its own expense, have the right to make additions, modifications and improvements to the Property. To the extent that the removal of such

additions, modifications or improvements would not cause material damage to the Property, such additions, modifications and improvements shall remain the sole property of the City or such sublessee, and neither the Authority nor the Trustee shall have any interest therein. Such additions, modifications and improvements shall not in any way cause permanent and material damage to the Property or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Property, upon completion of any additions, modifications and improvements made, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such additions, modifications and improvements.

Installation of City's Equipment

The City and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the City or such sublessee, and neither the Authority nor the Trustee shall have any interest therein. The City or such sublessee may remove or modify such equipment or other personal property at any time, provided that such party shall repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items. Nothing in the Lease Agreement shall prevent the City or any sublessee from purchasing items to be installed pursuant to the Lease Agreement under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Property.

INSURANCE

Commercial General Liability and Property Damage Insurance; Workers' Compensation Insurance

(a) The City shall maintain or cause to be maintained, throughout the term of the Lease Agreement, 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. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City provided such self-insurance complies with the provisions of the Lease Agreement described under the caption "Self-Insurance" below. The Net Insurance Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Insurance Proceeds of such insurance shall have been paid.

(b) The City shall maintain or cause to be maintained, throughout the term of the Lease Agreement, workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California 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; provided, however, that the City's obligations under the Lease Agreement may be satisfied by self-insurance, provided such self-insurance complies with the provisions of the Lease Agreement described under the caption "Self-Insurance" below.

(c) The City shall maintain or cause to be maintained, fire, lightning and special extended coverage insurance (which shall include coverage for vandalism and malicious mischief, but need not include

coverage for earthquake damage) on all improvements constituting any part of the Property, which with respect to any portion of the Property for which initial construction of improvements thereon has not been completed, initially may be in the form of a builder's risk policy providing coverage in an amount not less than the construction costs expended for such projects and, if no builder's risk policy is in effect, in an amount not less than 100% of the replacement cost of such improvements. All property insurance may be subject to a deductible in an amount not to exceed \$500,000. The City's obligations under the Lease Agreement may be satisfied by self-insurance, provided such self-insurance complies with the provisions of the Lease Agreement described under the caption "Self-Insurance" below.

(d) The City shall 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 required to be covered pursuant to the Lease Agreement described under subsection (c) above 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 shall not be permitted to self-insure its obligation to maintain such rental interruption insurance.

(e) The insurance required by the Lease Agreement shall be provided by reputable insurance companies with claims paying abilities determined, in the reasonable opinion of a professionally certified risk manager or an independent insurance consultant person (who may be an employee of the City), to be adequate for the purposes of the Lease Agreement.

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 under the Lease Agreement 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 the Lease Agreement or required thereby or by the Lease Agreement shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Bond Owners.

Additional Insurance Provision; Form of Policies

The City shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. All such policies shall provide that the Trustee shall be given 30 days' notice of the expiration thereof or any intended cancellation thereof. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

The City shall cause to be delivered to the Trustee on or before August 15 each year, a schedule of the insurance policies being maintained in accordance with the Lease Agreement and a Written Certificate of the City, which may be in the form set forth in Exhibit D attached to the Lease Agreement, stating that such policies are in full force and effect and that the City is in full compliance with such insurance requirements of the Lease Agreement. The Trustee shall be entitled to rely upon said Written Certificate of the City as to the City's compliance with such insurance requirements of the Lease Agreement. The Trustee shall not be responsible for the sufficiency of coverage or amounts of such policies.

Self-Insurance

Insurance provided through a California joint powers authority of which the City is a member or with which the City contracts for insurance shall be deemed to be self-insurance for purposes of the Lease

Agreement. Any self-insurance maintained by the City pursuant to the Lease Agreement shall comply with the following terms:

(a) the self-insurance program shall be approved in writing by a professionally certified risk manager or by an independent insurance consultant (who may be an employee of the City);

(b) the self-insurance program shall include an actuarially sound claims reserve fund out of which each self-insured claim shall be paid, the adequacy of each such fund shall be evaluated on an annual basis by a professionally certified risk manager or by an independent insurance consultant (who may be an employee of the City) and any deficiencies in any self-insured claims reserve fund shall be remedied in accordance with the recommendation of a professionally certified risk manager or such independent insurance consultant, as applicable; and

(c) in the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by a professionally certified risk manager or by an independent insurance consultant, shall be maintained.

DEFAULTS AND REMEDIES

Defaults and Remedies

(a) (i) If the City shall fail (A) to pay any Base Rental Payment payable under the Lease Agreement when the same becomes due and payable, time being expressly declared to be of the essence in the Lease Agreement, or (B) to keep, observe or perform any other term, covenant or condition contained in the Lease Agreement or in the Indenture to be kept or performed by the City, or (ii) upon the happening of any of the events specified in the Lease Agreement and described under subsection (b) below, the City shall be deemed to be in default under the Lease Agreement and it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement. The City shall in no event be in default in the observance or performance of any covenant, condition or agreement in the Lease Agreement on its part to be observed or performed, other than as referred to in clause (i)(B) or (ii) of the preceding sentence, unless the City shall have failed, for a period of 30 days or such additional time as is reasonably required to correct any such default after notice by the Authority to the City properly specifying wherein the City has failed to perform any such covenant, condition or agreement. Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(1) To terminate the Lease Agreement in the manner provided in the Lease Agreement on account of default by the City, notwithstanding any re-entry or re-letting of the Property as provided for in the Lease Agreement and described under subparagraph (2) below, and to re-enter the Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Property and place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the City. In the event of such termination, the City agrees to surrender immediately possession of the Property, without let or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. Neither notice to pay Rental Payments or to deliver up possession of the Property given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Lease Agreement shall of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the City shall be or become effective by operation of law or acts of the parties to the Lease Agreement, or otherwise, unless and until the Authority

shall have given written notice to the City of the election on the part of the Authority to terminate the Lease Agreement. The City covenants and agrees that no surrender of the Property or of the remainder of the term of the Lease Agreement or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated by the Authority by such written notice.

(2) Without terminating the Lease Agreement, (x) to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the City, regardless of whether or not the City has abandoned the Property, or (y) to exercise any and all rights of entry and re-entry upon the Property. In the event the Authority does not elect to terminate the Lease Agreement in the manner provided for in the Lease Agreement and described under subparagraph (1) above, the City shall remain liable and agrees to keep or perform all covenants and conditions contained in the Lease Agreement to be kept or performed by the City and, if the Property is not re-let, to pay the full amount of the Rental Payments to the end of the term of the Lease Agreement or, in the event that the Property is re-let, to pay any deficiency in Rental Payments that results therefrom; and further agrees to pay said Rental Payments and/or Rental Payment deficiency punctually at the same time and in the same manner as provided for the payment of Rental Payments under the Lease Agreement, notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Lease Agreement, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property. Should the Authority elect to re-enter as provided in the Lease Agreement, the City by the Lease Agreement irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Property, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Property and to place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the City, and the City by the Lease Agreement indemnifies and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The City agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Authority to re-let the Property in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Authority in effecting such re-letting shall constitute a surrender or termination of the Lease Agreement irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate the Lease Agreement shall vest in the Authority to be effected in the sole and exclusive manner provided for in the Lease Agreement and described under subparagraph (1) above. The City further agrees to pay the Authority the cost of any alterations or additions to the Property necessary to place the Property in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations.

The City by the Lease Agreement waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Property.

(b) If (i) the City's interest in the Lease Agreement or any part thereof shall be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority and, as provided for in the Lease Agreement, or (ii) the City or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the

City's creditors to elect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City shall be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City shall make a general assignment for the benefit of the City's creditors, or (iii) the City shall abandon or vacate the Property, then the City shall be deemed to be in default under the Lease Agreement.

(c) In addition to the other remedies set forth in the Lease Agreement, upon the occurrence of an event of default, the Authority and its assignee shall be entitled to proceed to protect and enforce the rights vested in the Authority and its assignee by the Lease Agreement or by law. The provisions of the Lease Agreement and the duties of the City and of its city council, officers or employees shall be enforceable by the Authority or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority and its assignee shall have the right to bring the following actions:

(i) Accounting. By action or suit in equity to require the City and its city council, officers and employees and its assigns to account as the trustee of an express trust.

(ii) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority or its assignee.

(iii) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's or its assignee's rights against the City (and its city council, officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the City as provided in the Lease Agreement.

Each and all of the remedies given to the Authority under the Lease Agreement or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, power or privilege under the Lease Agreement shall not impair the right of the Authority to the further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in the Lease Agreement shall include, but not be limited to, re-letting by means of the operation by the Authority of the Property. If any statute or rule of law validly shall limit the remedies given to the Authority under the Lease Agreement, the Authority nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

In the event the Authority shall prevail in any action brought to enforce any of the terms and provisions of the Lease Agreement, the City agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority under the Lease Agreement.

Notwithstanding anything to the contrary contained in the Lease Agreement, the Authority shall have no right upon a default under the Lease Agreement by the City to accelerate Rental Payments.

(d) Notwithstanding anything to the contrary contained in the Lease Agreement, the termination of the Lease Agreement by the Authority and its assignees on account of a default by the City under the Lease Agreement shall not effect or result in a termination of the Ground Lease.

Waiver

Failure of the Authority to take advantage of any default on the part of the City shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of the Authority to insist upon performance by the City of any term, covenant or condition of the Lease Agreement, or to exercise any

rights given the Authority on account of such default. A waiver of a particular default shall not be deemed to be a waiver of any other default or of the same default subsequently occurring. The acceptance of Rental Payments under the Lease Agreement shall not be, or be construed to be, a waiver of any term, covenant or condition of the Lease Agreement.

EMINENT DOMAIN; PREPAYMENT

Eminent Domain

If all of the Property (or portions thereof such that the remainder is not usable for public purposes by the City) shall be taken under the power of eminent domain, the term of the Lease Agreement shall cease as of the day that possession shall be so taken. If less than all of the Property shall be taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of such taking, then the Lease Agreement shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the Rental Payments in accordance with the provisions of the Lease Agreement. So long as any Bonds shall be Outstanding, any award made in eminent domain proceedings for the taking of the Property, or any portion thereof, shall be paid to the Trustee and applied to the extraordinary redemption of Bonds as provided in the Indenture, in the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued and in the Indenture. Any such award made after all of the Bonds, and all other amounts due under the Indenture and under the Lease Agreement, have been fully paid, shall be paid to the Authority and to the City as their respective interests may appear.

Prepayment

(a) The City may prepay all or a portion of the Base Rental Payments attributable to the Series 2022A Bonds which are payable on or after June 1, 2031, from any source of available funds, on any date on or after June 1, 2030, by paying (i) all or a portion, as selected by the City, of the principal components of such Base Rental Payments, and (ii) the accrued but unpaid interest component of such Base Rental Payments to be prepaid to the date of such prepayment.

(b) The City may prepay, from any source of available funds, all or any portion of the Base Rental Payments attributable to the Series 2022A Bonds by depositing with the Trustee moneys or securities as provided, and subject to the terms and conditions set forth, in the Indenture described above under the caption "THE INDENTURE—DEFEASANCE," sufficient to make such Base Rental Payments when due or to make such Base Rental Payments through a specified date on which the City has a right to prepay such Base Rental Payments pursuant to the Lease Agreement, and to prepay such Base Rental Payments on such prepayment date, at a prepayment price determined in accordance with the Lease Agreement.

(c) If less than all of the Base Rental Payments attributable to the Series 2022A Bonds are prepaid pursuant to the Lease Agreement then, as of the date of such prepayment pursuant to the Lease Agreement described in subsection (a) above, or the date of a deposit pursuant to the Lease Agreement described in subsection (b) above, the principal and interest components of such Base Rental Payments shall be recalculated in order to take such prepayment into account. The City agrees that if, following a partial prepayment of such Base Rental Payments, the Property is damaged or destroyed or taken by eminent domain, or a defect in title to the Property is discovered, the City shall not be entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and the City shall not be entitled to any reimbursement of such Base Rental Payments.

(d) If all of the Base Rental Payments are prepaid in accordance with the provisions of the Lease Agreement then, as of the date of such prepayment described in subsection (a) above and, if applicable, the corresponding provisions of the Lease Agreement relating to the prepayment of Base Rental Payments attributable to Additional Bonds, or deposit pursuant to the Lease Agreement described in subsection (b) above

and, if applicable, such corresponding provisions, and payment of all other amounts owed under the Lease Agreement have been made, the term of the Lease Agreement shall be terminated.

(e) Prepayments of Base Rental Payments attributable to the Series 2022A Bonds made pursuant to the Lease Agreement shall be applied to the redemption of the Series 2022A Bonds as directed by the City and as provided in the Indenture.

(f) Before making any prepayment pursuant to the Lease Agreement, the City shall give written notice to the Authority and the Trustee specifying the date on which the prepayment will be made, which date shall be not less than 45 nor more than 60 days from the date such notice is given to the Authority.

COVENANTS

Right of Entry

The Authority and its assignees shall have the right to enter upon and to examine and inspect the Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under the Lease Agreement, and for all other lawful purposes.

Liens

In the event the City shall at any time during the term of the Lease Agreement cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon or about the Property and which may be secured by a mechanics', materialmen's or other lien against the Property or the Authority's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the City desires to contest any such lien, it may do so as long as such contestment is in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment.

Quiet Enjoyment

The parties to the Lease Agreement mutually covenant that the City, by keeping and performing the covenants and agreements contained in the Lease Agreement, shall at all times during the term of the Lease Agreement peaceably and quietly have, hold and enjoy the Property without suit, trouble or hindrance from the Authority.

Authority Not Liable

The Authority and its directors, officers, agents and employees, shall not be liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Property. To the extent permitted by law, the City shall, at its expense, indemnify and hold the Authority and the Trustee and all directors, members, officers and employees thereof harmless against and from any and all claims by or on behalf of any person, firm, corporation or governmental authority arising from the acquisition, construction, occupation, use, operation, maintenance, possession, conduct or management of or from any work done in or about the Property or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the Property or the occupancy or use thereof, but excepting the negligence or willful misconduct of the persons or entity seeking indemnity. The City also covenants and agrees, at its expense, to pay and indemnify and save the Authority and the Trustee and all directors, officers and employees

thereof harmless against and from any and all claims arising from (a) any condition of the Property and the adjoining sidewalks and passageways, (b) any breach or default on the part of the City in the performance of any covenant or agreement to be performed by the City pursuant to the Lease Agreement, (c) any act or negligence of licensees in connection with their use, occupancy or operation of the Property, or (d) any accident, injury or damage whatsoever caused to any person, firm or corporation in or about the Property or upon or under the sidewalks and from and against all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any claim referred to in the Lease Agreement, but excepting the negligence or willful misconduct of the person or entity seeking indemnity. In the event that any action or proceeding is brought against the Authority or the Trustee or any director, member, officer or employee thereof, by reason of any such claim, the City, upon notice from the Authority or the Trustee or such director, member, officer employee thereof, covenants to resist or defend such action or proceeding by counsel reasonably satisfactory to the Authority or the Trustee or such director, member, officer or employee thereof.

To the extent the Lease Agreement confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of the Lease Agreement, the Trustee is by the Lease Agreement explicitly recognized as being a third-party beneficiary under the Lease Agreement and may enforce any such right, remedy or claim conferred, given or granted under the Lease Agreement.

Assignment and Subleasing

Neither the Lease Agreement nor any interest of the City under the Lease Agreement shall be sold, mortgaged, pledged, assigned, or transferred by the City by voluntary act or by operation by law or otherwise. The Property may not be subleased in whole or in part by the City without the prior written consent of the Authority. Any such sublease shall be subject to all of the following conditions:

(a) the Lease Agreement and the obligation of the City to make all Rental Payments under the Lease Agreement shall remain the primary obligation of the City;

(b) the City shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(c) any sublease of the Property by the City shall explicitly provide that such sublease is subject to all rights of the Authority under the Lease Agreement, including, the right to re-enter and re-let the Property or terminate the Lease Agreement upon a default by the City; and

(d) the City shall furnish the Authority and the Trustee with an Opinion of Counsel to the effect that such sublease will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes.

Title to Property

Upon the termination or expiration of the Lease Agreement (other than as described under captions "DEFAULT AND REMEDIES" and "EMINENT DOMAIN" above), and the first date upon which the Bonds are no longer Outstanding, all right, title and interest in and to the Property shall vest in the City. Upon any such termination or expiration, the Authority shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Authority's Purpose

The Authority covenants that, prior to the discharge of the Lease Agreement and the Bonds, it will not engage in any activities inconsistent with the purposes for which the Authority is organized, as set forth in the Joint Powers Agreement.

Representations of the City

The City represents and warrants to the Authority that (a) the City has the full power and authority to enter into, to execute and to deliver the Lease Agreement and the Indenture, and to perform all of its duties and obligations thereunder, and has duly authorized the execution and delivery of the Lease Agreement and the Indenture, and (b) the Property will be used in the performance of essential governmental functions.

Representation of the Authority

The Authority represents and warrants to the City that the Authority has the full power and authority to enter into, to execute and to deliver the Lease Agreement, the Assignment Agreement and the Indenture, and to perform all of its duties and obligations thereunder, and has duly authorized the execution and delivery of the Lease Agreement, the Assignment Agreement and the Indenture.

NO CONSEQUENTIAL DAMAGES; USE OF THE PROPERTY; SUBSTITUTION OR RELEASE

No Consequential Damages

In no event shall the Authority or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Lease Agreement or the City's use of the Property.

Use of the Property

The City will not use, operate or maintain the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Lease Agreement. In addition, the City agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Property) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Property; provided, however, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Authority, adversely affect the estate of the Authority in and to any of the Property or its interest or rights under the Lease Agreement.

Substitution or Release of, or Addition to, the Property

The City shall have the right to substitute alternate real property for any portion of the 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. All costs and expenses incurred in connection with such substitution, release or addition shall be borne by the City. Notwithstanding any substitution or release of, or addition to, Property pursuant to the Lease Agreement, there shall be no reduction in or abatement of the Base Rental Payments due from the City under the Lease Agreement as a result of such substitution, release or addition. Any such substitution or release of any portion of the Property, or addition to the Property, shall be subject to the following specific conditions, which are by the Lease Agreement made 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 shall have obtained or caused 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 the 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 shall have executed, and the City shall have caused to be recorded with the San Mateo County 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.

Substitution of Project as Property

In addition to the release and substitution of property pursuant to the provisions of the Lease Agreement described under the caption “Substitution or Release of, or Addition to, the Property” above, upon completion of Phase I and Community Civic Campus – Phase II described in the Lease Agreement, the portions of the Property other than Phase I and Community Civic Campus – Phase II and the related real property upon which the Phase I and Community Civic Campus – Phase II improvements are located, as described in the Lease Agreement, may be released and upon such release, Phase I and Community Civic Campus – Phase II and the related real property upon which the Phase I and Community Civic Campus – Phase II improvements are located shall thereafter constitute the Property under the Lease Agreement and the Ground Lease, provided however, that no such substitution shall occur until there is delivered to the Trustee a Written Certificate of the City that the conditions set forth in (b) and (c) described under the caption “Substitution or Release of, or Addition to, the Property” above have been satisfied and that the City has beneficial use and occupancy of the Property not being released.

MISCELLANEOUS

Law Governing

THE LEASE AGREEMENT SHALL BE GOVERNED EXCLUSIVELY BY THE PROVISIONS OF THE LEASE AGREEMENT AND BY THE LAWS OF THE STATE OF CALIFORNIA AS THE SAME FROM TIME TO TIME EXIST.

Validity and Severability

If for any reason the Lease Agreement shall be held by a court of competent jurisdiction to be void, voidable or unenforceable by the Authority or by the City, or if for any reason it is held by such a court that any of the covenants and conditions of the City under the Lease Agreement, including the covenant to pay Rental Payments, is unenforceable for the full term of the Lease Agreement; then and in such event the Lease Agreement is and shall be deemed to be a Lease Agreement under which the Rental Payments are to be paid by the City annually in consideration of the right of the City to possess, occupy and use the Property, and all of the terms, provisions and conditions of the Lease Agreement, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

Net-Net-Net Lease

The Lease Agreement shall be deemed and construed to be a “net-net-net lease” and the City by the Lease Agreement agrees that the Rental Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever and notwithstanding any dispute between the City and the Authority.

Taxes

The City shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or affecting the Property or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the term of the Lease Agreement as and when the same become due.

The City or any sublessee may, at the City's or such sublessee's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the City or such sublessee that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Property will be materially endangered or the Property, or any part thereof, will be subject to loss or forfeiture, in which event the City or such sublessee shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

Amendments

(a) the Lease Agreement and the Ground Lease may be amended and the rights and obligations of the Authority and the City thereunder may be amended at any time by amendments thereto which shall become binding upon execution and delivery by the Authority and the City, but only with the prior written consent of the Owners of a majority of the principal amount of the Bonds then Outstanding pursuant to the Indenture, provided that no such amendment shall (i) extend the payment date of any Base Rental Payments, reduce the interest component or principal component of any Base Rental Payments or change the prepayment terms and provisions, without the prior written consent of the Owner of each Bond so affected, or (ii) reduce the percentage of the principal amount of the Bonds the consent of the Owners of which is required for the execution of any amendment of the Lease Agreement or the Ground Lease.

(b) the Lease Agreement and the Ground Lease and the rights and obligations of the Authority and the City thereunder may also be amended at any time by amendments thereto which shall become binding upon execution by the Authority and the City, without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed therein other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved therein to or conferred therein on the Authority or the City, and which in either case shall not materially adversely affect the interests of the Owners;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Authority or the City may deem desirable or necessary and not inconsistent therewith, and which shall not materially adversely affect the interests of the Owners;

(iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest on the Bonds;

(iv) to provide for the substitution or release of a portion of the Property in accordance with the provisions of the Lease Agreement;

(v) to provide for the issuance of Additional Bonds in accordance with the Indenture; or

(vi) to make such other changes therein or modifications thereto as the Authority or the City may deem desirable or necessary, and which shall not materially adversely affect the interests of the Owners, as evidenced by an Opinion of Bond Counsel.

Assignment

The City and the Authority by the Lease Agreement acknowledge the assignment of the Lease Agreement (except for the Authority's obligations and its rights to give consents or approvals under the Lease Agreement), and the Base Rental Payments payable under the Lease Agreement, to the Trustee pursuant to the Assignment Agreement.

ASSIGNMENT AGREEMENT

Assignment

The Authority, for good and valuable consideration, the receipt of which is acknowledged, has sold, assigned and transferred to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Bonds, all of its right, title and interest in and to the Ground Lease and the Lease Agreement including, without limitation, its right to receive the Base Rental Payments to be paid by the City under and pursuant to the Lease Agreement; provided, however, that the Authority shall retain its obligations under the Lease Agreement and Ground Lease, 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.

Acceptance

The Trustee has accepted the foregoing assignment, subject to the terms and provisions of the Indenture, and all such Base Rental Payments shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Lease Agreement and the Indenture.

Conditions

The Assignment Agreement shall impose no obligations upon the Trustee beyond those expressly provided in the Indenture.

Further Assurances

The Authority shall make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Assignment Agreement, and for the better assuring and confirming to the Trustee, for the benefit of the owners of the Bonds, the rights intended to be conveyed pursuant to the Assignment Agreement.

Governing Law

THE ASSIGNMENT AGREEMENT SHALL BE GOVERNED EXCLUSIVELY BY THE PROVISIONS THEREOF AND BY THE LAWS OF THE STATE OF CALIFORNIA AS THE SAME FROM TIME TO TIME EXIST.

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APPENDIX C

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

CITY OF SOUTH SAN FRANCISCO CALIFORNIA

YEAR ENDED JUNE 30, 2021



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**CITY OF SOUTH SAN FRANCISCO, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

Prepared by:

Department of Finance

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CITY OF SOUTH SAN FRANCISCO, CALIFORNIA

Annual Comprehensive Financial Report
For the Year Ended June 30, 2021

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CITY OF SOUTH SAN FRANCISCO, CALIFORNIA

Annual Comprehensive Financial Report
For the Year Ended June 30, 2021

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CITY COUNCIL 2021

MARK NAGALES, MAYOR
BUENAFLORES NICOLAS, VICE MAYOR
MARK ADDIEGO, (AT LARGE), MEMBER
JAMES COLEMAN (DISTRICT 4), MEMBER
EDDIE FLORES, (AT LARGE), MEMBER

MIKE FUTRELL, CITY MANAGER

January 4, 2022

Honorable Mayor and Members
of the City Council
City of South San Francisco
South San Francisco, California

The Annual Comprehensive Financial Report (ACFR) of the City of South San Francisco (the City) for the fiscal year ended June 30, 2021, is hereby submitted. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report includes all financial activities of the City of South San Francisco, including financial information for the City, as the primary government, and for its component unit, for which the City is considered financially accountable. The South San Francisco Conference Center is the component unit and is included because of the significance of its governing, operational, and/or financial relationships with the City. The Successor Agency that was created due to the Redevelopment Agency dissolution is also included in this report.

Management's Discussion & Analysis (MD&A) provides a narrative introduction overview and analysis to accompany the Basic Financial Statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A is found immediately following the report of the independent auditor in the financial section.

BACKGROUND OF THE CITY

The City of South San Francisco encompasses approximately 9.5 square miles and has a population of 67,408. The City employs approximately 500 full-time regular employees and is a full-service city which includes public safety (police, fire and paramedics), libraries, parks, cultural and recreational activities, senior citizen services, public works, public improvements, engineering, planning, building regulation, economic development, drainage, street lighting, and general administrative services. Sewer service, downtown parking operations, and storm water management are accounted for in the City's enterprise funds. The Conference Center Authority is included in the financial statements by discrete presentation – that is, the Authority's financial data is reported in a column separate from the financial data of the City. Water and solid waste services are provided by private entities.

South San Francisco was incorporated and became a general law city of the State of California on September 19, 1908. The form of government is the Council-Manager plan. Each Councilmember serves a term of four years, with a rotating Mayor chosen by majority vote of the Council, for a term of one year. The City Manager is the administrative head of the government of the City, under the direction of the City Council.

On July 11, 2018, the City Council adopted Ordinance No. 1558-2018 to change from at-large to district elections, establishing boundaries and sequencing of elections within the districts. The Councilmembers in office will continue to represent the City at-large until the expiration of their full term to which they were elected and until their successor is qualified. Under this new structure, three district Council seats are up for election in 2022.

On November 3, 2020, residents of the City of South San Francisco elected Mark Nagales as councilmember for District 2 and James Coleman as councilmember for District 4. Both councilmembers will serve a term of four years. The remaining three at-large City Council seats are up for election in 2022.

The offices of City Clerk and City Treasurer are elected and will remain at-large. The City Attorney is appointed by the City Council.

All department heads are appointed and serve under the administrative direction of the City Manager. All other officers and employees of the City are appointed by department heads.

FINANCIAL INFORMATION

In developing and appraising the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets; and (3) transactions being properly executed in accordance with management's authorization.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Basic characteristics of sound internal accounting control include segregation of accounting duties, approvals of accounting transactions, and regular reconciliation of detail and control records.

All internal control evaluations occur within this framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurances of proper recording of financial transactions.

The City adopts fiscal year budgets for its general, special revenue, debt service, enterprise, and capital project funds. The government also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances generally are re-appropriated as a part of the following year's budget.

In November 2015, voters in the City passed Measure W, which increased the sales tax rate within the City by 0.50%. The tax is deposited into the City's General Fund and will be used to pay for City services. This tax revenue is partially used to pay the debt on bonds or other financings to accelerate projects. In February 2020, the City issued \$43.9 million of lease revenue bonds to finance the design and construction of a new Police facility which is due to be fully operational in early January 2022. Furthermore, in June 2021, the City issued \$86.4 million in lease revenue bonds for the construction of a new Civic Center Campus, installation of a solar roof at the City's Corporation Yard and funding of the City's Road Rehabilitation program. The Civic Center Campus will include a new building to house a community library, the City's department of Parks and Recreation, the City Council chambers, and an approximately 1.3 acre community park.

In February 2020, S&P Global Ratings assigned an issuer credit rating of triple A (“AAA”) to the City. AAA is the highest rating possible and is important as higher ratings generally results in lower borrowing costs and the City was able to benefit from this in its FY 2020-21 bond issuance. The AAA rating is a good indicator of the City’s strong financial position, solid executive management, fiscally sound policies and practices, and responsible budgetary performance.

The City’s Reserve Policy is aligned with the Government Finance Officers Association (GFOA) best practices recommendation for reserves, setting aside 15-20 percent of operating revenues.

OTHER INFORMATION

Independent Audit

The City engaged an independent accounting firm to audit the books of accounts, financial records, transactions, and financial statements. Their report covering Fiscal Year 2020-21 is in the Financial Section of this report.

Award

The City’s ACFR for the fiscal year ended June 30, 2020, received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. The award signified the report’s attainment of easily readable and efficiently organized content and satisfaction of generally accepted accounting principles and legal requirements. The award is valid for a period of one year only. However, the City believes that this current report continues to conform to program eligibility requirements.

Acknowledgments

The preparation of the ACFR was made possible by the dedicated services of the entire staff of the Finance Department and our auditors. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,

Janet Salisbury

Janet Salisbury
Director of Finance

Mike Futrell, City Manager

Mike Futrell
City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

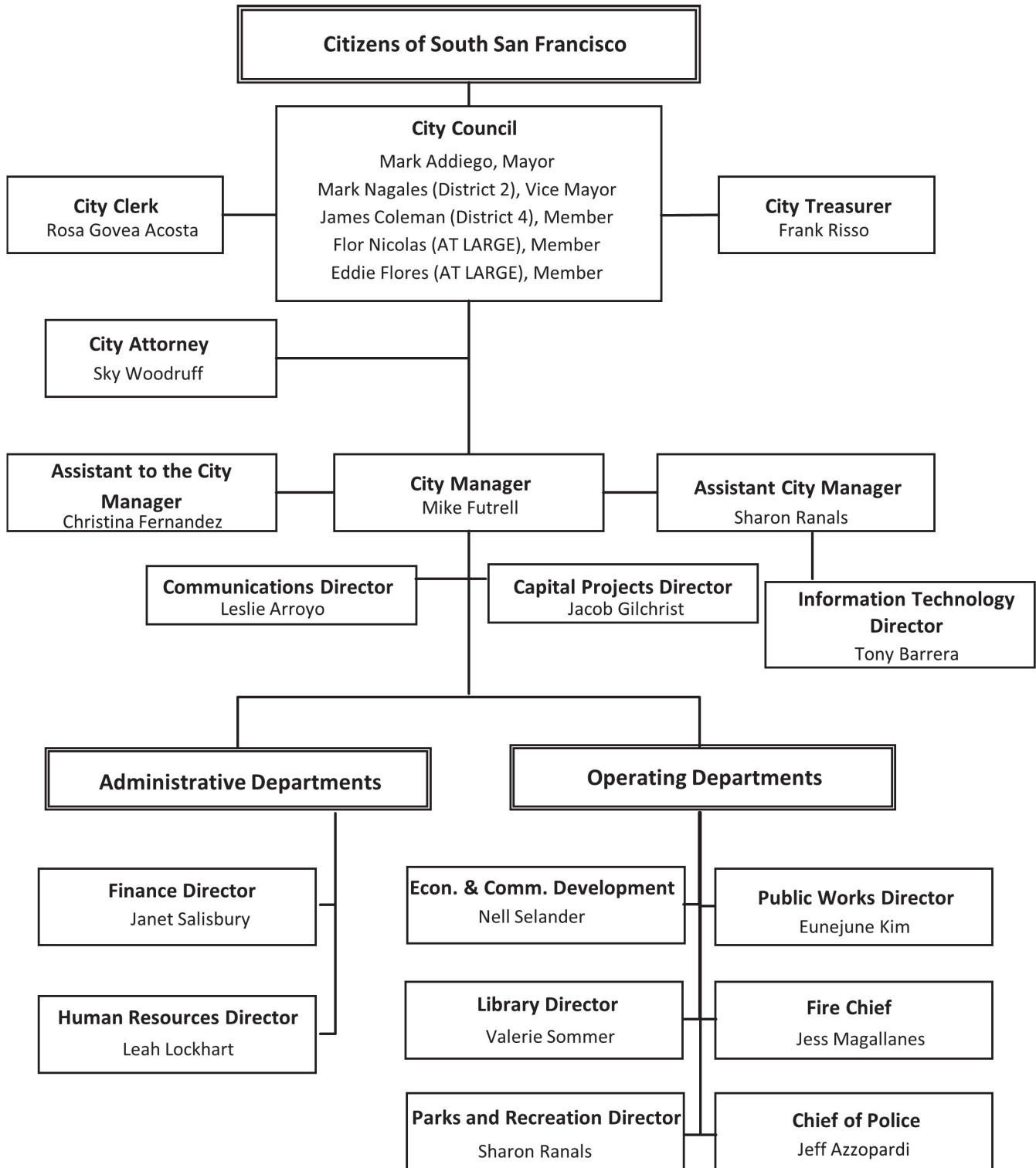
**City of South San Francisco
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO



City Council & Directory of Officials*

City Council

Mark Addiego	Mayor
Mark Nagales (District 2)	Vice Mayor
James Coleman (District 4)	Councilmember
Buenaflor Nicolas (AT LARGE)	Councilmember
Eddie Flores (AT LARGE)	Councilmember

Elected Officials

Rosa Govea Acosta	City Clerk
Frank Risso	City Treasurer

Appointed Officials

Mike Futrell	City Manager
Sharon Ranals	Assistant City Manager / Parks & Recreation Director
Janet Salisbury	Finance Director
Leslie Arroyo	Communications Director
Jeff Azzopardi	Chief of Police
Tony Barrera	Information Technology Director
Jacob Gilchrist	Capital Projects Director
Nell Selander	Deputy Economic & Community Development Director
Leah Lockhart	Human Resources Director
Jess Magallanes	Fire Chief
Eunejune Kim	Public Works Director
Valerie Sommer	Library Director

Budget Subcommittee

Mark Addiego
Buenaflor Nicolas

*As of November 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the City Council
City of South San Francisco, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South San Francisco (City), California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component unit financial statements of the South San Francisco Conference Center Authority (Authority), which represents 0.61%, 1.20%, and 0.77%, respectively, of the assets, net position, and revenue of the primary government. Those financial statements were audited by other auditors, whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining information of the City as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which became effective during the year ended June 30, 2021 and required the restatement of net position as discussed in Note 1T to the financial statements.

Management also early-adopted the provisions of Governmental Accounting Standards Board Statement No. 98 - *The Annual Comprehensive Financial Report* for the year ended June 30, 2021, which establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California
January 4, 2022

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CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

Government Accounting Standards Board Statement 34 (GASB 34) requires the City of South San Francisco to provide an overview of its financial activities for the fiscal year. Please read this in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FISCAL YEAR (FY) 2020-21 FINANCIAL HIGHLIGHTS

Summary:

Fiscal Year (FY) 2020-21 proved to be a challenging and unusual year for the City of South San Francisco, both financially and operationally, due to the continuing COVID-19 pandemic which began in early 2020. The various pandemic-related restrictions continued in one form or another well into FY 2020-21, impacting all aspects of society and leading to widespread negative economic impacts for individual citizens, businesses (hospitality, restaurant and retail industries in particular) and government agencies alike. For the City, this meant large declines in some revenue streams such as Transient Occupancy Tax (TOT). In response, the City sought to reduce expenditures, all the while trying to enhance services for the most vulnerable in the community through food drives, testing events, vaccine clinics and rental assistance programs, to name a few.

Just prior to the beginning of the COVID-19 pandemic, S&P Global Ratings (“S&P”) assigned an issuer rating of triple A (“AAA”) to the City which is the highest rating possible and generally results in lower borrowing costs. In a release announcing the rating, S&P noted the City's strong financial position, bolstered by the local economic growth and development momentum seen prior to the pandemic largely fueled by development growth from the biotechnology and housing sectors. It was this sound financial footing, along with solid executive management, fiscally sound policies and practices, and sound budgetary performance that allowed the City to weather the impacts from the COVID-19 pandemic through FY 2020-21.

Part of the federal response to the COVID-19 pandemic was to pass the American Rescue Plan Act (ARPA) in March 2021 which included \$350 billion in stimulus funds for eligible state, local, territorial and Tribal governments. The City of South San Francisco was allocated a total of \$12.3 million in ARPA funds, half of which was received in June 2021 and recorded in its own fund ready to be deployed on City Council approved projects related to the negative economic impacts caused by the pandemic. The second half of the funding is due to be received in June 2022.

The General Fund is the main fund of the City, accounting for principal revenues including taxes, licenses and permits, charges for services, grants and interest income, as well as expenditures related to delivery of public services by City departments such as Police, Fire, Public Works, Parks and Recreation, Library and Administrative Services. Performance of this fund is viewed as the main barometer of the financial health of the City. Compared to the prior year, FY 2020-21 General Funds revenues (excluding transfers in from other funds and special items) decreased by \$7.4 million, or 5.7%.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

The negative economic impact caused by the global COVID-19 pandemic is the main driver for this reduction, primarily realized in Transient Occupancy Tax (TOT) and charges for services. This was offset partially by continuing upward trends in property tax, reflective of the strong fundamentals of the local economy.

As in years past, the General Fund reserves were fully funded in accordance with the City's Reserves Policy, which follows best practices as recommended by the Government Finance Officers' Association (GFOA).

City-wide financial highlights of the year include the following:

- Total Net Position for Governmental activities in Fiscal Year (FY) 2020-21 increased by \$27.4 million, or 9.0%, from \$304.7 million to \$332.1 million in comparison to the prior year. The increase is primarily due to further investment in City assets through bond issuance backed by the underlying strength in the local economy generating Measure W tax revenue which is used to make bond repayments as well as for direct funding of public facility projects such as the new Police Station. The growth in assets of \$149.4 million is partially offset by a \$125.4 million increase in liabilities, mainly bond debt - \$100.8 million.
- Total Net Position for Business-Type activities in FY 2020-21 increased by \$16.8 million, or 14.7%, from \$114.0 million to \$130.8 million in comparison to the prior year. The growth in Net Position is due to a \$7.5 million increase in cash and receivable balances at year end as well as a \$21.7 million increase in capital assets due to construction work underway at the City's Water Quality Control Plant (WQCP). This is partially offset by a \$12.7 million increase in liabilities which is mainly due to the loans required to undertake the work at the WQCP.
- City-wide Net Pension Liability to CalPERS for FY ending June 30, 2021 increased by \$12.2 million, or 6.3%, to \$205.3 million from \$193.1 million in the prior year. The liability increase was driven by revised actuarial valuations from CalPERS taking into account member contributions and investment earnings.
- Cash and investments at year end increased \$12.4 million, or 5.0%, compared to the prior year, despite the challenges from the COVID-19 pandemic, from \$246.9 million to \$259.3 million. This reflects the underlying strength in the local economy as the City began to emerge from the impacts of the pandemic during the fiscal year and the prudent policies put in place to control expenditures.
- Expenses from Governmental Activities (excluding transfers) decreased by \$7.9 million, or 5.7%, to \$132.4 million in FY2020-21 from \$140.3 million in the prior year due to savings in the Police department, Public Works, and Parks and Recreation. Expenses from Business-Type Activities increased slightly by \$0.4 million, or 1.3%, to \$28.9 million compared to \$28.5 million in the prior year.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

- Revenues from Governmental Activities (excluding transfers and special items) decreased by \$10.3 million, or 5.9%, to \$166.2 million in FY 2020-21 from \$176.5 million in the prior year. From a city-wide perspective, revenues from Business-Type Activities (excluding transfers and special items) partially offset this with an increase of \$6.7 million, or 20%, to \$40.7 million in FY2020-21 from \$34.0 million in the prior year.
- Property tax revenues categorized under Governmental Activities continued to increase in FY 2020-21 by \$4.2 million, or 11.0%, to \$41.6 million from \$37.4 million in the prior year. This was primarily due to a property market that remained buoyant and strengthened somewhat during the pandemic as homeowners looked to make improvements or upsize for more space while working from home.
- Sales tax increased by \$1.2 million, or 3.7% to \$33 million in FY 2020-21 from \$31.8 million in the prior year. Early in the fiscal year, shelter-in-place orders related to the COVID-19 pandemic had a negative impact on this category but as the year progressed and vaccines were rolled out, restrictions eased and the local and wider economy began to rebound and spending levels increased, driving a recovery in sales tax revenue. This increase is wholly attributable to growth in local Measure W sales tax revenues.
- Transient Occupancy Tax (“TOT”) has been the most dramatically impacted revenue category as a result of the shelter-in-place orders and travel restrictions put in place in response to the COVID-19 pandemic. Local hotels experienced very high vacancy rates which led to a large reduction in TOT collections. TOT revenue decreased by \$7.1 million, or 51.5%, to \$6.7 million in FY 2020-21 from \$13.8 million in the prior year. As vaccination levels in the population increased and restrictions began to ease during the year, hotel occupancy started to rebound and collections increased accordingly. This trend is expected to continue.
- Licenses and permits revenue for Governmental Funds decreased by a small amount in FY 2020-21 - \$0.3 million, or 2.0%, from \$15.9 million to \$15.6 million. Despite the slight reduction, revenues remain high in this category which is indicative of the continued growth and development throughout the City despite the pandemic. South San Francisco continues to see high levels of new construction, especially in the East of 101 area driven by non-residential and biotechnology companies along with high density residential in the downtown area.
- Total revenues from the City’s Sewer Enterprise increased \$2.0 million, or 6.3% to \$33.8 million from \$31.8 million in the prior year due mainly to greater contributions from other cities to which the City of South San Francisco’s WQCP provides services. The City’s Parking Enterprise experienced a \$0.3 million, or 32.0%, decrease in revenues to \$0.8 million in FY2020-21 compared to \$1.1 million in the prior year due to reduced parking activity caused by mandated restrictions put in place in response to the COVID-19 pandemic.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

OVERVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

This Annual Comprehensive Financial Report (ACFR) is in six parts:

- 1) The Introductory Section, which includes the Transmittal Letter and general information;
- 2) Management's Discussion and Analysis (this part);
- 3) The Basic Financial Statements, which include the Government-wide and the Fund Financial Statements, along with the notes accompanying these statements;
- 4) Required Supplementary Information and the accompanying notes;
- 5) Other Supplementary Information including combining statements for non-major governmental funds, internal service funds, other budgetary information, and a fiduciary statement of changes in assets and liabilities; and
- 6) The Statistical Section.

