NEW ISSUE – BOOK-ENTRY ONLY **RATINGS**
Moody's: MIG 1
Standard & Poor's: SP-1+
See "RATINGS" herein

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with tax covenants described herein, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the Notes is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

$55,000,000
CITY OF OAKLAND, CALIFORNIA
2014-2015 TAX AND REVENUE ANTICIPATION NOTES

Interest Rate: 1.00%
Yield: 0.11%
CUSIP No.*: 672240SH2

Dated: *Date of Delivery* ***Maturity Date:*** *June 30, 2015*

The City of Oakland, California (the "City") 2014-2015 Tax and Revenue Anticipation Notes, (the "Notes") are being issued to finance General Fund expenditures, including, but not limited to, current expenses, capital expenditures and the discharge of other obligations of the City. The Notes will be issued as fixed-rate notes in fully registered form.

This cover page contains certain information for quick reference only and is not a summary of the transaction. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Notes, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC") which will act as the securities depository for the Notes. Purchases of the Notes will be made only through DTC Participants under the book-entry system maintained by DTC in the denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Notes purchased.

The Notes will be dated the date of delivery thereof and will not be subject to redemption prior to maturity. The Notes will bear interest at a fixed rate per annum from their dated date to their maturity date. Principal of and interest on the Notes are payable on their maturity date. See "THE NOTES."

In accordance with California law, the Notes are general obligations of the City payable from those taxes, income, revenue, cash receipts and other moneys which are received by the City for the General Fund of the City for the Fiscal Year 2014-15 and which are available for the payment of current expenses and other obligations of the City. As security for the payment of principal of and interest on the Notes, the City has pledged for deposit, in trust, (i) an amount equal to fifty percent (50%) of the principal amount of the Notes, from unrestricted moneys on deposit with the City during the period commencing March 2, 2015 and ending March 31, 2015; and (ii) an amount equal to fifty percent (50%) of the principal amount of, and all of the interest on, the Notes, from unrestricted moneys on deposit with the City during the period commencing May 1, 2015 and ending May 29, 2015 (collectively, such pledged amounts are hereinafter called the "Pledged Moneys"). See "SECURITY FOR THE NOTES." The amounts so set aside from time to time in the Special Account (as defined herein) are pledged to and will be applied to pay principal of, and interest on, the Notes as such Notes mature.

The Notes were sold through a competitive sale held on July 9, 2014. Bids for the purchase of the Notes were received by the City on July 9, 2014 in accordance with the Official Notice of Sale.

The Notes are offered when, as and if issued by the City and received by RBC Capital Markets, LLC, the successful bidder, subject to the approval of validity by Hawkins Delafield & Wood LLP, Bond Counsel to the City. Certain other legal matters will be passed upon for the City by the City Attorney and certain other legal services will be provided to the City by Curls Bartling P.C., Disclosure Counsel to the City. It is expected that the Notes will be available for delivery through the facilities of DTC on or about July 23, 2014.

Dated: July 9, 2014

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

This Official Statement is not to be construed as a contract with the purchasers of the Notes. 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 representation of facts. No representation is made that any past experience, as shown by any financial or other information herein, will necessarily continue or be repeated in the future. The information set forth in this Official Statement has been obtained from official sources and other sources, which are believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by, the City.

The information and expressions of opinions herein are subject to change 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 since the date hereof. This Official Statement is submitted with respect to the initial sale of the Notes 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 the 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 in this Official Statement, which may be identified by the use of such terms as "plan," "expect," "estimate," "budget" or other similar words, constitute "forward-looking statements." Such forward-looking statements include, but are not limited to, statements under the captions "CASH FLOW PROJECTIONS," "SPECIAL RISK FACTORS" and "APPENDIX A – CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – FINANCIAL INFORMATION," and "– OTHER FISCAL INFORMATION." Such forward-looking statements refer to the achievement of certain results or other expectations of performance, which involve known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. The City does not plan to issue updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