Basic Financial Statements

The Basic Financial Statements are comprised of the City-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and financial position.

The City-wide Financial Statements provide a longer-term view of the City's activities as a whole, and consist of the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to the basis used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities provides a detailed explanation of the change in net position for the year.

All the amounts in the Statement of Net Position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two distinct activities of the City.

The Fund Financial Statements report the City's operations in more detail than the government-wide statements. The Governmental Fund Financial Statements focus primarily on the short-term activities of the City's General Fund and other Major Funds and measure only current revenues, expenditures, and fund balances; they exclude capital assets, long-term debt and other long-term amounts. The Proprietary Fund Financial Statements focus on the Business-Type "enterprises" of the City, i.e. activities that are accounted for in a similar way to private sector organizations using the full accrual basis, thereby including both short-term and long-term elements.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

Major Funds account for the major financial activities of the City and are presented individually, while the activities of non-Major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds.

The Fiduciary Fund Financial Statements provide financial information about the activities of Non-Obligated Assessment Districts, for which the City acts solely as agent.

Note 1 to the Basic Financial Statements provides a summary of the City's significant accounting policies, fund categories, and fund types.

City-wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the following:

- ***Governmental activities*** - All of the City's basic services are considered to be governmental activities, including General Government, Fire, Public Works, Parks and Recreation, Library, and Economic and Community Development. These services are supported by general City revenues such as taxes and by specific program revenues from grants, contributions and fees.

The City's Governmental Activities also include the City of South San Francisco Capital Improvements Financing Authority and South San Francisco Public Facilities Financing Authority, as the City Council also governs these entities.

- ***Business-Type Activities*** - All the City's enterprise activities are reported here, including Wastewater treatment (or Sewer), Parking, and Storm Water management. Unlike Governmental services, user fees fully support most of these services.
- ***Component Unit*** - The City of South San Francisco Conference Center Authority comprises the component unit. The Authority serves the City and other interests and it has a governing body separate from the City Council.

City-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole and account for revenues when due and expenses when incurred.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. Each Major Fund is presented individually, with all non-Major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-Major funds. Major Funds present the major activities of the City for the year and may change from year to year as a result of changes in the pattern of City activities. Fund Financial Statements include governmental, enterprise and internal service funds as discussed below.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which mean they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Enterprise and Internal Service Fund Financial Statements are prepared on the full accrual basis and include all their assets, liabilities and deferred outflows/inflows of resources, current and long-term.

Since the City's Internal Service Funds provide goods and services only to the City's governmental and business-type activities, their activities are reported only in total at the fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City funds. These revenues are eliminated in the city-wide financial statements and any related profits or losses are returned to the activities which created them, along with any residual net position of the Internal Service Funds.

Comparisons of Budget and Actual financial information are required in the Basic Financial Statements only for the General Fund and other Major Funds that are Special Revenue Funds.

Fiduciary Fund Financial Statements

The City is the agent for certain assessment districts, holding amounts collected from property owners which await transfer to these Districts' bond trustees. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

The following analyses focus on the net position and changes in the City's Governmental Activities (Tables 1 through 3, and Chart 1) and Business-Type Activities (Tables 4 and 5), which are presented in the city-wide Statement of Net Position and Statement of Activities. The comparative results for FY 2020-21 are presented versus FY 2019-20.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Required Supplementary Information

Governmental Activities

Net position may serve over time as a useful indicator of the City's financial condition. Table 1 below shows that total assets and deferred outflows of resources exceed the total liabilities and deferred inflows of resources as of June 30, 2021 for Governmental Activities:

Governmental Net Position

Table 1
Governmental Net Position at June 30
(In Millions)

			Increase / (Decrease)	
	<u>2021</u>	<u>2020</u>	<u>Amount</u>	<u>%</u>
Cash and investments	\$ 229.1	\$ 219.6	\$ 9.5	4.3%
Other assets	148.7	90.5	58.2	64.3%
Capital assets	383.1	301.5	81.6	27.1%
Total assets	<u>760.9</u>	<u>611.6</u>	<u>149.3</u>	<u>24.4%</u>
Total outflows of resources	31.2	29.4	1.8	6.1%
Total outflow of resources	<u>31.2</u>	<u>29.4</u>	<u>1.8</u>	<u>6.1%</u>
Long-term debt outstanding	157.5	56.8	100.7	177.3%
Other liabilities	301.0	276.3	24.7	8.9%
Total liabilities	<u>458.5</u>	<u>333.1</u>	<u>125.4</u>	<u>37.6%</u>
Deferred inflows of resources	1.6	3.2	(1.6)	(50.0%)
Total deferred inflow of resources	<u>1.6</u>	<u>3.2</u>	<u>(1.6)</u>	<u>(50.0%)</u>
Net position:				
Net investment in capital assets	316.1	296.2	19.9	6.7%
Restricted	160.2	138.7	21.5	15.5%
Unrestricted	(144.2)	(130.2)	(14.0)	10.8%
Total net position	<u>\$ 332.1</u>	<u>\$ 304.7</u>	<u>\$ 27.4</u>	<u>9.0%</u>

The total net position for Governmental Activities increased by \$27.4 million in FY 2020-21 compared to the prior year, reflecting significant increases in assets as shown in table 1. Cash and investments increased by \$9.5 million. Other assets, which includes receivables, properties held for redevelopment and restricted cash and investments, increased by \$58.2 million due to additional proceeds received from issuance of a new bond for construction of the new Civic Center Campus. Capital assets increased by \$81.6 million due to a large increase in Construction-In-Progress related to the new Police Station and other Capital Improvement Plan projects. Pursuant to GASB 75 and GASB 68 requirements, respectively, the City, as in prior years, recognized the Net OPEB liability of \$57.9 million and Net Pension Liability of \$184.8 million attributable to Governmental Activities.

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The following table shows the changes in net position for Governmental Activities:

Table 2
Expense and Program Revenue Comparison in Governmental Activities
(In Millions)

			Increase / (Decrease)	
	2021	2020	Amount	%
Revenues				
Program revenues:				
Charges for services	\$ 44.9	\$ 48.8	\$ (3.9)	(8.0%)
Operating grants and contributions	8.0	8.8	(0.8)	(9.1%)
Capital grants and contributions	5.5	4.9	0.6	12.2%
Total program revenues	<u>\$ 58.4</u>	<u>\$ 62.5</u>	<u>\$ (4.1)</u>	<u>(6.6%)</u>
General revenues:				
Taxes:				
Property taxes	\$ 41.6	\$ 37.4	\$ 4.2	11.2%
Sales taxes	33.0	31.8	1.2	3.8%
Transient occupancy taxes	6.7	13.8	(7.1)	(51.4%)
Other taxes	9.1	9.1	0.0	0.0%
Property taxes in lieu	4.9	7.5	(2.6)	(34.7%)
Investment earnings	0.9	6.4	(5.5)	(85.9%)
Miscellaneous	11.6	9.2	2.4	26.1%
Total general revenues	<u>\$ 107.8</u>	<u>\$ 115.2</u>	<u>\$ (7.4)</u>	<u>(6.4%)</u>
Total revenues	<u>\$ 166.2</u>	<u>\$ 177.7</u>	<u>\$ (11.5)</u>	<u>(6.5%)</u>
Expenses				
General government	\$ 19.6	\$ 15.4	\$ 4.2	27.3%
Fire department	34.5	34.5	0.0	0.0%
Police department	33.4	36.1	(2.7)	(7.5%)
Public Works	7.6	17.7	(10.1)	(57.1%)
Parks and Recreation	17.1	19.6	(2.5)	(12.8%)
Library	6.3	6.7	(0.4)	(6.0%)
Economic and Community Development	11.7	9.8	1.9	19.4%
Interest on long-term debt	2.2	0.5	1.7	340.0%
Total expenses	<u>\$ 132.4</u>	<u>\$ 140.3</u>	<u>\$ (7.9)</u>	<u>(5.6%)</u>
Excess / (deficiency) before transfers	<u>\$ 33.8</u>	<u>\$ 37.4</u>	<u>\$ (3.6)</u>	<u>(9.6%)</u>
Special Item	<u>(1.4)</u>	<u>0.3</u>	<u>(1.7)</u>	<u>(618.5%)</u>
Transfers	<u>(5.0)</u>	<u>(8.1)</u>	<u>3.1</u>	<u>(38.3%)</u>
Change in net position	27.4	29.6	(2.2)	(7.3%)
Net position - beginning	<u>304.7</u>	<u>275.1</u>	<u>29.6</u>	<u>10.8%</u>
Net position - ending	<u>\$ 332.1</u>	<u>\$ 304.7</u>	<u>\$ 27.4</u>	<u>9.0%</u>

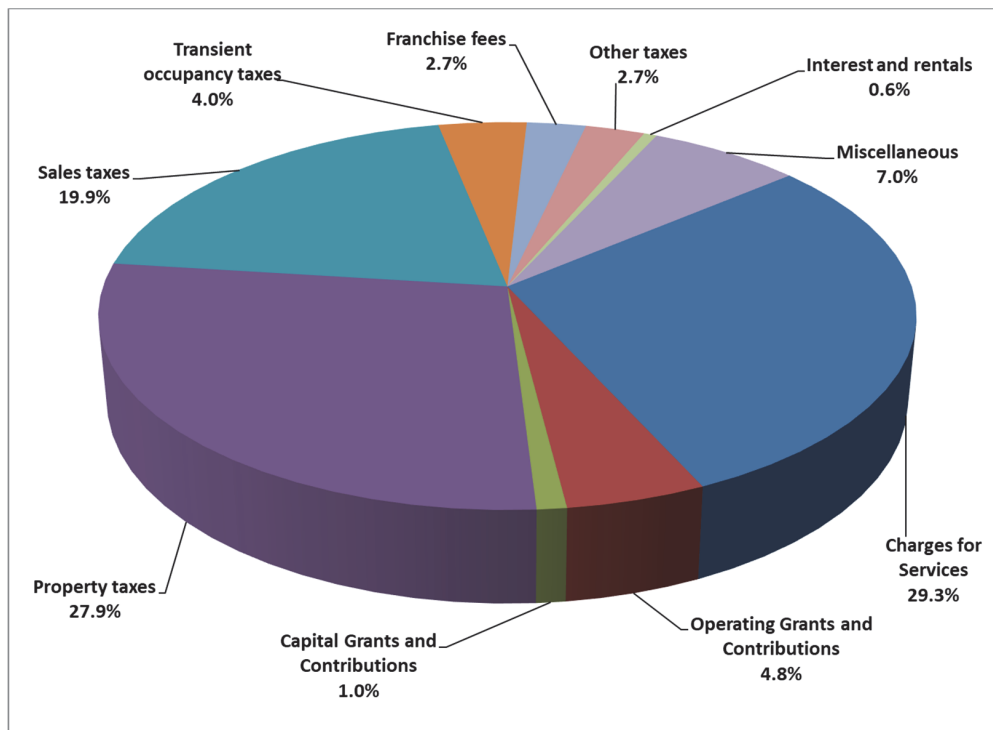
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As shown in table 2, total Governmental revenues (excluding transfers and special items) decreased by \$11.5 million compared to the prior year, primarily due to COVID-19-related impacts on TOT which accounts for more than half (\$7.1 million) of the total reduction in revenue. A decrease was also seen in Property taxes in lieu (\$2.6 million), otherwise known as the California Vehicle Licensing Fee (VLF) – all cities across San Mateo County experienced a shortfall in this category in FY 2020-21 due to a change in the ratio of basic aid to non-basic aid school districts in the county which affects the availability of VLF. Investment earnings also reduced by \$5.5 million to \$0.9 million due to the mark-to-market adjustment required by Governmental Accounting Standards Board (GASB) accounting standard #31. These reductions were partially offset by \$4.2 million and \$1.2 million respective increases in property tax and sales tax. These increases were due to a continued upward trend in property prices despite the pandemic and recovering activity in the local economy.

Chart 1 shows the distribution of revenues from Governmental Activities by category.

Governmental program expenses decreased by \$8.0 million in comparison to the prior year. This is primarily due to a significantly greater adjustment for capital assets during FY 2020-21 particularly with respect to construction in progress of the new Police Station and Civic Center Campus. There were also savings in some General Fund departments including Public Works, Parks and Recreation, and Economic and Community Development which contributed to the reduction in overall Government program expenses.

Chart 1
Revenues by Source - Governmental Activities FY 2020-21



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Table 3 illustrates the difference between program revenues and program expenses. Program revenues consist of capital and operating grants and contributions, and fees for services. General City revenues, such as property taxes, sales taxes, transient occupancy taxes, licenses and permits, and investment earnings, cover the shortfall between program revenues and program expenses.

Table 3

Net (Expense) / Revenue from Services
Governmental Activities
(In Millions)

			Increase / (Decrease)	
	<u>2021</u>	<u>2020</u>	<u>Amount</u>	<u>%</u>
General government	\$ (9.8)	\$ (9.2)	\$ (0.6)	6.5%
Fire department	(28.3)	(28.4)	0.1	(0.4%)
Police department	(31.0)	(33.3)	2.3	(6.9%)
Public works department	21.4	15.7	5.7	36.3%
Recreation and community services	(15.3)	(16.0)	0.7	(4.4%)
Library	(2.0)	(5.9)	3.9	(66.1%)
Economic and community development	(6.8)	(0.3)	(6.5)	2166.7%
Interest on long-term debt	(2.2)	(0.5)	(1.7)	340.0%
Total	<u>\$ (74.0)</u>	<u>\$ (77.9)</u>	<u>\$ 3.9</u>	<u>(5.0%)</u>

In FY 2020-21, the net expense for governmental activities decreased by \$3.9 million from \$77.9 million to \$74.0 million, due to \$8.0 million in reductions in Governmental program expenses, as previously discussed, and a \$4.1 million reduction in program revenues primarily in capital grants and contributions.

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Business-Type Activities

Table 4 shows that total assets and deferred outflows of resources exceed the total liabilities and deferred inflows of resources as of June 30, 2021 for Business-Type Activities:

Table 4
Business-type Net Position at June 30 (in Millions)

			Increase / (Decrease)	
	<u>2021</u>	<u>2020</u>	<u>Amount</u>	<u>%</u>
Cash and Investments	\$ 30.2	\$ 27.3	\$ 2.9	10.6%
Other assets	8.3	3.6	4.7	130.6%
Capital assets	<u>186.4</u>	<u>164.8</u>	<u>21.6</u>	<u>13.1%</u>
Total assets	<u>224.9</u>	<u>195.7</u>	<u>29.2</u>	<u>14.9%</u>
Deferred outflows related to pension/OPEB	<u>3.4</u>	<u>3.3</u>	<u>0.1</u>	<u>3.0%</u>
Total Deferred outflow of resources	<u>3.4</u>	<u>3.3</u>	<u>0.1</u>	<u>3.0%</u>
Long-term liabilities outstanding	57.6	47.8	9.8	20.5%
Other liabilities	<u>39.7</u>	<u>36.8</u>	<u>2.9</u>	<u>7.9%</u>
Total liabilities	<u>97.3</u>	<u>84.6</u>	<u>12.7</u>	<u>15.0%</u>
Deferred inflows related to pension/OPEB	<u>0.2</u>	<u>0.4</u>	<u>(0.2)</u>	<u>(50.0%)</u>
Total deferred inflow of resources	<u>0.2</u>	<u>0.4</u>	<u>(0.2)</u>	<u>(50.0%)</u>
Net position:				
Net investment in capital assets	123.6	112.0	11.6	10.4%
Restricted	0.0	0.0	0.0	0.0%
Unrestricted	<u>7.2</u>	<u>2.0</u>	<u>5.2</u>	<u>100.0%</u>
Total net position	<u>\$ 130.8</u>	<u>\$ 114.0</u>	<u>\$ 16.8</u>	<u>14.7%</u>

The total net position for Business-Type Activities increased by \$16.8 million compared to the prior year. Total assets increased by \$29.2 million, or 14.9%, reflecting increases of capital assets related to construction in the WQCP Wet Weather and Digester Improvements Project and other sewer-related projects. However, total liabilities increased by \$12.7 million due to drawdowns of \$15.0 million on the 2018 Clean Water State Revolving Fund and partially offset by debt service payments on the other outstanding loans. Similar to Governmental Activities and pursuant to GASB 75 and GASB 68 requirements, respectively, the City, as in prior years, recognized the Net OPEB liability of \$6.4 million and Net Pension Liability of \$20.5 million attributable to Business-Type Activities.

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Table 5 below shows the changes in net position for Business-Type Activities:

Table 5
Change in Business-Type Activities Net Position
(In Millions)

			Increase / (Decrease)	
	2021	2020	Amount	%
Expenses				
Sewer Enterprise	\$ 26.7	\$ 26.2	\$ 0.5	1.9%
Parking District	1.3	1.1	0.2	18.2%
Storm Water	0.9	1.2	(0.3)	(25.0%)
Total expenses	<u>28.9</u>	<u>28.5</u>	<u>0.4</u>	<u>1.4%</u>
Revenues				
Program Revenues				
Charges for Services	25.8	25.7	0.1	0.4%
Operating grants and contributions	14.8	7.4	7.4	100.0%
Total program revenues	<u>40.6</u>	<u>33.1</u>	<u>7.5</u>	<u>22.7%</u>
General revenues				
Investment earnings	0.1	0.8	(0.8)	(93.8%)
Total general revenues	<u>0.1</u>	<u>0.8</u>	<u>(0.8)</u>	<u>(93.8%)</u>
Excess (deficiency) before transfers	11.8	5.4	6.4	117.6%
Transfers	5.0	8.1	(3.1)	(38.3%)
Change in net position	16.8	13.5	3.3	24.1%
Net position - beginning (as adjusted)	114.0	100.5	13.5	13.4%
Net position - ending	<u>\$ 130.8</u>	<u>\$ 114.0</u>	<u>\$ 16.8</u>	<u>14.7%</u>

Expenses from Business-Type Activities in FY2020-21 increased marginally by \$0.4 million to \$28.9 million while total revenues increased by \$6.7 million to \$40.7 million giving rise to a change in net position of \$16.8 million after transfers compared to the \$13.5 million change in net position in the prior year. This \$16.8 million change was primarily attributable to increases in operating grants and contributions which more than offset the reduction in transfers in from other funds.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

Governmental funds highlight the City's near-term inflows, outflows, and balances of *spendable* resources. Such information can be helpful in determining the City's financial condition. *Unrestricted fund balance* is a major indicator of designated and uncommitted resources available for spending in future fiscal years.

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At June 30, 2021, the City's Governmental Funds reported combined fund balances of \$310.1 million, an increase of \$55.2 million, or 21.7%, compared to the prior year. The General Fund ending fund balance, which includes Measure W, was \$75.7 million, reflecting a decrease of \$9.4 million, or 11.0% primarily due to allocation of Measure W funds towards construction of the new Police Station.

Total Governmental Fund revenues (excluding transfers and special items) decreased by \$10.3 million, or 5.9%, from \$176.5 million to \$166.2 million, with significant decreases in TOT, interest and rentals, and charges for services, all as a direct result of the negative economic impacts of the COVID-19 pandemic.

Total Governmental Fund expenditures (excluding transfers and special items) increased by \$53.4 million or 35.0%, from \$152.7 million to \$206.1 million, primarily stemming from increased project expenditures for the new Police station and new community Civic Center Campus, the latter paid for by issuance of a new bond in FY2020-21. In addition, the City's personnel costs for salaries and benefits increased in accordance with negotiated Memorandums of Understanding and general increases in healthcare costs. These were somewhat offset by departmental savings in other areas.

Comparison of General Fund Final Budgets to Original Adopted Budget

The budget is initially adopted by the City Council in June, based on revenue projections that are up to date through May. Between May and the end of the fiscal year, there can be major fluctuations in revenues depending on the economy and/or actions by the State of California. There can also be significant changes to departmental expenditure budgets to the extent unforeseen expenditures occur. In the Fund Financial Statements, the page titled "Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual" later in this document shows the initial adopted and final budgets for the General Fund (including Measure W). Changes between the adopted and final budgets are shown and explained in table 6:

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Table 6
Comparison of General Fund (excluding transfers) Final Budgets to Original Adopted Budget (in Thousands)

Revenues	Original Budget	Final Budget	Change	Pct Change	Discussion: (Items of more than 5% and \$100,000 variance)
Property taxes	\$ 41,596	\$ 43,052	\$ 1,456	3.5%	
Sales taxes	29,608	31,208	1,600	5.4%	Sales tax collections proved to be stronger than originally expected - City's sales tax consultant projections indicated higher revenue for the year leading to upward revision
Transient occupancy taxes	7,873	5,904	(1,969)	-25.0%	Travel industry continued to be severely impacted by COVID-19 pandemic further into the year than originally expected leading to downward budget revision
Other taxes	3,118	3,118	-		
Franchise Fee	4,600	4,600	-		
Intergovernmental	2,223	3,261	1,038	46.7%	Reflects \$838k COVID-19 pandemic-related CARES Act federal award to the City, fire and COVID-19-related FEMA reimbursements and various other federal, state and local grants applied for during the year
Interest and rentals	3,828	3,828	-		
Licenses and permits	14,995	14,995	-		
Charges for services	8,012	7,062	(950)	-11.9%	COVID-19 pandemic proved more impactful on various Parks & Recreation services including child care, picnic rentals, and classes and events
Fines and forfeitures	789	789	-		
Other	175	175	-		
Total	\$ 116,817	\$ 117,992	\$ 1,175	1.0%	

Expenditures	Original Budget	Final Budget	Change	Pct Change	Discussion: (Items of more than 5% and \$100,000 variance)
City Council	\$ 285	\$ 285	\$ -		
City Clerk	1,097	1,097	-		
City Treasurer	145	145	-		
City Attorney	910	910	-		
City Manager	2,163	5,460	3,297	152.4%	General Plan update work, Commission on Racial & Social Equity, East of 101 Community Facilities District work and increased part-time support staff
Finance	3,239	3,640	401	12.4%	Accounts for various purchase orders carried over from the previous FY, funds for Financial Analyst II position and revenue consultant
Non-Departmental	1,044	1,737	693	66.4%	Various programs funded by CARES Act federal award
Human Resources	1,780	2,031	251	14.1%	Accounts for carryover purchase orders, Summer Jobs for Youth (internship) program, and personnel and payroll system (PDS) automation
Economic and Community Development	7,206	9,607	2,401	33.3%	Accounts for various purchase orders carried over from the previous year for plan review and building inspection services, and General Plan work
Fire	29,978	31,010	1,032	3.4%	
Police	31,882	32,020	138	0.4%	
Public Works	5,774	5,857	83	1.4%	
Library	6,048	6,246	198	3.3%	
Parks and Recreation	15,655	16,024	369	2.4%	
Total	\$ 107,206	\$ 116,069	\$ 8,863	8.3%	

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Analysis of Major Governmental Funds

General Fund

In FY 2020-21, total General Fund revenues, excluding transfers in, were \$123.5 million which was \$5.5 million, or 4.7% higher than the final amended budget. Total General Fund expenditures, excluding transfers out, ended FY 2020-21 at \$108.9 million which was \$7.2 million, or 6.2%, lower than final budget due to savings realized in multiple departments.

As of June 30, 2021, the General Fund total fund balance was \$75.7 million, \$7.9 million of which was attributable to Measure W. Of the remaining fund balance, \$21.8 million was held in reserve in accordance with city policy which is aligned with the Governmental Finance Officers Association (GFOA) recommended reserve practice of between 15-20 percent of General Fund operating revenue. The remaining \$46.0 million was held in designation/reserve accounts for various purposes including unassigned fund balance (available for operational use), encumbrances (committed expenditure items), capital projects and land held for development. The unassigned reserves are designated by the City Council based on the City's Reserves Policy and include funds for economic contingencies, potential catastrophe and budget contingencies.

Revenues. Property tax collections in FY 2020-21 were \$44.2 million, which was \$1.2 million or 2.8% over final budget. This was mainly due to higher than expected increases in assessed values and new properties added to the tax roll despite the COVID-19 pandemic.

Sales tax revenue, including Measure W, was \$32.7 million, which was \$1.5 million or 4.9% over final budget, proving much more resilient through the pandemic than originally expected, and reflecting a rebound in the local economy as restrictions eased as the fiscal year progressed.

Transient occupancy taxes came in at \$6.7 million, which was \$0.8 million or 13.7% over final budget. This category was budgeted very conservatively due to the severe impact of the pandemic on the hospitality industry seen in Q4 of FY2019-20. As vaccination rates increased during FY2020-21 and restrictions eased, TOT collections began to improve giving rise to final collections higher than budget. By way of contrast, pre-pandemic TOT levels were approximately \$17 million (FY2018-19).

Intergovernmental revenues were \$4.3 million, \$1.1 million, or 32.6%, higher than final budget mainly due to greater than expected reimbursements from the California Office of Emergency Services for fire-related activities.

Licenses and permits revenues were \$15.6 million, which was \$0.6 million or 4.0% over final budget. The continued strong demand for licenses and permits was primarily attributable to non-residential and bio-tech development in the East of 101 area and high density residential development in the downtown area.

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Charges for services was \$6.5 million, which was \$0.5 million or 7.7% below budget, due to the continued negative impacts of the pandemic with respect to classes and events, child care services and rentals.

Measure W revenue increased by \$1.7 million, or 14.5%, from \$11.7 million in FY2019-20 to \$13.4 million in FY 2020-21 largely due to the improving local economy as COVID-19 restrictions eased during the course of the year enabling spending patterns of city residents to return to more normal levels.

Expenditures. Higher than expected expenditures for the City Manager's Office is due to professional services related to updating the City's General Plan, and the Fire Department as a result of additional overtime costs related to wildfire and COVID-19 emergency response activities. Much of this was offset by savings in other departments. Compared to the prior year, General Fund expenditures, excluding transfers, increased slightly from \$113.4 million to \$114.5 million (including encumbrances), driven by a return to a more normal level of services during the year as the city opened up following easing of COVID-19-related restrictions, but yielded a \$1.6 million positive variance versus final budget.

City Housing Fund

Up until Redevelopment Agencies were abolished in FY 2011-12 by the State of California under ABX1 26, the City set aside 20% of Redevelopment property taxes to fund the provision of new affordable housing units, as well as the operation and maintenance of housing stock that the Redevelopment Agency had already funded. That fund was formerly called the Low/Moderate Income Housing Fund. With its source of funding (20% of Redevelopment property tax dollars) abolished, the City Council voted to take on the operations of the former housing units by becoming the Housing Successor Agency, with activities funded primarily from the rental revenues received by the City for those City-owned occupied housing units. Any shortfall between the rents received and the operations and maintenance costs of those housing units are funded by either one-time grants or by the General Fund. Any fund balances will be held for future housing property maintenance needs.

As of June 30, 2021, the fund balance was \$3.2 million, a reduction from \$6 million at the end of the prior year. In FY 2020-21, the City Housing Fund received \$0.2 million in revenues. The fund had \$3.0 million in expenditures, \$2.5 million of which was for a developer loan for the development of below market rate housing units at 201-219 Grand Avenue, \$0.2 million for rental assistance to households severely impacted by the COVID-19 pandemic, and the remainder for administrative staff costs to support the City's Housing Division.

Capital Improvement Funds

The City consolidates and reports its governmental fund-type capital project expenditures in these funds. Resources consist of transfers from the General Fund, Major and non-Major funds, developer impact fees, and gasoline taxes and transportation sales taxes from non-Major governmental funds.

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Resources also come from federal, state, and local grants, contributions from other cities, utilities and private developers. From time to time and when financially feasible and prudent to do so, the City issues bonds which generate proceeds for large-scale public facility projects. In addition to the bond issuance in FY2019-20 for the new Police station, the City issued \$86.4 million in bonds to fund the construction of the new Civic Center Campus, installation of a solar roof at the City's Corporation Yard and for the City's Road Rehabilitation Program. Entire capital projects are appropriated in one-year, but expended over multiple years, with unspent appropriations carried forward year-to-year until completion. In FY 2020-21, combined ending fund balance for Capital Improvement Funds (excluding Impact Fee Funds) was \$136.9 million which increased \$60.7 million from the combined ending fund balance of \$76.2 million in the prior year. The increase was due to the issuance of the Civic Center Campus Phase II bonds which generated \$104 million in proceeds. This increase to fund balance was partially offset by approximately \$40 million of construction-related expenditures for the new police station during the year and \$3 million in transfers out to fund street-related capital projects from the Capital Infrastructure Reserve Fund.

Developer Impact Fees

To ensure developers pay their fair share of the impact of new developments on the City's capital and infrastructure, the City imposes impact fees. Despite the COVID-19 pandemic, in FY2020-21, South San Francisco continued to experience a robust development environment that accounted for significant collection of developer impact fees and interest earned including \$0.5 million in East of 101 Sewer Impact Fees to be used to maintain the sewer collection and treatment facilities serving the east of 101 area. This fund experienced an overall \$1.3 million decrease in fund balance from \$5.4 million to \$4.1 million due to the transfers out to fund those capital projects.

Park Construction Impact Fees received amounted to \$3.1 million which is to be used for the improvements and construction of City park facilities. After transfers out to fund these capital projects, fund balance ended at \$5.3 million, an increase from \$2.3 million in the prior year.

Commercial Linkage Impact Fees received were \$5.4 million which is to be used to provide affordable housing and to support the City's adopted 2015-2023 Housing Element. After transfers out to fund these projects, fund balance rose to \$10.2 million in FY 2020-21 from \$8.0 million in the prior year.

In FY 2020-21, the City also received \$2 million in Traffic Impact Fees to be used for expanded roadway and intersection improvements serving the east of 101 area, \$0.6 million in Child Care Impact Fees to be used for new and expanded childcare facilities in the City, \$0.2 million in Public Safety Impact Fees to be used for new and expanded public safety capital facility projects and equipment, \$0.8 million in Park Land Acquisition Fees to be used to acquire land for parks within the City, and \$8.9 million in Oyster Point Development Impact Fees to be used for interchange projects in the Oyster Point area.

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Other Governmental Funds

Presented as a group in the Basic Financial Statements, these funds are individually presented as Supplementary Information.

Enterprise Funds

Sewer Enterprise Fund

The Sewer Enterprise fund reported operating revenue (before non-operating revenues and operating transfers) of \$33.8 million in FY2020-21, an increase of \$2.7 million, or 8.6%, from \$31.2 million in the prior year, reflecting an increase in the amount contributed by other cities receiving wastewater treatment services from the City of South San Francisco's Wastewater Quality Control Plant (WQCP). Operating expenses increased \$0.6 million, or 2.0%, from \$ 25.5 million to \$26.1 million, reflecting the impact of increases in employee compensation along with slight increases in normal expenses like professional services and supplies.

Parking District Fund

In FY 2020-21, the Parking District fund reported an operating loss (before non-operating revenues and operating transfers) of \$0.6 million which was an increase on the loss seen in the prior year of \$0.2 million. Operating revenues decreased by \$0.2 million, or 20.0%, from \$1.0 million to \$0.8 million, primarily due to reduced usage of parking meters during the first half of the year when COVID-19-related restrictions remained in force. Operating expenses increased by \$0.2 million, or 19.6% from \$1.1 million to \$1.3 million due to higher personnel costs and professional services expenses.

Storm Water Fund

The Storm Water Fund is used to account for resources needed to fund storm drain and storm infrastructure operations, maintenance, capital replacement, and compliance with various federal and state regulations regarding storm water runoff. Revenues totaled \$0.4 million, which is flat compared to the prior year, primarily from a levy on property owners. Transfers in from other funds totaled \$0.9 million - \$0.2 million from the General Fund and \$0.7 million from non-Major Governmental Funds. A one-off grant receivable for \$5.7 million was recorded in the year related to the Orange Memorial Park storm water capture CIP project. Operating expenses in this fund totaled \$0.9 million, down \$0.3 million, or 24.0%, from \$1.2 million in the prior year. Net position increased \$6.1 million from \$5.4 million to \$11.5 million, largely due to the grant received.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Required Supplementary Information

CAPITAL ASSETS

Generally accepted accounting principles require the City to add infrastructure to its reportable capital assets. Infrastructure includes streets, drainage systems, and traffic control and safety devices. The City has successfully reported on the depreciated value of all such assets acquired or built since 1980. The City reports the depreciated book value of other types of capital assets such as buildings, land, equipment and furniture, on the City-wide Statement of Net Position. Such information is summarized below and is more completely detailed in Note 3 to the Basic Financial Statements. The City depreciates all of its capital assets, except land and construction in progress.

At June 30, 2021, the City had \$569.5 million in capital assets, net of depreciation, representing a substantial increase of \$103.2 million from the prior year, driven primarily by in progress construction projects such as the new Police station.

The City's various capital asset types used in Governmental and Business-Type Activities, are illustrated in Table 7:

Table 7
Capital Assets (in Millions) at June 30

	2021	2020	Amount	%
Governmental Activities:				
Land	\$ 66.7	\$ 66.7	\$ -	0.0%
Buildings and improvements	97.4	96.3	1.1	1.1%
Equipment and vehicles	24.5	24.4	0.1	0.4%
Furniture and fixtures	2.6	2.6	0.0	0.0%
Infrastructure - streets	200.9	200.1	0.8	0.4%
Infrastructure - traffic control devices	12.6	12.6	0.0	0.0%
Infrastructure - storm drains	8.9	8.9	0.0	0.0%
Construction in progress	160.4	71.4	89.0	124.6%
Less accumulated depreciation	(190.9)	(181.5)	(9.4)	5.2%
Totals	<u>\$ 383.1</u>	<u>\$ 301.5</u>	<u>\$ 81.6</u>	<u>27.1%</u>
Business-Type Activities				
Land	\$ 0.8	\$ 0.8	\$ -	0.0%
Buildings and improvements	80.1	67.1	13.0	19.4%
Clean water facilities and transmission lines	79.9	79.9	0.0	0.0%
Infrastructure - storm drains	6.2	6.2	0.0	0.0%
Infrastructure - streets	7.4	7.3	0.1	1.4%
Equipment and vehicles	18.5	18.5	0.0	0.0%
Construction in progress	68.9	55.4	13.5	24.4%
Less accumulated depreciation	(75.4)	(70.4)	(5.0)	7.1%
Totals	<u>\$ 186.4</u>	<u>\$ 164.8</u>	<u>\$ 21.6</u>	<u>13.1%</u>
Total City	\$ 569.5	\$ 466.3	\$ 103.2	22.1%

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Required Supplementary Information

DEBT ADMINISTRATION

Each of the City's debt issuances is discussed in detail in Note 5 to the Basic Financial Statements. A summary of the City's outstanding debt for the past two fiscal years is shown in table 8 (excluding unamortized bond premiums):

Table 8
Outstanding Debt
(In Millions) at June 30

Governmental Activities			Increase / (Decrease)	
	2021	2020	Amount	%
Lease Revenue Bonds	\$ 129.4	\$ 43.9	\$ 85.5	100.0%
Plus: Unamortized Bond Premium	27.6	9.9	17.7	100.0%
Loan payable to Successor Agency	3.6	3.6	0.0	0.0%
Capital leases	0.3	0.5	(0.2)	(40.0%)
Total Governmental Activities Outstanding Debt	\$ 160.9	\$ 57.9	\$ 103.0	177.9%
Business-type Activities				
State Water Resources Board loans	\$ 60.5	\$ 50.1	\$ 10.4	20.8%
2005 Sewer Bonds	2.3	2.7	(0.4)	(14.8%)
Total Business-type Activities Outstanding Debt	\$ 62.8	\$ 52.8	\$ 10.0	18.9%

In June 2021, the City of South San Francisco Public Facilities Financing Authority issued \$86.4 million in lease revenue bonds, Series 2021A, for the construction of the new Civic Center Campus, installation of a solar roof at the City's Corporation Yard, and expansion and implementation of the City's Road Rehabilitation Program. The City received a total of \$104 million in proceeds from this issuance, of which \$78 million, \$2 million and \$24 million was allocated to the three projects respectively.

The increase of \$10.0 million in Business-Type Activities outstanding debt stems from the drawdown of an additional \$15.0 million State Water Resources Board loan and the retirement of \$5.0 million during FY 2020-21.

The largest remaining debt obligations are the following:

- 1999, 2004, 2008 State Water Resources Control Board Loans – Original debt: \$78,144,286; 2.4% to 2.6% interest rate; due 8/1/22, 4/30/26, 7/15/28. These loans were used to improve and expand the City's Water Quality Control Plant (WQCP). Loan proceeds were issued as projects progressed. Debt service payment commenced one year after project completion. WQCP user fees support the debt service payments. Because of the regional benefits and equity interest in these projects, the City of San Bruno shares in the loan repayments for the first two of the four current loans.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

- 2018 State Water Resources Control Board Loan - Original debt: \$53,403,000; 1.8% interest rate; due October 3, 2042. The loan proceeds are being used for the WQCP Wet Weather and Digester project. Loan proceeds have been issued over time as projects progressed. Debt service payments are due to commence on October 3, 2023, one year after project completion. WQCP user fees support the debt service payments.
- 2020A Lease Revenue Bonds - Original debt: \$43,905,000; premium received: \$10,242,530; 4 - 5% interest rate; due June 1, 2046. The bonds were used for Phase I of the Civic Center Campus project consisting of the planning and construction of a new Police Station and Dispatch Center for the City of South San Francisco. Measure W sales tax revenue will fund the repayments.
- 2021A Lease Revenue Bonds - Original debt: \$86,410,000; premium received: \$18,116,565; 4% interest rate; due June 1, 2046. \$78,000,000 of the bond proceeds are to be used for Phase II of the Civic Center Campus project consisting of the design and construction of the new library, parks and recreation center, council chambers and landscaping of the immediate surrounding area. \$24,000,000 will be used for road pavement rehabilitation throughout the City, and \$2,000,000 will be used for solar roof installation at the City's Corporation Yard. Measure W sales tax revenue will fund the repayments.

ECONOMIC OUTLOOK AND MAJOR ACCOMPLISHMENTS

The economic outlook and major accomplishments of the City are discussed in the accompanying Transmittal Letter.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Annual Comprehensive Financial Report is intended to provide readers with a general overview of the City's finances. Questions about this report or requests for additional financial information should be directed to the City of South San Francisco Finance Department, P.O. Box 711, South San Francisco, CA 94083, and phone (650) 877-8512. The City's website is at www.ssf.net.

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CITY OF SOUTH SAN FRANCISCO

**STATEMENT OF NET POSITION AND
STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position.

The Statement of Net Position reports the excess of the City's total assets and deferred outflows of resources over the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the City's net position, by subtracting total liabilities and deferred inflows of resources from total assets and deferred outflows of resources.

The Statement of Net Position summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a total column which presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business Type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program, and follow these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City, the City of South San Francisco Capital Improvements Financing Authority, the Parking Authority of the City of South San Francisco and the City of South San Francisco Public Facilities Financing Authority that are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the activities. Data for the South San Francisco Conference Center Authority is reflected as a discretely presented component unit of the City. This data is presented separately from other funds of the City to reflect operations under control of a governing body with a voting majority which is different from the City Council.