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

CITY OF OAKLAND
County of Alameda, California

MAYOR

Jean Quan, *Mayor*

CITY COUNCIL

Patricia Kernighan (District 2)
Councilmember and President

Larry Reid, Jr. (District 7)
Councilmember and Vice Mayor

Dan Kalb (District 1)
Councilmember

Lynette Gibson McElhaney (District 3)
Councilmember

Libby Schaaf (District 4)
Councilmember

Noel Gallo (District 5)
Councilmember

Desley Brooks (District 6)
Councilmember

Rebecca Kaplan (At-Large)
Councilmember and President Pro Tem

CITY STAFF

Henry L. Gardner, *Interim City Administrator*
Donna Hom, *Interim Assistant City Administrator*
Arturo M. Sanchez, *Interim Assistant City Administrator*
Barbara J. Parker, *City Attorney*
Courtney A. Ruby, *City Auditor*
LaTonda Simmons, *City Clerk*
Katano Kasaine, *Treasurer*

BOND COUNSEL

HAWKINS DELAFIELD & WOOD LLP
San Francisco, California

DISCLOSURE COUNSEL

CURLS BARTLING P.C.
Oakland, California

FINANCIAL ADVISOR

FIRST SOUTHWEST COMPANY
Oakland, California

FISCAL AGENT

WILMINGTON TRUST, NATIONAL ASSOCIATION
Costa Mesa, California

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OFFICIAL STATEMENT

$55,000,000
CITY OF OAKLAND, CALIFORNIA
2014-2015 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover and Appendices hereto, provides information in connection with the sale of $55,000,000 City of Oakland, California 2014-2015 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are issued pursuant to the Charter of the City of Oakland (the "City") and the Constitution and laws of the State of California (the "State"), including Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (commencing with Section 53850 of the Government Code of the State (the "Law")). Under the Law, the Notes are general obligations of the City payable from those taxes, income, revenues, cash receipts and other moneys which are received by the City for the General Fund of the City for the Fiscal Year 2014-15 and which are available for the payment of current expenses and other obligations of the City (the "Unrestricted Moneys"). The Notes are authorized pursuant to Ordinance No. 13231 C.M.S. of the City adopted on June 3, 2014 (the "Ordinance"). The City may, under the Law, issue the Notes only if the principal of and interest on the Notes will not exceed eighty-five percent (85%) of the estimated Unrestricted Moneys legally available for the payment of the Notes.

Proceeds from the sale of the Notes will be used for current General Fund expenditures including, but not limited to, current expenses, capital expenditures and the discharge of other obligations or indebtedness of the City.

THE NOTES

Description of the Notes

The Notes will be issued in the aggregate principal amount of $55,000,000 and will be in denominations of $5,000 or any integral multiple thereof. The Notes will be dated their date of issuance and delivery, and will mature on the date, and will bear interest at the rate, set forth on the cover page hereof. Interest on the Notes will be payable at maturity and computed on the basis of a 30-day month/360-day year basis.

The Notes are not subject to redemption prior to maturity.

Wilmington Trust, National Association, will serve as Fiscal Agent for the Notes ("Fiscal Agent").

Book-Entry-Only System

The City will issue the Notes as fully registered notes, in the principal amount set forth on the cover page hereof, in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Notes. The Notes will be available to Beneficial Owners (defined in "APPENDIX F – BOOK-ENTRY ONLY SYSTEM") only under the book-entry system maintained by DTC. Beneficial Owners of Notes will not receive physical certificates representing their interests in the Notes. The City will pay principal of and interest on the Notes directly to DTC or Cede & Co. so long as DTC or Cede & Co. is the registered owner of the Notes and all such payments will be valid and effective to fully discharge all obligations of the City and the Fiscal Agent with respect to the principal and interest with respect to the Notes to the extent of the sum or sums so paid. Disbursements of such payments to DTC's Direct Participants (as defined in the "APPENDIX F – BOOK-ENTRY ONLY SYSTEM") is the responsibility of DTC and disbursement of such payments to Beneficial Owners is the responsibility of DTC's Direct Participants and Indirect Participants (together, "Participants"). See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM."

NO ASSURANCE IS GIVEN BY THE CITY OR THE FISCAL AGENT THAT DTC AND DTC PARTICIPANTS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO BENEFICIAL OWNERS.

When reference is made to any action that is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation, or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the City, or any fiduciary acting on behalf of the City, to DTC.

So long as Cede & Co. is the registered owner of the Notes, as nominee for DTC, references in this Official Statement to the registered owners of the Notes (other than for federal and state income tax purposes) shall mean Cede & Co. and shall not mean the Beneficial Owners of the Notes.