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CITY OF SOUTH SAN FRANCISCO
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government			Component Unit South San Francisco Conference Center
	Governmental	Business-Type	Total	
	Activities	Activities		
ASSETS				
Cash and investments (Note 2)	\$229,061,652	\$30,244,358	\$259,306,010	\$3,322,418
Receivables:				
Accounts	13,502,034	7,777,434	21,279,468	211,818
Accrued interest	606,062	71,491	677,553	
Loans	1,419,000		1,419,000	
Due from Conference Center	62,516		62,516	
Deposits	309,790		309,790	20,805
Inventory	4,099		4,099	
Restricted cash and investments (Note 2)	116,473,585	339,031	116,812,616	
Properties held for redevelopment (Note 1N)	16,354,141		16,354,141	
Capital assets (Note 3):				
Nondepreciable	227,105,870	69,727,000	296,832,870	
Depreciable, net accumulated depreciation	156,018,402	116,707,401	272,725,803	2,537,986
Total Assets	<u>760,917,151</u>	<u>224,866,715</u>	<u>985,783,866</u>	<u>6,093,027</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension (Note 7)	25,259,482	2,806,609	28,066,091	
Related to OPEB (Note 9)	5,948,833	660,981	6,609,814	
Total Deferred Outflows of Resources	<u>31,208,315</u>	<u>3,467,590</u>	<u>34,675,905</u>	
LIABILITIES				
Accounts payable	10,634,035	4,468,179	15,102,214	174,980
Accrued salaries and benefits	2,835,241		2,835,241	57,771
Accrued interest payable	424,820	304,993	729,813	
Other payables	6,415,191	1,860,397	8,275,588	
Deposits	3,541,257	7,500	3,548,757	258,386
Unearned revenue	6,260,975	33,027	6,294,002	
Accrued insurance losses (Note 11):				
Due within one year	2,878,797		2,878,797	
Due in more than one year	12,871,000		12,871,000	
Compensated absences obligation (Note 1L):				
Due within one year	4,612,735	522,162	5,134,897	
Due in more than one year	4,422,038	354,833	4,776,871	
Debt and capital lease obligations (Note 5):				
Due within one year	3,330,892	5,173,954	8,504,846	
Due in more than one year	157,530,178	57,631,505	215,161,683	
Net OPEB Liability - due in more than one year (Note 9)	57,935,336	6,437,260	64,372,596	
Net pension liability - due in more than one year (Note 7)	184,769,905	20,529,990	205,299,895	
Total Liabilities	<u>458,462,400</u>	<u>97,323,800</u>	<u>555,786,200</u>	<u>491,137</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pension (Note 7)	136,968	15,219	152,187	
Related to OPEB (Note 9)	1,418,330	157,592	1,575,922	
Total Deferred Inflows of Resources	<u>1,555,298</u>	<u>172,811</u>	<u>1,728,109</u>	
NET POSITION (Note 6)				
Net investment in capital assets	316,169,957	123,628,942	439,798,899	2,537,986
Restricted for:				
Debt service				
Special revenue projects	35,439,592		35,439,592	
Capital projects	108,325,323		108,325,323	
Redevelopment and community development activities	16,354,141		16,354,141	
Total Restricted Net Position	<u>160,119,056</u>		<u>160,119,056</u>	
Unrestricted	(144,181,245)	7,208,752	(136,972,493)	3,063,904
Total Net Position	<u>\$332,107,768</u>	<u>\$130,837,694</u>	<u>\$462,945,462</u>	<u>\$5,601,890</u>

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$19,611,586	\$6,968,307	\$2,853,630	
Fire	34,492,838	5,952,872	243,934	
Police	33,376,962	1,642,726	739,919	
Public Works	7,567,745	24,859,635	2,398,574	\$1,704,698
Parks and Recreation	17,159,696	1,165,630	733,120	
Library	6,274,811	19,037	398,910	3,794,000
Economic and Community Development	11,728,168	4,275,808	653,871	
Interest on long term debt	2,200,344			
Total Governmental Activities	<u>132,412,150</u>	<u>44,884,015</u>	<u>8,021,958</u>	<u>5,498,698</u>
Business-type Activities				
Sewer	26,644,459	24,705,044	9,138,461	
Parking District	1,338,092	764,514		
Storm Water	922,057	410,745	5,676,999	
Total Business-type Activities	<u>28,904,608</u>	<u>25,880,303</u>	<u>14,815,460</u>	
Total Primary Government	<u><u>\$161,316,758</u></u>	<u><u>\$70,764,318</u></u>	<u><u>\$22,837,418</u></u>	<u><u>\$5,498,698</u></u>
Component Unit				
Conference Center	<u>2,880,898</u>	<u>195,667</u>		

General revenues:

Taxes:

- Property taxes
- Sales taxes
- Transient occupancy taxes
- Franchise Fees
- Other taxes
- Motor vehicle in lieu, unrestricted
- Property taxes in lieu of vehicle license fees
- Investment earnings
- Miscellaneous

Special Item:

- Remittance of land sale proceeds to taxing entities

Transfers (Note 4)

Total general revenues, special item and transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

See accompanying notes to financial statements

Net (Expenses) Revenues and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	South San Francisco Conference Center
(\$9,789,649)		(\$9,789,649)	
(28,296,032)		(28,296,032)	
(30,994,317)		(30,994,317)	
21,395,162		21,395,162	
(15,260,946)		(15,260,946)	
(2,062,864)		(2,062,864)	
(6,798,489)		(6,798,489)	
(2,200,344)		(2,200,344)	
<u>(74,007,479)</u>		<u>(74,007,479)</u>	
	\$7,199,046	7,199,046	
	(573,578)	(573,578)	
	<u>5,165,687</u>	<u>5,165,687</u>	
	11,791,155	11,791,155	
<u>(74,007,479)</u>	<u>11,791,155</u>	<u>(62,216,324)</u>	
			<u>(\$2,685,231)</u>
41,561,039		41,561,039	
33,039,229		33,039,229	
6,710,271		6,710,271	1,385,545
4,498,202		4,498,202	
4,529,764		4,529,764	
49,785		49,785	
4,888,696		4,888,696	
941,856	52,623	994,479	458
11,602,214		11,602,214	3,800
(1,378,533)		(1,378,533)	
<u>(4,984,746)</u>	<u>4,984,746</u>		
<u>101,457,777</u>	<u>5,037,369</u>	<u>106,495,146</u>	<u>1,389,803</u>
27,450,298	16,828,524	44,278,822	(1,295,428)
<u>304,657,470</u>	<u>114,009,170</u>	<u>418,666,640</u>	<u>6,897,318</u>
<u>\$332,107,768</u>	<u>\$130,837,694</u>	<u>\$462,945,462</u>	<u>\$5,601,890</u>

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FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City in fiscal 2021. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

This fund accounts for resources traditionally associated with government, such as administration, public safety, library, parks maintenance, and recreation, outside of those accounted for in other funds.

LOW AND MODERATE INCOME HOUSING ASSETS SPECIAL REVENUE FUND

To account for the activities related to the assets assumed by the City as Housing Successor to the housing activities of the former Redevelopment Agency of the City of South San Francisco. The main source of revenue for this fund is the repayment of loans restricted for housing activities.

CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND

To account for expenditures associated with the acquisition, construction, or improvement of City owned facilities and infrastructure. Funding comes from the general fund, special revenue funds, grants and fees.

EAST OF 101 SEWER IMPACT FEES CAPITAL PROJECTS FUND

These fees provide new development's share of new and rehabilitated sewer collection and treatment facilities to serve the East of Highway 101 area.

TRAFFIC IMPACT FEES CAPITAL PROJECTS FUND

These fees are to provide new development's share of new and expanded roadway and intersection improvements to serve the East of Highway 101 area and other areas of the City.

CHILD CARE IMPACT FEES CAPITAL PROJECTS FUND

These citywide fees provide new development's share of new and expanded childcare facilities to serve the childcare needs of working parents.

DEVELOPER DEPOSIT FUND

To account for a deposit by a large corporation for various capital projects the developer agreed to fund.

CAPITAL INFRASTRUCTURE RESERVE FUND

Replacement, upgrade, and maintenance of the City's infrastructure are backlogged, constituting a significant liability. Funds are set aside in this fund as part of the budget process and as part of the City's reserve policy to address the replacement and/or upgrade of the city infrastructure (such as parks, buildings, facilities, streets, sidewalks, and storm water facilities).

CAPITAL IMPROVEMENT POLICE STATION CAPITAL PROJECTS FUND

To account for expenditures associated with the acquisition, construction, and installation of certain capital improvements constituting the new City police station located within the City's new Civic Center Campus, and related improvements, facilities and equipment, and pay the costs incurred in connection with the issuance of the Series 2020A Bonds.

FUND FINANCIAL STATEMENTS (Continued)

CAPITAL IMPROVEMENT CIVIC CAMPUS CAPITAL PROJECTS FUND

To account for expenditures associated with the acquisition, construction, and installation of certain capital improvements constituting the City's new Civic Center Campus, and related improvements, facilities and equipment, and pay the costs incurred in connection with the issuance of the Series 2021A Bonds.

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**CITY OF SOUTH SAN FRANCISCO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

	General Fund	Low and Moderate Income Housing Assets	Capital Projects Funds		
			Capital Improvement	East of 101 Sewer Impact Fees	Traffic Impact Fees
ASSETS					
Cash and investments (Note 2)	\$56,463,292	\$2,493,621	\$1,207,091	\$4,130,668	\$24,422,340
Receivables:					
Accounts	10,529,164	5,732	2,265,306		
Accrued interest	164,535	11,907		13,611	67,970
Due from Conference Center	62,516				
Loans		714,034			
Inventory	4,099				
Restricted cash and investments (Note 2)	152,797		26,000,000		
Properties held for redevelopment (Note 1N)	16,354,141				
Total Assets	\$83,730,544	\$3,225,294	\$29,472,397	\$4,144,279	\$24,490,310
LIABILITIES					
Liabilities:					
Accounts payable	\$3,200,919	\$100	\$1,057,542		
Accrued salaries and benefits	2,835,241				
Other payable	797,807		1,992,909		
Deposits	927,576				
Unearned revenue	210,000		171,504		
Total Liabilities	7,971,543	100	3,221,955		
FUND BALANCE					
Fund Balances (Note 6):					
Nonspendable	4,099				
Restricted	16,354,141	3,225,194	26,000,000	\$4,144,279	\$24,490,310
Committed	12,372,202				
Assigned	5,431,178		250,442		
Unassigned	41,597,381				
Total Fund Balances (Deficits)	75,759,001	3,225,194	26,250,442	4,144,279	24,490,310
Total Liabilities and Fund Balances (Deficits)	\$83,730,544	\$3,225,294	\$29,472,397	\$4,144,279	\$24,490,310

See accompanying notes to basic financial statements

Capital Projects Funds

Child Care Impact Fees	Developer Deposit	Capital Infrastructure Reserve	Capital Improvement Police Station	Capital Improvement Civic Campus	Other Governmental Funds	Total Governmental Funds
\$6,770,214		\$25,813,755		\$2,941,651	\$66,875,936	\$191,118,568
18,112		80,865			670,805	13,471,007
					146,082	503,082
					704,966	62,516
						1,419,000
			\$11,651,459	78,660,144	9,185	4,099
						116,473,585
						16,354,141
<u>\$6,788,326</u>	<u></u>	<u>\$25,894,620</u>	<u>\$11,651,459</u>	<u>\$81,601,795</u>	<u>\$68,406,974</u>	<u>\$339,405,998</u>
			\$2,602,531	\$2,941,651	\$443,737	\$10,246,480
			2,260,280	685,011	661,368	2,835,241
					2,613,681	6,397,375
					5,879,471	3,541,257
						6,260,975
			4,862,811	3,626,662	9,598,257	29,281,328
						4,099
\$6,788,326			6,788,648	77,975,133	58,808,717	224,574,748
		\$25,894,620				12,372,202
						31,576,240
						41,597,381
<u>6,788,326</u>	<u></u>	<u>25,894,620</u>	<u>6,788,648</u>	<u>77,975,133</u>	<u>58,808,717</u>	<u>310,124,670</u>
<u>\$6,788,326</u>	<u></u>	<u>\$25,894,620</u>	<u>\$11,651,459</u>	<u>\$81,601,795</u>	<u>\$68,406,974</u>	<u>\$339,405,998</u>

**CITY OF SOUTH SAN FRANCISCO
GOVERNMENTAL FUNDS
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2021**

Total fund balances reported on the governmental funds balance sheet \$310,124,670

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:

Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds. 378,171,535

Internal service funds are used by management to charge the cost of management of communication, telephone, building, fleet maintenance, equipment replacement, workers' compensation, employee benefits, insurance, and post-retirement healthcare benefits to individual funds. The assets and liabilities are included in Governmental Activities in the Statement of Net Position. 24,842,774

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the funds:

Long-term debt	(160,575,541)
Interest payable	(424,820)
Deferred outflows related pension	25,259,482
Deferred outflows related to OPEB	5,948,833
Net OPEB liability	(57,935,336)
Net pension liability	(184,769,905)
Deferred inflows related to OPEB	(1,418,330)
Deferred inflows related to pension	(136,968)
Non-current portion of compensated absences	<u>(6,978,626)</u>

Net position of governmental activities \$332,107,768

See accompanying notes to financial statements

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**CITY OF SOUTH SAN FRANCISCO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Low and Moderate Income Housing Assets	Capital Projects Funds		
			Capital Improvement	East of 101 Sewer Impact Fees	Traffic Impact Fees
REVENUES					
Property taxes	\$44,239,406				
Sales taxes	32,749,447				
Transient occupancy taxes	6,710,271				
Franchise Fees	4,498,202				
Other taxes	4,529,764				
Intergovernmental	4,323,151		\$1,406,253		
Interest and rentals	3,063,987	\$178,385		\$8,886	\$44,479
Licenses and permits	15,589,002				
Charges for services	6,518,254		144,241	443,483	1,962,094
Fines and forfeitures	535,750				
Other	731,752				
Total Revenues	<u>123,488,986</u>	<u>178,385</u>	<u>1,550,494</u>	<u>452,369</u>	<u>2,006,573</u>
EXPENDITURES					
Current:					
City Council	224,257				
City Clerk	956,698				
City Treasurer	38,705				
City Attorney	987,044				
City Manager	3,993,952				
Finance	2,917,393				
Non-departmental	1,336,201			1,850	
Human Resources	1,654,369				
Fire	31,817,325				
Police	30,959,959				
Public Works	5,731,652		22,098,648		1,850
Parks and Recreation	15,795,645				
Library	5,903,883				
Economic and Community Development	6,560,605	2,963,255			
Other					
Debt service:					
Principal repayments					
Interest and fiscal charges					
Total Expenditures	<u>108,877,688</u>	<u>2,963,255</u>	<u>22,098,648</u>	<u>1,850</u>	<u>1,850</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>14,611,298</u>	<u>(2,784,870)</u>	<u>(20,548,154)</u>	<u>450,519</u>	<u>2,004,723</u>
OTHER FINANCING SOURCES (USES)					
Loss on sale of property	(818,692)				
Issuance of debt			21,470,859		
Bond premium			4,529,141		
Transfers in (Note 4B)	2,272,021		20,562,947		
Transfers out (Note 4B)	(24,041,188)			(1,714,080)	(2,530,159)
Total Other Financing Sources (Uses)	<u>(22,587,859)</u>		<u>46,562,947</u>	<u>(1,714,080)</u>	<u>(2,530,159)</u>
Net Change in Fund Balances before special items	(7,976,561)	(2,784,870)	26,014,793	(1,263,561)	(525,436)
SPECIAL ITEMS					
Remittance of land sale proceeds	(1,378,533)				
Net Change in Fund Balances	(9,355,094)	(2,784,870)	26,014,793	(1,263,561)	(525,436)
Fund balances (deficits) - July 1	85,114,095	6,010,064	235,649	5,407,840	25,015,746
Fund balances (deficits) - June 30	<u>\$75,759,001</u>	<u>\$3,225,194</u>	<u>\$26,250,442</u>	<u>\$4,144,279</u>	<u>\$24,490,310</u>

See accompanying notes to financial statements

Capital Projects Funds						
Child Care Impact Fees	Developer Deposit	Capital Infrastructure Reserve	Capital Improvements Police Station	Capital Improvements Civic Campus	Other Governmental Funds	Total Governmental Funds
					\$2,210,329	\$46,449,735
					751,698	33,501,145
						6,710,271
						4,498,202
					1,769,050	6,298,814
\$12,236	\$890	\$54,022	\$117,606		12,137,869	17,867,273
					139,900	3,620,391
629,882		250,000				15,589,002
					13,243,459	23,191,413
						535,750
					7,161,396	7,893,148
<u>642,118</u>	<u>890</u>	<u>304,022</u>	<u>117,606</u>		<u>37,413,701</u>	<u>166,155,144</u>
						224,257
						956,698
						38,705
						987,044
						3,993,952
						2,917,393
1,850						1,339,901
						1,654,369
						31,817,325
			39,933,467		60,897	70,954,323
		672,521		\$12,444,256	10,552,327	51,501,254
						15,795,645
						5,903,883
					1,703,643	11,227,503
					3,490,091	3,490,091
					975,000	975,000
				475,260	1,832,200	2,307,460
<u>1,850</u>		<u>672,521</u>	<u>39,933,467</u>	<u>12,919,516</u>	<u>18,614,158</u>	<u>206,084,803</u>
<u>640,268</u>	<u>890</u>	<u>(368,499)</u>	<u>(39,815,861)</u>	<u>(12,919,516)</u>	<u>18,799,543</u>	<u>(39,929,659)</u>
					(1,899,999)	(2,718,691)
					64,939,141	86,410,000
					13,587,424	18,116,565
					12,368,084	37,970,252
<u>(37,150)</u>	<u>(17,678)</u>	<u>(3,100,805)</u>			<u>(11,761,021)</u>	<u>(43,202,081)</u>
<u>(37,150)</u>	<u>(17,678)</u>	<u>(3,100,805)</u>		<u>90,894,649</u>	<u>(10,893,820)</u>	<u>96,576,045</u>
603,118	(16,788)	(3,469,304)	(39,815,861)	77,975,133	7,905,723	56,646,386
						(1,378,533)
603,118	(16,788)	(3,469,304)	(39,815,861)	77,975,133	7,905,723	55,267,853
6,185,208	16,788	29,363,924	46,604,509		50,902,994	254,856,817
<u>\$6,788,326</u>		<u>\$25,894,620</u>	<u>\$6,788,648</u>	<u>\$77,975,133</u>	<u>\$58,808,717</u>	<u>\$310,124,670</u>

CITY OF SOUTH SAN FRANCISCO
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$55,267,853

Amounts reported for Governmental Activities in the Statement of Activities are different because of the following:

Capital Assets Transactions

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital assets additions	90,966,379
Current year depreciation	(8,581,603)

Long-Term Debt Payments

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.

Proceeds from issuance of bonds	(86,410,000)
Bond premium	(18,116,565)

Repayment of principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of principal is added back to fund balance	975,000
Amortization of premium is added back to fund balance	379,353

Accrual of Non-Current Items

The amount below included in the Statement of Activities does not require the use of current financial resources and therefore is not reported as revenue or expenditures in governmental funds (net change):

Interest payable	(272,237)
Compensated absences	(559,402)
Net pension liability, deferred outflows and inflows of resources	(6,449,922)
Net OPEB liability, deferred outflows and inflows of resources	(1,073,433)

Allocation of Internal Service Fund Activity

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities.

1,324,875

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$27,450,298

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Resources (inflows):				
Property taxes	\$41,595,650	\$43,051,499	\$44,239,406	\$1,187,907
Sales taxes	29,608,000	31,208,000	32,749,447	1,541,447
Transient occupancy taxes	7,872,437	5,904,328	6,710,271	805,943
Franchise fees	4,600,000	4,600,000	4,498,202	(101,798)
Other taxes	3,118,206	3,118,206	4,529,764	1,411,558
Intergovernmental	2,222,769	3,260,631	4,323,151	1,062,520
Interest and rentals	3,827,794	3,827,794	3,063,987	(763,807)
Licenses and permits	14,995,496	14,995,498	15,589,002	593,504
Charges for services	8,011,656	7,061,654	6,518,254	(543,400)
Fines and forfeitures	789,249	789,249	535,750	(253,499)
Other	175,341	175,341	731,752	556,411
	<u>116,816,598</u>	<u>117,992,200</u>	<u>123,488,986</u>	<u>5,496,786</u>
Amounts available for appropriation				
	<u>116,816,598</u>	<u>117,992,200</u>	<u>123,488,986</u>	<u>5,496,786</u>
Charges to appropriations (outflows):				
City Council	284,561	284,561	224,257	60,304
City Clerk	1,096,594	1,096,593	1,016,698	79,895
City Treasurer	145,524	145,525	38,705	106,820
City Attorney	910,049	910,049	987,044	(76,995)
City Manager	2,163,106	5,459,829	6,214,173	(754,344)
Finance	3,239,292	3,639,551	3,442,495	197,056
Non-departmental	1,044,277	1,737,423	1,366,323	371,100
Human Resources	1,779,644	2,031,504	1,889,976	141,528
Fire	29,978,036	31,010,490	32,023,646	(1,013,156)
Police	31,882,490	32,020,244	30,984,959	1,035,285
Public Works	5,774,064	5,856,707	5,973,424	(116,717)
Parks and Recreation	15,654,905	16,024,167	15,978,135	46,032
Library	6,048,132	6,245,898	5,903,883	342,015
Economic and Community Development	7,205,824	9,606,747	8,415,150	1,191,597
	<u>107,206,498</u>	<u>116,069,288</u>	<u>114,458,868</u>	<u>1,610,420</u>
Total charges to appropriations				
	<u>107,206,498</u>	<u>116,069,288</u>	<u>114,458,868</u>	<u>1,610,420</u>
OTHER FINANCING SOURCES (USES)				
Loss from sale of capital assets			(818,692)	(818,692)
Transfers in (Note 4B)	1,314,915	2,323,871	2,272,021	(51,850)
Transfers out (Note 4B)	(8,443,371)	(41,616,511)	(24,041,188)	17,575,323
	<u>(7,128,456)</u>	<u>(39,292,640)</u>	<u>(22,587,859)</u>	<u>16,704,781</u>
Total Other Financing Sources (Uses)				
	<u>(7,128,456)</u>	<u>(39,292,640)</u>	<u>(22,587,859)</u>	<u>16,704,781</u>
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	2,481,644	(37,369,728)	(13,557,741)	23,811,987
SPECIAL ITEM				
Remittance of land sale proceeds			(1,378,533)	(1,378,533)
NET CHANGE IN FUND BALANCE	<u>\$2,481,644</u>	<u>(\$37,369,728)</u>	<u>(14,936,274)</u>	<u>\$22,433,454</u>
Fund Balance - July 1				
			85,114,095	
Adjustment to budgetary basis:				
Encumbrance adjustments			<u>5,581,180</u>	
Fund Balance - June 30				
			<u>\$75,759,001</u>	

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
LOW AND MODERATE INCOME HOUSING ASSETS
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest and rental	\$167,000	\$167,000	\$178,385	\$11,385
Other	140,000	140,000		(140,000)
Total Revenues	<u>307,000</u>	<u>307,000</u>	<u>178,385</u>	<u>(128,615)</u>
EXPENDITURES:				
Current:				
Economic and Community Development	543,400	3,482,860	2,974,405	508,455
Total Expenditures	<u>543,400</u>	<u>3,482,860</u>	<u>2,974,405</u>	<u>508,455</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(236,400)</u>	<u>(3,175,860)</u>	<u>(2,796,020)</u>	<u>379,840</u>
NET CHANGE IN FUND BALANCE	<u>(\$236,400)</u>	<u>(\$3,175,860)</u>	<u>(2,796,020)</u>	<u>\$379,840</u>
Fund balance - July 1			6,010,064	
Adjustment to budgetary basis:				
Encumbrance adjustments			<u>11,150</u>	
Fund balance - June 30			<u>\$3,225,194</u>	

See accompanying notes to financial statements

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

SEWER ENTERPRISE FUND

This fund accounts for user charges and debt proceeds supporting the operation, maintenance, and capital expansion of the wastewater collection and treatment system.

PARKING DISTRICT FUND

This fund accounts for meter and parking permit fees used to acquire and maintain parking facilities.

STORM WATER FUND

This fund accounts for user charges sustaining the Storm Water Management Program mandated by state and federal authorities.

**CITY OF SOUTH SAN FRANCISCO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewer Enterprise	Parking District	Storm Water	Total	Internal Service Funds
ASSETS					
Current assets:					
Cash and investments (Note 2)	\$25,660,505	\$3,593,736	\$990,117	\$30,244,358	\$37,943,084
Receivables:					
Accounts	2,902,339		4,875,095	7,777,434	31,027
Accrued interest	55,441	10,517	5,533	71,491	102,980
Deposits					309,790
Restricted cash and investments (Note 2)	339,031			339,031	
Total current assets	28,957,316	3,604,253	5,870,745	38,432,314	38,386,881
Noncurrent assets:					
Capital assets (Note 3):					
Nondepreciable	61,706,481	421,149	7,599,370	69,727,000	
Depreciable, net accumulated depreciation	105,329,860	9,764,615	1,612,926	116,707,401	4,952,737
Total non-current assets	167,036,341	10,185,764	9,212,296	186,434,401	4,952,737
Total Assets	195,993,657	13,790,017	15,083,041	224,866,715	43,339,618
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension (Note 7)	2,806,609			2,806,609	
Related to OPEB (Note 9)	660,981			660,981	
Total Deferred Outflows of Resources	3,467,590			3,467,590	
LIABILITIES					
Current liabilities:					
Accounts payable	1,738,466	158,018	2,571,695	4,468,179	387,555
Other payable	837,388		1,023,009	1,860,397	17,816
Accrued interest payable	304,993			304,993	
Deposits payable	7,500			7,500	
Unearned revenue	33,027			33,027	
Accrued insurance loss (Note 11)					2,878,797
Compensated absences obligation (Note 1L)	506,487	6,577	9,098	522,162	834,623
Current portion of long-term debt (Note 5)	5,173,954			5,173,954	140,892
Total current liabilities	8,601,815	164,595	3,603,802	12,370,212	4,259,683
Noncurrent liabilities:					
Accrued insurance losses (Note 11)					12,871,000
Compensated absences obligation (Note 1L)	339,656	15,177		354,833	1,221,524
Noncurrent portion of long-term debt (Note 5)	57,631,505			57,631,505	144,637
Net OPEB liability (Note 9)	6,437,260			6,437,260	
Net pension liability (Note 7)	20,529,990			20,529,990	
Total noncurrent liabilities	84,938,411	15,177		84,953,588	14,237,161
Total Liabilities	93,540,226	179,772	3,603,802	97,323,800	18,496,844
DEFERRED INFLOWS OF RESOURCES					
Related to pension (Note 7)	15,219			15,219	
Related to OPEB (Note 9)	157,592			157,592	
Total Deferred Inflows of resources	172,811			172,811	
NET POSITION:					
Net investment in capital assets	104,230,882	10,185,764	9,212,296	123,628,942	4,667,208
Unrestricted (deficit)	1,517,328	3,424,481	2,266,943	7,208,752	20,175,566
Total Net Position	\$105,748,210	\$13,610,245	\$11,479,239	\$130,837,694	\$24,842,774

See accompanying notes to financial statements

CITY OF SOUTH SAN FRANCISCO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds				Governmental
	Sewer	Parking	Storm	Total	Internal
	Enterprise	District	Water		
OPERATING REVENUES					
Charges for services	\$24,526,952		\$410,145	\$24,937,097	\$28,237,878
Other cities' participation	9,138,461			9,138,461	
Permit fees	178,092			178,092	
Parking fees		\$764,514		764,514	
Total Operating Revenues	33,843,505	764,514	410,145	35,018,164	28,237,878
OPERATING EXPENSES					
Personnel expenses	10,800,247	344,617	767,141	11,912,005	17,994,279
Professional services	2,681,904	515,795	37,055	3,234,754	756,217
OPEB Expenses	535,039	97		535,136	
Program supplies	1,541,503	62,940		1,604,443	1,589,359
Insurance	210,870		3,698	214,568	2,223,844
Self-insurance and claims					2,772,644
Repair and maintenance	1,399,356		24,433	1,423,789	574,598
Rents and leases	1,689,059			1,689,059	
Utilities	1,459,453	86,732	11,533	1,557,718	126,172
Administration	1,034,931	74,679	27,669	1,137,279	
Depreciation	4,667,580	253,232	46,028	4,966,840	922,865
Other	48,970		4,500	53,470	483,302
Total Operating Expenses	26,068,912	1,338,092	922,057	28,329,061	27,443,280
Operating Income (Loss)	7,774,593	(573,578)	(511,912)	6,689,103	794,598
NONOPERATING REVENUES (EXPENSES)					
Interest income	41,888	6,994	3,741	52,623	70,583
Gain on dispositions of capital assets					1,389
Loss from dispositions of capital assets					(20,006)
Interest expense	(575,547)			(575,547)	(11,585)
Subventions and grants			5,676,999	5,676,999	
Other			600	600	242,813
Total Nonoperating Revenues (Expenses)	(533,659)	6,994	5,681,340	5,154,675	283,194
Income (loss) before transfers	7,240,934	(566,584)	5,169,428	11,843,778	1,077,792
TRANSFERS					
Transfers in (Note 4C)	4,052,198		934,632	4,986,830	250,000
Transfers (out) (Note 4C)		(2,084)		(2,084)	(2,917)
Change in Net Position	11,293,132	(568,668)	6,104,060	16,828,524	1,324,875
Net Position (Deficits) - July 1	94,455,078	14,178,913	5,375,179	114,009,170	23,517,899
Net Position (Deficits) - June 30	\$105,748,210	\$13,610,245	\$11,479,239	\$130,837,694	\$24,842,774

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

	Business-type Activities - Enterprise Funds				Governmental
	Sewer Enterprise	Parking District	Storm Water	Total	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$32,873,383	\$764,514	(\$4,656,028)	\$28,981,869	
Cash payments to suppliers for goods and services	(12,540,984)	(598,271)	(224,444)	(13,363,699)	(\$5,396,149)
Cash payments to employees for services	(9,829,507)	(344,401)	(774,378)	(10,948,286)	(18,134,977)
Cash received from interfund service provided					28,447,341
Cash payments for judgments and claims					(1,988,071)
Net Cash Provided by (Used in) Operating Activities	<u>10,502,892</u>	<u>(178,158)</u>	<u>(5,654,850)</u>	<u>4,669,884</u>	<u>2,928,144</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Subventions and grants			5,676,999	5,676,999	
Transfers in	4,052,198		934,632	4,986,830	250,000
Transfers in		(2,084)		(2,084)	(2,917)
Net Cash Provided by Noncapital Financing Activities	<u>4,052,198</u>	<u>(2,084)</u>	<u>6,611,631</u>	<u>10,661,745</u>	<u>247,083</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from issuance of debt	15,038,527			15,038,527	
Principal paid on long-term debt	(5,038,675)			(5,038,675)	(204,252)
Interest paid on long-term debt	(667,827)			(667,827)	(11,585)
Acquisition of capital assets, net	(20,941,033)		(2,096,893)	(23,037,926)	(574,701)
Proceeds from the sale of capital assets					16,509
Net Cash Used in Capital and Related Financing Activities	<u>(11,609,008)</u>		<u>(2,096,893)</u>	<u>(13,705,901)</u>	<u>(774,029)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	(143,588)	(25,955)	(13,681)	(183,224)	(262,602)
Changes in fair value of investments	209,996	39,836	20,958	270,790	390,064
Net Cash Provided by Investing Activities	<u>66,408</u>	<u>13,881</u>	<u>7,277</u>	<u>87,566</u>	<u>127,462</u>
Net Increase (Decrease) in cash and cash equivalents	3,012,490	(166,361)	(1,132,835)	1,713,294	2,528,660
Cash and cash equivalents, beginning	22,987,046	3,760,097	2,122,952	28,870,095	35,414,424
Cash and cash equivalents, ending	<u>\$25,999,536</u>	<u>\$3,593,736</u>	<u>\$990,117</u>	<u>\$30,583,389</u>	<u>\$37,943,084</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$7,774,593	(\$573,578)	(\$511,912)	\$6,689,103	\$794,598
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	4,667,580	253,232	46,028	4,966,840	922,865
Other non-operating revenue (expenses)			600	600	242,813
Net change in assets and liabilities:					
Accounts and lease receivables	(970,122)		(4,861,470)	(5,831,592)	(13,350)
Deposit					(20,000)
Prepaid items					1,074,537
Accounts payable	(1,046,642)	142,038	(115,557)	(1,020,161)	(838,200)
Other payable	(893,257)	(66)	1	(893,322)	(156,843)
Unearned revenue			(205,303)	(205,303)	
Accrued insurance losses					784,573
(Decrease) increase due to OPEB	119,271			119,271	
Compensated absence obligations	134,810	216	(7,237)	127,789	137,151
(Decrease) increase due to retirement system	716,659			716,659	
Net Cash Provided by (Used in) Operating Activities	<u>\$10,502,892</u>	<u>(\$178,158)</u>	<u>(\$5,654,850)</u>	<u>\$4,669,884</u>	<u>\$2,928,144</u>
NONCASH TRANSACTIONS					
Retirement of capital assets					<u>(\$35,126)</u>

See accompanying notes to basic financial statements

FIDUCIARY FUNDS

These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND

The Fund is used to account for the activities of the Successor Agency to the former Redevelopment Agency of the City of South San Francisco.

SSF EMPLOYEE DEFERRED COMP TRUST OVERSIGHT CUSTODIAL FUND

This fund is used to pay for the administrative costs of monitoring the Deferred Compensation Funds on behalf of City employees.

**CITY OF SOUTH SAN FRANCISCO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021**

	Successor Agency Private Purpose Trust Fund	Custodial Fund SSF Employee Deferred Comp Trust Oversight
ASSETS		
Cash and investments (Note 2)	\$4,347,412	\$129,827
Accounts receivable	3,071	
Interest receivable	17,033	342
Prepaid items	25,601	
Advances to the City (Note 5)	3,595,152	
Loans receivable (Note 13B)	96,796	
Restricted cash and investments (Note 2)	25,420,934	
Capital assets (Note 13C):		
Nondepreciable	111,219	
Depreciable, net accumulated depreciation	244,718	
	33,861,936	130,169
Total Assets	33,861,936	130,169
NET POSITION		
Held in trust for other purposes	\$33,861,936	
Restricted for others		\$130,169

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

	Successor Agency Private Purpose Trust Fund	Custodial Fund SSF Employee Deferred Comp Trust Oversight
ADDITIONS		
Intergovernmental	\$1,816,900	
Plan contributions		\$32,081
Interest and rentals	56,662	238
Total Additions	1,873,562	32,319
DEDUCTIONS		
Economic and Community Development	13,701,211	
Professional services		7,900
Depreciation	6,593	
Total Deductions	13,707,804	7,900
Change in net position	(11,834,242)	24,419
NET POSITION HELD IN TRUST OR RESTRICTED FOR OTHER PURPOSES		
Beginning of the year, as restated (Note 1T)	45,696,178	105,750
End of the year	\$33,861,936	\$130,169

See accompanying notes to financial statements

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CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Financial Reporting Entity

As required by generally accepted accounting principles, the financial statements present the City of South San Francisco (the City) as the Primary Government, with its component units for which the City is considered financially accountable. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

B. Description of Blended Component Units

The accompanying basic financial statements include all funds and boards and commissions that are controlled by the City Council. The basic financial statements include the City's blended component units, entities for which the City is considered to be financially accountable. A blended component unit, although a legally separate entity, is in substance, part of the City's operations and so data from this unit is combined with the City. The City's following blended component units are described below.

The **City of South San Francisco Capital Improvements Financing Authority** is a joint exercise of powers authority created in 1991 between the City and the City of South San Francisco former Redevelopment Agency. The Capital Improvements Financing Authority is authorized to borrow money through the purchase or issuance of bonds, notes, or other obligations for the purpose of making loans to the City and other public entities to finance capital improvements. The City Council members serve as the Board of Directors. The financial activities of the Capital Improvements Financing Authority are included in the Capital Improvement Police Station Capital Projects Fund. Separate financial statements are not issued for the Capital Improvements Financing Authority.

The **Parking Authority of the City of South San Francisco** was formed in October 2019 pursuant to the California Parking Law of 1949, Streets and Highways Code Section 32500, *et seq.* The City Council members serve as the Board of Directors. The financial activities of the Parking Authority are included in the Capital Improvements Police Station Capital Projects Fund. Separate financial statements are not issued for the Parking Authority.

The **City of South San Francisco Public Facilities Financing Authority** is a joint exercise of powers authority created in December 2019 between the City and the Parking Authority. The Public Facilities Financing Authority is authorized to borrow money through the purchase or issuance of bonds, notes, or other obligations for the purpose of making loans to the City or the Parking Authority and other public or private entities to finance capital improvements. The City Council members serve as the Board of Directors. The financial activities of the Public Facilities Financing Authority are included in the Capital Improvements Police Station Capital Projects Fund. Separate financial statements are not issued for the Public Facilities Financing Authority.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Description of Discrete Component Unit

The **City of South San Francisco Conference Center Authority** was established in 1992 to manage and operate the South San Francisco Conference Center. The Authority is governed by a Board of nine commissioners consisting of two Council members and seven representatives from various businesses appointed by City Council.

The Authority does not meet the criteria of a blended component unit, since the City Council is not the Authority's governing body and the Authority does not provide services entirely to the City. However, the City is financially accountable and is able to impose its will on the Authority. The Authority is therefore considered a discrete component unit with its financial data reported separately from the financial data of the City.

The City of South San Francisco Conference Center Authority financial statements may be obtained from the Authority at 255 South Airport Boulevard, South San Francisco, CA 94080.

D. Basis of Presentation

Government-wide Statements - The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Interfund transfers and amounts owed between funds within the primary government have been eliminated from the statements. Amounts representing interfund services and uses remain in the statements. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund – Accounts for resources traditionally associated with government, such as administration, public safety, library, parks, maintenance, and recreation, outside of those accounted for in other funds.

Low and Moderate Income Housing Assets Special Revenue Fund – This fund was established to account for the activities related to the assets assumed by the City as Housing Successor to the housing activities of the former Redevelopment Agency of the City. The main source of revenue for this fund is the repayment of loans restricted for housing activities.

Capital Improvement Capital Projects Fund – Accounts for expenditures associated with the acquisition, construction, or improvement of City-owned facilities and infrastructure. Funding comes from the General Fund, Special Revenue funds, grants and fees.

East of 101 Sewer Impact Fees Capital Projects Fund – These fees provide new development's share of new and rehabilitated sewer collection and treatment facilities to serve the East of Highway 101 area.

Traffic Impact Fees Capital Projects Fund – These fees are to provide new developments share of new and expanded roadway and intersection improvements to serve the East of Highway 101 area and other areas within the City.

Child Care Impact Fees Capital Projects Fund – These citywide fees provide new development's share of new and expanded childcare facilities to serve the City.

Developer Deposit Capital Projects Fund – Accounts for a deposit by a large corporation for various capital projects the developer agreed to fund.

Capital Infrastructure Reserve Fund – Replacement, upgrade, and maintenance of the City's infrastructure are backlogged, constituting a significant liability. Funds are set aside in this fund as part of the budget process and as part of the City's reserve policy to address the replacement and/or upgrade of the city infrastructure (such as parks, buildings, facilities, streets, sidewalks, and storm water facilities).

Capital Improvement Police Station – Accounts for expenditures associated with the acquisition, construction, and installation of certain capital improvements constituting to new City police station located within the City's new Civic Center Campus, and related improvements, facilities and equipment, and pay the costs incurred in connection with the issuance of the Series 2020A Bonds.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Improvement Civic Campus – Accounts for expenditures associated with the acquisition, construction, and installation of certain capital improvements constituting the City’s new Civic Center Campus, and related improvements, facilities and equipment, and pay the costs incurred in connection with the issuance of the Series 2021A Bonds.

The City reported all enterprise funds as major funds in the accompanying financial statements. The enterprise funds are:

Sewer Enterprise Fund – Accounts for user charges and debt proceeds supporting the operation, maintenance, and capital expansion of the wastewater collection and treatment system.

Parking District Fund – Accounts for meter and parking permit fees used to acquire and maintain parking facilities.

Storm Water Fund – Accounts for user charges sustaining the Storm Water Management Program mandated by state and federal authorities.

The City also reports the following fund types:

Internal Service Funds – These funds account for City services, self insurance, health and retirement benefits, and equipment replacement; all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds – A custodial fund is used to account for assets held by the City for the SSF Employee Deferred Comp Trust Oversight Fund, which is outside of the City’s reporting entity. The Successor Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. The financial activities of the funds are excluded from the government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

F. Basis of Accounting

The government-wide, proprietary, fiduciary, 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*.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

G. *Budgets, Budgetary Accounting, and Encumbrances*

The City is not legally required to budget any of its funds, but does so to enhance City management's effectiveness in their financial planning efforts and to enhance control over the City's operations. Budgets are adopted on a modified accrual basis, except for encumbrances and for the Capital Improvement Fund. Encumbrances are considered expenditures in the year of the purchase order issuance. The Capital Improvement Fund is adopted on a multi-year project basis with unexpended and unencumbered budgets reappropriated in the following year. The City operates under the general laws of the State of California (the State) and annually adopts a budget effective July 1 for the ensuing fiscal year for the General fund; Special Revenue funds, except the American Recovery Plan Act Special Revenue Fund, Developer Contributions Special Revenue Fund, Supplemental Law Enforcement Services Special Revenue Fund, City Programs Special Revenue Fund, and Affordable Housing Trust Special Revenue; Capital Projects funds except for the Developer Deposit Capital Projects Fund, Non-obligated Capital Projects Fund, Oyster Point Improvement Impact Fees Capital Projects Fund, Oyster Point Development Impact Fees Capital Projects Fund, Park Land Acquisition Capital Projects Fund, Bicycle and Pedestrian Impact Fee Capital Projects Fund and Commercial Linkage Impact Fee Capital Projects Fund; and Enterprise funds.

The budget is adopted by the City Council and controlled at the department level for the General Fund and at the fund level or lower for all other funds with adopted budgets. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. The department heads may authorize transfers within one object category within the same department within a fund. The City Manager may authorize transfers between object categories and departments within a fund.

**CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All appropriations lapse at year-end, except for capital projects and encumbrances. Original adopted budgets and final amended budgets are presented in the basic financial statements. Supplementary budget appropriations were necessary during the year ended June 30, 2021.

Encumbrance accounting, under which, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the budgetary process. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances are reappropriated in the following year.

The budgetary comparison statements present comparisons of the legally adopted budget with actual charges to appropriations on a budgetary basis. In order to provide a meaningful comparison, the actual charges on a budgetary basis include encumbrances, which is a basis that differs significantly from those used to present financial statements in conformity with generally accepted accounting principles.

Certain indirect costs are included in program expenses reported for individual functions and activities.

H. Expenditures in Excess of Appropriations – The City’s General Fund had the following departmental expenditures in excess of appropriations and other funds had expenditures in excess of appropriations for the year ended June 30, 2021:

	Expenditures in Excess of Budget (Non GAAP Legal Basis)
General Fund:	
City Attorney	\$76,995
City Manager	754,344
Fire	1,013,156
Public Works	116,717
Capital Improvements Civic Campus Capital Projects Fund	161,364
Solid Waste Reduction Special Revenue Fund	27,301

Sufficient resources were available within each fund to finance these excesses.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- I. *Cash Equivalents*** – For purposes of the statement of cash flows, the City considers all highly liquid investments (including all restricted assets) with maturity of three months or less when purchased to be cash equivalents. The City maintains a cash and investment pool that is available for use by all funds. As the proprietary funds' share of this pool is readily available when needed, such share is also considered to be cash equivalent. Deposit assets in the proprietary funds are related to insurance and benefits and are not considered cash equivalents for purposes of the statement of cash flows.