NEITHER THE CITY NOR THE FISCAL AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO: THE PAYMENT OR FAILURE TO PAY BY DTC OR ANY DTC PARTICIPANT OF THE PRINCIPAL OF OR INTEREST ON THE NOTES; THE PROVIDING OF NOTICE TO DTC PARTICIPANTS OR BENEFICIAL OWNERS; THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE NOTES.

Transfers of ownership interests in the Notes will be accomplished by book entries made by DTC and the DTC Participants who act on behalf of the Beneficial Owners. For every transfer and exchange of the Notes, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may determine to discontinue providing its services with respect to the Notes at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository), Note certificates are required to be delivered as described in the Ordinance. The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Notes.

In the event DTC determines not to continue to act as securities depository for the Notes, then the City will discontinue the book-entry system with DTC. If the City determines to replace DTC with another qualified securities depository, the City will prepare or direct the preparation of new single, separate, fully registered Notes, registered in the name of such successor or substitute qualified securities depository or its nominee. If the City does not identify another qualified securities depository to replace DTC, then the Notes will no longer be restricted to being registered in the name of Cede & Co., but will be registered in whatever name or names owners of the Notes transferring or exchanging Notes will designate in accordance with the Ordinance, and the City will prepare and deliver Notes to the owners thereof for such purpose.

See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM."

SECURITY FOR THE NOTES

General

The principal amount of the Notes, together with the interest thereon, will be payable from taxes, revenues, income, cash receipts and other moneys which are received by the City for the City's General Fund for the Fiscal Year 2014-15 and which are available for the payment of current expenses and other obligations of the City (the "Unrestricted Moneys"). As security for the payment of the principal of and interest on the Notes, the City has pledged: (i) an amount equal to fifty percent (50%) of the principal amount of the Notes, from unrestricted moneys on deposit with the City during the period commencing March 2, 2015 and ending March 31, 2015; and (ii) an amount equal to fifty percent (50%) of the principal amount of, and all of the interest on, the Notes, from unrestricted moneys on deposit with the City during the period commencing May 1, 2015 and ending May 29, 2015 (collectively, such pledged amounts are hereinafter called the "Pledged Moneys"). See "Special Account" below.

REQUIRED PLEDGED MONEYS DEPOSITS

March 31, 2015	May 29, 2015
$27,500,000.00	$28,014,861.11

The Law and the Ordinance provide that the obligation to pay the principal amount of the Notes and the interest thereon constitutes a first lien and charge against and will be paid from such Pledged Moneys of the City. To the extent not so paid from Pledged Moneys, the Notes will be paid from any other moneys of the City lawfully available therefor.

Special Account

The Pledged Moneys will be deposited by the City with and held by the Fiscal Agent, in trust, in a special fund designated "City of Oakland, California, 2014-2015 Tax and Revenue Anticipation Notes Special Account" (the "Special Account") and applied as directed under the Ordinance. Any money deposited by the Fiscal Agent in the Special Account will be for the benefit of the owners of the Notes, and until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Special Account will be applied only for purposes for which the Special Account was created. Deposits of Pledged Moneys may take into account as a credit any moneys on deposit in the Special Account.

Pursuant to the Ordinance, all Pledged Moneys will be paid to the Fiscal Agent for deposit in the Special Account. Amounts deposited by the City in the Special Account will be applied solely for the purpose of paying the principal of and interest on the Notes, although such amounts will be invested in legal investments as permitted by California law and in accordance with the investment policy of the City applicable thereto, and will include, without limitation, any investment permitted by Section 53601 of the Government Code of the State (the "Government Code") and any investment agreement, repurchase agreement or guaranteed investment contract with a commercial bank or other entity whose long term debt is rated, at the time such agreement or contract is entered into, not less than "Aa3" by Moody's Investors Service ("Moody's") and "AA-" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P" and together with Moody's, the "Rating Services"), provided that no such investments will have a maturity date later than the final maturity date of the Notes. See "APPENDIX C – CITY OF OAKLAND INVESTMENT POLICY FOR FISCAL YEAR 2014-15."

Lien in Bankruptcy

Local agencies in California are able to file for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and any such bankruptcy could result in delays or reductions in payments on obligations of the local agency.