- J. *Inventory and Prepaid Items*** – consist of consumable supplies. Inventory is stated at cost (first-in, first-out method). The costs are recorded as expenditures at the time the individual inventory or prepaid item is consumed. Reported inventory and prepaid items are equally offset by a fund balance reservation, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

- K. *Capital Assets*** – Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at acquisition value. All other capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Buildings	50 years
Clean water facilities and transmission lines	40 years
Improvements	30 years
Machinery and equipment	5-20 years
Furniture and fixtures	12 years
Infrastructure	20-40 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. The capitalization level is \$20,000 for vehicles, and \$100,000 for all else, including all other equipment that is not a vehicle.

- L. *Vacation and Sick Pay*** – are accrued as earned. Upon termination, employees are paid for all unused vacation at their current hourly rates. After five to twenty years of employment, one half of accumulated sick leave becomes vested, up to a maximum amount as specified under labor contract provisions. The vested portion is available for current use or, if unused, is payable at termination or retirement.

The long-term portion of the liability for compensated absences for governmental fund type operations is recorded as compensated absences in the government-wide financial statements. The portion expected to be permanently liquidated is recorded in the Health and Retirement Benefits Internal Service Fund. Proprietary fund liabilities are recorded within their respective funds.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$8,338,220	\$749,206	\$9,087,426
Additions	5,860,424	720,793	6,581,217
Payments	(5,163,871)	(593,004)	(5,756,875)
Ending Balance	<u>\$9,034,773</u>	<u>\$876,995</u>	<u>\$9,911,768</u>
Current Portion	<u>\$4,612,735</u>	<u>\$522,162</u>	<u>\$5,134,897</u>

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the Health and Retirement Benefits Internal Service Fund.

M. *Property Tax Levy, Collection and Maximum Rates* – State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold, transferred, or substantially improved. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts. The County of San Mateo assesses properties, bills for and collects property taxes on the schedule that follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates (delinquent as of)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue and receivables when they are collected during the fiscal year of levy or within 60 days of year-end.

N. *Properties held for redevelopment* – is stated at the lower of historical cost or net realizable value (equal to agreed upon sales price if a disposition and development agreement has been reached with a developer).

O. *Unbilled Services* – for the Sewer Rental Enterprise Fund are accrued at year-end.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. *Deferred Outflows/Inflows of Resources* – In addition to assets, the statement of financial position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Q. *Fair Value Measurements*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

R. *Use of Estimates* – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the dates of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting periods. Actual results could differ from those estimates.

S. *New, Closed and Renamed Funds*

In fiscal year 2020-2021, the City established the following funds:

The Capital Improvements Civic Campus Capital Projects Fund is used to account for expenditures associated with the acquisition, construction, and installation of certain capital improvements constituting the City's new Civic Center Campus, and related improvements, facilities and equipment's, and pay the costs incurred in connection with the issuance of the Series 2021A Bonds.

The American Rescue Plan Act Special Revenue Fund is used to account for the City's allocation of American Rescue Plan federal stimulus funds, as part of the federal government's response to the impacts of the COVID-19 pandemic.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Federal Aviation Grants Special Revenue Fund, Developer Deposit Capital Projects Fund, Non-obligated Capital Projects Fund were closed as of June 30, 2021.

The East of 101 Traffic Impact Fees Capital Projects Fund was renamed to the Traffic Impact Fees Capital Projects Fund.

T. *New Accounting Pronouncement*

In January 2017, GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The provisions of this Statement were implemented during fiscal year 2021. As part of the implementation of this Statement, it was determined that the SSF Employee Deferred Comp Trust Oversight Fund, formerly reported as an Agency Fund, be accounted for and reported as a Custodial Fund, which required the restatement of beginning net position of the fund in the amount of \$105,750.

NOTE 2 - CASH AND INVESTMENTS

The City's goal is to invest at the maximum yield, consistent with safety and liquidity, while individual funds can process payments for expenditures at any time.

A. *Policies*

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a fair value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a fair value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. *Classification*

Cash and investments as of June 30, 2021 are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or agency agreements.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Financial Statement Presentation:	
Statement of Net Position:	
City of South San Francisco:	
Cash and investments available for operations	\$259,306,010
Restricted cash and investments	116,812,616
Total Primary Government cash and investments	376,118,626
Statement of Fiduciary Assets:	
Cash and investments available for operations	4,477,239
Restricted cash and investments	25,420,934
Total Fiduciary cash and investments	29,898,173
Conference Center:	
Cash and investments available for operations	3,322,418
Total South San Francisco Conference Center cash and investments	3,322,418
Total cash and investments	\$409,339,217

The City does not allocate investments by fund. Each proprietary fund's portion of Cash and Investments Available for Operations is in substance a demand deposit available to finance operations, and is considered a cash equivalent in preparing the statement of cash flows.

C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's investment policy and the California Government Code allow the City to invest in the following provided the credit ratings of the issuers are acceptable to the City and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality (A)	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Securities	5 years	N/A	No Limit	No Limit
Federal Agency or U.S. Government Sponsored Enterprise Obligations	5 years	N/A	No Limit	25%
Supranational Obligations	5 years	AA	30%	10%
Corporate Medium-Term Notes	5 years	A	30%	5%
Asset-Backed Securities	5 years	AA	20%	5%
Commercial Paper	270 days	A1,P1	25%	5%
Negotiable Certificates of Deposit	5 years	A-1 or A	30%	5%
Repurchase Agreements	90 days	AA	No Limit	No Limit
Local Agency Investment Fund (LAIF)	Upon Demand	N/A	\$75 million	No Limit
Money Market Mutual Funds	N/A	AAAm	20%	10%

(A) The City's Investment Policy includes credit ratings provided by Standard and Poor's Investment Rating System, or its equivalent.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The City and the Successor Agency to the former Redevelopment Agency must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the City or Successor Agency fail to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>
U.S. Treasury Obligations	N/A	N/A	No Limit
Federal Agency or U.S. Government Sponsored Enterprise Obligations	N/A	N/A	No Limit
Federal Housing Administration Debentures	N/A	N/A	No Limit
Bankers Acceptances	30 days	A-1 or A-2	No Limit
Commercial Paper	270 days	A1,P1	No Limit
Negotiable Certificates of Deposit	5 years	A-1 or A	No Limit
Guaranteed Investment Agreements	N/A	A1,P1	No Limit
Municipal Obligations	N/A	Aaa	No Limit
State Obligations	N/A	A2	No Limit
Money Market Mutual Funds	N/A	AAA m	No Limit
Repurchase Agreements	90 days	AA	No Limit
Local Agency Investment Fund (LAIF)	Upon Demand	N/A	No Limit

E. Investments Authorized by the Authority

The City of South San Francisco Conference Center Authority follows the California Government Code which authorizes an agency to invest in their own bonds, certain time deposits, obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper, bankers' acceptances with maturities not to exceed 270 days, and medium-term notes issued by corporations operating within the U.S., commercial paper rated P-1 or higher by Moody's or A-1 by Standard & Poor's commercial paper record, repurchase agreements of obligations of the U.S. Government or its agencies for a term of one year or less and the Local Agency Investment Fund.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City also manages its interest rate risk is by holding most investments to maturity, thus reversing unrealized market gains and losses.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

	Remaining maturity		Total
	Less than 1 year	One to Five Years	
City and Fiduciary:			
U.S. Treasury Notes	\$11,782,745	\$45,345,470	\$57,128,215
Federal Agency Securities	4,478,162	52,542,612	57,020,774
Local Agency Investment Fund	78,574,384		78,574,384
Money Market Funds	23,227,570		23,227,570
Corporate Medium Term Notes	5,846,426	29,679,785	35,526,211
Negotiable Certificates of Deposit	4,499,904		4,499,904
Asset-Backed Securities	1,661,088	20,931,654	22,592,742
Supranational Obligations	3,057,219	7,206,371	10,263,590
South San Francisco Conference Center:			
Local Agency Investment Fund	2,904,202		2,904,202
Total Investments	\$136,031,700	\$155,705,892	291,737,592
Cash in Banks and on Hand - City of South San Francisco			117,183,409
Cash in Banks and on Hand - South San Francisco Conference Center			418,216
Total Cash and Investments			\$409,339,217

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Each regular LAIF account is permitted to have up to 15 transactions per month, with a minimum transaction amount of \$5,000, a maximum transaction amount of \$75 million and at least 24 hours advance notice for withdrawals of \$10 million or more. Bond proceeds accounts are subject to a one-time deposit with no cap and are set up with a monthly draw down schedule. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2021, these investments have an average maturity of 291 days.

Money market funds are available for withdrawal on demand and as of June 30, 2021 have an average maturity of 25 days.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

G. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2021, for each of the Primary Government's investment types as provided by Moody's investment rating system, except as noted:

Investment Type	Aaa	Aaa-mf	Aa1-Aa3	A1-A3	P-1	Total
City and Fiduciary:						
Federal Agency Securities	\$57,020,774					\$57,020,774
Money Market Funds		\$23,227,570				23,227,570
Corporate Medium Term Notes	715,168		\$2,820,760	\$31,990,283		35,526,211
Negotiable Certificates of Deposit					\$4,499,904	4,499,904
Asset-Backed Securities	13,869,001					13,869,001
Supranational Obligations	10,263,590					10,263,590
Totals	<u>\$81,868,533</u>	<u>\$ 23,227,570</u>	<u>\$ 2,820,760</u>	<u>\$ 31,990,283</u>	<u>\$ 4,499,904</u>	144,407,050
City and Fiduciary:						
<i>Not rated:</i>						
Federal Agency Securities						
Asset-Backed Securities						8,723,741
Local Agency Investment Fund						78,574,384
<i>Exempt from credit rating disclosure:</i>						
U.S. Treasury Notes						57,128,215
South San Francisco Conference Center:						
<i>Not rated:</i>						
Local Agency Investment Fund						<u>2,904,202</u>
Total Investments						<u>\$291,737,592</u>

H. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2021, the book value of the City's cash with banks and petty cash was \$117,183,409 and the associated bank balances were \$119,581,015. Of the City's bank balance, \$103,801,305 was exposed to custodial credit risk, because it was not FDIC insured or collateralized by securities as noted in Note 2A above.

I. Concentration of Credit Risk

The City's investment policy contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer, other than U. S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total Entity-wide investments are as follows at June 30, 2021:

Issuer	Investment Type	Amount
Federal National Mortgage Association	Federal Agency Securities	\$23,979,080
Federal Home Loan Mortgage Corporation	Federal Agency Securities	25,131,510

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

J. Fair Value Hierarchy

The City categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2021:

	Level 2	Total
<i>Investments by Fair Value Level:</i>		
<i>City and Fiduciary:</i>		
U.S. Treasury Notes	\$57,128,215	\$57,128,215
Federal Agency Securities	57,020,774	57,020,774
Corporate Medium Term Notes	35,526,211	35,526,211
Negotiable Certificates of Deposit	4,499,904	4,499,904
Asset Backed Securities	22,592,742	22,592,742
Supranational Obligations	10,263,590	10,263,590
Totals	\$187,031,436	187,031,436
 <i>Investments Measured at Amortized Cost:</i>		
<i>City and Fiduciary:</i>		
Money Market Mutual Funds		23,227,570
 <i>Investments Exempt from Fair Value Hierarchy:</i>		
<i>City and Fiduciary:</i>		
Local Agency Investment Fund		78,574,384
<i>South San Francisco Conference Center:</i>		
Local Agency Investment Fund		2,904,202
Total Investments		\$291,737,592

All Investments classified in Level 2 of the fair value hierarchy are valued using various pricing techniques maintained by Interactive Data Pricing, including benchmark curves, sector groupings and matrix pricing. These prices are obtained from various pricing sources by the City's investment manager. Money market funds were reported at amortized cost.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - CAPITAL ASSETS

A. Capital Asset Changes – Changes in capital assets during the fiscal year consist of:

	Balance 6/30/2020	Additions and Adjustments	Retirements and Adjustments	Transfers	Balance 6/30/2021
Governmental activities					
Capital assets not being depreciated:					
Land	\$66,729,001				\$66,729,001
Construction in Progress	71,235,808	\$90,966,379		(\$1,825,318)	160,376,869
Total capital assets not being depreciated	137,964,809	90,966,379		(1,825,318)	227,105,870
Capital assets being depreciated:					
Buildings and Improvements	96,271,652			1,098,986	97,370,638
Infrastructure - Streets	200,138,942			726,332	200,865,274
Infrastructure - Storm Drains	8,927,492				8,927,492
Infrastructure - Traffic Control Devices	12,591,370				12,591,370
Equipment and Vehicle	7,407,729		(\$17,130)		7,390,599
Furniture and Fixtures	2,614,215				2,614,215
Total capital assets being depreciated	327,951,400		(17,130)	1,825,318	329,759,588
Less accumulated depreciation for:					
Buildings and Improvements	(42,320,722)	(2,557,003)			(44,877,725)
Infrastructure - Streets	(111,465,285)	(5,066,113)			(116,531,398)
Infrastructure - Storm Drains	(3,775,561)	(204,500)			(3,980,061)
Infrastructure - Traffic Control Devices	(4,216,790)	(512,448)			(4,729,238)
Equipment and Vehicle	(6,554,620)	(146,503)	17,130		(6,683,993)
Furniture and Fixtures	(1,796,472)	(95,036)			(1,891,508)
Total accumulated depreciation	(170,129,450)	(8,581,603)	17,130		(178,693,923)
Net Governmental Fund Capital Assets Being Depreciated	157,821,950	(8,581,603)		1,825,318	151,065,665
Internal Service Fund Capital Assets					
Capital assets not being depreciated:					
Construction in Progress	80,951			(80,951)	
Total capital assets not being depreciated	80,951			(80,951)	
Capital assets being depreciated:					
Equipment and Vehicle	17,004,543	214,019	(160,654)	80,951	17,138,859
Accumulated depreciation	(11,388,785)	(922,865)	125,528		(12,186,122)
Net Internal Service Fund Capital Assets Being Depreciated	5,615,758	(708,846)	(35,126)	80,951	4,952,737
Governmental activities capital assets, net	\$301,483,468	\$81,675,930	(\$35,126)		\$383,124,272
Total capital assets not being depreciated	\$138,045,760	\$90,966,379		(\$1,906,269)	\$227,105,870
Net capital assets being depreciated	163,437,708	(9,290,449)	(\$35,126)	1,906,269	156,018,402
Governmental activities capital assets, net	\$301,483,468	\$81,675,930	(\$35,126)		\$383,124,272

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - CAPITAL ASSETS (Continued)

	Balance June 30, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
Business-type activities					
Capital assets, not being depreciated:					
Land	\$794,587				\$794,587
Construction in Progress	55,402,308	\$26,627,306		(\$13,097,201)	68,932,413
Total capital assets not being depreciated	56,196,895	26,627,306		(13,097,201)	69,727,000
Capital assets being depreciated:					
Buildings and Improvements	67,075,858			13,097,201	80,173,059
Clean Water Facilities and Lines	79,862,094				79,862,094
Infrastructure - Storm Drains	6,216,365				6,216,365
Infrastructure - Streets	7,377,546				7,377,546
Equipment and Vehicle	18,470,728		(\$15,182)		18,455,546
Furniture and Fixtures	31,154				31,154
Total capital assets being depreciated	179,033,745		(15,182)	13,097,201	192,115,764
Less accumulated depreciation for:					
Buildings and Improvements	(20,981,917)	(1,834,131)			(22,816,048)
Clean Water Facilities and Lines	(33,091,933)	(1,962,279)			(35,054,212)
Infrastructure - Storm Drains	(1,382,750)	(187,982)			(1,570,732)
Infrastructure - Streets	(2,259,831)	(209,570)			(2,469,401)
Equipment and Vehicle	(12,709,120)	(772,878)	15,182		(13,466,816)
Furniture and Fixtures	(31,154)				(31,154)
Total accumulated depreciation	(70,456,705)	(4,966,840)	15,182		(75,408,363)
Net capital assets being depreciated	108,577,040	(4,966,840)		13,097,201	116,707,401
Business-type activities capital assets, net	\$164,773,935	\$21,660,466			\$186,434,401
	Balance June 30, 2020	Additions	Retirements		Balance June 30, 2021
Component Unit:					
South San Francisco Conference Center					
Construction in Progress	\$77,670		(\$77,670)		
Buildings and Improvements	10,909,288				\$10,909,288
Furniture and Fixtures	950,814				950,814
Machinery and Equipment	479,698	\$103,024			582,722
Total	12,417,470	103,024	(77,670)		12,442,824
Less accumulated depreciation	(9,306,201)	(598,637)			(9,904,838)
Component Unit Capital Assets, Net	\$3,111,269	(\$495,613)	(\$77,670)		\$2,537,986

B. Capital Asset Contributions - Some capital assets may have been acquired using federal and State grant funds, or were contributed by developers or other governments. Contributed capital assets are valued at their estimated acquisition value on the date contributed. Generally accepted accounting principles require that these contributions be accounted for as revenues at the time the capital assets are contributed.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 - CAPITAL ASSETS (Continued)

- C. **Depreciation Allocation** - Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities

Governmental functions	
General government	\$742,137
Fire	333,069
Police	101,676
Public works	6,730,394
Parks and recreation	546,691
Library	76,027
Economic and community development	51,609
Total Governmental Functions	8,581,603
Internal Service Funds	922,865
Total Governmental Activities	\$9,504,468

Business-Type Activities

Sewer Enterprise	\$4,667,580
Parking District	253,232
Storm Water	46,028
Total Business-Type Activities	\$4,966,840

NOTE 4 - INTER-FUND TRANSACTIONS

- A. **Internal Balances**

Internal balances are presented in the entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 4 - INTER-FUND TRANSACTIONS (Continued)

B. Transfers

Transfers between funds during the fiscal year ended June 30, 2021 were as follows:

<u>FROM FUND (OUT)</u>	<u>TO FUND (IN)</u>	<u>AMOUNT</u>
General Fund	Capital Improvements Capital Projects Fund	\$8,405,904
	Capital Improvements Civic Campus Capital Projects Fund	12,368,084
	Storm Water Enterprise Fund	250,000
	Non-Major Governmental Funds	2,767,200
	Internal Service Fund	250,000
East of 101 Sewer Impact Fees Capital Project Fund	Sewer Enterprise Fund	1,714,080
Traffic Impact Fees Capital Projects Fund	Capital Improvement Capital Projects Fund	2,530,159
Child Care Impact Fees Capital Projects Fund	Capital Improvement Capital Projects Fund	37,150
Developer Deposit Capital Projects Fund	General Fund	17,678
Capital Infrastructure Reserve Capital Projects Fund	Capital Improvement Capital Projects Fund	3,100,805
Non-Major Governmental Funds	General Fund	2,254,343
	Capital Improvement Capital Projects Fund	6,483,928
	Sewer Enterprise Fund	2,338,118
	Storm Water Enterprise Fund	684,632
Parking District Enterprise Fund	Capital Improvement Capital Projects Fund	2,084
Internal Service Fund	Capital Improvement Capital Projects Fund	2,917
	Total	<u><u>\$43,207,082</u></u>

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 5 - LONG-TERM DEBT

A. Current Year Transactions and Balances

A summary of governmental and business-type activities transactions for the fiscal year ended June 30, 2021 follows:

	Authorized and Issued	Balance at June 30, 2020	Additions	Retirement	Balance at June 30, 2021	Current Portion
Governmental Activities						
Lease Revenue Bonds:						
2020A Police Station Project, 4.00 to 5.00% (1)	\$43,905,000	\$43,905,000		\$935,000	\$42,970,000	\$980,000
Plus: Unamortized bond premium		9,863,177		379,353	9,483,824	
2021A Community Civic Campus Project, 4.00% (2)	86,410,000		\$86,410,000		86,410,000	2,210,000
Plus: Unamortized bond premium			18,116,565		18,116,565	
Total Lease Revenue Bonds	130,315,000	53,768,177	104,526,565	1,314,353	156,980,389	3,190,000
Direct Borrowing:						
2007 Loans Payable to the Successor Agency (3)		3,635,152		40,000	3,595,152	
Capital Leases (4):						
2010 Two Fire Trucks		67,006		67,006		
2013 Fire Truck		422,775		137,246	285,529	140,892
Total Capital Leases		489,781		204,252	285,529	140,892
Total Direct Borrowing		4,124,933		244,252	3,880,681	140,892
Net Governmental Long-Term Debt	\$130,315,000	\$57,893,110	\$104,526,565	\$1,558,605	\$160,861,070	\$3,330,892
Business-Type Activities						
Revenue Bonds:						
2005 Water and Wastewater Revenue Bonds, 2.75 to 4.75%, due 04/30/26 (5)	\$6,000,000	\$2,655,000		\$330,000	\$2,325,000	\$345,000
Direct Borrowing:						
1999 State Water Resources Loan, 2.6%, due 8/1/22 (6)	47,721,252	9,330,903		3,030,817	6,300,086	3,109,618
2004 State Water Resources Loan, 2.5%, due 1/1/27 (6)	21,258,529	7,722,677		1,208,985	6,513,692	1,239,209
2008 State Water Resources Loan, 2.4%, (7)	9,164,505	4,648,492		468,873	4,179,619	480,127
2018 State Water Resources Loan, 1.8% (8)	53,403,000	28,448,535	\$15,038,527		43,487,062	
Total Direct Borrowing	131,547,286	50,150,607	15,038,527	4,708,675	60,480,459	4,828,954
Net Business-Type Long-Term Debt	\$137,547,286	\$52,805,607	\$15,038,527	\$5,038,675	\$62,805,459	\$5,173,954

(1) **2020A Lease Revenue Bonds** – In February 2020, the City of South San Francisco Public Facilities Financing Authority entered into a \$43.9 million lease agreement to finance costs of the acquisition, construction, and installation of certain capital improvements constituting the new City police station, located within the City’s new Civic Center Campus, and related improvements, facilities and equipment, and pay the costs incurred in connection with the issuance of the Series 2020A Bonds. The Series 2020A Bonds are equally and ratably payable from base rental payments to be made by the City for the right to use certain real property consisting of a City-owned parking garage and a City-owned park. The lease agreement contains provisions that in an event of default, the lessor may exercise any and all remedies available to it under the lease agreement, including the right to enforce the terms of the lease.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 5 - LONG-TERM DEBT (Continued)

(2) **2021A Lease Revenue Bonds** – In May 2021, the City of South San Francisco Public Facilities Financing Authority entered into a \$86.4 million lease agreement to finance costs of the acquisition, construction, and installation of certain capital improvements constituting a new City library, council chamber, parks and recreation facilities, and a community theater to be located within the City’s new Civic Center Campus, street and roadway improvements located within the City, solar equipment to be located on City property, and related improvements, facilities and equipment, and pay the costs incurred in connection with the issuance of the Series 2021A Bonds. The Series 2021A Bonds are equally and ratably payable from base rental payments to be made by the City for the right to use certain real property consisting of the same City-owned parking garage and City-owned park pledged under the 2020A Bonds and six additional properties, including the property on which the first two phases of the Community Civic Campus project is being constructed. The lease agreement contains provisions that in an event of default, the lessor may exercise any and all remedies available to it under the lease agreement, including the right to enforce the terms of the lease.

(3) As of June 30, 2021, the Oyster Point Improvements Impact Fund owed the Successor Agency (formerly the Merged Redevelopment Project Area Capital Project Fund) for developer fees in the amount of \$3,595,152 for the Flyover and Hookramps Projects that were completed in prior years. The outstanding balance will be paid off from the future developer fees. With the dissolution of the Agency effective January 31, 2012, the Successor Agency assumed the asset which the City is to repay. This payable is recorded as a long-term obligation (see also Note 13). Prior to the dissolution of all Redevelopment Agencies in California by the State, the former Redevelopment Agency (Agency) advanced \$12,176,207 to the Oyster Point Improvement Impact Fee Capital Projects Fund (the Oyster Point Fund). The impact fees are collected according to a fee methodology adopted under the terms of AB 1600. The fees are assessed against commercial development in a specific geographic area that is primarily east of Highway 101 to repay the former Agency for the funds it advanced to the Oyster Point Fund to pay for freeway interchange improvements at Highway 101 and Oyster Point Blvd, and are assessed per an adopted Engineering report's formula that measures each new development's impact on the area's trip traffic. While the former Agency advanced the funds, the impact fee was put in place specifically to charge future developers for their share of traffic trips generated prior to the construction of the improvements. When the Agency was dissolved, the Successor Agency, and therefore, all local taxing entities, are entitled to receive future Oyster Point Impact fees collected by the City from developers. Future developers, not the City of South San Francisco, are legally obligated to pay the future fees until the liability owed to the Successor Agency is paid off as long as the fee continues to be levied and is in place. The repayment has significantly slowed since 2007, as development has subsided and fees assessed have therefore dropped. Management believes it may take 10-30 years or more before the Successor Agency is fully paid back.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 5 - LONG-TERM DEBT (Continued)

(4) The City has entered into long-term **capital leases** with various financing agencies. Under these capital leases, all leased assets shall be distributed to the City at the end of the lease terms and shall thereafter remain the sole property of the City. Therefore, these capital leases have been recorded at the present value of the future minimum lease payments at the date of inception of the lease, and the corresponding assets have been included in the Statement of Net Position as appropriate. Capital lease payments are made from revenues of the Equipment Replacement Internal Service Fund and the General Fund. The lease agreements contain provisions that in an event of default, the lessor may (a) seize the properties, (b) sell or lease the properties or (c) exercise any and all remedies available to it under applicable law, including the right to enforce the terms of the lease, recover damages from the breach of the lease, and rescind the lease as to any portion of or all of the properties.

(5) On October 25, 2005, the California Statewide Communities Development Authority issued **2005D Water and Wastewater Revenue Bonds**. The City participated in the pooled bond sale and the City's portion of the debt is \$6,000,000. Proceeds were used to finance sewer system capital improvement.

The principal payments on the debt commenced in October 2006 and principal is due each October 1. The final principal payment is due on October 1, 2026. Interest payments ranging from the rates of 2.75% to 4.75% are payable semi-annually each April 1 and October 1.

The 1999 and 2004 State Water Resources Loans and the 2005 Water and Wastewater Revenue Bonds are secured by a pledge of net revenues of the City's Sewer Enterprise Fund. Net Revenues available for debt service amounted to \$13.3 million which represented coverage of 2.6 over the \$5,124,491 in total debt service.

(6) The two loans were authorized by the **State Water Resources Control Board (SWRCB)** to improve and expand the City's wastewater treatment plant. Loan proceeds were issued as the projects progressed and debt service payments commenced one year after project completion. The loan agreements include provisions that in an event of default, all principal payments shall be immediately due and payable, interests on all amounts owed shall be paid at the highest legal rate, any additional payments shall be made and SWRCB shall enforce its rights under the agreements by any judicial proceeding, whether in law or equity.

(7) **2008 State Water Resources Control Board Loan** – In November 2007, the City approved the \$11.8 million loan agreement with the SWRCB to finance the City's Wet Weather Program project. Under the terms of the contract, the City has agreed to repay \$11.8 million to the State in exchange for receiving \$9.2 million in proceeds to be used to fund the Project. The difference between the repayment obligation and proceeds amounted to \$2.6 million and represents in-substance interest on the outstanding balance. Debt service payments commenced on August 15, 2009.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 5 - LONG-TERM DEBT (Continued)

(8) **2018 State Water Resources Control Board Loan** – In September 2018, the City entered into a \$53.4 million loan agreement with the SWRCB to finance the South San Francisco/San Bruno’s Water Quality Control Plant Wet Weather and Digester Project. A portion of this amount, \$4 million, is anticipated to be forgiven on the date of completion of construction. For the remaining \$49.4 million, under the terms of the loan agreement the City has agreed to repay \$59.2 million to the State. The difference between the repayment obligation and proceeds amounted to \$9.8 million and represents in-substance interest on the outstanding balance.

As of June 30, 2021, the City has drawn down \$43.5 million from SWRCB, with the remaining balance of \$9.9 million expected to be drawn down in fiscal year 2022. There was no debt service payment required in fiscal year 2021, with the first debt service payment due in fiscal year ending 2024. Future debt service is expected to average \$3 million per year through fiscal year 2043.

In the event default has occurred, the City shall, upon demand, immediately accelerate the payment of all principal owed under this loan agreement, if any, which shall be immediately due and payable; pay interest at the highest legal rate on all amounts owed; and pay any additional payments as defined in the loan agreement.

The 2008 and 2018 loans are secured by a pledge of sewer service charge revenues of the City’s Sewer Enterprise Fund. Sewer service charge revenues available for debt service amounted to \$24.5 million which represented coverage of 45.9 over the \$533,952 in debt service.

B. Debt Service Requirements

Annual debt service requirements are shown below for all long-term debt with specified repayment terms:

For the Year Ended June 30	Governmental Activities		Business-Type Activities	
	Lease Revenue Bonds		2005 Water and Wastewater Revenue Bonds	
	Principal	Interest	Principal	Interest
2022	\$3,190,000	\$5,097,833	\$345,000	\$106,331
2023	3,185,000	5,104,450	360,000	90,000
2024	3,320,000	4,966,750	375,000	71,625
2025	3,465,000	4,823,150	395,000	52,375
2026	3,615,000	4,673,200	415,000	32,125
2027-2031	20,475,000	20,960,700	435,000	10,875
2032-2036	24,920,000	16,510,800		
2037-2041	30,320,000	11,111,400		
2042-2046	36,890,000	4,542,600		
	<u>129,380,000</u>	<u>\$77,790,883</u>	<u>\$2,325,000</u>	<u>\$363,331</u>
Plus: Unamortized bond premium	<u>27,600,389</u>			
	<u>\$156,980,389</u>			

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 5 - LONG-TERM DEBT (Continued)

Future debt service requirements, including interest and capital leases, but excluding the 2007 Loan payable to the Redevelopment Successor Agency and the 2018 State Water Resources Loan at June 30, 2021, were as follows:

For the Year Ended June 30	Direct Borrowings			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$140,892	\$6,614	\$4,828,954	\$385,159
2023	144,637	2,870	4,952,309	266,607
2024			1,805,393	145,017
2025			1,850,025	105,421
2026			1,895,761	64,842
2027-2031			1,660,955	46,874
Totals	285,529	\$9,484	16,993,397	\$1,013,920
2007 Loans Payable	3,595,152			
2018 State Water Resources Loan			43,487,062	
	<u>\$3,880,681</u>		<u>\$60,480,459</u>	

Capital Leases are issued for the purpose of financing the construction or acquisition of projects defined in each leasing arrangement. Projects are leased to the City for lease payments which, together with unspent proceeds of the leasing arrangement, will be sufficient to meet the debt service obligations of the leasing arrangement. At the termination of the leasing arrangement, title to the project will pass to the City.

Leasing arrangements are similar to debt; they allow investors to participate in a share of guaranteed payments which are made by the City. Because they are similar to debt, the present value of the total of the payments to be made by the City is recorded as long-term debt. The City's leasing arrangements are included in long term obligations discussed above.

A summary of capital assets leased through the issuance of leasing arrangements follows:

Leasing Arrangement	Fund/Activity	Original Cost
Capital Leases	Governmental Activity	<u>\$5,842,799</u>

C. Legal Debt Margin

The City is subject to a debt limit that is 3.75% of the total assessed value of property, net of exempt real property. At June 30, 2021, that amount was \$870,065,495. As of June 30, 2021, the City did not have any outstanding debt applicable to the limit.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 6 - NET POSITION AND FUND BALANCES

A. Net Position

Net Position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net Position are divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter.

Unrestricted describes the portion of Net Position which is not restricted to use.

B. Fund Balance

The City's fund balances are classified in accordance with generally accepted accounting principles which require the City to classify its fund balances based on spending constraints imposed on the use of resources.

For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint.

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by Council Resolution of the City Council which may be altered only by Council Resolution of the City Council. Nonspendable amounts subject to council commitments are included along with spendable resources.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 6 - NET POSITION AND FUND BALANCE (Continued)

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. The City Council had delegated authority to the Finance Director to assign fund balances which are not otherwise restricted or committed. This category includes nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

Minimum Fund Balance Policies - The City's Reserve Policy is to have the General Fund Reserves equal to at least two months of operating revenues of 15% and up to 20%, which is in alignment with GFOA best practices. Included is an emergency reserve that reflects 2% of the general fund operating expenditures budget as well as an economic contingency which is 7% of general fund revenues. Funds in excess of these requirements will continue to be earmarked for paying down long-term liabilities, such as the Retiree Health/Other Post-Employment Benefits (OPEB) or for Infrastructure and Facilities Replacement needs.

Detailed classifications of the City's Fund Balances, as of June 30, 2021, are below:

Fund Balance Classifications	General Fund	Low and Moderate Income Housing Assets	Capital Project Funds		
			Capital Improvement	East of 101 Sewer Impact Fees	Traffic Impact Fees
Nonspendables:					
Items not in spendable form:					
Inventory and prepaid items	\$4,099				
Total Nonspendable Fund Balances	4,099				
Restricted for:					
Sewer Impact Fees				\$4,144,279	
Traffic impact fees projects					\$24,490,310
Civic campus projects			\$26,000,000		
Low and moderate housing projects		\$3,225,194			
Redevelopment and community development activities	16,354,141				
Total Restricted Fund Balances	16,354,141	3,225,194	26,000,000	4,144,279	24,490,310
Committed for:					
Capital projects	4,451,157				
Local services	7,921,045				
Total Committed Fund Balances	12,372,202				
Assigned to:					
Capital projects	5,431,178		250,442		
Total Assigned Fund Balances	5,431,178		250,442		
Unassigned:					
General fund	41,597,381				
Total Unassigned Fund Balances	41,597,381				
Total Fund Balances	\$75,759,001	\$3,225,194	\$26,250,442	\$4,144,279	\$24,490,310

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 6 - NET POSITION AND FUND BALANCE (Continued)

Fund Balance Classifications (continued)	Capital Project Funds					Other Governmental Funds
	Child Care Impact Fees	Developer Deposit	Capital Infrastructure Reserve Fund	Capital Improvements Police Station	Capital Improvements Civic Campus	
Restricted for:						
Child Care impact fees projects	\$6,788,326					
Developer deposit fees projects						
Police station projects				\$6,788,648		
Civic campus projects					\$77,975,133	
Gas Tax projects						\$330,272
Developer contributions projects						6,444,901
Community Development Block Grant projects						108,386
Maintenance districts projects						4,816,402
Transportation sales tax projects						2,524,599
City programs projects						11,401,167
Other Special Revenues projects						6,588,671
Capital projects activities						26,594,319
Total Restricted Fund Balances	6,788,326			6,788,648	77,975,133	58,808,717
Assigned to:						
Capital infrastructure projects			\$25,894,620			
Total Assigned Fund Balances			25,894,620			
Total Fund Balances	\$6,788,326		\$25,894,620	\$6,788,648	\$77,975,133	\$58,808,717

C. Encumbrances

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Unexpended appropriations lapse at year-end and must be reappropriated in the following year. Encumbrances outstanding in governmental funds as of June 30, 2021, were as listed below:

Governmental funds:	Amount
General Fund	\$5,581,180
Capital Improvement Capital Projects Fund	11,563,114
Capital Infrastructure Reserve Capital Projects Fund	963,000
Capital Improvements Police Station Capital Projects Fund	6,029,988
Capital Improvements Civic Campus Capital Projects Fund	2,241,848
Other Governmental Funds	1,769,105
Total	\$28,148,235

NOTE 7 - PENSION PLANS

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 7 - PENSION PLAN (Continued)

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution.

CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – 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 Plans’ provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous		
	Classic Plan*	Tier 2 Plan*	PEPRA Plan
	Prior to April 25, 2010	After April 25, 2010	On or after January 1, 2013
Hire date	April 25, 2010	April 25, 2010	January 1, 2013
Benefit formula	2.7% @ 55	2% @ 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% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	7%	6.5%
Required employer contribution rates	10.277%	10.277%	10.277%
Required Unfunded Actuarial Liability Contribution		\$5,845,814	

*Effective July 2020, Classic Plan members in the Executive Management Unit were required to pay an additional 1% for their share of pension costs.

	Safety		
	Classic Plan	Tier 2 Plan	PEPRA Plan
	Prior to April 25, 2010	After April 25, 2010	On or after January 1, 2013
Hire date	April 25, 2010	April 25, 2010	January 1, 2013
Benefit formula	3% @ 50	3% @ 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%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9%	9%	11.5%
Required employer contribution rates	21.214%	21.214%	21.214%
Required Unfunded Actuarial Liability Contribution		\$7,829,383	

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 7 - PENSION PLAN (Continued)

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are billed on a monthly basis or the City can elect a lump sum payment option. The City's required contributions for the unfunded liability in the Miscellaneous and Safety Plans for the year ended June 30, 2021 were \$5,845,814 and \$7,829,383, respectively, which were made under the lump sum payment option.

Employees Covered – As of the June 30, 2019 actuarial valuation date and the June 30, 2020 measurement date, the following employees were covered by the benefit terms for the Plans:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	473	291
Inactive employees entitled to but not yet receiving benefits	381	106
Active employees	290	163
Total	1,144	560

Contributions – Section 20814(c) of the California Public Employees' Retirement Law 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. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 7 - PENSION PLAN (Continued)

Actuarial Assumptions – The total pension liabilities as of the June 30, 2020 measurement date were based on the following actuarial assumptions:

	Miscellaneous and Safety (1)
Valuation Date	6/30/2019
Measurement Date	6/30/2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Salary Increase	(2)
Investment Rate of Return	7.15% (3)
Mortality	Derived using CalPERS Membership Data for all Funds (4)
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

(1) Actuarial assumptions are the same for all beneficiaries (Classic Tier I, Classic Tier II, and PEPR)

(2) Depending on age, service and type of employment.

(3) Net of pension plan investment expenses, including inflation.

(4) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members for all plans in the PERF. Therefore, the long- term expected rate of return on plan investment was applied to all periods of projected benefit payment to determine the total pension liability for each Plan.

The long- term expected rate of return on pension plan investments was determined using a building- block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 7 - PENSION PLAN (Continued)

In determining the long- term expected rate of return, CalPERS took into account both short- term and long- term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the fund's asset classes, expected compound (geometric) returns were calculated over the short- term (first 10 years) and the long -term (11+ years) using a building-block approach. Using the expected nominal returns for both short- term and long- term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short- term and long- term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted for assumed administrative expenses.

The table below reflects the long-term expected real rates of return by asset class.

Asset Class(a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

(a) In the CalPERS's Comprehensive Annual Financial Reports, Fixed income is included in Global Debt Securities; Liquidity is included in short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% used for this period.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 7 - PENSION PLAN (Continued)

C. Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan are as follows:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2019 (Measurement Date)	\$244,816,128	\$163,510,764	\$81,305,364
Changes in the year:			
Service cost	4,267,487		4,267,487
Interest on the total pension liability	17,306,781		17,306,781
Changes of benefit terms			
Changes of assumptions			
Differences between actual and expected experience	1,771,483		1,771,483
Plan to plan resource movement		(32)	32
Contribution - employer		7,823,463	(7,823,463)
Contribution - employees		1,883,698	(1,883,698)
Net investment income		8,084,207	(8,084,207)
Benefit payments, including refunds of employee contributions	(13,336,957)	(13,336,957)	
Administrative expenses		(230,510)	230,510
Other Miscellaneous Income/(Expense)			
Net changes	10,008,794	4,223,869	5,784,925
Balance at June 30, 2020 (Measurement Date)	\$254,824,922	\$167,734,633	\$87,090,289

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2019 (Measurement Date)	\$343,645,905	\$231,869,470	\$111,776,435
Changes in the year:			
Service cost	6,880,000		6,880,000
Interest on the total pension liability	24,284,010		24,284,010
Changes of benefit terms			
Changes of assumptions			
Differences between actual and expected experience	742,624		742,624
Plan to plan resource movement		32	(32)
Contribution - employer		11,402,434	(11,402,434)
Contribution - employees		2,890,991	(2,890,991)
Net investment income		11,506,885	(11,506,885)
Benefit payments, including refunds of employee contributions	(16,384,059)	(16,384,059)	
Administrative expenses		(326,879)	326,879
Other Miscellaneous Income/(Expense)			
Net changes	15,522,575	9,089,404	6,433,171
Balance at June 30, 2020 (Measurement Date)	\$359,168,480	\$240,958,874	\$118,209,606
Grand Total - Both Plans	\$613,993,402	\$408,693,507	\$205,299,895

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 7 - PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	\$119,735,409	\$166,899,641
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$87,090,289	\$118,209,606
1% Increase	8.15%	8.15%
Net Pension Liability	\$60,053,403	\$78,199,917

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the City recognized pension expense of \$11,032,435 and \$17,164,451 for the Miscellaneous and Safety Plans, respectively, for total pension expense of \$28,196,886. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$8,616,536	
Changes of assumptions		
Differences between actual and expected experience	1,930,792	
Net differences between projected and actual earnings on plan investments	1,303,366	
Total	\$11,850,694	\$0

Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$12,413,770	
Changes of assumptions		(\$152,187)
Differences between actual and expected experience	1,742,850	
Net differences between projected and actual earnings on plan investments	2,058,777	
Total	\$16,215,397	(\$152,187)
Grand Total	\$28,066,091	(\$152,187)

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 7 - PENSION PLAN (Continued)

\$21,030,306 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 year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<i>Miscellaneous Plan:</i>		<i>Safety Plan:</i>	
Year Ended June 30	Annual Amortization	Year Ended June 30	Annual Amortization
2022	\$762,512	2022	\$228,393
2023	926,075	2023	1,116,594
2024	856,702	2024	1,310,769
2025	688,869	2025	993,684

E. Subsequent Event – Reduction of CalPERS Discount Rates

In July 2021, CalPERS reported a preliminary 21.3% net return on investments for the 12-month period that ended June 30, 2021. Under the Funding Risk Mitigation Policy, approved by the CalPERS Board of Administration in 2015, the 21.3% net return will trigger a reduction in the discount rate used to calculate employer and Public Employees' Pension Reform Act (PEPRA) member contributions. The Funding Risk Mitigation Policy seeks to reduce CalPERS funding risk over time, in which CalPERS investment performance that significantly outperforms the discount rate will trigger adjustments to the discount rate, expected investment return, and strategic asset allocation targets. This is the first time it has been triggered. The discount rate, or assumed rate of return, will drop to 6.8%, from its current level of 7%.

Based on these preliminary fiscal year returns, the CalPERS has announced the funded status of the overall Public Employees Retirement Fund (PERF) is an estimated 82%. This estimate is based on a 7% discount rate. Under the new 6.8% discount rate, however, CalPERS indicated the funded status of the overall PERF drops to 80%. This is because existing assets are assumed to grow at a slightly slower rate annually into the future. As intended under the Funding Risk Mitigation Policy, the lower discount rate increases the likelihood that CalPERS can reach its target over the longer term. The CalPERS Board of Administration will continue to review the discount rate through its Asset Liability Management process during the rest of the calendar year.

CalPERS' final fiscal year 2021 investment performance will be calculated based on audited figures and will be reflected in contribution levels for contracting cities, counties, and special districts in fiscal year 2024.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 8 - DEFERRED COMPENSATION PLAN

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this Plan, participants are not taxed on the deferred portion of their compensation until it is distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

A. *General Information about the City's Other Post Employment Benefit (OPEB) Plans*

The City provides certain health care benefits for all employees who retire after attaining age 50 with at least five years of service or disability at any age. The City provides certain health care benefits for those employees hired prior to April 25, 2010. In order to reduce the City's OPEB obligations over time, the City changed to a defined contribution post-retirement health plan for employees hired as of April 25, 2010 or after. For those new hires, the City is now providing a medical after retirement health plan (MARA), and contributes 1.5% of salary for those employees.

B. *Defined Benefit Plan Description*

The City's Post Employment Benefit Plan for employees hired prior to April 25, 2010 is an agent multiple-employer defined benefit OPEB plan.

The City joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CalPERS, consisting of an aggregation of single-employer plans. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

Benefits provided – The following is a summary of Plan benefits by employee group as of June 30, 2020:

<i>Eligibility</i>	<ul style="list-style-type: none"> • Hired < 4/25/2010 • Retire directly from City and elect coverage: <ul style="list-style-type: none"> • Age 50 and 5 years City service or • Disability retirement with 5 years City service
<i>Benefit</i>	<ul style="list-style-type: none"> • City pays single premium up to largest HMO single premium <p>Cap for 2019/20:</p> <ul style="list-style-type: none"> - \$1,430.80/month pre-65 (Blue Shield) - \$785.04/month post-65 Medicare eligible (Blue Shield) - \$1,971.53/ month post-65 not Medicare eligible (Kaiser) <ul style="list-style-type: none"> • Medicare ineligible retirees allowed to stay in their pre-Medicare premium plans after age 65
<i>Surviving Spouse Benefit</i>	<ul style="list-style-type: none"> • Participation with premium payment • AFSCME, Local 1569, Mid-Management, IAFF <ul style="list-style-type: none"> • surviving spouses covered 2 months following death of retiree
<i>Other OPEB</i>	<ul style="list-style-type: none"> • City also reimburses Medicare Part B • No City-paid contribution for dental, vision, or life

For the year ended June 30, 2021, the City’s contributions to the Plan were \$4,810,361.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2020:

Active employees	196
Inactive employees or beneficiaries currently receiving benefit payments	360
Total	556

C. OPEB Liabilities, OPEB Expenses, and Deferred Outflows/Inflows of Resources Related to OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City’s OPEB Plan and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by the California Employers’ Retiree Benefit Trust (CERBT). For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

D. Net OPEB Liability

Actuarial Methods and Assumptions – The City’s net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, rolled forward to June 30, 2020 using standard updated procedures, based on the following actuarial methods and assumptions:

Actuarial Assumptions	
Valuation Date	• June 30, 2019
Measurement Date	• June 30, 2020
Contribution Policy	• City contributes \$802,000 per year into trust
Actuarial Cost Method	• Entry Age Normal, Level Percentage of Payroll
Amortization Method	• Level dollar
Amortization Period	• Average of 22 years remaining for 2020/21
Discount Rate and Long-Term Expected Rate of Return on Assets	• 6.75% at June 30, 2020 • 6.75% at June 30, 2019 • Expected City contributions projected to keep sufficient plan assets to pay all benefits from trust.
Inflation	• 2.75% per annum
Salary Increases	• Aggregate - 3% annually • Merit - CalPERS 1997-2015 Experience Study
Healthcare/Medical Trend	• Non-Medicare - 7% for 2022, decreasing to an ultimate rate of 4.0% in 2076 and later years • Medicare - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076 and later years
Mortality, Retirement, Disability, Termination Mortality Improvement	• CalPERS 1997-2015 Experience Study • Mortality projected fully generational with Scale MP-2019
Healthcare participation for future retirees	• 100% if covered, 95% if waived

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	59.0%	4.82%
Fixed income	25.0%	1.47%
TIPS	5.0%	1.29%
Commodities	3.0%	0.84%
REITs	8.0%	3.76%
Total	100.0%	

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

Discount Rate – The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

E. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2018 Measurement Date	\$88,596,000	\$24,240,000	\$64,356,000
Changes Recognized for the Measurement Period:			
Service Cost	1,604,244		1,604,244
Interest on the total OPEB liability	5,951,761		5,951,761
Changes in benefit terms			
Differences between expected and actual experience			
Changes of assumptions	(1,858,796)		(1,858,796)
Contributions from the employer		4,854,000	(4,854,000)
Net investment income		838,481	(838,481)
Benefit payments	(4,052,000)	(4,052,000)	
Administrative expenses		(11,868)	11,868
Net changes	1,645,209	1,628,613	16,596
Balance at June 20, 2019 Measurement Date	\$90,241,209	\$25,868,613	\$64,372,596

F. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate -1%	Current Discount Rate	Discount Rate +1%
(5.75%)	(6.75%)	(7.75%)
\$76,569,553	\$64,372,596	\$54,326,961

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates as discussed in the assumptions above:

Net OPEB Liability/(Asset)		
Current Healthcare Cost		
1% Decrease	Trend Rates	1% Increase
\$52,802,929	\$64,372,596	\$78,567,339

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

G. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 201, the City recognized OPEB expense of \$6,003,065. At June 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$4,810,361	
Differences between actual and expected experience	1,309,000	
Changes of assumptions		(\$1,575,922)
Net differences between projected and actual earnings on plan investments	490,453	
Total	\$6,609,814	(\$1,575,922)

\$4,810,361 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2022	\$72,239
2023	(72,761)
2024	63,939
2025	160,114

H. Defined Contribution Plan Description

The City of South San Francisco funded HRA Plan is a defined contribution OPEB plan for employees hired on or after April 25, 2010. For those new hires, the City provides a medical after retirement health plan (MARA), and contributes 1.5% of salary for those employees. In addition, employees contribute to the MARA plan as directed by their respective bargaining unit's Memorandum of Understanding or compensation plan.

The plan is administered by Matrix Trust Company. Employee contributions for the fiscal year totaled \$478,173. Employer contributions of \$425,683 were paid into the Defined Contribution Plan. No liability for the defined contribution has been included in the report since the City fully paid the annual required contribution. Since the assets held under this plan are not the City's property and are not subject to claims by general creditors of the City, the assets have been excluded from these financial statements.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS

The City participates in the jointly governed organizations discussed below through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint organization is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint organization, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of this joint organization are not the City's responsibility and the City does not have an equity interest in the assets of each joint organization except upon dissolution of the joint organization.

A. *Oyster Point Marina*

(OPM) was established in 1977 by the City and the San Mateo County Harbor District (Harbor District) for the purpose of expanding, improving and operating the Oyster Point Marina and Park. The governing board consists of two of the City's council members and two Harbor District commissioners. The Harbor District operates OPM. Operation of the Marina provides revenues for the marina's operations. The City retains title to the land; however, the City is not liable for any obligations of the San Mateo County Harbor District. Condensed unaudited financial information may be obtained from San Mateo County Harbor District, #1 Johnson Pier, Half Moon Bay, CA 94019.

B. *Peninsula Traffic Congestion Relief Alliance (PTCRA)*

PTCRA was formed from the merger of the Inter City Transportation Systems Management Agency and Multi-City Transportation Systems Management Agency (MCTSMA) in 2000. The members are the cities of South San Francisco, Brisbane, Colma, Daly City, Half Moon Bay, Millbrae, Pacifica and San Bruno and seven other members for the purpose of mitigating traffic congestion. The governing board consists of one council member from each member city. The finance director of the City of San Carlos acts as the treasurer and controller of PTCRA. The individual cities are not liable for the debts, liabilities or obligations of PTCRA. Each member city has an equal interest in PTCRA. Condensed accrual basis unaudited financial information may be obtained from the City of San Carlos Finance Department, 666 Elm Street, San Carlos, CA 94070.

C. *City/County Association of Governments (C/CAG)*

C/CAG was established in 1990 by the County of San Mateo and the Cities of San Mateo County for preparation, adoption, monitoring and enforcing of Countywide state mandated plans. A Board of Directors consisting of one council member from each member city and one member from the County Board of Supervisors governs C/CAG. The city treasurer of San Carlos acts as the treasurer of C/CAG. The individual cities and the County are not liable for the debts, liabilities, or obligations of C/CAG. Condensed unaudited cash basis financial information may be obtained from the City of San Carlos Finance Department, 666 Elm Street, San Carlos, CA 94070.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 11 - RISK MANAGEMENT

A. Insurance Coverage

The City participates in Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA), a nonprofit benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. PLAN JPA provides \$2,500,000 of self-funded general liability and automobile coverage and \$27,500,000 excess liability coverage per occurrence and is responsible for paying claims in excess of the City's \$100,000 self-insured retention. The Plan includes a per occurrence or wrongful act or employee benefit wrongful act up to \$10,000,000 with two retained limits of \$5,000,000. For the year ended June 30, 2021, the City paid PLAN JPA \$1,752,289 in premiums and did not receive a refund of premiums paid in prior years. Financial statements may be obtained from PLAN JPA 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

The City has also purchased excess coverage insurance for worker's compensation claims from Public Risk, Innovation, Solutions and Management (PRISM) (formerly CSAC Excess Insurance Authority (CSAC-EIA)). PRISM provides coverage up to statutory limits in excess of the City's \$500,000 self-insured retention. For the past five fiscal years, general liability and worker compensation settlements did not exceed insurance coverage.

B. Liability for Uninsured Claims

The City provides for the uninsured portion of claims and judgments 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 discussed above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims.

The City's liability for uninsured claims is limited to workers' compensation and general liability claims, as discussed above, and was estimated by management based on prior year's claims experience as follows:

	June 30, 2021			Fiscal Year
	Workers' Compensation	General Liability	Total	2019-2020 Total
Balance, beginning of year	\$14,884,000	\$81,224	\$14,965,224	\$14,451,253
Current year claims and changes in estimates of prior years claims	3,612,071	25,534	3,637,605	2,969,958
Claims Paid	(2,800,071)	(52,961)	(2,853,032)	(2,455,987)
Balance, end of year	<u>\$15,696,000</u>	<u>\$53,797</u>	<u>\$15,749,797</u>	<u>\$14,965,224</u>
Current portion	<u>\$2,825,000</u>	<u>\$53,797</u>	<u>\$2,878,797</u>	<u>\$643,224</u>

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 12 - COMMITMENTS AND CONTINGENCIES

A. *Litigation*

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

B. *Federal and State Grant Programs*

The City participates in Federal and State grant programs. These programs have been audited by the City's independent auditors in accordance with the provisions of the Federal Single Audit Act as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

C. *Rental Revenues from Use of City Property*

The Conference Center Authority, a discrete component unit, leases land from the City under an operating lease commencing on January 1, 1999, with a 30-year term from February 1, 1999, to January 31, 2029. The rent amount is subject to re-negotiation at the option of either party between January 1 and February 28, 2009 and 2019. These leases are considered for accounting purposes to be operating leases. Property lease revenue from the Conference Center Authority during the year fiscal year ended June 30, 2021 was \$420,000. The cost and carrying amount of leased land under this lease receivable is \$5,040,000. Future minimum lease payments from the Conference Center Authority land leases are as follows:

Year ending June 30	Component Unit Conference Center
2022	\$420,000
2023	420,000
2024	420,000
2025	420,000
2026	420,000
2027-2029	1,085,000
Total	\$3,185,000

Price Club Associates leases the land for the Costco store on South Airport Boulevard from the City. Lease payments are based on a percentage of Costco's gross annual sales, with minimum annual rent set at \$400,000, payable in monthly installments of \$33,333. In fiscal 2014, Costco exercised the option to extend the lease through fiscal year 2029, with an option for a 6 year extension through fiscal year 2035. In fiscal 2021, lease payments were \$400,000.

Magnolia Housing leases the land for Magnolia Plaza Senior Apartments from the City. Minimum lease payments are set at \$51,800, and are payable through the fiscal year 2062. In fiscal year 2021, lease payments were \$51,800.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

Future minimum lease revenues for the Costco and Magnolia Plaza leases are as follows:

Year ending June 30:	Costco	Magnolia Plaza	Total
2022	\$400,000	\$51,800	\$451,800
2023	400,000	51,800	451,800
2024	400,000	51,800	451,800
2025	400,000	51,800	451,800
2026	400,000	51,800	451,800
2027-2031	2,000,000	259,000	2,259,000
2032-2036	1,200,000	259,000	1,459,000
2037-2041		259,000	259,000
2042-2046		259,000	259,000
2047-2051		259,000	259,000
2052-2056		259,000	259,000
2057-2061		259,000	259,000
2062		51,800	51,800
	<u>\$5,200,000</u>	<u>\$2,123,800</u>	<u>\$7,323,800</u>

D. Miller Parking Garage

The Miller Parking Garage (“Parking Garage”), constructed in 2011, 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.

In February 2020, the City sold the Commercial Space for \$1,247,950. 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.

NOTE 13 - FORMER REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

The activities of the Successor Agency are reported in the Successor Agency to the former Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

On July 1, 2018, the duties of the South San Francisco Oversight Board transferred to a new San Mateo Countywide Oversight Board, which will now be responsible for overseeing the winddown affairs of all Successor Agencies in San Mateo County, including the Successor Agency to the South San Francisco Redevelopment Agency.

Information presented in the following footnotes represents assets and liabilities of the Successor Agency.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 13 - FORMER REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

A. Cash and Investments

Cash and investments of the Successor Agency as of June 30, 2021 are discussed in Note 2 to the financial statements. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2021.

B. Loans Receivable

The Successor Agency assumed the non-housing loans receivable of the former Redevelopment Agency as of February 1, 2012. The former Redevelopment Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans were provided to homeowners or developers who agreed to expend these funds in accordance with the Agency's terms.

C. Capital Assets

The Successor Agency assumed the capital assets of the former Redevelopment Agency as of February 1, 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their acquisition value. The Successor Agency's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Successor Agency has assigned the useful lives listed below to capital assets:

Buildings	50 years
Improvements	30 years
Machinery and equipment	5-20 years
Furniture and fixtures	12 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. The capitalization level is \$20,000 for vehicles, and \$100,000 for all else, including all other equipment that is not a vehicle.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 13 - FORMER REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Capital assets recorded at June 30 are comprised of:

	Balance June 30, 2020	Retirement	Balance June 30, 2021
Fiduciary activities			
Capital assets not being depreciated:			
Land	\$111,219		\$111,219
Total capital assets not being depreciated	111,219		111,219
Capital assets being depreciated:			
Buildings and Improvements	329,671		329,671
Equipment and Vehicle	242,190		242,190
Furniture and Fixtures	21,506		21,506
Total capital assets being depreciated	593,367		593,367
Less accumulated depreciation for:			
Buildings and Improvements	(78,360)	(\$6,593)	(84,953)
Equipment and Vehicle	(242,190)		(242,190)
Furniture and Fixtures	(21,506)		(21,506)
Total accumulated depreciation	(342,056)	(6,593)	(348,649)
Net capital assets being depreciated	251,311	(6,593)	244,718
Fiduciary activity capital assets, net	\$362,530	(\$6,593)	\$355,937

D. POLLUTION REMEDIATION

In fiscal year 2009-10, the former Redevelopment Agency purchased an unimproved parcel adjacent to the Caltrain Commuter Rail station from the State of California. The Successor Agency's purchase includes use of the parcel in order to make the station safer, more visually pleasing, more usable to commuters and business shuttles, and to make the Downtown accessible to pedestrians from the station. As part of that land purchase, the price paid by the former Agency to the State was discounted to give the former Agency credit in the amount of \$537,000 against known pollution remediation costs on the site with respect to the previous existence of underground petroleum storage tanks. This amount was recorded in the Successor Agency accounts in fiscal year 2011-12 as a liability for future remediation efforts. In fiscal year 2013-14, it was determined by the San Mateo County Health System, in response to investigative reports provided and corrective action by the City of South San Francisco, that no further remediation action with respect to the petroleum tanks was required. In fiscal year 2020-21, the City released the liability from the Successor Agency accounts.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 13 - FORMER REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

E. *DEFEASED BONDS*****

As of June 30, 2021, the outstanding balance of defeased debt was \$4,445,000 for the 1997 Downtown /Central Redevelopment Tax Allocation Bonds.

F. *COMMITMENTS AND CONTINGENCIES*****

State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

State Asset Transfer Review

The activities of the former Redevelopment Agency and the Successor Agency were also subject to further examination by the State of California. The State Controller's Office conducted a review of the propriety of asset transfers between the former Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011. The results of that review were issued in July 2015 and although the review did identify ineligible transfers of assets from the former Redevelopment Agency to the City, the report reflected the current year and prior year transfers and made no further demands for the return of assets to the Successor Agency.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SOUTH SAN FRANCISCO
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2021**

**Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plans
Last 10 Years***
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Total Pension Liability							
Service cost	\$3,449,973	\$3,075,813	\$3,079,994	\$3,922,518	\$4,001,207	\$4,118,735	\$4,267,487
Interest on total pension liability	13,930,544	14,393,013	14,870,988	15,430,998	15,885,315	16,624,514	17,306,781
Changes of benefit terms							
Changes of assumptions		(3,374,655)		12,421,358	(1,361,078)		
Difference between expected and actual experience		(1,567,798)	(476,337)	1,958,164	187,342	2,853,948	1,771,483
Benefit payments, including refunds of employee contributions	(9,287,975)	(10,407,243)	(11,085,829)	(11,565,392)	(12,164,689)	(12,756,888)	(13,336,957)
Net change in total pension liability	8,092,542	2,119,130	6,388,816	22,167,646	6,548,097	10,840,309	10,008,794
Total pension liability - beginning	188,659,588	196,752,130	198,871,260	205,260,076	227,427,722	233,975,819	244,816,128
Total pension liability - ending (a)	\$196,752,130	\$198,871,260	\$205,260,076	\$227,427,722	\$233,975,819	\$244,816,128	\$254,824,922
Plan fiduciary net position							
Contributions - employer	\$4,235,454	\$4,546,984	\$5,726,981	\$5,228,454	\$6,165,764	\$6,851,659	\$7,823,463
Contributions - employee	1,466,176	1,411,273	1,622,453	1,720,600	1,727,041	1,816,507	1,883,698
Net investment income	21,712,340	3,221,551	687,860	15,616,363	12,458,090	10,240,873	8,084,207
Benefit payments, including refunds of employee contributions	(9,287,975)	(10,407,243)	(11,085,829)	(11,565,392)	(12,164,689)	(12,756,888)	(13,336,957)
Plan to plan resource movement		(50,555)	229		(365)	(20)	(32)
Administrative expense		(160,268)	(86,726)	(205,472)	(233,683)	(112,374)	(230,510)
Other miscellaneous income					(443,767)	365	
Net change in plan fiduciary net position	18,125,995	(1,438,258)	(3,135,032)	10,794,553	7,508,391	6,040,122	4,223,869
Plan fiduciary net position - beginning	125,614,993	143,740,988	142,302,730	139,167,698	149,962,251	157,470,642	163,510,764
Plan fiduciary net position - ending (b)	\$143,740,988	\$142,302,730	\$139,167,698	\$149,962,251	\$157,470,642	\$163,510,764	167,734,633
Net pension liability - ending (a)-(b)	\$53,011,142	\$56,568,530	\$66,092,378	\$77,465,471	\$76,505,177	\$81,305,364	\$87,090,289
Plan fiduciary net position as a percentage of the total pension liability	73.06%	71.56%	67.80%	65.94%	67.30%	66.79%	65.82%
Covered payroll	\$17,725,581	\$17,798,104	\$21,409,193	\$29,390,370	\$23,630,354	\$24,993,270	\$26,275,955
Net pension liability as percentage of covered payroll	299.07%	317.83%	308.71%	263.57%	323.76%	325.31%	331.44%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016, 2018, 2019, and 2020, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

*Fiscal year 2015 was the 1st year of implementation.

**CITY OF SOUTH SAN FRANCISCO
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2021**

**Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plans
Last 10 Years ***

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$4,210,973	\$5,399,856	\$5,228,454	\$6,166,024	\$6,851,659	\$7,831,598	\$8,616,536
Contributions in relation to the actuarially determined contributions	<u>4,210,973</u>	<u>5,399,856</u>	<u>5,228,454</u>	<u>6,166,024</u>	<u>6,851,659</u>	<u>7,831,598</u>	<u>8,616,536</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$17,798,104	\$21,409,193	\$29,390,370	\$23,630,354	\$24,993,270	\$26,275,955	\$27,681,286
Contributions as a percentage of covered payroll	23.66%	25.22%	17.79%	26.09%	27.41%	29.81%	31.13%
Notes to Schedule							
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Methods and assumptions used to determine contribution rates:							
Actuarial cost method	Entry age						
Amortization method	Level percentage of payroll						
Asset valuation method	Fair value of assets						
Inflation	2.75% for 2015 to 2019, and 2.625% for 2020, and 2.50% for 2021						
Salary increases	Varies by entry age and service						
Investment rate of return	7.50% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, and 7.00% for 2021, net of administrative expenses, including inflation						
Retirement age	The probabilities of Retirement are based on the CalPERS Experience Study.						
Mortality	The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale AA published by the Society of Actuaries for 2015 to 2018. For 2019, 2020 and 2021, pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.						

*Fiscal year 2015 was the 1st year of implementation

**CITY OF SOUTH SAN FRANCISCO
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2021**

**Safety Agent Multiple-Employer Defined Benefit Pension Plans
Last 10 Years***
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Total Pension Liability							
Service cost	\$5,143,842	\$4,968,087	\$5,329,842	\$6,264,307	\$6,511,672	\$6,379,124	\$6,880,000
Interest on total pension liability	18,899,544	19,398,484	20,134,558	21,238,842	22,129,483	23,249,091	24,284,010
Changes of benefit terms							
Changes of assumptions		(4,789,129)		18,010,606	(1,293,579)		
Difference between expected and actual experience		(4,226,388)	(915,267)	4,520,149	1,318,613	2,853,684	742,624
Benefit payments, including refunds of employee contributions	(13,161,296)	(13,556,606)	(14,463,995)	(14,760,979)	(15,629,698)	(15,909,734)	(16,384,059)
Net change in total pension liability	10,882,090	1,794,448	10,085,138	35,272,925	13,036,491	16,572,165	15,522,575
Total pension liability - beginning	256,002,648	266,884,738	268,679,186	278,764,324	314,037,249	327,073,740	343,645,905
Total pension liability - ending (a)	\$266,884,738	\$268,679,186	\$278,764,324	\$314,037,249	\$327,073,740	\$343,645,905	\$359,168,480
Plan fiduciary net position							
Contributions - employer	\$6,535,399	\$7,191,715	\$8,535,737	\$8,071,060	\$9,323,936	\$10,164,921	\$11,402,434
Contributions - employee	2,151,163	1,714,039	1,961,907	1,980,507	2,134,552	2,486,989	2,890,991
Net investment income	29,348,051	4,264,997	950,612	21,553,126	17,363,158	14,404,633	11,506,885
Benefit payments, including refunds of employee contributions	(13,161,296)	(13,556,606)	(14,463,995)	(14,760,979)	(15,629,698)	(15,909,734)	(16,384,059)
Plan to plan resource movement			(229)		(512)	20	32
Administrative expense		(219,696)	(118,968)	(283,579)	(325,104)	(157,625)	(326,879)
Other miscellaneous income					(617,378)	512	
Net change in plan fiduciary net position	24,873,317	(605,551)	(3,134,936)	16,560,135	12,248,954	10,989,716	9,089,404
Plan fiduciary net position - beginning	170,937,835	195,811,152	195,205,601	192,070,665	208,630,800	220,879,754	231,869,470
Plan fiduciary net position - ending (b)	\$195,811,152	\$195,205,601	\$192,070,665	\$208,630,800	\$220,879,754	\$231,869,470	\$240,958,874
Net pension liability - ending (a)-(b)	\$71,073,586	\$73,473,585	\$86,693,659	\$105,406,449	\$106,193,986	\$111,776,435	\$118,209,606
Plan fiduciary net position as a percentage of the total pension liability	73.37%	72.65%	68.90%	66.44%	67.53%	67.47%	67.09%
Covered payroll	\$15,994,412	\$16,679,857	\$18,986,895	\$19,563,549	\$21,932,480	\$22,975,254	\$24,264,339
Net pension liability as percentage of covered payroll	444.37%	440.49%	456.60%	538.79%	484.19%	486.51%	499.47%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016, 2018, 2019 and 2020, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

*Fiscal year 2015 was the 1st year of implementation.

**CITY OF SOUTH SAN FRANCISCO
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2021**

**Safety Agent Multiple-Employer Defined Benefit Pension Plans
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS**

Fiscal Year Ended June 30	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$7,191,715	\$8,538,138	\$8,071,060	\$9,322,781	\$10,164,821	\$11,401,783	\$12,413,770
Contributions in relation to the actuarially determined contributions	7,191,715	8,538,138	8,071,060	9,322,781	10,164,821	11,401,783	12,413,770
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$16,679,857	\$18,986,895	\$19,563,549	\$21,932,480	\$22,975,254	\$24,264,339	\$24,378,494
Contributions as a percentage of covered payroll	43.12%	44.97%	41.26%	42.51%	44.24%	46.99%	50.92%
Notes to Schedule							
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Methods and assumptions used to determine contribution rates:							
Actuarial cost method	Entry age						
Amortization method	Level percentage of payroll						
Asset valuation method	Fair value of assets						
Inflation	2.75% for 2015 to 2019, and 2.625% for 2020, and 2.50% for 2021						
Salary increases	Varies by entry age and service						
Investment rate of return	7.50% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, and 7.00% for 2021, net of pension plan investment expense, including inflation.						
Retirement age	The probabilities of Retirement are based on the CalPERS Experience Study.						
Mortality	The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale AA published by the Society of Actuaries for 2015 to 2018. For 2019, 2020, and 2021, pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.						

*Fiscal year 2015 was the 1st year of implementation

CITY OF SOUTH SAN FRANCISCO
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2021

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Retiree Healthcare OPEB Plan - Agent Multiple Employer

Last 10 fiscal years*

(Amounts in 000's)

Measurement Date	<u>6/30/17</u>	<u>6/30/18</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Total OPEB Liability				
Service Cost	\$1,574	\$1,535	\$1,558	\$1,604
Interest	5,087	5,325	5,568	5,952
Changes in benefit terms				
Differences between expected and actual experience		91	2,895	
Changes of assumptions			(672)	(1,859)
Benefit payments	(2,901)	(3,326)	(3,378)	(4,052)
Net change in total OPEB liability	<u>3,760</u>	<u>3,625</u>	<u>5,971</u>	<u>1,645</u>
Total OPEB liability - beginning	<u>75,240</u>	<u>79,000</u>	<u>82,625</u>	<u>88,596</u>
Total OPEB liability - ending (a)	<u>\$79,000</u>	<u>\$82,625</u>	<u>\$88,596</u>	<u>\$90,241</u>
Plan fiduciary net position				
Contributions - employer	\$3,703	\$4,128	\$4,180	\$4,854
Contributions - employee				
Net investment income	1,803	1,566	1,402	838
Administrative expense	(9)	(37)	(5)	(12)
Benefit payments	(2,901)	(3,326)	(3,378)	(4,052)
Net change in plan fiduciary net position	<u>2,596</u>	<u>2,331</u>	<u>2,199</u>	<u>1,628</u>
Plan fiduciary net position - beginning	<u>17,114</u>	<u>19,710</u>	<u>22,041</u>	<u>24,240</u>
Plan fiduciary net position - ending (b)	<u>\$19,710</u>	<u>\$22,041</u>	<u>\$24,240</u>	<u>\$25,868</u>
Net OPEB liability - ending (a)-(b)	<u>\$59,290</u>	<u>\$60,584</u>	<u>\$64,356</u>	<u>\$64,373</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>24.95%</u>	<u>26.68%</u>	<u>27.36%</u>	<u>28.67%</u>
Covered-employee payroll	<u>\$26,539</u>	<u>\$26,986</u>	<u>\$27,662</u>	<u>\$28,215</u>
Net OPEB liability as a percentage of covered-employee payroll	<u>223.41%</u>	<u>224.50%</u>	<u>232.65%</u>	<u>228.15%</u>

* Fiscal year 2018 was the first year of implementation.

**CITY OF SOUTH SAN FRANCISCO
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2021**

**SCHEDULE OF CONTRIBUTIONS
Retiree Healthcare OPEB Plan - Agent Multiple Employer
Last 10 fiscal years*
(Amounts in 000's)**

Fiscal Year Ended June 30,	2018	2019	2020	2021
Actuarially determined contribution	\$6,279	\$6,839	\$6,995	\$7,253
Contributions in relation to the actuarially determined contribution	4,128	4,180	4,854	4,810
Contribution deficiency (excess)	\$2,151	\$2,659	\$2,141	\$2,443
Covered-employee payroll	\$26,986	\$27,662	\$28,215	\$26,824
Contributions as a percentage of covered-employee payroll	7.97%	9.61%	7.59%	9.11%

* Fiscal year 2018 was the first year of implementation.

**NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTION
Retiree Healthcare OPEB Plan - Agent Multiple Employer
Methods and Assumptions for Actuarially Determined Contribution**

Valuation Date	• June 30, 2019
Contribution Policy	• City contributes \$802,000 per year into trust
Actuarial Cost Method	• Entry Age Normal, Level Percentage of Payroll
Amortization Method	• Level dollar
Amortization Period	• Average of 22 years remaining for 2020/21
Discount Rate and Long-Term Expected Rate of Return on Assets	• 6.75% at June 30, 2020 • 6.75% at June 30, 2019 • Expected City contributions projected to keep sufficient plan assets to pay all benefits from trust.
Inflation	• 2.75% per annum
Salary Increases	• Aggregate - 3% annually • Merit - CalPERS 1997-2015 Experience Study
Healthcare/Medical Trend	• Non-Medicare - 7.00% for 2022, decreasing to an ultimate rate of 4.0% in 2076 and later years • Medicare - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076 and later years
Mortality, Retirement, Disability, Termination	• CalPERS 1997-2015 Experience Study
Mortality Improvement	• Mortality projected fully generational with Scale MP-2019
Healthcare participation for future retirees	• 100% if covered, 95% if waived

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SUPPLEMENTARY INFORMATION

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GENERAL FUND

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is comprised of the following:

GENERAL PURPOSE FUND

This fund accounts for resources traditionally associated with government, such as administration, public safety, library, parks maintenance, and recreation, outside of those accounted for in other funds.

MEASURE W FUND

This fund accounts for revenue as the result of the voter-approved one-half percent sales and use tax that was passed on November 3, 2015. The tax went into effect April 1, 2016 and will last for 30 years until March 31, 2046. Revenues are committed for maintenance and enhancement of local services.

**CITY OF SOUTH SAN FRANCISCO
GENERAL FUND
COMBINING BALANCE SHEETS
JUNE 30, 2021**

	<u>General Purpose</u>	<u>Measure W</u>	<u>Total</u>
ASSETS			
Cash and investments	\$51,412,156	\$5,051,136	\$56,463,292
Receivables:			
Accounts	7,646,580	2,882,584	10,529,164
Accrued interest	164,535		164,535
Due from other funds			
Due from Conference Center	62,516		62,516
Advances to other funds			
Inventory	4,099		4,099
Restricted cash and investments	152,797		152,797
Properties held for redevelopment	16,354,141		16,354,141
	<u>\$75,796,824</u>	<u>\$7,933,720</u>	<u>\$83,730,544</u>
Total Assets			
LIABILITIES			
Accounts payable	\$3,200,919		\$3,200,919
Accrued salaries and benefits	2,835,241		2,835,241
Other payable	797,807		797,807
Deposits	927,576		927,576
Unearned revenue	210,000		210,000
	<u>7,971,543</u>		<u>7,971,543</u>
Total Liabilities			
FUND BALANCES			
Nonspendable	4,099		4,099
Restricted	16,354,141		16,354,141
Committed	4,451,157	\$7,921,045	12,372,202
Assigned	5,418,503	12,675	5,431,178
Unassigned	41,597,381		41,597,381
	<u>67,825,281</u>	<u>7,933,720</u>	<u>75,759,001</u>
Total Fund Balances			
	<u>\$75,796,824</u>	<u>\$7,933,720</u>	<u>\$83,730,544</u>
Total Liabilities and Fund Balances			

**CITY OF SOUTH SAN FRANCISCO
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	General Purpose	Measure W	Total
REVENUES			
Property taxes	\$44,239,406		\$44,239,406
Sales taxes	19,370,155	\$13,379,292	32,749,447
Transient occupancy taxes	6,710,271		6,710,271
Franchise Fees	4,498,202		4,498,202
Other taxes	4,529,764		4,529,764
Intergovernmental	4,323,151		4,323,151
Interest and rentals	3,063,987		3,063,987
Licenses and permits	15,589,002		15,589,002
Charges for services	6,518,254		6,518,254
Fines and forfeitures	535,750		535,750
Other	731,752		731,752
	<u>110,109,694</u>	<u>13,379,292</u>	<u>123,488,986</u>
Total Revenues			
EXPENDITURES			
Current:			
City Council	224,257		224,257
City Clerk	956,698		956,698
City Treasurer	38,705		38,705
City Attorney	987,044		987,044
City Manager	3,725,991	267,961	3,993,952
Finance	2,917,393		2,917,393
Non-departmental	1,336,201		1,336,201
Human Resources	1,654,369		1,654,369
Fire	31,817,325		31,817,325
Police	30,959,959		30,959,959
Public Works	5,731,652		5,731,652
Parks and Recreation	15,795,645		15,795,645
Library	5,903,883		5,903,883
Economic and Community Development	6,560,605		6,560,605
	<u>108,609,727</u>	<u>267,961</u>	<u>108,877,688</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,499,967</u>	<u>13,111,331</u>	<u>14,611,298</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	(818,692)		(818,692)
Transfers in	2,272,021		2,272,021
Transfers out	(3,884,196)	(20,156,992)	(24,041,188)
	<u>(2,430,867)</u>	<u>(20,156,992)</u>	<u>(22,587,859)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances before special items	(930,900)	(7,045,661)	(7,976,561)
SPECIAL ITEMS			
Proceeds from sale of common interest			
Remittance of land sale proceeds	(1,378,533)		(1,378,533)
Net Change in Fund Balances	(2,309,433)		(9,355,094)
Fund balance - July 1	<u>70,134,714</u>	<u>14,979,381</u>	<u>85,114,095</u>
Fund balance - June 30	<u>\$67,825,281</u>	<u>\$7,933,720</u>	<u>\$75,759,001</u>

**CITY OF SOUTH SAN FRANCISCO
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	General Purpose			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amount	
	Original	Final		
Resources (inflows):				
Property taxes	\$41,595,650	\$43,051,499	\$44,239,406	\$1,187,907
Sales taxes	16,900,000	18,500,000	19,370,155	870,155
Transient occupancy taxes	7,872,437	5,904,328	6,710,271	805,943
Franchise fees	4,600,000	4,600,000	4,498,202	(101,798)
Other taxes	3,118,206	3,118,206	4,529,764	1,411,558
Intergovernmental	2,222,769	3,260,631	4,323,151	1,062,520
Interest and rentals	3,827,794	3,827,794	3,063,987	(763,807)
Licenses and permits	14,995,496	14,995,498	15,589,002	593,504
Charges for services	8,011,656	7,061,654	6,518,254	(543,400)
Fines and forfeitures	789,249	789,249	535,750	(253,499)
Other	175,341	175,341	731,752	556,411
Amounts available for appropriation	<u>104,108,598</u>	<u>105,284,200</u>	<u>110,109,694</u>	<u>4,825,494</u>
Charges to appropriations (outflows)				
City Council	284,561	284,561	224,257	60,304
City Clerk	1,096,594	1,096,593	1,016,698	79,895
City Treasurer	145,524	145,525	38,705	106,820
City Attorney	910,049	910,049	987,044	(76,995)
City Manager	2,163,106	5,132,003	5,933,537	(801,534)
Finance	3,239,292	3,639,551	3,442,495	197,056
Non-departmental	1,044,277	1,737,423	1,366,323	371,100
Human Resources	1,779,644	2,031,504	1,889,976	141,528
Fire	29,978,036	31,010,490	32,023,646	(1,013,156)
Police	31,882,490	32,020,244	30,984,959	1,035,285
Public Works	5,774,064	5,856,707	5,973,424	(116,717)
Parks and Recreation	15,654,905	16,024,167	15,978,135	46,032
Library	6,048,132	6,245,898	5,903,883	342,015
Economic and Community Development	7,205,824	9,606,747	8,415,150	1,191,597
Total charges to appropriations	<u>107,206,498</u>	<u>115,741,462</u>	<u>114,178,232</u>	<u>1,563,230</u>
OTHER FINANCING SOURCES (USES)				
Proceeds (Loss) from sale of capital assets			(818,692)	(818,692)
Transfers in	1,314,915	2,323,871	2,272,021	(51,850)
Transfers out	(5,009,171)	(8,029,073)	(3,884,196)	4,144,877
Total Other Financing Sources (Uses)	<u>(3,694,256)</u>	<u>(5,705,202)</u>	<u>(2,430,867)</u>	<u>3,274,335</u>
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEMS	<u>(6,792,156)</u>	<u>(16,162,464)</u>	<u>(6,499,405)</u>	<u>9,663,059</u>
SPECIAL ITEMS				
Remittance of land sale proceeds			(1,378,533)	(1,378,533)
Net Change in Fund Balances	<u>(\$6,792,156)</u>	<u>(\$16,162,464)</u>	<u>(7,877,938)</u>	<u>\$8,284,526</u>
Fund Balance - July 1			70,134,714	
Adjustment to budgetary basis:				
Encumbrance adjustments			5,568,505	
Fund Balance - June 30			<u>\$67,825,281</u>	

(Continued)

**CITY OF SOUTH SAN FRANCISCO
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	Measure W			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amount	
	Original	Final		
Resources (inflows):				
Property taxes				
Sales taxes	\$12,708,000	\$12,708,000	\$13,379,292	\$671,292
Transient occupancy taxes				
Franchise fees				
Other taxes				
Intergovernmental				
Interest and rentals				
Licenses and permits				
Charges for services				
Fines and forfeitures				
Other				
Amounts available for appropriation	<u>12,708,000</u>	<u>12,708,000</u>	<u>13,379,292</u>	<u>671,292</u>
Charges to appropriations (outflows)				
City Council				
City Clerk				
City Treasurer				
City Attorney				
City Manager		327,826	280,636	47,190
Finance				
Non-departmental				
Human Resources				
Fire				
Police				
Public Works				
Parks and Recreation				
Library				
Economic and Community Development				
Total charges to appropriations		<u>327,826</u>	<u>280,636</u>	<u>47,190</u>
OTHER FINANCING SOURCES (USES)				
Proceeds (Loss) from sale of capital assets				
Transfers in				
Transfers out	(3,434,200)	(33,587,438)	(20,156,992)	13,430,446
Total Other Financing Sources (Uses)	<u>(3,434,200)</u>	<u>(33,587,438)</u>	<u>(20,156,992)</u>	<u>13,430,446</u>
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEMS	9,273,800	(21,207,264)	(7,058,336)	14,148,928
SPECIAL ITEMS				
Remittance of land sale proceeds				
Net Change in Fund Balances	<u>\$9,273,800</u>	<u>(\$21,207,264)</u>	(7,058,336)	<u>\$14,148,928</u>
Fund Balance - July 1			14,979,381	
Adjustment to budgetary basis:				
Encumbrance adjustments			<u>12,675</u>	
Fund Balance - June 30			<u>\$7,933,720</u>	

(Continued)

**CITY OF SOUTH SAN FRANCISCO
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	Total			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amount	
	Original	Final		
Resources (inflows):				
Property taxes	\$41,595,650	\$43,051,499	\$44,239,406	\$1,187,907
Sales taxes	29,608,000	31,208,000	32,749,447	1,541,447
Transient occupancy taxes	7,872,437	5,904,328	6,710,271	805,943
Franchise fees	4,600,000	4,600,000	4,498,202	(101,798)
Other taxes	3,118,206	3,118,206	4,529,764	1,411,558
Intergovernmental	2,222,769	3,260,631	4,323,151	1,062,520
Interest and rentals	3,827,794	3,827,794	3,063,987	(763,807)
Licenses and permits	14,995,496	14,995,498	15,589,002	593,504
Charges for services	8,011,656	7,061,654	6,518,254	(543,400)
Fines and forfeitures	789,249	789,249	535,750	(253,499)
Other	175,341	175,341	731,752	556,411
Amounts available for appropriation	116,816,598	117,992,200	123,488,986	5,496,786
Charges to appropriations (outflows)				
City Council	284,561	284,561	224,257	60,304
City Clerk	1,096,594	1,096,593	1,016,698	79,895
City Treasurer	145,524	145,525	38,705	106,820
City Attorney	910,049	910,049	987,044	(76,995)
City Manager	2,163,106	5,459,829	6,214,173	(754,344)
Finance	3,239,292	3,639,551	3,442,495	197,056
Non-departmental	1,044,277	1,737,423	1,366,323	371,100
Human Resources	1,779,644	2,031,504	1,889,976	141,528
Fire	29,978,036	31,010,490	32,023,646	(1,013,156)
Police	31,882,490	32,020,244	30,984,959	1,035,285
Public Works	5,774,064	5,856,707	5,973,424	(116,717)
Parks and Recreation	15,654,905	16,024,167	15,978,135	46,032
Library	6,048,132	6,245,898	5,903,883	342,015
Economic and Community Development	7,205,824	9,606,747	8,415,150	1,191,597
Total charges to appropriations	107,206,498	116,069,288	114,458,868	1,610,420
OTHER FINANCING SOURCES (USES)				
Proceeds (Loss) from sale of capital assets			(818,692)	(818,692)
Transfers in	1,314,915	2,323,871	2,272,021	(51,850)
Transfers out	(8,443,371)	(41,616,511)	(24,041,188)	17,575,323
Total Other Financing Sources (Uses)	(7,128,456)	(39,292,640)	(22,587,859)	16,704,781
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEMS	2,481,644	(37,369,728)	(13,557,741)	23,811,987
SPECIAL ITEMS				
Remittance of land sale proceeds			(1,378,533)	(1,378,533)
Net Change in Fund Balances	\$2,481,644	(\$37,369,728)	(14,936,274)	\$22,433,454
Fund Balance - July 1			85,114,095	
Adjustment to budgetary basis: Encumbrance adjustments			5,581,180	
Fund Balance - June 30			\$75,759,001	

<p style="text-align: center;">MAJOR GOVERNMENTAL FUNDS OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS</p>

EAST OF 101 SEWER IMPACT FEES CAPITAL PROJECTS FUND

These fees provide new development's share of new and rehabilitated sewer collection and treatment facilities to serve the East of Highway 101 area.

TRAFFIC IMPACT FEES CAPITAL PROJECTS FUND

These fees are to provide new development's share of new and expanded roadway and intersection improvements to serve the East of Highway 101 area and other areas within the City.

CHILD CARE IMPACT FEES CAPITAL PROJECTS FUND

These citywide fees provide new development's share of new and expanded childcare facilities to serve the City.

DEVELOPER DEPOSIT CAPITAL PROJECTS FUND

These fees provide new development's share of funding for the Oyster Point at Highway 101 interchange improvements.

CAPITAL INFRASTRUCTURE RESERVE FUND

Replacement, upgrade, and maintenance of the City's infrastructure are backlogged, constituting a significant liability. Funds are set aside in this fund as part of the budget process and as part of the City's reserve policy to address the replacement and/or upgrade of the city infrastructure (such as parks, buildings, facilities, streets, sidewalks, and storm water facilities).

CAPITAL IMPROVEMENT POLICE STATION CAPITAL PROJECTS FUND

Accounts for expenditures associated with the acquisition, construction, and installation of certain capital improvements constituting to new City police station located within the City's new Civic Center Campus, and related improvements, facilities and equipment's, and pay the costs incurred in connection with the issuance of the Series 2020A Bonds.

CAPITAL IMPROVEMENT CIVIC CAMPUS CAPITAL PROJECTS FUND

Accounts for expenditures associated with the acquisition, construction, and installation of certain capital improvements constituting the City's new Civic Center Campus, and related improvements, facilities and equipment's, and pay the costs incurred in connection with the issuance of the Series 2021A Bonds.

**CITY OF SOUTH SAN FRANCISCO
EAST OF 101 SEWER IMPACT FEES CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$8,886	\$8,886
Charges for services		443,483	443,483
Total Revenues		452,369	452,369
EXPENDITURES:			
Current:			
Non-departmental	\$1,850	1,850	
Total Expenditures	1,850	1,850	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,850)	450,519	452,369
OTHER FINANCING SOURCES (USES)			
Transfers out	(6,686,470)	(1,714,080)	4,972,390
Total other financing sources (uses)	(6,686,470)	(1,714,080)	4,972,390
NET CHANGE IN FUND BALANCE	(\$6,688,320)	(1,263,561)	\$5,424,759
Fund balance (deficit) - July 1		5,407,840	
Fund balance (deficit) - June 30		\$4,144,279	

**CITY OF SOUTH SAN FRANCISCO
TRAFFIC IMPACT FEES CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$44,479	\$44,479
Charges for services		1,962,094	1,962,094
Total Revenues		2,006,573	2,006,573
EXPENDITURES:			
Current:			
Public works	\$1,850	1,850	
Total Expenditures	1,850	1,850	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,850)	2,004,723	2,006,573
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(22,949,612)	(2,530,159)	20,419,453
Total other financing sources (uses)	(22,949,612)	(2,530,159)	20,419,453
NET CHANGE IN FUND BALANCE	(\$22,951,462)	(525,436)	\$22,426,026
Fund balance - July 1		25,015,746	
Fund balance - June 30		\$24,490,310	

**CITY OF SOUTH SAN FRANCISCO
CHILD CARE IMPACT FEES CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$12,236	\$12,236
Charges for services		629,882	629,882
Total Revenues		642,118	642,118
EXPENDITURES:			
Current:			
Non-departmental	\$1,850	1,850	
Total Expenditures	1,850	1,850	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,850)	640,268	642,118
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(5,500,000)	(37,150)	5,462,850
Total other financing sources (uses)	(5,500,000)	(37,150)	5,462,850
NET CHANGE IN FUND BALANCE	(\$5,501,850)	603,118	\$6,104,968
Fund balance - July 1		6,185,208	
Fund balance - June 30		\$6,788,326	

**CITY OF SOUTH SAN FRANCISCO
DEVELOPER DEPOSIT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Interest and rental	<u> </u>	<u> \$890</u>	<u> \$890</u>
Total Revenues	<u> </u>	<u> 890</u>	<u> 890</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u> </u>	<u> 890</u>	<u> 890</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u> </u>	<u> (17,678)</u>	<u> (17,678)</u>
Total other financing sources (uses)	<u> </u>	<u> (17,678)</u>	<u> (17,678)</u>
NET CHANGE IN FUND BALANCE	<u> </u>	<u> (16,788)</u>	<u> (\$16,788)</u>
Fund balance - July 1		<u> 16,788</u>	
Fund balance - June 30		<u> </u>	

**CITY OF SOUTH SAN FRANCISCO
CAPITAL INFRASTRUCTURE RESERVE CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for services		\$250,000	\$250,000
Interest and rental		54,022	54,022
Total Revenues		304,022	304,022
EXPENDITURES			
Current:			
Public Works	\$1,638,521	1,635,521	3,000
Total Expenditures	1,638,521	1,635,521	3,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,638,521)	(1,331,499)	307,022
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers out	(5,630,817)	(3,100,805)	2,530,012
Total other financing sources (uses)	(5,630,817)	(3,100,805)	2,530,012
NET CHANGE IN FUND BALANCE	(\$7,269,338)	(4,432,304)	\$2,837,034
Fund balance - July 1		29,363,924	
Adjustment to budgetary basis:			
Encumbrance adjustments		963,000	
Fund balance - June 30		\$25,894,620	

**CITY OF SOUTH SAN FRANCISCO
CAPITAL IMPROVEMENTS POLICE STATION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Interest and rental	<u>\$57,615</u>	<u>\$117,606</u>	<u>\$59,991</u>
Total Revenues	<u>57,615</u>	<u>117,606</u>	<u>59,991</u>
EXPENDITURES			
Current:			
Police	<u>46,639,582</u>	<u>45,963,455</u>	<u>676,127</u>
Total Expenditures	<u>46,639,582</u>	<u>45,963,455</u>	<u>676,127</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(46,581,967)</u>	<u>(45,845,849)</u>	<u>736,118</u>
NET CHANGE IN FUND BALANCE	<u>(\$46,581,967)</u>	<u>(45,845,849)</u>	<u>\$736,118</u>
Fund balance - July 1		46,604,509	
Adjustment to budgetary basis:			
Encumbrance adjustments		<u>6,029,988</u>	
Fund balance - June 30		<u>\$6,788,648</u>	

**CITY OF SOUTH SAN FRANCISCO
CAPITAL IMPROVEMENTS CIVIC CAMPUS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES			
Current:			
Public Works	\$15,000,000	\$14,686,104	\$313,896
Debt service:			
Interest and fiscal charges		475,260	(475,260)
Total Expenditures	<u>15,000,000</u>	<u>15,161,364</u>	<u>(161,364)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(15,000,000)</u>	<u>(15,161,364)</u>	<u>(161,364)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt		64,939,141	64,939,141
Bond premium		13,587,424	13,587,424
Transfers in	<u>15,000,000</u>	<u>12,368,084</u>	<u>(2,631,916)</u>
Total other financing sources (uses)	<u>15,000,000</u>	<u>90,894,649</u>	<u>75,894,649</u>
NET CHANGE IN FUND BALANCE	<u><u> </u></u>	<u>75,733,285</u>	<u>\$75,733,285</u>
Fund balance - July 1			
Adjustment to budgetary basis:			
Encumbrance adjustments		<u>2,241,848</u>	
Fund balance - June 30		<u><u>\$77,975,133</u></u>	

NON-MAJOR GOVERNMENTAL FUNDS

Special revenue funds are used to account for revenue sources that are restricted by law or administrative action to expenditures for specified purposes. Special revenue funds used by the City of South San Francisco include:

Gas Tax – Accounts for State monies received and expended for street improvements, repairs, engineering, and administration under Streets and Highway Code Sections 2105, 2106, 2107, and 2107.5. Includes sales taxes on gasoline received from the State’s Traffic Congestion Relief Fund.

Developer Contributions – Accounts for fees deposited for planning and engineering reviews or for future project development.

Federal Aviation Grant – This fund accounts for federal monies received for insulating structures against airport noise.

Community Development Block Grant – Accounts for Federal monies received to be expended for development of jobs and suitable housing for low-income residents.

Maintenance Districts – Accounts for a portion of property tax dedicated to provide for the maintenance of landscaped areas within housing developments.

Transportation Sales Tax – Accounts for the sales tax that provides resources for street improvements and repairs.

Solid Waste Reduction – Accounts for revenues and expenditures associated with the waste reduction, recycling, composting and household hazardous waste programs for residents and businesses.

Supplemental Law Enforcement Services – Accounts for State monies provided for designated Police department services.

City Programs – Organizations and individuals provide revenues that fund certain programs and services.

Affordable Housing Trust – The inclusionary housing requirement in the City provides that 20% of new residential housing units (for projects of 4 or more units) be affordable. These in-lieu fees (in-lieu of production of affordable housing units by the developer) provide new residential development’s share of affordable housing units.

PEG Equipment and Access – Accounts for the one percent of money set-aside from cable franchise fees that are used to support public, educational and governmental (PEG) channels.

Transit Station Enhancement in-Lieu Fee – Accounts for revenues that are collected as a negotiated community benefit.

Road Maintenance and Rehabilitation – Accounts for State monies received and expended for road maintenance and rehabilitation pursuant to Senate Bill 1, approved in 2017.

San Mateo County (SMC) Measure W ½ Sales Tax – Accounts for the City’s portion of the special half cent sales tax receipts restricted for congestion relief and transit improvements.

American Rescue Plan Act – Accounts for the City’s allocation of American Rescue Plan federal stimulus funds, as part of the federal government’s response to the impacts of the COVID-19 pandemic.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Capital projects funds are used to account for resources used for the acquisition and construction of capital facilities or major capital equipment, except for capital improvements financed by proprietary funds. Capital projects funds used at the City of South San Francisco include:

Non-obligated Capital Projects – Accounts for the construction of assets financed by non-obligated debt.

Public Safety Impact Fee – These fees are to provide new development’s share of funding for the replacement of public safety capital equipment, vehicles and facilities.

Oyster Point Improvements Impact Fees – These fees provide new development’s share of funding for the Oyster Point at Highway 101 interchange improvements.

Sewer Capacity Charges – Accounts for cost recovery charged to new development based on proportional benefit, associated with providing sewer collection and treatment capacity to new development, both through existing infrastructure provided, and through future capital projects not funded by other sources.

Oyster Point Development Impact Fees – Accounts for expenditures associated with the acquisition, construction, or improvement related to Oyster Point Development.

Park Land Acquisition Fee – Accounts for monies received and expended pursuant to SSFMC Chapter 8.67 and Mitigation Fee Act for park land acquisition.

Park Construction Fee – Accounts for monies received and expended pursuant to SSFMC Chapter 8.67 and Mitigation Fee Act for park construction.

Bicycle and Pedestrian Impact Fee – Accounts for monies received and expended pursuant to SSFMC Chapter 8.68 for mitigation of impacts of new development on bicycle and pedestrian improvements in the City.

Commercial Linkage Impact Fee – Accounts for affordable housing funding created by new commercial development.

Debt service funds are used to account for resources used for the payment of debt service on long-term debt. Debt service funds used at the City of South San Francisco include:

2020A Police Station - Accounts for expenditures associated with the acquisition, construction, and installation of certain capital improvements constituting the new City police station located within the City’s new Civic Center Campus, and related improvements, facilities and equipment, and pay the costs incurred in connection with the issuance of the Series 2020A Bonds.

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**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021**

SPECIAL REVENUE FUNDS					
	Gas Tax	Developer Contributions	Federal Aviation Grant	Community Development Block Grant	Maintenance Districts
ASSETS					
Cash and investments	\$329,254	\$8,972,389			\$4,787,169
Receivables:					
Accounts		214,001		\$2,750	67,746
Accrued interest	1,018	28,837			
Loans				688,888	
Restricted cash and investments				9,185	
Total Assets	\$330,272	\$9,215,227		\$700,823	\$4,854,915
LIABILITIES					
Liabilities:					
Accounts payable		\$119,158		\$43,457	\$38,513
Other payable		37,487		548,980	
Deposits		2,613,681			
Unearned revenue					
Total Liabilities		2,770,326		592,437	38,513
Fund Balances:					
Restricted	\$330,272	6,444,901		108,386	4,816,402
Total Fund Balances	330,272	6,444,901		108,386	4,816,402
Total Liabilities and Fund Balances	\$330,272	\$9,215,227		\$700,823	\$4,854,915

SPECIAL REVENUE FUNDS

Transportation Sales Tax	Solid Waste Reduction	Supplemental Law Enforce- ment Services	City Programs	Affordable Housing Trust	PEG Equipment and Access	Transit Station Enhancement In-Lieu Fee
\$2,516,047	\$759,499	\$981	\$11,521,916	\$815,747	\$1,593,114	\$1,770,815
	17,191			331	38,874	
8,552		118	30,647	4,669 16,078	4,363	6,150
<u>\$2,524,599</u>	<u>\$776,690</u>	<u>\$1,099</u>	<u>\$11,552,563</u>	<u>\$836,825</u>	<u>\$1,636,351</u>	<u>\$1,776,965</u>
	\$80 74,849		\$151,344 52	\$7,800		
	74,929		151,396	7,800		
<u>\$2,524,599</u>	<u>701,761</u>	<u>\$1,099</u>	<u>11,401,167</u>	<u>829,025</u>	<u>\$1,636,351</u>	<u>\$1,776,965</u>
<u>2,524,599</u>	<u>701,761</u>	<u>1,099</u>	<u>11,401,167</u>	<u>829,025</u>	<u>1,636,351</u>	<u>1,776,965</u>
<u>\$2,524,599</u>	<u>\$776,690</u>	<u>\$1,099</u>	<u>\$11,552,563</u>	<u>\$836,825</u>	<u>\$1,636,351</u>	<u>\$1,776,965</u>

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021**

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS	
	Road Maintenance and Rehabilitation	SMC Measure W 1/2 Cent Sales Tax	American Rescue Plan Act	Non-obligated Capital Projects	Public Safety Impact Fee
ASSETS					
Cash and investments	\$901,622	\$459,438	\$5,879,471		\$1,495,466
Receivables:					
Accounts	122,667	153,148			
Accrued interest	4,920	1,675			3,920
Loans					
Restricted cash and investments					
Total Assets	\$1,029,209	\$614,261	\$5,879,471		\$1,499,386
LIABILITIES					
Liabilities:					
Accounts payable					
Other payable					
Deposits					
Unearned revenue			\$5,879,471		
Total Liabilities			5,879,471		
Fund Balances:					
Restricted	\$1,029,209	\$614,261			\$1,499,386
Total Fund Balances	1,029,209	614,261			1,499,386
Total Liabilities and Fund Balances	\$1,029,209	\$614,261	\$5,879,471		\$1,499,386

CAPITAL PROJECTS FUNDS

Oyster Point Improvement Impact Fees	Sewer Capacity Charges	Oyster Point Development Impact Fees	Park Land Acquisition Fee	Park Construction Fee	Bicycle and Pedestrian Impact Fee	Commercial Linkage Impact Fee
\$38,596	\$7,703,134	\$62,061	\$1,600,996	\$5,336,002	\$116,578	\$10,215,641
113	22,994	54,097	2,777	8,780	235	16,314
<u>\$38,709</u>	<u>\$7,726,128</u>	<u>\$116,158</u>	<u>\$1,603,773</u>	<u>\$5,344,782</u>	<u>\$116,813</u>	<u>\$10,231,955</u>
		\$63,055				\$20,330
		63,055				20,330
<u>\$38,709</u>	<u>\$7,726,128</u>	<u>53,103</u>	<u>\$1,603,773</u>	<u>\$5,344,782</u>	<u>\$116,813</u>	<u>10,211,625</u>
<u>38,709</u>	<u>7,726,128</u>	<u>53,103</u>	<u>1,603,773</u>	<u>5,344,782</u>	<u>116,813</u>	<u>10,211,625</u>
<u>\$38,709</u>	<u>\$7,726,128</u>	<u>\$116,158</u>	<u>\$1,603,773</u>	<u>\$5,344,782</u>	<u>\$116,813</u>	<u>\$10,231,955</u>

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021**

	DEBT SERVICE FUND	Total Nonmajor Governmental Funds
	2020A Bonds	Funds
ASSETS		
Cash and investments		\$66,875,936
Receivables:		
Accounts		670,805
Accrued interest		146,082
Loans		704,966
Restricted cash and investments		9,185
Total Assets		\$68,406,974
 LIABILITIES		
Liabilities:		
Accounts payable		\$443,737
Other payable		661,368
Deposits		2,613,681
Unearned revenue		5,879,471
Total Liabilities		9,598,257
Fund Balances:		
Restricted		58,808,717
Total Fund Balances		58,808,717
Total Liabilities and Fund Balances		\$68,406,974

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**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	SPECIAL REVENUE FUNDS				
	Gas Tax	Developer Contributions	Federal Aviation Grants	Community Development Block Grant	Maintenance Districts
REVENUES					
Property taxes					\$2,210,329
Sales taxes					
Other taxes					
Intergovernmental	\$1,806,304			\$653,871	
Interest and rentals	642	\$16,274	\$1,252	18,826	
Charges for services		1,134,536		30,000	
Other		11,109			
	1,806,946	1,161,919	1,252	702,697	2,210,329
EXPENDITURES					
Current:					
Economic and community development		616,973		903,801	
Public works					1,667,899
Police					
Other		500,000			
Debt service:					
Principal repayments					
Interest and fiscal charges					
		1,116,973		903,801	1,667,899
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,806,946	44,946	1,252	(201,104)	542,430
OTHER FINANCING SOURCES (USES)					
Loss on sale of property					
Transfers in					
Transfers out	(1,916,433)	(1,538,895)	(1,252)	(43,096)	
	(1,916,433)	(1,538,895)	(1,252)	(43,096)	
Net Change in Fund Balances	(109,487)	(1,493,949)		(244,200)	542,430
Fund balance - July 1	439,759	7,938,850		352,586	4,273,972
Fund balance - June 30	\$330,272	\$6,444,901		\$108,386	\$4,816,402

SPECIAL REVENUE FUNDS

<u>Transportation Sales Tax</u>	<u>Solid Waste Reduction</u>	<u>Supplemental Law Enforce- ment Services</u>	<u>City Programs</u>	<u>Affordable Housing Trust</u>	<u>PEG Equipment and Access</u>	<u>Transit Station Enhancement In-Lieu Fee</u>
\$1,608,269		\$160,781				
5,729	\$206,295	116	\$44,186	\$4,132	\$2,974	\$4,099
			6,747,552	4,500	154,348	
<u>1,613,998</u>	<u>206,295</u>	<u>160,897</u>	<u>6,791,738</u>	<u>8,632</u>	<u>157,322</u>	<u>4,099</u>
	182,869					
		60,897	1,370,081	1,238,299		
	<u>182,869</u>	<u>60,897</u>	<u>1,370,081</u>	<u>1,238,299</u>		
<u>1,613,998</u>	<u>23,426</u>	<u>100,000</u>	<u>5,421,657</u>	<u>(1,229,667)</u>	<u>157,322</u>	<u>4,099</u>
				(1,899,999)		
<u>(1,889,208)</u>	<u>(14,632)</u>	<u>(100,000)</u>	<u>(567,270)</u>			<u>(475,659)</u>
<u>(1,889,208)</u>	<u>(14,632)</u>	<u>(100,000)</u>	<u>(567,270)</u>	<u>(1,899,999)</u>		<u>(475,659)</u>
(275,210)	8,794		4,854,387	(3,129,666)	157,322	(471,560)
<u>2,799,809</u>	<u>692,967</u>	<u>1,099</u>	<u>6,546,780</u>	<u>3,958,691</u>	<u>1,479,029</u>	<u>2,248,525</u>
<u>\$2,524,599</u>	<u>\$701,761</u>	<u>\$1,099</u>	<u>\$11,401,167</u>	<u>\$829,025</u>	<u>\$1,636,351</u>	<u>\$1,776,965</u>

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS	
	Road Maintenance and Rehabilitation	SMC Measure W 1/2 Cent Sales Tax	American Rescue Plan Act	Non-obligated Capital Projects	Public Safety Impact Fee
REVENUES					
Property taxes					
Sales taxes		\$751,698			
Other taxes					
Intergovernmental	\$1,245,493		\$260,000		
Interest and rentals	3,263	1,022			\$2,580
Charges for services					
Other					243,887
Total Revenues	1,248,756	752,720	260,000		246,467
EXPENDITURES					
Current:					
Economic and community development					
Public works					
Police					
Other			260,000		
Debt service:					
Principal repayments					
Interest and fiscal charges					
Total Expenditures			260,000		
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,248,756	752,720			246,467
OTHER FINANCING SOURCES (USES)					
Loss on sale of property					
Transfers in					
Transfers out	(1,921,293)	(733,382)		(\$41,857)	(143,753)
Total Other Financing Sources (Uses)	(1,921,293)	(733,382)		(41,857)	(143,753)
Net Change in Fund Balances	(672,537)	19,338		(41,857)	102,714
Fund balance - July 1	1,701,746	594,923		41,857	1,396,672
Fund balance - June 30	<u>\$1,029,209</u>	<u>\$614,261</u>			<u>\$1,499,386</u>

CAPITAL PROJECTS FUNDS

Oyster Point Improvement Impact Fees	Sewer Capacity Charges	Oyster Point Development Impact Fees	Park Land Acquisition Fee	Park Construction Fee	Bicycle and Pedestrian Impact Fee	Commercial Linkage Impact Fee
		\$8,172,201				
\$75	15,652	92	\$1,918	\$6,469	\$174	\$10,425
	1,900,697	723,211	769,296	3,063,248	50,727	5,365,449
<u>75</u>	<u>1,916,349</u>	<u>8,895,504</u>	<u>771,214</u>	<u>3,069,717</u>	<u>50,901</u>	<u>5,375,874</u>
	1,850	8,882,578				
40,000						121,711
<u>40,000</u>	<u>1,850</u>	<u>8,882,578</u>				<u>121,711</u>
<u>(39,925)</u>	<u>1,914,499</u>	<u>12,926</u>	<u>771,214</u>	<u>3,069,717</u>	<u>50,901</u>	<u>5,254,163</u>
	(2,338,118)		(36,173)			
	<u>(2,338,118)</u>		<u>(36,173)</u>			
<u>(39,925)</u>	<u>(423,619)</u>	<u>12,926</u>	<u>735,041</u>	<u>3,069,717</u>	<u>50,901</u>	<u>5,254,163</u>
<u>78,634</u>	<u>8,149,747</u>	<u>40,177</u>	<u>868,732</u>	<u>2,275,065</u>	<u>65,912</u>	<u>4,957,462</u>
<u>\$38,709</u>	<u>\$7,726,128</u>	<u>\$53,103</u>	<u>\$1,603,773</u>	<u>\$5,344,782</u>	<u>\$116,813</u>	<u>\$10,211,625</u>

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	DEBT SERVICE FUND	
	2020A Bonds	Total Nonmajor Governmental Funds
REVENUES		
Property taxes		\$2,210,329
Sales taxes		751,698
Other taxes		1,769,050
Intergovernmental		12,137,869
Interest and rentals		139,900
Charges for services		13,243,459
Other		7,161,396
Total Revenues		37,413,701
EXPENDITURES		
Current:		
Economic and community development		1,703,643
Public works		10,552,327
Police		60,897
Other		3,490,091
Debt service:		
Principal repayments	\$935,000	975,000
Interest and fiscal charges	1,832,200	1,832,200
Total Expenditures	2,767,200	18,614,158
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,767,200)	18,799,543
OTHER FINANCING SOURCES (USES)		
Loss on sale of property		(1,899,999)
Transfers in	2,767,200	2,767,200
Transfers out		(11,761,021)
Total Other Financing Sources (Uses)	2,767,200	(10,893,820)
Net Change in Fund Balances		7,905,723
Fund balance - July 1		50,902,994
Fund balance - June 30		\$58,808,717

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**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>GAS TAX</u>			<u>FEDERAL AVIATION GRANT</u>		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Sales taxes						
Other taxes						
Intergovernmental	\$1,989,358	\$1,806,304	(\$183,054)			
Interest and rentals	15,000	642	(14,358)	\$4,000	\$1,252	(\$2,748)
Charges for services						
Other						
Total Revenues	<u>2,004,358</u>	<u>1,806,946</u>	<u>(197,412)</u>	<u>4,000</u>	<u>1,252</u>	<u>(2,748)</u>
EXPENDITURES						
Current:						
City Council						
Economic and community development						
Public works						
Fire						
Police						
Other						
Debt service:						
Principal repayments						
Interest and fiscal charges						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,004,358</u>	<u>1,806,946</u>	<u>(197,412)</u>	<u>4,000</u>	<u>1,252</u>	<u>(2,748)</u>
OTHER FINANCING SOURCES (USES)						
Loss on sale of property						
Transfers in						
Transfers out	<u>(2,486,329)</u>	<u>(1,916,433)</u>	<u>569,896</u>		<u>(1,252)</u>	<u>(1,252)</u>
Total Other Financing Sources (Uses)	<u>(2,486,329)</u>	<u>(1,916,433)</u>	<u>569,896</u>		<u>(1,252)</u>	<u>(1,252)</u>
NET CHANGE IN FUND BALANCES	<u>(\$481,971)</u>	<u>(109,487)</u>	<u>\$372,484</u>	<u>\$4,000</u>		<u>(\$4,000)</u>
Adjustment to budgetary basis:						
Encumbrance adjustments						
Fund balance - July 1		<u>439,759</u>				
Fund balance - June 30		<u>\$330,272</u>				

COMMUNITY DEVELOPMENT BLOCK GRANT			MAINTENANCE DISTRICTS			TRANSPORTATION SALES TAX		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
			\$1,798,633	\$2,210,329	\$411,696			
\$700,000	\$653,871	(\$46,129)				\$1,527,755	\$1,608,269	\$80,514
120,000	18,826	(101,174)				25,000	5,729	(19,271)
574,525	30,000	(544,525)						
<u>1,394,525</u>	<u>702,697</u>	<u>(691,828)</u>	<u>1,798,633</u>	<u>2,210,329</u>	<u>411,696</u>	<u>1,552,755</u>	<u>1,613,998</u>	<u>61,243</u>
1,815,292	1,282,890	532,402	2,224,835	1,706,402	518,433			
<u>1,815,292</u>	<u>1,282,890</u>	<u>532,402</u>	<u>2,224,835</u>	<u>1,706,402</u>	<u>518,433</u>			
<u>(420,767)</u>	<u>(580,193)</u>	<u>(159,426)</u>	<u>(426,202)</u>	<u>503,927</u>	<u>930,129</u>	<u>1,552,755</u>	<u>1,613,998</u>	<u>61,243</u>
<u>(43,096)</u>	<u>(43,096)</u>					<u>(4,202,484)</u>	<u>(1,889,208)</u>	<u>2,313,276</u>
<u>(43,096)</u>	<u>(43,096)</u>					<u>(4,202,484)</u>	<u>(1,889,208)</u>	<u>2,313,276</u>
<u>(\$463,863)</u>	<u>(623,289)</u>	<u>(\$159,426)</u>	<u>(\$426,202)</u>	<u>503,927</u>	<u>\$930,129</u>	<u>(\$2,649,729)</u>	<u>(275,210)</u>	<u>\$2,374,519</u>
	379,089			38,503				
	<u>352,586</u>			<u>4,273,972</u>			<u>2,799,809</u>	
	<u>\$108,386</u>			<u>\$4,816,402</u>			<u>\$2,524,599</u>	

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	SOLID WASTE REDUCTION			PEG EQUIPMENT AND ACCESS		
	Final		Variance	Final		Variance
	Budget	Actual	Positive (Negative)	Budget	Actual	Positive (Negative)
REVENUES						
Property taxes						
Sales taxes						
Other taxes						
Intergovernmental						
Interest and rentals				\$5,000	\$2,974	(\$2,026)
Charges for services	\$180,000	\$206,295	\$26,295			
Other				125,000	154,348	29,348
Total Revenues	<u>180,000</u>	<u>206,295</u>	<u>26,295</u>	<u>130,000</u>	<u>157,322</u>	<u>27,322</u>
EXPENDITURES						
Current:						
City Council						
Economic and community development	238,309	265,610	(27,301)			
Public works						
Fire						
Police						
Other						
Debt service:						
Principal repayments						
Interest and fiscal charges						
Total Expenditures	<u>238,309</u>	<u>265,610</u>	<u>(27,301)</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(58,309)</u>	<u>(59,315)</u>	<u>(1,006)</u>	<u>130,000</u>	<u>157,322</u>	<u>27,322</u>
OTHER FINANCING SOURCES (USES)						
Loss on sale of property						
Transfers in						
Transfers out	(121,258)	(14,632)	106,626			
Total Other Financing Sources (Uses)	<u>(121,258)</u>	<u>(14,632)</u>	<u>106,626</u>			
NET CHANGE IN FUND BALANCES	<u><u>(\$179,567)</u></u>	<u><u>(73,947)</u></u>	<u><u>\$105,620</u></u>	<u><u>\$130,000</u></u>	<u><u>157,322</u></u>	<u><u>\$27,322</u></u>
Adjustment to budgetary basis:						
Encumbrance adjustments		82,741				
Fund balance - July 1		<u>692,967</u>			<u>1,479,029</u>	
Fund balance - June 30		<u><u>\$701,761</u></u>			<u><u>\$1,636,351</u></u>	

TRANSIT ENHANCEMENT IN-LIEU FEE			ROAD MAINTENANCE AND REHABILITATION			SMC MEASURE W 1/2 CENT SALES TAX		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
						\$600,000	\$751,698	\$151,698
	\$4,099	\$4,099	\$1,209,685	\$1,245,493 3,263	\$35,808 3,263		1,022	1,022
	<u>4,099</u>	<u>4,099</u>	<u>1,209,685</u>	<u>1,248,756</u>	<u>39,071</u>	<u>600,000</u>	<u>752,720</u>	<u>152,720</u>
	<u>4,099</u>	<u>4,099</u>	<u>1,209,685</u>	<u>1,248,756</u>	<u>39,071</u>	<u>600,000</u>	<u>752,720</u>	<u>152,720</u>
<u>(\$939,895)</u>	<u>(475,659)</u>	<u>464,236</u>	<u>(3,315,253)</u>	<u>(1,921,293)</u>	<u>1,393,960</u>	<u>(775,136)</u>	<u>(733,382)</u>	<u>41,754</u>
<u>(939,895)</u>	<u>(475,659)</u>	<u>464,236</u>	<u>(3,315,253)</u>	<u>(1,921,293)</u>	<u>1,393,960</u>	<u>(775,136)</u>	<u>(733,382)</u>	<u>41,754</u>
<u>(\$939,895)</u>	<u>(471,560)</u>	<u>\$468,335</u>	<u>(\$2,105,568)</u>	<u>(672,537)</u>	<u>\$1,433,031</u>	<u>(\$175,136)</u>	<u>19,338</u>	<u>\$194,474</u>
	<u>2,248,525</u>			<u>1,701,746</u>			<u>594,923</u>	
	<u>\$1,776,965</u>			<u>\$1,029,209</u>			<u>\$614,261</u>	

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	PUBLIC SAFETY IMPACT FEE			SEWER CAPACITY CHARGES		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Sales taxes						
Other taxes						
Intergovernmental						
Interest and rentals		\$2,580	\$2,580		\$15,652	\$15,652
Charges for services				\$200,000	1,900,697	1,700,697
Other		243,887	243,887			
Total Revenues		<u>246,467</u>	<u>246,467</u>	<u>200,000</u>	<u>1,916,349</u>	<u>1,716,349</u>
EXPENDITURES						
Current:						
City Council						
Economic and community development						
Public works				1,850	1,850	
Fire	\$9,446	9,446				
Police						
Other						
Debt service:						
Principal repayments						
Interest and fiscal charges						
Total Expenditures	<u>9,446</u>	<u>9,446</u>		<u>1,850</u>	<u>1,850</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,446)</u>	<u>237,021</u>	<u>246,467</u>	<u>198,150</u>	<u>1,914,499</u>	<u>1,716,349</u>
OTHER FINANCING SOURCES (USES)						
Loss on sale of property						
Transfers in						
Transfers out	<u>(276,150)</u>	<u>(143,753)</u>	<u>132,397</u>	<u>(3,794,783)</u>	<u>(2,338,118)</u>	<u>1,456,665</u>
Total Other Financing Sources (Uses)	<u>(276,150)</u>	<u>(143,753)</u>	<u>132,397</u>	<u>(3,794,783)</u>	<u>(2,338,118)</u>	<u>1,456,665</u>
NET CHANGE IN FUND BALANCES	<u><u>(\$285,596)</u></u>	<u>93,268</u>	<u><u>\$378,864</u></u>	<u><u>(\$3,596,633)</u></u>	<u>(423,619)</u>	<u><u>\$3,173,014</u></u>
Adjustment to budgetary basis:						
Encumbrance adjustments		9,446				
Fund balance - July 1		<u>1,396,672</u>			<u>8,149,747</u>	
Fund balance - June 30		<u><u>\$1,499,386</u></u>			<u><u>\$7,726,128</u></u>	

PARK LAND ACQUISITION FEE			PARK CONSTRUCTION FEE			2020A BONDS		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
	\$1,918	\$1,918		\$6,469	\$6,469			
	769,296	769,296		3,063,248	3,063,248			
	771,214	771,214		3,069,717	3,069,717			
						\$935,000	\$935,000	
						1,832,200	1,832,200	
						2,767,200	2,767,200	
	771,214	771,214		3,069,717	3,069,717	(2,767,200)	(2,767,200)	
(\$60,000)	(36,173)	23,827	(\$98,177)		98,177	2,767,200	2,767,200	
(60,000)	(36,173)	23,827	(98,177)		98,177	2,767,200	2,767,200	
(\$60,000)	735,041	\$795,041	(\$98,177)	3,069,717	\$3,167,894			
	868,732			2,275,065				
	\$1,603,773			\$5,344,782				

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INTERNAL SERVICE FUNDS

Internal service funds account for department services and financing performed for other departments within the same governmental jurisdiction. Funding comes from charges assessed to the departments benefiting from the service. Internal service funds used at the City include:

City Service – Accounts for vehicle maintenance and information technology services provided to City departments.

Self Insurance – Accounts for workers' compensation, general liability and property damage claim activity and financing is represented in this fund.

Health and Retirement Benefits – Accounts for health and retirement benefits paid on the behalf of eligible City employees.

Equipment Replacement – Accounts for resources set-aside for the future replacement of City vehicles and equipment.

**CITY OF SOUTH SAN FRANCISCO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>City Service</u>	<u>Self Insurance</u>	<u>Health and Retirement Benefits</u>	<u>Equipment Replacement</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and investments	\$2,764,616	\$17,440,935	\$11,927,701	\$5,809,832	\$37,943,084
Receivables:					
Accounts	31,027				31,027
Accrued interest	7,253	45,720	34,738	15,269	102,980
Deposit		216,000	93,790		309,790
Prepaid items					
	<u>2,802,896</u>	<u>17,702,655</u>	<u>12,056,229</u>	<u>5,825,101</u>	<u>38,386,881</u>
Noncurrent assets:					
Capital assets:					
Depreciable, net of accumulated depreciation				4,952,737	4,952,737
				<u>4,952,737</u>	<u>4,952,737</u>
Total Assets	<u>2,802,896</u>	<u>17,702,655</u>	<u>12,056,229</u>	<u>10,777,838</u>	<u>43,339,618</u>
LIABILITIES					
Current liabilities:					
Accounts payable	107,508	107,707	122,253	50,087	387,555
Other payable	17,813			3	17,816
Current portion of accrued insurance loss		2,878,797			2,878,797
Current portion of compensated absences	72,148		762,475		834,623
Current portion of long-term debt				140,892	140,892
	<u>197,469</u>	<u>2,986,504</u>	<u>884,728</u>	<u>190,982</u>	<u>4,259,683</u>
Noncurrent liabilities:					
Accrued insurance loss		12,871,000			12,871,000
Compensated absences obligation	137,454		1,084,070		1,221,524
Noncurrent portion of long-term debt				144,637	144,637
	<u>137,454</u>	<u>12,871,000</u>	<u>1,084,070</u>	<u>144,637</u>	<u>14,237,161</u>
Total Liabilities	<u>334,923</u>	<u>15,857,504</u>	<u>1,968,798</u>	<u>335,619</u>	<u>18,496,844</u>
NET POSITION:					
Net investment in capital assets				4,667,208	4,667,208
Unrestricted	2,467,973	1,845,151	10,087,431	5,775,011	20,175,566
	<u>2,467,973</u>	<u>1,845,151</u>	<u>10,087,431</u>	<u>10,442,219</u>	<u>24,842,774</u>
Total Net Position	<u>\$2,467,973</u>	<u>\$1,845,151</u>	<u>\$10,087,431</u>	<u>\$10,442,219</u>	<u>\$24,842,774</u>

**CITY OF SOUTH SAN FRANCISCO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>City Service</u>	<u>Self Insurance</u>	<u>Health and Retirement Benefits</u>	<u>Equipment Replacement</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$5,537,007	\$6,323,537	\$14,938,761	\$1,438,573	\$28,237,878
Total Operating Revenues	<u>5,537,007</u>	<u>6,323,537</u>	<u>14,938,761</u>	<u>1,438,573</u>	<u>28,237,878</u>
OPERATING EXPENSES					
Personnel expenses	2,201,877	887,450	14,904,952		17,994,279
Professional services	701,191	52,961	2,065		756,217
Program supplies	1,556,093		500	32,766	1,589,359
Insurance	12,988	2,210,856			2,223,844
Self-insurance and claims		2,772,644			2,772,644
Repair and maintenance	455,308			119,290	574,598
Utilities	126,172				126,172
Depreciation				922,865	922,865
Other	14,901		468,401		483,302
Total Operating Expenses	<u>5,068,530</u>	<u>5,923,911</u>	<u>15,375,918</u>	<u>1,074,921</u>	<u>27,443,280</u>
Operating Income (Loss)	<u>468,477</u>	<u>399,626</u>	<u>(437,157)</u>	<u>363,652</u>	<u>794,598</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	5,214	31,801	23,089	10,479	70,583
Interest expense				(11,585)	(11,585)
Gain from disposal of capital assets	1,389				1,389
Loss on disposal of capital assets				(20,006)	(20,006)
Other	40,414	202,399			242,813
Total Nonoperating Revenues (Expenses)	<u>47,017</u>	<u>234,200</u>	<u>23,089</u>	<u>(21,112)</u>	<u>283,194</u>
Net income (loss) before transfers	515,494	633,826	(414,068)	342,540	1,077,792
TRANSFERS					
Transfers in			250,000		250,000
Transfers (out)				(2,917)	(2,917)
Change in Net Position	515,494	633,826	(164,068)	339,623	1,324,875
Net Position - July 1	<u>1,952,479</u>	<u>1,211,325</u>	<u>10,251,499</u>	<u>10,102,596</u>	<u>23,517,899</u>
Net Position - June 30	<u>\$2,467,973</u>	<u>\$1,845,151</u>	<u>\$10,087,431</u>	<u>\$10,442,219</u>	<u>\$24,842,774</u>

**CITY OF SOUTH SAN FRANCISCO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>City Service</u>	<u>Self Insurance</u>	<u>Health and Retirement Benefits</u>	<u>Equipment Replacement</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from interfund service provided	\$5,564,071	\$6,525,936	\$14,918,761	\$1,438,573	\$28,447,341
Cash payments to suppliers for goods and services	(2,866,653)	(2,296,492)		(233,004)	(5,396,149)
Cash payments to employees for services	(2,263,830)	(929,727)	(14,941,420)		(18,134,977)
Cash payments for judgments and claims		(1,988,071)			(1,988,071)
	<u>433,588</u>	<u>1,311,646</u>	<u>(22,659)</u>	<u>1,205,569</u>	<u>2,928,144</u>
Net Cash Provided by Operating Activities					
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in			250,000		250,000
Transfers (out)				(2,917)	(2,917)
			<u>250,000</u>	<u>(2,917)</u>	<u>247,083</u>
Net Cash Provided by Noncapital Financing Activities					
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital lease				(204,252)	(204,252)
Interest payments				(11,585)	(11,585)
Acquisition of capital assets, net				(574,701)	(574,701)
Proceeds from the sale of capital assets	1,389			15,120	16,509
	<u>1,389</u>			<u>(775,418)</u>	<u>(774,029)</u>
Net Cash Used in Capital and Related Financing Activities					
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	(20,141)	(115,602)	(88,286)	(38,573)	(262,602)
Changes in fair values of investments	27,472	173,176	131,580	57,836	390,064
	<u>7,331</u>	<u>57,574</u>	<u>43,294</u>	<u>19,263</u>	<u>127,462</u>
Net Cash Provided by Investing Activities					
Net Increase (Decrease) in cash and cash equivalents	442,308	1,369,220	270,635	446,497	2,528,660
Cash and cash equivalents, beginning	2,322,308	16,071,715	11,657,066	5,363,335	35,414,424
Cash and cash equivalents, ending	<u>\$2,764,616</u>	<u>\$17,440,935</u>	<u>\$11,927,701</u>	<u>\$5,809,832</u>	<u>\$37,943,084</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$468,477	\$399,626	(\$437,157)	\$363,652	\$794,598
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation				922,865	922,865
Other non-operating revenue (expenses)	40,414	202,399			242,813
Net change in assets and liabilities:					
Accounts and lease receivables	(13,350)				(13,350)
Deposit			(20,000)		(20,000)
Prepaid items			1,074,537		1,074,537
Accounts payable	(51,087)	(42,277)	(744,836)		(838,200)
Other payable		(32,675)	(43,220)	(80,948)	(156,843)
Accrued insurance losses		784,573			784,573
Compensated absence obligations	(10,866)		148,017		137,151
	<u>\$433,588</u>	<u>\$1,311,646</u>	<u>(\$22,659)</u>	<u>\$1,205,569</u>	<u>\$2,928,144</u>
Net Cash Provided by (Used in) Operating Activities					
NONCASH TRANSACTIONS					
Retirement of capital assets				(\$35,126)	(\$35,126)

STATISTICAL SECTION

This part of the City's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed Value and Estimated Market Value of Taxable Property
2. All Overlapping Property Tax Rates
3. Principal Property Tax Payers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Continuing Disclosure Requirements:
 - a. Revenue Bond Coverage
 - b. Sewer Debt Service Coverage
 - c. Bonded Debt Pledge Revenue Coverage

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

STATISTICAL SECTION - (Continued)

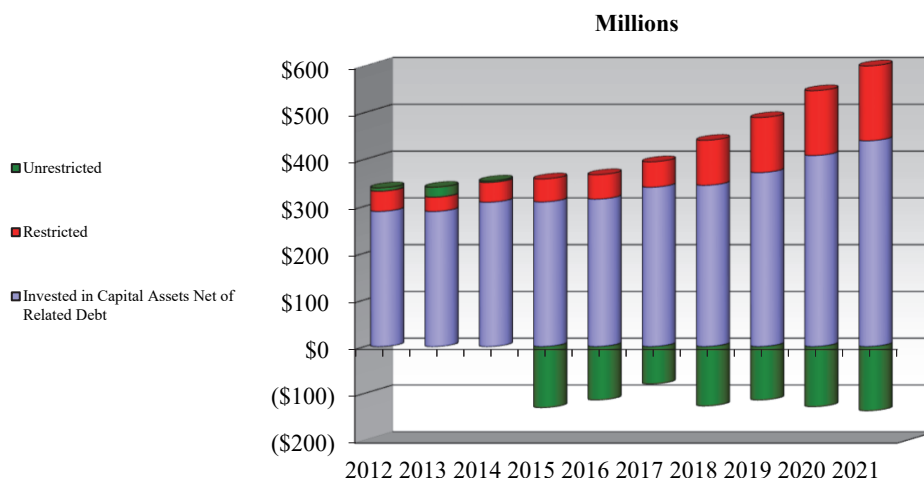
Miscellaneous Information

1. Collection and Use of 1% Special Transient Occupancy Tax

Sources

Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

CITY OF SOUTH SAN FRANCISCO
Net Position by Component
Last Ten Fiscal Years (a)
(accrual basis of accounting)



	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities					
Net investment in capital assets	\$218,218,696	\$216,508,668	\$230,440,390	\$230,517,037	\$231,142,079
Restricted	43,321,286	30,514,986	42,367,623	49,311,828	52,406,602
Unrestricted	(3,837,201)	8,021,490	(12,317,511)	(134,389,522)	(120,119,617)
Total governmental activities net position	<u>\$257,702,781</u>	<u>\$255,045,144</u>	<u>\$260,490,502</u>	<u>\$145,439,343</u>	<u>\$163,429,064</u>
Business-type activities					
Net investment in capital assets	\$70,653,841	\$72,217,660	\$78,045,318	\$78,598,277	\$83,930,073
Restricted					
Unrestricted	10,877,105	13,353,988	15,367,085	4,196,654	6,243,225
Total business-type activities net position	<u>\$81,530,946</u>	<u>\$85,571,648</u>	<u>\$93,412,403</u>	<u>\$82,794,931</u>	<u>\$90,173,298</u>
Primary government					
Net investment in capital assets	\$288,872,537	\$288,726,328	\$308,485,708	\$309,115,314	\$315,072,152
Restricted	43,321,286	30,514,986	42,367,623	49,311,828	52,406,602
Unrestricted	7,039,904	21,375,478	3,049,574	(130,192,868)	(113,876,392)
Total primary government net position	<u>\$339,233,727</u>	<u>\$340,616,792</u>	<u>\$353,902,905</u>	<u>\$228,234,274</u>	<u>\$253,602,362</u>
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Governmental activities					
Net investment in capital assets	\$254,344,554	\$254,570,044	\$271,349,364	\$296,243,640	\$316,169,957
Restricted	54,478,093	96,316,988	117,752,590	138,701,991	160,119,056
Unrestricted	(86,808,434)	(129,833,581)	(114,028,420)	(130,288,161)	(144,181,245)
Total governmental activities net position	<u>\$222,014,213</u>	<u>\$221,053,451</u>	<u>\$275,073,534</u>	<u>\$304,657,470</u>	<u>\$332,107,768</u>
Business-type activities					
Net investment in capital assets	\$86,167,704	\$90,097,907	\$100,463,280	\$111,968,328	\$123,628,942
Restricted					
Unrestricted	7,199,925	3,227,395	44,966	2,040,842	7,208,752
Total business-type activities net position	<u>\$93,367,629</u>	<u>\$93,325,302</u>	<u>\$100,508,246</u>	<u>\$114,009,170</u>	<u>\$130,837,694</u>
Primary government					
Net investment in capital assets	\$340,512,258	\$344,667,951	\$371,812,644	\$408,211,968	\$439,798,899
Restricted	54,478,093	96,316,988	117,752,590	138,701,991	160,119,056
Unrestricted	(79,608,509)	(126,606,186)	(113,983,454)	(128,247,319)	(136,972,493)
Total primary government net position	<u>\$315,381,842</u>	<u>\$314,378,753</u>	<u>\$375,581,780</u>	<u>\$418,666,640</u>	<u>\$462,945,462</u>

Source: City of South San Francisco, Department of Finance

(a) The City adjusted certain beginning balances during fiscal years 2014-15 and 2017-18 due to the implementation of GASB Statements 68 and 75. Financial data shown for the preceding year were not adjusted for the presentation.

CITY OF SOUTH SAN FRANCISCO
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenses				
Governmental Activities:				
General Government	\$7,801,328	\$8,360,945	\$7,155,035	\$8,421,857
Fire Department	20,749,323	22,746,291	21,200,903	22,005,883
Police Department	23,330,208	24,756,958	24,376,379	23,910,436
Public Works	21,269,281	15,773,710	14,980,417	14,493,039
Park, Recreation and Maintenance Services	11,641,892	12,570,236	12,658,309	12,383,880
Library	4,754,760	4,615,967	4,310,550	4,300,885
Economic and Community Development	8,702,949	16,126,427	5,525,541	5,928,316
Interest on Long -Term Debt	3,328,244	52,139		
Total Governmental Activities Expenses	<u>101,577,985</u>	<u>105,002,673</u>	<u>90,207,134</u>	<u>91,444,296</u>
Business-Type Activities:				
Sewer Rental	19,446,739	20,870,522	19,301,103	23,969,579
Parking District	769,117	792,609	943,859	503,014
Storm Water	1,010,093	1,655,950	1,078,868	1,234,616
Total Business-Type Activities Expenses	<u>21,225,949</u>	<u>23,319,081</u>	<u>21,323,830</u>	<u>25,707,209</u>
Total Primary Government Expenses	<u>\$122,803,934</u>	<u>\$128,321,754</u>	<u>\$111,530,964</u>	<u>\$117,151,505</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$2,032,292	\$1,951,016	\$5,785,598	\$3,946,302
Fire Department	3,697,665	2,987,956	3,304,952	3,520,275
Police Department	2,599,149	2,640,146	2,805,640	2,370,736
Public Works	3,607,224	2,926,227	4,734,813	5,071,729
Park, Recreation and Maintenance Services	3,178,276	3,433,567	3,571,947	3,708,272
Library	143,971	125,416	138,827	120,850
Economic and Community Development	4,968,383	3,457,020	5,800,849	5,337,177
Operating Grants and Contributions	5,650,685	5,455,010	5,601,916	5,753,845
Capital Grants and Contributions	1,471,416	4,036,786	1,538,225	632,735
Total Government Activities Program Revenues	<u>27,349,061</u>	<u>27,013,144</u>	<u>33,282,767</u>	<u>30,461,921</u>
Business-Type Activities:				
Charges for Services:				
Sewer Rental	19,310,286	19,338,107	19,155,467	19,798,033
Parking District	760,248	732,932	785,586	819,051
Storm Water	409,498	427,291	409,458	407,640
Operating Grants and Contributions	5,936,527	6,137,401	7,619,601	6,242,687
Capital Grants and Contributions				
Total Business-Type Activities Program Revenue	<u>26,416,559</u>	<u>26,635,731</u>	<u>27,970,112</u>	<u>27,267,411</u>
Total Primary Government Program Revenues	<u>\$53,765,620</u>	<u>\$53,648,875</u>	<u>\$61,252,879</u>	<u>\$57,729,332</u>
Net (Expense)/Revenue				
Governmental Activities	(\$74,228,924)	(\$77,989,529)	(\$56,924,367)	(\$60,982,375)
Business-Type Activities	5,190,610	3,316,650	6,646,282	1,560,202
Total Primary Government Net Expense	<u>(\$69,038,314)</u>	<u>(\$74,672,879)</u>	<u>(\$50,278,085)</u>	<u>(\$59,422,173)</u>

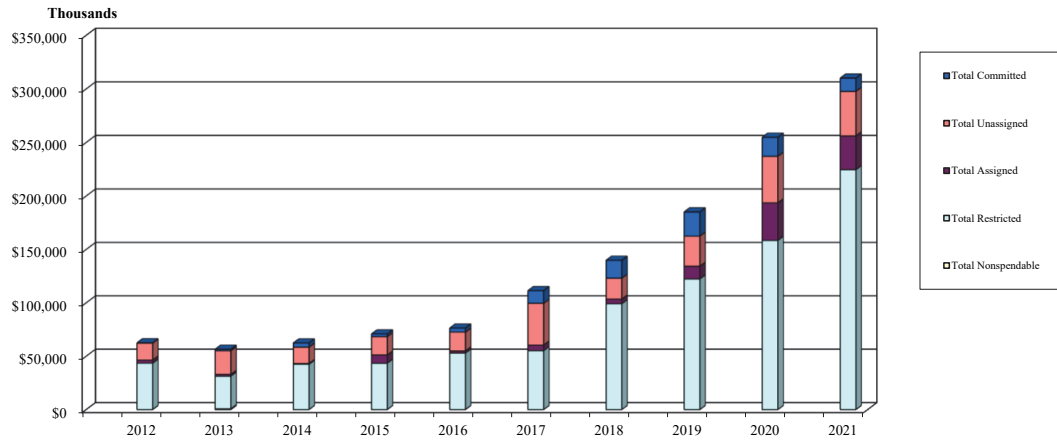
2016	2017	2018	2019	2020	2021
\$9,044,518	\$10,253,403	\$12,506,188	\$12,139,671	\$15,378,452	\$19,611,586
22,488,964	25,750,126	30,352,387	31,986,738	34,442,874	34,492,838
23,158,168	25,838,242	30,732,288	32,994,122	36,095,698	33,376,962
11,916,572	12,396,998	18,379,278	20,425,958	17,737,243	7,567,745
12,901,657	15,217,677	17,162,377	17,962,298	19,620,848	17,159,696
4,442,577	5,184,282	5,910,406	6,241,093	6,728,102	6,274,811
7,603,275	8,927,162	10,094,626	10,557,116	9,837,938	11,728,168
				512,376	2,200,344
<u>91,555,731</u>	<u>103,567,890</u>	<u>125,137,550</u>	<u>132,306,996</u>	<u>139,841,155</u>	<u>132,412,150</u>
18,273,580	22,661,768	24,397,607	25,719,049	26,213,885	26,644,459
894,769	940,181	1,202,319	896,994	1,116,840	1,338,092
1,289,465	1,333,409	1,026,948	1,188,182	1,206,694	922,057
20,457,814	24,935,358	26,626,874	27,804,225	28,537,419	28,904,608
<u>\$112,013,545</u>	<u>\$128,503,248</u>	<u>\$151,764,424</u>	<u>\$160,111,221</u>	<u>\$168,378,574</u>	<u>\$161,316,758</u>
\$4,194,563	\$2,225,049	\$1,966,755	\$7,930,983	\$5,217,199	\$6,968,307
3,450,524	4,242,940	6,327,921	6,052,804	6,073,247	5,952,872
2,076,837	2,146,909	2,230,824	2,351,491	2,092,791	1,642,726
10,361,525	10,869,608	24,727,897	27,811,701	23,355,636	24,859,635
3,744,137	3,756,369	4,489,665	4,293,474	2,872,786	1,165,630
164,271	96,987	102,124	105,466	97,603	19,037
6,131,463	3,911,597	13,052,441	14,214,991	9,067,781	4,275,808
5,581,492	4,533,539	5,827,149	12,091,079	8,757,554	8,021,958
1,147,337	577,995	2,515,868	1,629,730	4,930,640	5,498,698
<u>36,852,149</u>	<u>32,360,993</u>	<u>61,240,644</u>	<u>76,481,719</u>	<u>62,465,237</u>	<u>58,404,671</u>
19,569,341	19,897,769	22,417,156	24,078,076	24,296,811	24,705,044
843,199	916,687	1,084,472	1,180,538	1,003,222	764,514
412,105	418,840	656,315	540,679	412,707	410,745
5,802,788	5,763,645	5,834,455	6,452,950	7,440,041	14,815,460
<u>26,627,433</u>	<u>26,996,941</u>	<u>29,992,398</u>	<u>32,252,243</u>	<u>33,152,781</u>	<u>40,695,763</u>
<u>\$63,479,582</u>	<u>\$59,357,934</u>	<u>\$91,233,042</u>	<u>\$108,733,962</u>	<u>\$95,618,018</u>	<u>\$99,100,434</u>
(\$54,703,582)	(\$71,206,897)	(\$63,896,906)	(\$55,825,277)	(\$77,375,918)	(\$74,007,479)
6,169,619	2,061,583	3,365,524	4,448,018	4,615,362	11,791,155
<u>(\$48,533,963)</u>	<u>(\$69,145,314)</u>	<u>(\$60,531,382)</u>	<u>(\$51,377,259)</u>	<u>(\$72,760,556)</u>	<u>(\$62,216,324)</u>

CITY OF SOUTH SAN FRANCISCO
Changes in Net Position
(continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property Taxes	\$37,379,175	\$26,420,861	\$22,890,828	\$24,650,648
Sales Taxes	11,691,564	12,931,805	12,725,141	13,932,125
Transient Occupancy Tax	8,619,170	9,659,281	11,174,017	12,947,473
Franchise fees				
Other Taxes	7,089,687	7,588,471	8,141,010	8,650,056
Motor Vehicle In-Lieu	168,214	33,767	40,074	26,995
Property taxes in lieu of vehicle license fees	5,153,384	4,955,873	5,319,154	5,551,651
Interest Earnings	2,384,207	809,721	1,108,177	629,036
Gain from sale of property				
Other	9,300,137	1,965,744	2,012,444	4,577,239
Extraordinary Item	(107,717,428)			
Transfers	(785,309)	(906,857)	(1,041,120)	(1,429,308)
Special items		11,873,226		
Total Government Activities	<u>(26,717,199)</u>	<u>75,331,892</u>	<u>62,369,725</u>	<u>69,535,915</u>
Business-Type Activities:				
Interest Earnings	149,242	95,177	153,353	126,874
Transfers	785,309	906,857	1,041,120	1,429,308
Total Business-Type Activities	<u>934,551</u>	<u>1,002,034</u>	<u>1,194,473</u>	<u>1,556,182</u>
Total Primary Government	<u>(\$25,782,648)</u>	<u>\$76,333,926</u>	<u>\$63,564,198</u>	<u>\$71,092,097</u>
Change in Net Position				
Governmental Activities	(\$100,946,123)	(\$2,657,637)	\$5,445,358	\$8,553,540
Business-Type Activities	6,125,161	4,318,684	7,840,755	3,116,384
Total Primary Government	<u>(\$94,820,962)</u>	<u>\$1,661,047</u>	<u>\$13,286,113</u>	<u>\$11,669,924</u>

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$26,438,620	\$29,023,618	\$29,551,445	\$33,446,750	\$37,415,367	\$41,561,039
15,188,686	24,087,776	28,340,393	31,843,568	31,855,027	33,039,229
13,393,437	13,631,507	13,978,533	17,091,222	13,829,025	6,710,271
3,982,092	4,090,073	4,403,493	4,469,808	4,594,577	4,498,202
5,124,574	5,708,187	5,871,096	4,995,404	4,515,376	4,529,764
26,708	28,933	34,452	32,200	53,089	49,785
5,770,060	6,133,230	6,438,199	7,150,867	7,457,005	4,888,696
1,354,266	622,518	1,097,916	4,808,664	6,384,253	941,856
			840,298		
2,334,407	2,365,820	5,180,288	7,799,392	9,152,218	11,602,214
(919,547)	(1,105,038)	(1,997,377)	(2,101,222)	(8,060,646)	(4,984,746)
	45,205,422	(7,154,626)	(531,591)	276,939	(1,378,533)
<u>72,693,303</u>	<u>129,792,046</u>	<u>85,743,812</u>	<u>109,845,360</u>	<u>107,472,230</u>	<u>101,457,777</u>
289,201	27,710	37,072	633,704	824,916	52,623
919,547	1,105,038	1,997,377	2,101,222	8,060,646	4,984,746
<u>1,208,748</u>	<u>1,132,748</u>	<u>2,034,449</u>	<u>2,734,926</u>	<u>8,885,562</u>	<u>5,037,369</u>
<u>\$73,902,051</u>	<u>\$130,924,794</u>	<u>\$87,778,261</u>	<u>\$112,580,286</u>	<u>\$116,357,792</u>	<u>\$106,495,146</u>
\$17,989,721	\$58,585,149	\$21,846,906	\$54,020,083	\$30,096,312	\$27,450,298
7,378,367	3,194,331	5,399,973	7,182,944	13,500,924	16,828,524
<u>\$25,368,088</u>	<u>\$61,779,480</u>	<u>\$27,246,879</u>	<u>\$61,203,027</u>	<u>\$43,597,236</u>	<u>\$44,278,822</u>

CITY OF SOUTH SAN FRANCISCO
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	\$90,167	\$805,677	\$14,163	\$1,134	\$33,580	\$474	\$106	\$372	\$574	\$4,099
Restricted							20,582,335	19,201,948	18,372,633	16,354,141
Committed	208,054	1,406,430	3,879,451	2,536,790	3,654,283	11,780,724	16,725,897	22,619,868	17,723,338	12,372,202
Assigned	840,365	566,104	743,746	1,458,029	1,578,153	5,244,279	4,334,322	11,881,363	5,720,788	5,431,178
Unassigned	17,347,445	23,498,194	15,891,899	17,285,422	17,751,169	39,278,746	19,644,232	31,239,632	43,296,762	41,597,381
Total General Fund	\$18,486,031	\$26,276,405	\$20,529,259	\$21,281,375	\$23,017,185	\$56,304,223	\$61,286,892	\$84,943,183	\$85,114,095	\$75,759,001 (a)
All Other Governmental Funds										
Nonspendable								\$39,205		
Restricted	\$43,364,540	\$30,539,396	\$42,392,238	\$43,437,361	\$52,938,897	\$55,195,500	\$78,603,366	103,135,202	\$140,143,149	\$208,220,607
Assigned	2,076,065	1,105,320		6,188,554	367,023				29,363,924	26,145,062
Unassigned	(1,388,956)	(1,379,895)	(521,604)	(40,459)		(88,331)	(11,073)	(2,971,345)	235,649	
Total all other governmental funds	\$44,051,649	\$30,264,821	\$41,870,634	\$49,585,456	\$53,305,920	\$55,107,169	\$78,592,293	\$100,203,062	\$169,742,722	\$234,365,669

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

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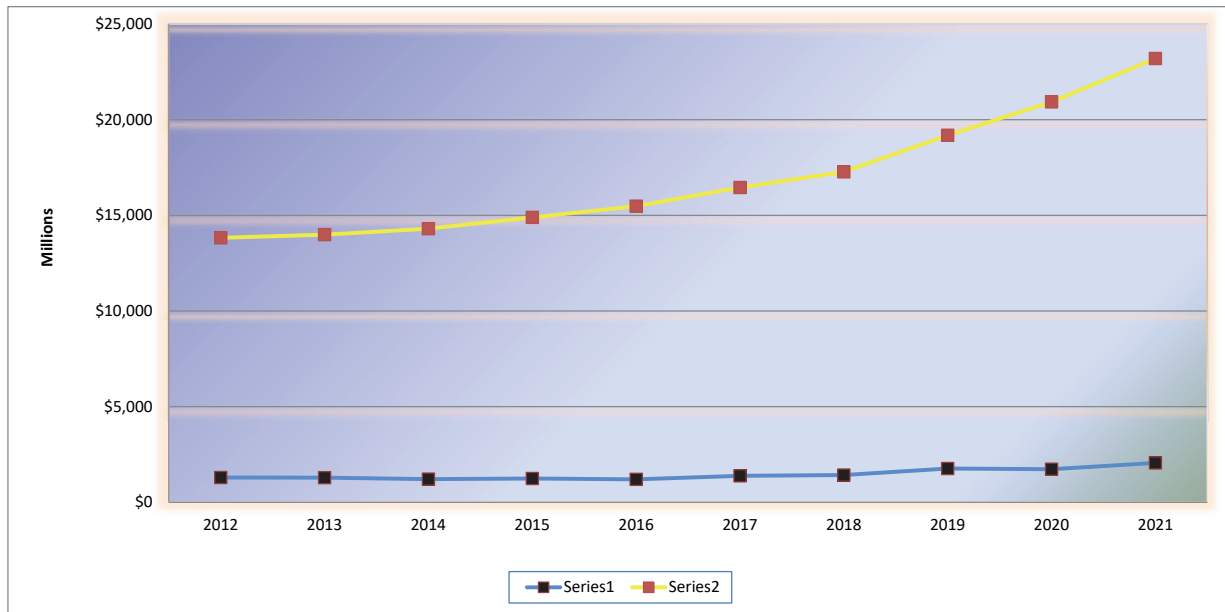
CITY OF SOUTH SAN FRANCISCO
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	For The Fiscal Year Ended June 30,			
	2012	2013	2014	2015
Revenues				
Property Taxes	\$38,174,655	\$27,077,697	\$23,010,136	\$24,650,648
Other Taxes	28,866,546	31,894,811	33,931,446	38,275,478
Intergovernmental revenues	11,580,530	13,054,594	10,757,440	10,453,071
Interest and Rents	4,955,223	3,238,089	3,632,693	3,531,966
Licenses and permits	3,056,507	3,054,451	4,366,271	4,795,158
Charges for services	10,088,070	9,275,724	16,864,409	13,387,712
Fines and forfeitures	2,184,234	1,753,682	1,528,319	1,221,413
Other	3,000,563	1,837,675	2,249,728	4,660,668
Total Revenues	<u>101,906,328</u>	<u>91,186,723</u>	<u>96,340,442</u>	<u>100,976,114</u>
Expenditures				
Current:				
General government	6,485,219	6,658,532	5,970,429	7,167,969
Fire Department	18,812,861	20,877,917	20,163,759	21,247,989
Police Department	21,217,818	22,542,135	23,309,568	23,611,743
Public works	14,253,609	9,186,493	16,791,894	15,923,071
Recreation and Community Services	10,101,408	10,927,433	11,552,502	11,826,407
Library	4,272,701	4,112,570	3,987,928	4,247,650
Economic and Community Development	8,184,334	20,512,545	5,972,966	5,917,508
Other				480,290
Capital outlay	8,894,514			
Debt service:				
Principal repayment	1,752,000		453,381	352,674
Interest and fiscal charges	1,817,764	52,139		
Total Expenditures	<u>95,792,228</u>	<u>94,869,764</u>	<u>88,202,427</u>	<u>90,775,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,114,100</u>	<u>(3,683,041)</u>	<u>8,138,015</u>	<u>10,200,813</u>
Other Financing Sources (Uses)				
Transfers in	108,413,018	4,467,530	21,870,234	17,983,227
Transfers (out)	(109,646,766)	(6,780,943)	(24,149,582)	(19,717,102)
Lease revenue bonds issued				
Premium on bonds				
Sale of capital assets				
Total other financing sources (uses)	<u>(1,233,748)</u>	<u>(2,313,413)</u>	<u>(2,279,348)</u>	<u>(1,733,875)</u>
Net Change in fund balances before extraordinary and special items	<u>4,880,352</u>	<u>(5,996,454)</u>	<u>5,858,667</u>	<u>8,466,938</u>
Extraordinary item	(110,397,363)			
Special item				
Net change in fund balances	<u>(\$105,517,011)</u>	<u>(\$5,996,454)</u>	<u>\$5,858,667</u>	<u>\$8,466,938</u>
Debt service as a percentage of noncapital expenditures	4.1%	0.1%	0.6%	0.4%

For The Fiscal Year Ended June 30,

2016	2017	2018	2019	2020	2021
\$26,438,620	\$35,156,848	\$35,989,644	\$40,597,617	\$44,872,372	\$46,449,735
41,811,097	49,608,385	54,597,272	60,721,378	57,214,783	51,008,432
12,360,354	4,019,771	8,433,240	13,179,593	18,317,060	17,867,273
4,207,453	3,100,692	3,524,727	7,231,303	8,864,998	3,620,391
6,896,897	7,823,403	14,674,809	15,381,416	15,900,500	15,589,002
15,386,358	14,485,367	31,961,419	41,055,659	27,442,005	23,191,413
791,756	899,118	423,604	926,729	814,354	535,750
2,439,579	2,906,625	6,454,460	7,994,701	3,067,691	7,893,148
110,332,114	118,000,209	156,059,175	187,088,396	176,493,763	166,155,144
8,469,924	9,399,930	10,403,449	10,166,977	12,453,262	12,112,319
24,175,340	25,632,366	26,059,072	27,576,879	28,161,459	31,817,325
25,458,986	25,998,097	26,970,854	28,533,292	37,468,430	70,954,323
14,846,346	12,143,965	23,859,399	38,459,963	40,070,330	51,501,254
13,234,028	14,897,157	15,468,370	16,530,603	17,130,302	15,795,645
4,681,188	5,157,355	5,379,836	5,628,693	5,940,870	5,903,883
7,907,655	8,943,111	9,338,793	9,085,390	8,780,903	11,227,503
395,749	274,183	256,298	333,024	723,901	3,490,091
656,000	23,000	2,382,000	3,464,000	1,210,000	975,000
				739,146	2,307,460
99,825,216	102,469,164	120,118,071	139,778,821	152,678,603	206,084,803
10,506,898	15,531,045	35,941,104	47,309,575	23,815,160	(39,929,659)
8,143,075	14,327,130	26,486,651	22,230,499	38,117,966	37,970,252
(13,193,699)	(16,368,499)	(30,795,941)	(24,581,721)	(46,647,023)	(43,202,081)
				43,905,000	86,410,000
				10,242,530	18,116,565
	1,016,276	3,990,605	840,298		(2,718,691)
(5,050,624)	(1,025,093)	(318,685)	(1,510,924)	45,618,473	96,576,045
5,456,274	14,505,952	35,622,419	45,798,651	69,433,633	56,646,386
	20,582,335	(7,154,626)	(531,591)	276,939	(1,378,533)
\$5,456,274	\$35,088,287	\$28,467,793	\$45,267,060	\$69,710,572	\$55,267,853
0.7%	0.0%	2.2%	3.0%	1.7%	2.9%

**CITY OF SOUTH SAN FRANCISCO
 ASSESSED VALUE
 OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**



Fiscal Year	Real Property Net Taxable value				Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other					
2012	\$5,579,044,758	\$1,581,852,456	\$4,967,158,758	\$403,895,119	\$12,531,951,091	\$1,295,085,027	\$13,827,036,118	\$13,827,036,118	0.37860%
2013	5,606,400,603	1,628,754,902	5,050,279,321	418,927,733	12,704,362,559	1,288,434,392	13,992,796,951	13,992,796,951	0.42174%
2014	5,900,441,192	1,713,575,060	4,273,694,531	1,204,288,116	13,091,998,899	1,212,353,871	14,304,352,770	14,304,352,770	0.13474%
2015	6,313,393,048	2,402,335,027	4,588,967,014	345,957,716	13,650,652,805	1,244,971,467	14,895,624,272	14,895,624,272	0.13804%
2016	6,716,642,000	2,000,204,271	5,189,813,366	376,874,603	14,283,534,240	1,197,263,526	15,480,797,766	15,480,797,766	0.13634%
2017	7,087,550,257	2,160,377,671	5,414,028,340	412,344,220	15,074,300,488	1,381,715,511	16,456,015,999	16,456,015,999	0.13632%
2018	7,458,269,085	2,171,084,856	5,838,028,479	383,589,586	15,850,972,006	1,423,348,022	17,274,320,028	17,274,320,028	0.13631%
2019	7,882,766,880	2,511,501,574	6,673,522,321	353,621,189	17,421,411,964	1,765,066,449	19,186,478,413	19,186,478,413	0.13640%
2020	8,459,303,983	2,717,851,133	7,535,473,093	491,981,925	19,204,610,134	1,727,590,717	20,932,200,851	20,932,200,851	0.13638%
2021	9,020,710,463	2,872,601,136	8,744,250,213	507,383,957	21,144,945,769	2,056,800,753	23,201,746,522	23,201,746,522	0.13622%

Source: HdL Coren & Cone, San Mateo County Assessor 2011/12-2020/21 Tax Property Values.

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local overrides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

**CITY OF SOUTH SAN FRANCISCO
DIRECT AND OVERLAPPING
PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

Fiscal Year	Basic Levy	School Districts	Total Direct/Overlapping Tax Rates	
2012	1.000	0.1824	1.1824	(1,18)
2013	1.000	0.1959	1.1959	(1,19)
2014	1.000	0.2046	1.2046	(1,20)
2015	1.000	0.1822	1.1822	(1,21)
2016	1.000	0.1750	1.1750	(1,22)
2017	1.000	0.1749	1.1749	(1,23)
2018	1.000	0.1642	1.1642	(1,24)
2019	1.000	0.1548	1.1548	(1,25)
2020	1.000	0.1648	1.1648	(1,26)
2021	1.000	0.1893	1.1893	(1,27)

Notes:

(1) Like other cities, South San Francisco includes several property tax rate areas with different rates.

(18) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0420 percent, which includes SSFUSD bonds and San Mateo Jr College bond. 3 has a rate of 1.0893 percent and one at 1.0854 percent which includes Jefferson Union School bond, Brisbane ESD bonds & San Mateo Jr College bonds and one has a rate of 1.0909 percent which includes San Bruno Park Elementary.

(19) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0521 percent, which includes SSFUSD bonds, San Mateo Jr College bond, and San Mateo Comm College. 4 has a rate of 1.0921 percent which includes Brisbane ESD Bond, Jefferson High bonds, SM Jr College bond and San Mateo Comm College. 1 has a rate of 1.0905 percent, which includes San Bruno Pk Elem bond, SM Union High, SM Jr College bond and San Mateo Comm Coll bond.

(20) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0522 percent, which includes SSFUSD bonds, San Mateo Jr College bond, and San Mateo Comm College. 4 has a rate of 1.1048 percent which includes Brisbane ESD Bond, Jefferson High bonds, SM Jr College bond and San Mateo Comm College. 1 has a rate of 1.0864 percent, which includes San Bruno Pk Elem bond, SM Union High, SM High, and San Mateo Comm College. 1 has a rate of 1.0864 percent, which includes San Bruno Pk Elem bond, SM Union High, SM High, SM Jr College bond and San Mateo Comm Coll bond.

(21) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0703 percent, which includes SSFUSD bonds, San Mateo Jr College bond, and San Mateo Comm College. 4 has a rate of 1.0991 percent which includes Brisbane ESD Bond, Jefferson High bonds, SM Jr College bond and San Mateo Comm College. 1 has a rate of 1.0983 percent, which includes San Bruno Pk Elem bond, SM Union High, SM High, SM Jr College bond and San Mateo Comm Coll bond.

(22) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0707 percent, which includes SSFUSD bonds, San Mateo Jr College bond, and San Mateo Comm College. 3 has a rate of 1.1080 percent and 1 with 1.1068 percent rate which includes College bond Brisbane ESD Bond, Jefferson High bonds, SM Jr and San Mateo Comm College. 1 has a rate of 1.0929 percent, which includes San Bruno Pk Elem bond, SM Union High, SM High, SM Jr College bond and San Mateo Comm Coll bond.

(23) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0714 percent, which includes SSFUSD bonds & San Mateo Jr College bond. 4 has a rate of 1.1282 percent which includes Brisbane ESD Bond, Jefferson High bonds, Jefferson USHD, SM Jr College bonds. 1 has a rate of 1.0910 percent, which includes San Bruno Pk Elem bond, SM Union High, SM High, SM Jr College bond and San Mateo Comm Coll bond.

(24) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0601 percent, which includes SSFUSD bonds & San Mateo Jr College bond. 4 has a rate of 1.1276 percent which includes Brisbane ESD Bond, Jefferson High bonds, Jefferson USHD, SM Jr College bonds. 1 has a rate of 1.0900 percent, which includes San Bruno Pk Elem bond, SM Union High, SM High, SM Jr College bond and San Mateo Comm Coll bond.

(25) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0597 percent, which includes SSFUSD & San Mateo Jr College bond. 4 has a rate of 1.1126 percent which includes Brisbane ESD Bond, Jefferson High bonds, Jefferson USHD, SM Jr College bonds. 1 has a rate of 1.0801 percent, which includes San Bruno Pk Elem bond, SM Union High, SM High, SM Jr College bond and San Mateo Jr. Coll bonds.

(26) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0647, which includes SSFUSD & San Mateo Jr College bond. 4 has a rate of 1.1267 which includes Brisbane ESD Bond, Jefferson High bonds, Jefferson USHD, SM Jr College bonds. 1 has a rate of 1.1148, which includes San Bruno Pk Elem bond, SM Union High, SM High, SM Jr College bond and San Mateo Jr. Coll bonds.

(27) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0563, which includes SSFUSD & San Mateo Jr College bond. 4 has a rate of 1.1543 which includes Brisbane ESD Bond, Jefferson High bonds, Jefferson USHD, SM Jr College bonds. 1 has a rate of 1.1112, which includes San Bruno Pk Elem bond, SM Union High, SM High, SM Jr College bond and San Mateo Jr. Coll bonds.

Source: HDL, Coren & Cone (San Mateo County Assessor 2010/11- 2020/21 Tax Rate Table).

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CITY OF SOUTH SAN FRANCISCO
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2020-21			2011-12		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Genentech Inc.	\$2,953,030,213	1	12.73%	\$1,918,102,967	1	13.87%
HCP Oyster Point III LLC	795,928,157	2	3.43%	--	--	--
ARE San Francisco LLC	738,355,548	3	3.18%	--	--	--
Slough SSF LLC	685,393,965	4	2.95%	--	--	--
GNS South Tower LP	633,313,121	5	2.73%	--	--	--
United Airlines Inc	426,814,705	6	1.84%	157,685,825	6	1.14%
Britannia Pointe Grand LP	322,530,116	7	1.39%	274,970,686	5	1.99%
ARE East Grand Avenue Owner LLC	240,428,480	8	1.04%	--	--	--
KP Oyster Point LLC	224,702,833	9	0.97%	--	--	--
BMR 1000 Gateway LP	217,352,597	10	0.94%	--	--	--
Slough BTC LLC	--	--	--	549,058,893	2	3.97%
Slough SSF LLC De	--	--	--	467,741,887	3	3.38%
ARE San Francisco	--	--	--	355,928,252	4	2.57%
ASN Solaire LLC	--	--	--	144,242,296	7	1.04%
Gateway Center LLC De	--	--	--	132,623,657	8	0.96%
Britannia Biotech Gateway LP	--	--	--	129,898,536	9	0.94%
Myers Peninsula Venture LLC	--	--	--	121,804,011	10	0.88%
Subtotal	<u>\$7,237,849,735</u>		<u>31.20%</u>	<u>\$4,252,057,010</u>		<u>30.75%</u>

Total Net Assessed Valuation:

Fiscal Year 2020-21 \$23,201,746,522

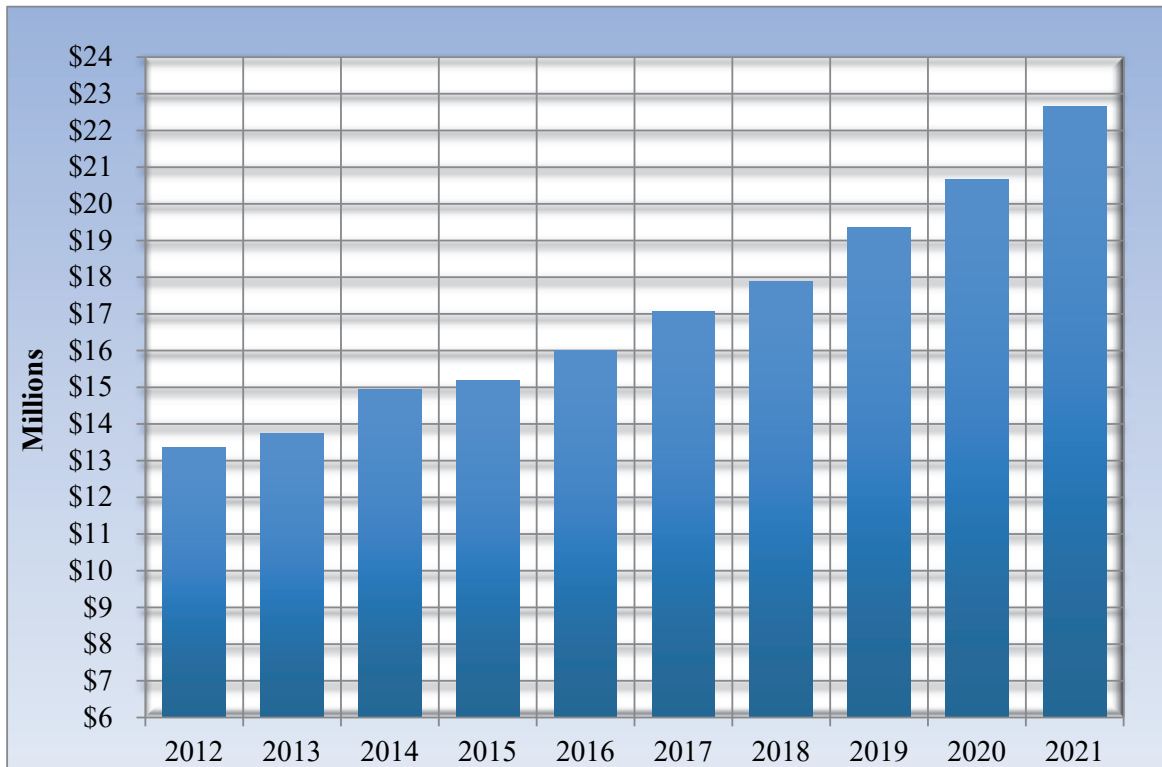
Fiscal Year 2011-12 \$13,827,036,118

Source:

HdL Coren & Cone, 2011/12 & 2020/21 Top Ten Property Taxpayers (Net Values).

San Mateo County Assessor 2011/12 & 2020/21 Combined Tax Rolls and the SBE Non Unitary Tax Roll

**CITY OF SOUTH SAN FRANCISCO
PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN FISCAL YEARS**



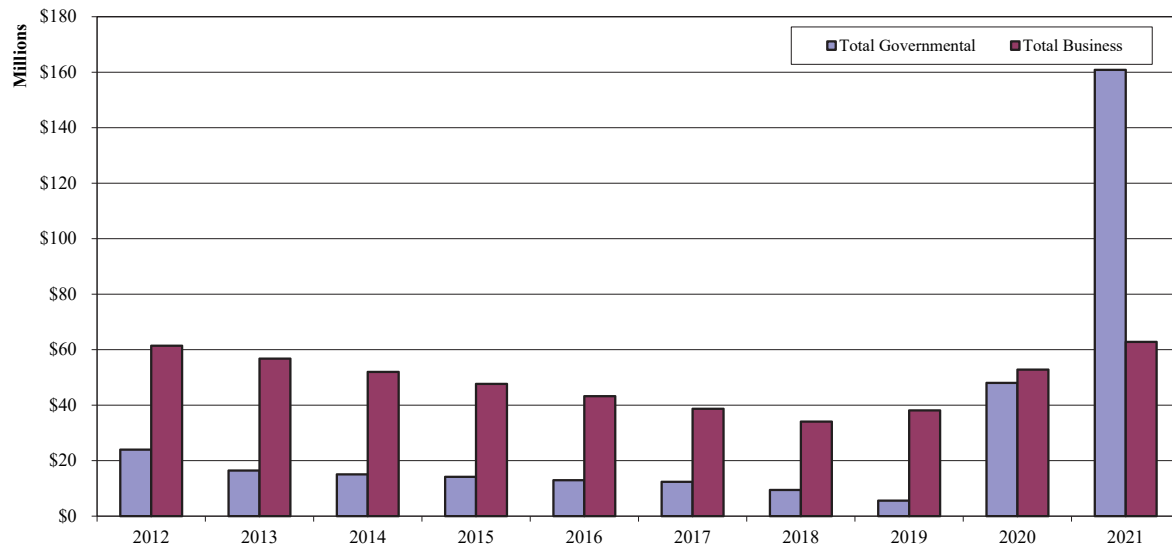
Fiscal Year	Allocations (5)	Collections	Delinquencies	Percent of Delinquent taxes
2012	\$13,360,854	(4)	(4)	0.0%
2013	13,740,246	(4)	(4)	0.0%
2014	14,928,197	(4)	(4)	0.0%
2015	15,184,788	(4)	(4)	0.0%
2016	15,994,773	(4)	(4)	0.0%
2017	17,065,875	(4)	(4)	0.0%
2018	17,894,855	(4)	(4)	0.0%
2019	19,365,814	(4)	(4)	0.0%
2020	20,651,650	(4)	(4)	0.0%
2021	22,660,544	(4)	(4)	0.0%

Notes:

- (1) Excludes State Reimbursed Exemptions and deductions for County property tax administration.
- (2) County adopted full cash value method of valuation rather than assessed valuation.
- (3) Levies include real and personal property.
- (4) Information not applicable. All general purpose property taxes are levied by the County and allocated to other governmental entities.
- (5) San Mateo County controller's Office. Adjusted estimated revenue for City of South San Francisco.

Source: San Mateo County Auditor -- Controller's Office; Finance Department Revenue Reports

CITY OF SOUTH SAN FRANCISCO
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years



Governmental Activities

Fiscal Year	Loans from Successor Agency	Lease Revenue Bonds	Certificates of Participation	Capital Lease	Loans	Total
2012	\$14,120,927		\$4,445,000	\$2,056,382	\$3,324,000	\$23,946,309
2013	13,343,039			3,084,553		16,427,592
2014	11,722,826			3,316,836		15,039,662
2015	11,370,152			2,786,573		14,156,725
2016	10,714,152			2,238,998		12,953,150
2017	10,691,152			1,673,522		12,364,674
2018	8,309,152			1,135,102		9,444,254
2019	4,845,152			753,619		5,598,771
2020	3,635,152	\$43,905,000		489,781		48,029,933
2021	3,595,152	156,980,389		285,529		160,861,070

Business-Type Activities

Fiscal Year	Sewer Revenue Bonds	Certificates of Participation	State Water Resources Loans	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2012	\$4,885,000		\$56,530,946	\$61,415,946	\$85,362,255	4.31%	1,310.70
2013	4,640,000		52,118,587	56,758,587	73,186,179	3.65%	1,113.78
2014	4,385,000		47,591,019	51,976,019	67,015,681	3.30%	1,019.27
2015	4,120,000		43,543,614	47,663,614	61,820,339	2.92%	957.19
2016	3,850,000		39,392,832	43,242,832	56,195,982	2.59%	858.60
2017	3,570,000		35,136,032	38,706,032	51,070,706	2.22%	761.32
2018	3,275,000		30,770,503	34,045,503	43,489,757	1.80%	648.35
2019	2,970,000		35,148,205	38,118,205	43,716,976	1.63%	644.04
2020	2,655,000		50,150,607	52,805,607	100,835,540	3.48%	1,501.98
2021	2,325,000		60,480,459	62,805,459	223,666,529	n/a	n/a

Note : Debt amounts exclude any premiums, discounts, or other amortization amounts.

Sources: City of South San Francisco

State of California, Department of Finance (population)

U.S. Department of commerce, Bureau of the Census (income)

(a) See Schedule of Demographic and Economic Statistics for personal income and population data.

**CITY OF SOUTH SAN FRANCISCO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2021**

2019-20 Assessed Valuation:	\$23,201,746,522
Redevelopment Incremental Valuation:	-
Adjusted Assessed Valuation:	<u>\$23,201,746,522</u>

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2021	% Applicable (1)	City's Share of Debt 6/30/21
San Mateo Community College District	\$761,305,961	9.062%	\$68,989,546
Jefferson Union High School District	265,554,630	3.416	9,071,346
South San Francisco Unified School District	163,485,887	90.949	148,688,779
Brisbane School District	15,356,439	20.302	3,117,664
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$229,867,335

OVERLAPPING FUND DEBT:			
San Mateo County General Fund Obligations	\$640,119,345	9.062%	\$58,007,615
San Mateo County Board of Education Certificates of Participation	6,840,000	9.062	619,841
San Mateo County Flood Control and Sea LRR District General Fund Obligations	15,425,000	61.030	9,413,878
South San Francisco Unified School District General Fund Obligations	3,185,000	90.949	2,896,726
Jefferson Union High School District Certificates of Participation	47,490,000	3.416	\$1,622,258
City of South San Francisco Lease Revenue Bonds	156,980,389	100.000	129,380,000
City of South San Francisco Loans Payable	3,595,152	100.000	\$3,595,152
City of South San Francisco Capital Leases	285,529	100.000	285,529
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:			\$205,820,999

TOTAL DIRECT DEBT 133,260,681

Total Overlapping Debt \$302,427,653

COMBINED TOTAL DEBT \$435,688,334 (2)

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, tax allocation bonds, and Successor Agency Debt.

Ratios to Adjusted Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.99%
Total Direct Debt	0.57%
Combined Total Debt	1.88%

Source: California Municipal Statistics, Inc. and City of South San Francisco
510-658-2640 Austin Busch

**CITY OF SOUTH SAN FRANCISCO
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2021**

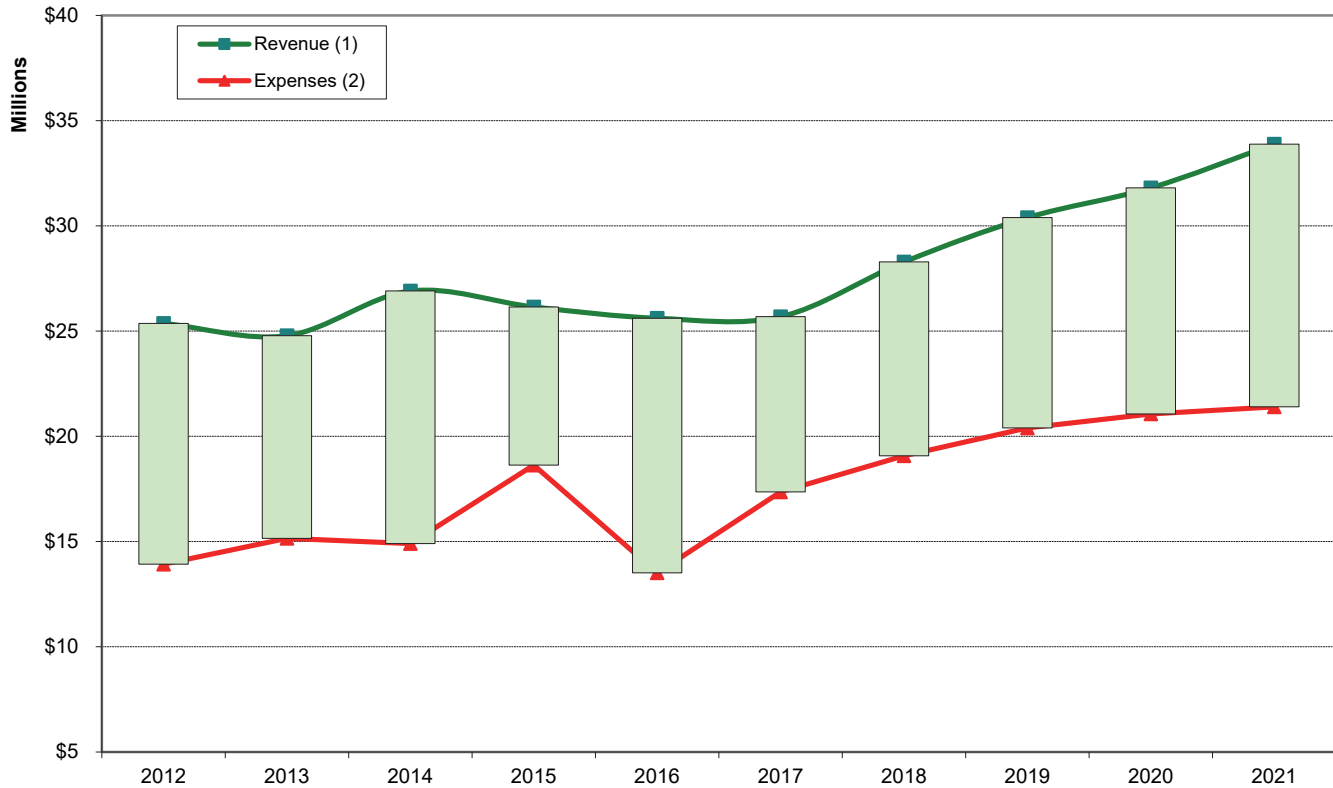
ASSESSED VALUATION:	\$23,201,746,522
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$870,065,495
LESS AMOUNT OF DEBT SUBJECT TO LIMIT:	0
LEGAL BONDED DEBT MARGIN	\$870,065,495

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2012	\$518,513,854	0	\$518,513,854	0.00%
2013	524,729,886	0	524,729,886	0.00%
2014	536,413,229	0	536,413,229	0.00%
2015	558,585,910	0	558,585,910	0.00%
2016	580,561,386	0	580,561,386	0.00%
2017	617,102,145	0	617,102,145	0.00%
2018	647,787,001	0	647,787,001	0.00%
2019	719,492,940	0	719,492,940	0.00%
2020	784,957,532	0	784,957,532	0.00%
2021	870,065,495	0	870,065,495	0.00%

NOTE: (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

Source: HDL Coren & Cone, San Mateo County Assessor - Combined Tax Rolls

**CITY OF SOUTH SAN FRANCISCO
REVENUE BOND COVERAGE
SEWER RENTAL ENTERPRISE FUND
LAST TEN FISCAL YEARS**



Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (4)			Coverage
				Principal	Interest	Total	
2012	\$25,365,824	\$13,924,334	\$11,441,490	\$235,000	\$216,501	\$451,501	25.34
2013	24,782,587	15,151,968	9,630,619	245,000	208,459	453,459	21.24
2014	26,908,316	14,904,225	12,004,091	255,000	199,831	454,831	26.39
2015	26,147,550	18,630,672	7,516,878	265,000	190,533	455,533	16.50
2016	25,610,518	13,514,706	12,095,812	270,000	180,566	450,566	26.85
2017	25,684,966	17,357,273	8,327,693	280,000	169,976	449,976	18.51
2018	28,287,485	19,073,940	9,213,545	295,000	158,616	453,616	20.31
2019	30,393,993	20,398,157	9,995,836	305,000	146,616	451,616	22.13
2020	31,807,110	21,064,165	10,742,945	315,000	134,019	449,019	23.93
2021	33,885,393	21,401,332	12,484,061	330,000	120,593	450,593	27.71

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Gross revenue includes operating revenue and non-operating revenue.

(2) Direct operating expenses include operating expenses (except depreciation) and non-operating expenses (except interest expense).

(3) Retirement of principal for 2005 Sewer Revenue Bonds begins in fiscal year 2008.

(4) The requirement does not include loan payments on State Water Resources Board loans. See schedule of Sewer Debt service coverage for details.

**CITY OF SOUTH SAN FRANCISCO
SEWER DEBT SERVICE COVERAGE
SEWER RENTAL ENTERPRISE FUND
LAST SIX FISCAL YEARS**

	Fiscal Year					
	2016	2017	2018	2019	2020	2021
Revenues						
Service Charges	\$19,515,093	\$19,750,636	\$22,188,154	\$23,556,871	\$24,150,139	\$24,526,952
Connection and Other Fees	104,283	147,134	229,002	521,205	146,672	178,092
Interest Income	238,389	23,552	31,061	488,437	623,256	41,888
Developer Fees						
Other Cities' Participation (1)	5,752,765	5,763,644	5,834,455	5,827,480	6,887,043	9,138,461
Total Revenues	<u>\$25,610,530</u>	<u>\$25,684,966</u>	<u>\$28,282,672</u>	<u>\$30,393,993</u>	<u>\$31,807,110</u>	<u>\$33,885,393</u>
Operating Expenses (2)	<u>\$18,759,650</u>	<u>\$13,514,718</u>	<u>\$19,073,943</u>	<u>\$20,398,147</u>	<u>\$21,064,167</u>	<u>\$21,401,332</u>
Wastewater System Net Revenues	<u>\$6,850,880</u>	<u>\$12,170,248</u>	<u>\$9,208,729</u>	<u>\$9,995,846</u>	<u>\$10,742,943</u>	<u>\$12,484,061</u>
Parity Debt Service (3)						
State Water Resources Control Board Loans	\$5,449,692	\$5,454,747	\$5,469,175	\$5,477,075	\$5,485,587	\$5,497,048
CSCDA Series 2005D Revenue Bonds	178,036	167,284	155,706	143,608	130,815	117,175
Total Parity Debt	<u>\$5,627,728</u>	<u>\$5,622,031</u>	<u>\$5,624,881</u>	<u>\$5,620,683</u>	<u>\$5,616,402</u>	<u>\$5,614,223</u>
Total Parity Debt Service Coverage	<u>1.22</u>	<u>2.16</u>	<u>1.64</u>	<u>1.78</u>	<u>1.91</u>	<u>2.22</u>

(1) Primarily consists of payments from the City of San Bruno. The City of San Bruno is a co-owner of the Plant and pays the City in advance on a quarterly basis for the City of San Bruno's share of operating costs. See "Wastewater System" herein.

(2) Excludes depreciation, capital expenditures and debt service.

(3) Includes Sewer Revenue Bonds and State Water Loan payments

(4) Reflects an adopted increase in rates for Fiscal Year 2004-05 of 25% per Resolution No. 68-2004, adopted by the City Council on July 14, 2004 and effective on and after July 1, 2004 and an adopted increase in rates for Fiscal Year 2005-06 of 9% per Resolution No. 68-2005, adopted by the City Council on June 22, 2005 and effective on and after June 22, 2005.

**CITY OF SOUTH SAN FRANCISCO
REDEVELOPMENT PLEDGED REVENUE COVERAGE
LAST EIGHT FISCAL YEARS**

2006 RDA Revenue Bonds						1999 RDA Revenue Bonds (Housing)					
Funding Source: RDA tax increment revenues						Funding Source: RDA Gateway and Low Moderate Income Housing tax increment revenues. Gateway bonds defeased in FY 05-06.					
Fiscal Year	Available Revenue	Debt Service Requirements			Coverage	Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total				Principal	Interest	Total	
2014		\$1,545,000	\$2,971,344	\$4,516,344		2014		\$220,000	\$69,780	\$289,780	
2015		1,605,000	2,904,331	4,509,331		2015		230,000	58,750	288,750	
2016		1,680,000	2,834,619	4,514,619		2016		245,000	46,875	291,875	
2017		1,745,000	2,761,756	4,506,756		2017		255,000	34,375	289,375	
2018						2018		275,000	21,125	296,125	
2019						2019		285,000	7,125	292,125	
2020						2020					
2021						2021					

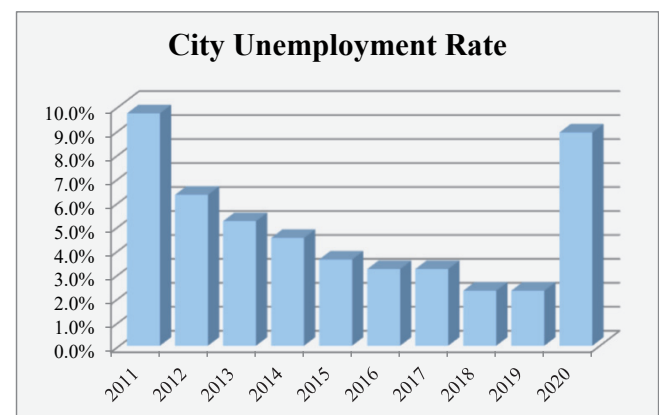
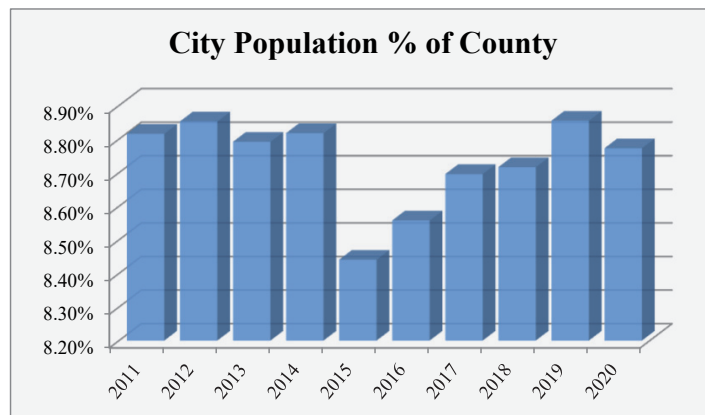
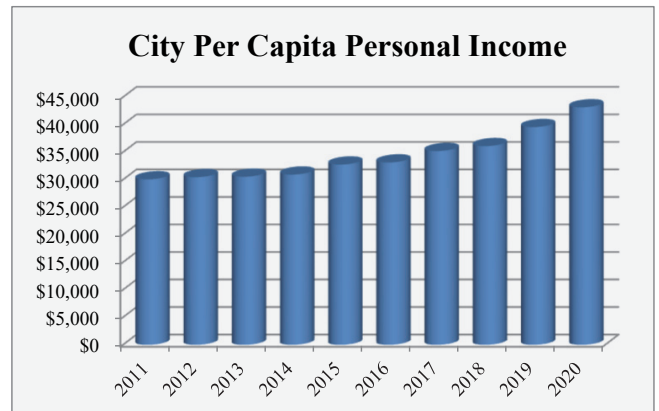
Bond was paid off in fiscal year 2017

RDA All Non-housing (A)					
Funding Source: RDA tax increment revenues					
Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2014		\$1,545,000	\$2,971,344	\$4,516,344	
2015		1,605,000	2,904,331	4,509,331	
2016		1,680,000	2,834,619	4,514,619	
2017		1,745,000	2,761,756	4,506,756	
2018		0	0	0	
2019		0	0	0	
2020		0	0	0	
2021		0	0	0	

Note: Redevelopment Agencies abolished as of 1/31/2012.
Numbers for 2012 include the first and second RPTTF distributions received.

(A) Shows coverage of all non-housing bonds pledged to tax increment.
Source: City of South San Francisco, Department of Finance

CITY OF SOUTH SAN FRANCISCO
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS



Year	Estimated City Population (1)	City Personal Income (2) (in thousands)	City Per Capita Personal Income (2)	City Unemployment Rate (3)	San Mateo County Population (4)	City Population % of County
2011	64,307	\$1,932,618	\$30,053	9.7%	729,443	8.82%
2012	65,127	1,982,857	30,446	6.3%	735,678	8.85%
2013	65,710	2,005,666	30,523	5.2%	747,373	8.79%
2014	65,749	2,033,156	30,923	4.5%	745,635	8.82%
2015	64,585	2,114,826	32,744	3.6%	765,135	8.44%
2016	65,451	2,167,750	33,120	3.2%	764,797	8.56%
2017	67,082	2,303,425	35,193	3.2%	771,410	8.70%
2018	67,078	2,421,033	36,092	2.3%	769,545	8.72%
2019	67,879	2,684,438	39,547	2.3%	766,573	8.85%
2020	67,135	2,895,980	43,136	8.9%	765,245	8.77%

Notes:

** All data were updated to reflect the City of South San Francisco's current information available through HDL, Coren & Cone

Data Sources:

(1) City Population: HDL/California State Dept of Finance.

(2) Personal and per capita income: HDL, Coren & Cone

(3) Unemployment Data: HDL/California Employment Development Department

(4) San Mateo County Population- <https://www.census.gov/quickfacts/fact/table/sanmateocountycalifornia,CA/PST045219>

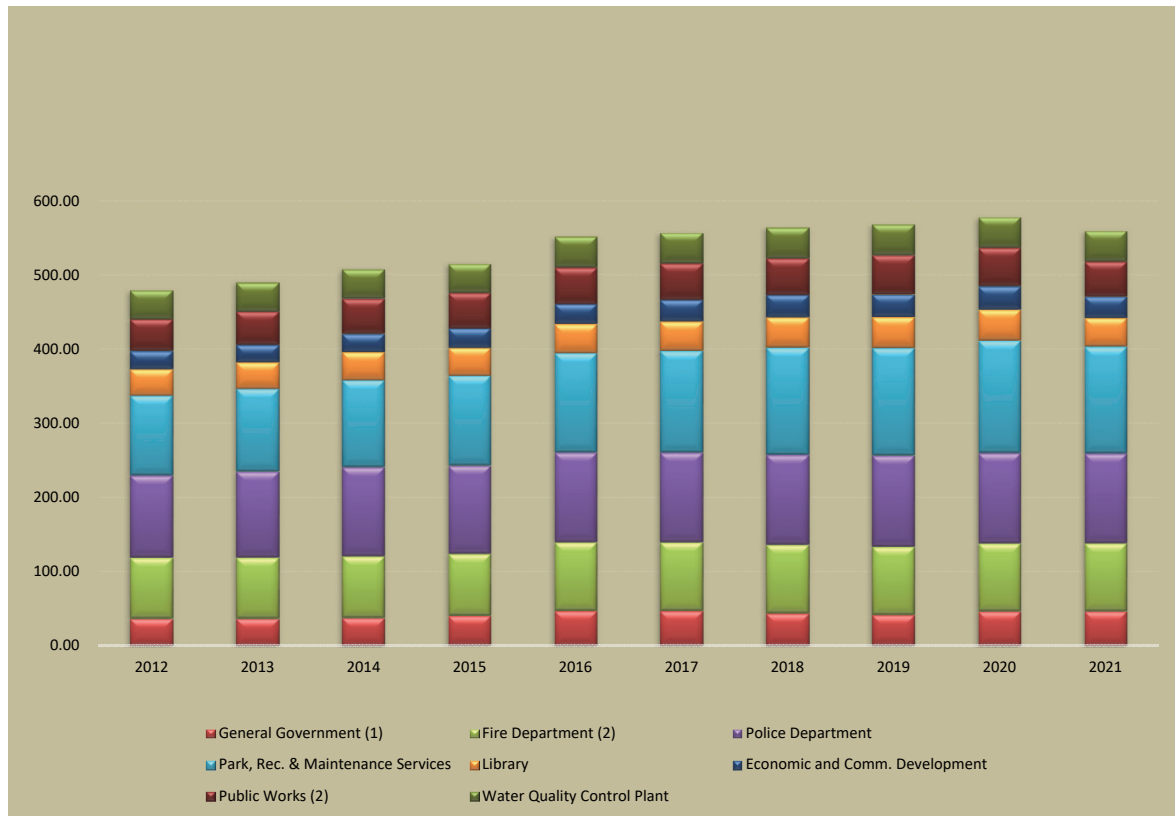
CITY OF SOUTH SAN FRANCISCO
Principal Employers
Current Year and Nine Years Ago

Employer	2020-21			2011-12		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Genentech Inc.	8,632	1	12.9%	8,451	1	13.2%
ABBVIE	1,000	2	1.5%			0.0%
Costco Wholesale (4 stores)	834	3	1.2%	485	2	
Amazon.com Services, Inc	706	4	1.1%			0.0%
Life Technologies Corporation	622	5	0.9%			
Verily Life Sciences LLC	555	6	0.8%			
Goodwill Industries of SF	375	7	0.6%			
Sutro Biopharma, Inc	321	8	0.5%			
MRL San Francisco, LLC	317	9	0.5%			
ZS Associates, Inc	317	9	0.5%			
Frank & Grossman Landscape Contractors	265	10	0.4%			0.0%
Amgen San Francisco LLC				451	3	0.7%
Guardsmark LLC				347	4	0.5%
American Etc Inc/ Royal Laundry				321	5	0.5%
Bay Bread LLC (2 stores)				288	6	0.4%
Elan Pharmaceuticals (3 locations)				283	7	0.4%
DBI Beverage				232	8	0.4%
SBM Site Services, LLC				232	8	0.4%
Oroweat/ Entenmann's				233	9	0.4%
Monogram Biosciences Inc				210	10	0.3%
Subtotal	<u>13,944</u>		<u>20.8%</u>	<u>11,533</u>		<u>18.0%</u>
Total City Population	<u>67,135</u>			<u>64,067</u>		

Data Sources:

- (1) SSF Business License Database- Business licenses expiring 12/31/21.
- (2) City of South San Francisco CAFR 2011-12
- (3) Population: HDL/California State Dept of Finance 2020.

CITY OF SOUTH SAN FRANCISCO
Full-Time Equivalent City Government
Employees by Function
Last Ten Fiscal Years (Adopted Operating Budget)



Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government (1)	36.60	36.60	37.60	40.60	47.10	47.10	43.60	41.60	46.60	46.60
Fire Department (2)	82.48	82.48	82.98	83.48	92.68	92.68	92.68	91.93	91.68	91.68
Police Department	110.65	115.65	119.75	118.87	120.87	120.87	120.87	122.87	121.87	120.92
Park, Rec. & Maintenance Services	107.86	111.66	117.21	121.31	134.16	137.19	144.29	144.79	151.75	143.84
Library	35.34	35.35	37.66	37.71	38.71	39.26	40.49	41.49	41.49	38.56
Economic and Comm. Development	24.45	23.45	24.40	26.15	27.15	29.40	30.40	30.40	31.40	29.00
Public Works (2)	43.03	45.02	47.21	47.68	49.00	49.00	49.00	53.00	52.00	47.00
Water Quality Control Plant	38.82	38.82	39.63	39.06	41.74	41.50	41.50	41.50	41.50	41.50
Total	479.23	489.03	506.44	514.86	551.41	557.00	562.83	567.58	578.29	559.10

Notes:

1. City Council, City Treasurer, City Clerk, City Manager, HR, IT and Finance are under General Government.
2. Oversight of the Code Enforcement has been moved from Fire to Public Works Department.

Source: City of South San Francisco's FY2012-FY2021 Adopted Operating budget.

CITY OF SOUTH SAN FRANCISCO
Operating Indicators by Function/Program
Last Seven Fiscal Years

	2015	2016	2017	2018	2019	2020	2021
Function/Program							
Public safety:							
Fire:							
Inspections conducted	1,817	2,563	3,426	2,292	2,511	2,375	3,888
Police:							
Police calls for service	31,532	32,477	33,313	34,811	38,299	38,541	40,503
Law violations:							
Part I crimes	1,874	2,126	2,103	2,276	2,007	2,070	3,481
Physical arrests (adult and juvenile)	1,933	2,071	1,870	1,891	1,943	1,871	1,635
Traffic violations	3,828	4,211	3,785	3,359	3,620	4,172	2,119
Parking violations	13,378	12,006	15,291	18,339	26,228	12,269	13,276
Public works							
Street resurfacing (miles) (Eng Div)	0	2	8	3.3	7.0	7.9	19.57
Potholes repaired (square miles prior)/(square feet)	0.11	2	0	(2) 3221	410	190	165
Asphalt used for street repairs (tons)	250	151	94	148	13	46	69
Culture and recreation:							
Recreation class participants	(5) 26,879	23,399	23,939	25,688	23,394	17,333	(4) 5,282
Library:							
Total items borrowed	643,630	565,806	558,106	544,059	582,497	(3) 450,637	(3) 245,869
Items in collection	130,106	(1) 208,400	209,895	219,114	228,224	247,393	260,205
Wastewater							
Residential connections	16,470	16,491	16,488	12,556	12,559	12,549	12,571
Commercial connections	1,560	1,561	1,562	1,575	1,576	1,582	1,575
Other connections	128	131	140	140	140	140	140
Average daily sewage treatment (millions of gallons)	8.89	7.92	8.41	8.62	8.62	7.12	6.76

Note: N/A denotes information not available.

(1) New items added for Grand Library and electronic books are also included.

(2) Beginning 2018, pothole repairs will be measured by square feet instead of square miles.

(3) Fewer items borrowed in FY2020 and FY2021 due to COVID-19 closures.

(4) Summer camp and traditional sports programs included. Lower participant counts due to COVID-19 limitations and closures.

(5) Registration counts have excluded all withdrawals from the classes for the year while the numbers in 2015 did not.

CITY OF SOUTH SAN FRANCISCO
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Function/Program										
Public safety:										
Fire stations	5	5	5	5	5	5	5	5	5	5
Police stations (2)	1	1	1	1	1	1	1	1	1	1
Police Fleet	51	51	50	53	53	52	59	63	60	63
Public works										
Miles of streets	127	127	127	127	127	127	127	127	127	127
Street lights (5)	4,160	4,505	4,505	4,505	4,505	4,505	4,531	4,531	4,531	4,581
Parking District lights (6)	20	20	20	20	20	16	16	16	16	16
Traffic Signals	74	74	74	74	76	76	76	76	76	80
Culture and recreation:										
Community services:										
City parks	28	28	28	28	28	28	28	28	28	28
City parks acreage	190	190	190	190	190	190	190	210	210	210
Playgrounds (7)	24	24	24	24	24	24	24	24	34	34
City trails	6	6	6	6	6	6	6	6	6	6
Community gardens	1	1	1	1	1	1	1	1	1	1
Community centers	4	4	4	4	4	4	4	4	4	4
Senior centers (3)	1	1	1	1	1	1	1	1	1	1
Skate Park (4)	1	1	1	1	1	1	1	1	1	1
Dog park (4)	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	7	7	7	7	7	7	7	7	7	7
Basketball Courts	12	12	12	12	12	12	12	12	12	12
Baseball/softball diamonds	11	11	11	11	11	11	11	11	11	11
Soccer/football fields	5	5	5	5	5	5	5	5	5	5
Library:										
City Libraries (1)	2	2	2	2	2	2	2	2	2	2
Wastewater										
Miles of sanitary sewers	164	164	164	164	164	164	164	164	164	164
Miles of storm sewers	125	125	125	125	125	125	125	125	125	125
Number of treatment plants	1	1	1	1	1	1	1	1	1	1

Source: ssf.net/depts/rcs; Director of Rec & Comm Services; Superintendent of parks & Maintenance

- (1) Community Learning Center not included on count as it is only a homework center not a library.
- (2) Year 2012 the Police substation located behind Miller parking garage is not included.
- (3) The only senior center is Magnolia Center but programming still continues at El Camino.
- (4) Year 2010, Skate park and dog park was added on the list.
- (5) Year 2013- Includes all lights in SSF billed as LS-2 from PG&E.
- (6) Year 2017- Lot 6 sold for Rotary Plaza development.
- (7) Year 2020 -Playgrounds in the Common Greens areas are now included.

CITY OF SOUTH SAN FRANCISCO
Miscellaneous Information
Last Three Fiscal Years

Collection and Use of 1% Special Transient Occupancy Tax (TOT) Approved by Voters as Measure I *

	2019	2020	2021
Transient Occupancy Tax Detail			
13% TOT collected	\$15,535,213	\$12,591,459	\$6,215,172
1% Measure I Special Tax	1,556,009	1,114,911	495,099
Total TOT Collection	\$17,091,222	\$13,706,371	\$6,710,270
1% Measure I Special Tax Use			
Police	311,202	222,982	99,020
Fire	311,202	222,982	99,020
Library	311,202	222,982	99,020
Parks	311,202	222,982	99,020
Recreation	311,202	222,982	99,020
Total 1% Measure I Special Tax	\$1,556,009	\$1,114,911	\$495,099

* Note: The current TOT consists of three components - a 9% general excise tax (Measure FF) that generates General Fund revenues; a 1% special tax (Measure I- effective January 1, 2005) was earmarked for use to supplement funding parks, recreation, library, and public safety services (SSFMC 4.20.033) and a \$2.50 tax devoted to the acquisition, renovation, maintenance and operation of the South San Francisco Conference Center. The City Council last increased the total TOT rate from 9% to 10% in 2009 with the incremental 1% increase being a general tax. City's TOT rate from 10% to 12% effective January 1, 2019. A subsequent 2% increase over the next two years would revise the TOT rate to 13% (effective January 1, 2020) and 14% (effective January 1, 2021).

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

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

Re: *\$65,420,000 City of South San Francisco Public Facilities Financing Authority (Multiple Capital Projects at Orange Memorial Park) Lease Revenue Bonds, Series 2022A*

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 \$65,420,000 City of South San Francisco Public Facilities Financing Authority (Multiple Capital Projects at Orange Memorial Park) Lease Revenue Bonds, Series 2022A (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, as supplemented by the First Supplemental Indenture, dated as of June 1, 2021 (together, the “Original Indenture”) and the Second Supplemental Indenture, dated as of June 1, 2022 (“the Second Supplemental Indenture” and together with the Original Indenture, the “Indenture”), each 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, as amended and supplemented by the First Amendment to Lease Agreement, dated as of June 1, 2021 (together, the “Original Lease Agreement”) and by the Second Amendment to Lease Agreement, dated as of June 1, 2022 (the “Second Amendment to Lease Agreement” and together with the Original Lease Agreement, the “Lease”), by and between the Authority and the City. We have examined the law and such certified proceedings and other documents, agreements, opinions and matters 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.

We have assumed the genuineness of all documents and signatures presented to us, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the preceding paragraphs of this opinion. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Lease and the Ground Lease. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Lease, the Ground Lease, the Assignment Agreement and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against cities and public agencies in the State of California.

We express no opinion herein with respect to any indemnification, contribution, choice of law, choice of forum, penalty or waiver provisions contained in the Bonds, the Indenture, the Lease, the Ground Lease or the Assignment Agreement; 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 Lease or the Ground Lease, or the accuracy or sufficiency of the description contained therein, or the remedies available to enforce liens on, any such property contained therein.

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 Second Supplemental Indenture and the Second Amendment to Lease Agreement have each been duly authorized, executed and delivered by the Authority and the Indenture and the Lease constitute the valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms. 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 Second Supplemental Indenture and the Second Amendment to Lease Agreement have each been duly authorized, executed and delivered by the City and the Indenture and the Lease constitute the valid and binding obligations of the City enforceable against the City in accordance with their respective terms.

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. 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 Internal Revenue Code of 1986, as amended (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 Authority and the City comply with all requirements of 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 Authority and the City have 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,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of June 1, 2022 (the “Disclosure Agreement”) is by and between the City of South San Francisco (the “City”) and Willdan Financial Services (the “Dissemination Agent”), in connection with the issuance of the City of South San Francisco Public Facilities Financing Authority’s (the “Authority”) \$65,420,000 (Multiple Capital Projects at Orange Memorial Park) Lease Revenue Bonds, Series 2022A (the “Bonds”).

WHEREAS, the Bonds are being issued pursuant to an Indenture, dated as of March 1, 2020, as supplemented by the First Supplemental Indenture dated as of June 1, 2021 and the Second Supplemental Indenture dated as of June 1, 2022 (together, the “Indenture”), by and among the Authority, the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

WHEREAS, the Bonds are payable from the base rental payments to be made by the City under the Lease Agreement, dated as of March 1, 2020, as amended and supplemented by the First Amendment to Lease Agreement, dated as of June 1, 2021, and the Second Amendment to Lease Agreement, dated as of June 1, 2022 (as amended, the “Lease Agreement”), between the City, as lessee, and the Authority, as lessor; and

WHEREAS, this Disclosure Agreement is being entered into by the City for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Rule (defined below).

NOW, THEREFORE, the City and the Dissemination Agent agree as follows:

SECTION 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean the Annual Report provided by the City pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the City Manager of the City, the Director of Finance of the City, or their designee, or such other officer or employee as the City shall designate in writing from time to time.

“Dissemination Agent” shall mean Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 4(a) and (b) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” shall mean the Official Statement relating to the Bonds, dated May 25, 2022.

“Repository” shall mean the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“Underwriter” shall mean the original Underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

SECTION 2. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent, not later than March 31 following the end of the City’s fiscal year (which presently ends on June 30) (the “Annual Report Date”), commencing with the report for the fiscal year ending June 30, 2022, provide to the MSRB an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement. The Annual Report shall be provided to the MSRB in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The City’s fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The City will promptly notify the MSRB and the Dissemination Agent (if other than the City) of a change in the fiscal year dates. The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(b) If by five (5) Business Days prior to the Annual Report Date, the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall notify the City of such non-receipt.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the Annual Report Date, the Dissemination Agent shall provide in a timely manner to the MSRB (with a copy to the Trustee and the Underwriter) a notice, in substantially the form attached as Exhibit A.

(d) Unless the City has done so pursuant to Section 3(a) above, the Dissemination Agent (if other than the City) shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a certificate with the City to the effect that the Annual Report has been provided pursuant to this Disclosure Agreement, stating, to the extent it can confirm such filing of the Annual Report, the date it was provided.

SECTION 3. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The City's audited financial statements, prepared in accordance with generally accepted auditing standards for municipalities in the State of California. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in Appendix A to the Official Statement, in the following charts and tables: Tables 1 through 3, 5, 6 and 7 (provided, however, that so long as the information in Table 7 to be updated is included in the City's audited financial statements, an update to Table 7 need not be provided). With respect to Table 1, the adopted budget for the fiscal year during which the Annual Report is filed need not be reported.

Financial information relating to the City referenced in this Section 3 may be updated from time to time, and such updates may involve displaying data in a different format or table or eliminating data that is no longer available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposal Issue (IRS Form 5701-TEB);
6. Tender Offers;
7. Defeasances;
8. Rating changes;

9. Bankruptcy, insolvency, receivership or similar proceedings; and

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 4, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not more than ten (10) business days after occurrence:

1. unless described in Section 4(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. modifications to the rights of Bondholders;

3. bond calls;

4. release, substitution or sale of property securing repayment of the Bonds;

5. non-payment related defaults;

6. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

7. appointment of a successor or additional trustee or the change of the name of a trustee; and

8. incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Bond Owners.

(c) If the City determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the City, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event.

(d) If the City determines that the Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the City, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The City hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the City and, if the Dissemination Agent is other than the City, the Dissemination Agent shall not be responsible for determining whether the City's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 5. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation. The obligations of the City, the Trustee and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 4(c).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the City pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty days written notice to the City and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the City and shall have no duty to review any information provided to it by the City. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the City in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule taking into account any subsequent change in or official interpretation of the Rule; provided, the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 4(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, any Owners or Beneficial Owner of the Bonds may take such actions as may be

necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply with this Disclosure Agreement shall be an action to compel performance.

No Bond Owner or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall also be entitled to any further protections and limitations from liability afforded to the Trustee under the Indenture as if such provisions were fully set forth herein. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the City, the Bond Owners, or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

City:	City of South San Francisco 400 Grand Avenue South San Francisco, CA 94080 Attention: City Manager
Dissemination Agent:	Willdan Financial Services 27368 Via Industria, Suite 200 Temecula, California 92590 Attention: Federal Compliance Group

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, if any, the Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Signature. This Disclosure Agreement has been executed by the undersigned on the date hereof, and such signature binds the City to the undertaking herein provided.

CITY OF SOUTH SAN FRANCISCO

By: _____
City Manager

WILLDAN FINANCIAL SERVICES, as Dissemination
Agent

By: _____
Authorized Officer

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of South San Francisco Public Facilities Financing Authority
Name of Issue: City of South San Francisco Public Facilities Financing Authority (Multiple Capital
Projects at Orange Memorial Park) Lease Revenue Bonds, Series 2022A
Date of Issuance: June 8, 2022

NOTICE IS HEREBY GIVEN that the City of South San Francisco (the “City”) has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of June 1, 2022, by and between the City and Willdan Financial Services. [The City anticipates that the Annual Report will be filed by _____.]

Dated: June 8, 2022

[DISSEMINATION AGENT]

By: _____

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 2022A Bonds, payment of principal, premium, if any, accreted value and interest on the Series 2022A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2022A 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 2022A 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.