In the event of a bankruptcy, the lien of the Ordinance may not attach to any Pledged Moneys that the City receives after the commencement of a bankruptcy case, the City may not be required to transfer those Pledged Moneys to the Fiscal Agent, and the City may be able to use those Pledged Moneys for purposes other than making payments on the Notes.

Pledged Moneys may be commingled with other funds prior to transfer to the Fiscal Agent pursuant to the Ordinance. It is possible that the owners of the Notes will have no rights to Pledged Moneys that are in the possession of the City or that are otherwise commingled with other funds on the date of commencement of a bankruptcy proceeding. See "SPECIAL RISK FACTORS – Limitations on Remedies in the Event of Default" and "– Bankruptcy" herein.

Available Sources of Repayment

The Notes, in accordance with the Law, are general obligations of the City payable from Unrestricted Moneys, which include the taxes, income, revenue, cash receipts and other moneys of the City which are received by the City for the General Fund of the City for Fiscal Year 2014-15 and which are generally available for the payment of current expenses and other obligations of the City. The Constitution of the State substantially limits the City's ability to levy ad valorem taxes and to increase fees charged for services of the City (See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein). The City presently expects that other than the Notes, it will not issue any other notes or warrants for cash flow borrowing purposes with respect to Fiscal Year 2014-15.

CASH FLOW PROJECTIONS

The table below sets forth the sources and amounts of estimated Unrestricted Moneys for Fiscal Year 2014-15. The estimates in the table, along with the accompanying General Fund cash flow analysis for Fiscal Year 2013-14 and a projected cash flow for Fiscal Year 2014-15, have been prepared by the City. The projected cash flow for Fiscal Year 2014-15 was prepared based on the current information available. The statements in this Official Statement relating to the cash flow projections constitute "forward-looking statements." Such forward-looking statements refer to the achievement of certain results or other expectations or performance, which involves known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. The City does not plan to issue updates or revisions to such forward looking statements if or when its expectations, or the events, conditions or circumstances on which such statements are based, occur, or if the actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

CITY OF OAKLAND
2014-2015 ESTIMATED UNRESTRICTED MONEYS
(Thousands of Dollars)

Revenue Source	**Amount**
Cash Balance as of July 1, 2014*	$143,496
General Property Tax	206,508
Sales & Use	50,360
Business License Tax	60,616
Utility Users Tax	50,000
Real Estate Transfer Tax	53,000
Bedroom Occupancy Tax	14,883
Parking Tax	8,178
Franchise Fees	15,535
Licenses & Permits	1,945
Fees, Fines & Penalties	24,248
Interest and Rentals	6,000
Service Charges	72,065
Other Grants & Subsidies	10,682
Miscellaneous	4,449
Interfund Transfers	3,524
Lighting /Landscape Assessments	20,617
Internal Service Funds	54,444
Total Unrestricted Moneys	$800,549

**Projected*
Source: City of Oakland Treasury Division Cashflow Projections.

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CITY OF OAKLAND
GENERAL FUND CASH FLOWS FOR FISCAL YEAR 2013-2014
(Thousands of Dollars)

	July	August	September	October	November	December	January	February	March	April	May[2]	June[2]	Total
BEGINNING BALANCE	**141,965**	**184,615**	**102,491**	**92,521**	**70,070**	**57,949**	**124,990**	**117,389**	**119,596**	**116,639**	**176,388**	**121,577**	
RECEIPTS													
General Property Tax	-	-	10,038	-	2,251	77,867	2,843	-	24,902	58,952	10,681	12,000	199,535
Sales & Use	-	461	3,415	2,695	3,203	9,245	2,493	3,466	3,371	8,317	3,159	9,237	49,062
Business License Tax	-	1,427	677	666	617	557	6,969	19,409	20,088	6,428	458	1,554	58,851
Utility Users Tax	-	4,200	4,783	3,489	4,288	4,019	4,454	3,976	4,952	2,765	6,444	6,629	50,000
Real Estate Transfer Tax	113	4,797	1	12,055	4,039	6,264	4,480	3,070	4,524	6	3,322	14,075	56,745
Bedroom/Occupancy Tax	320	1,269	1,248	1,526	1,324	1,186	890	974	1,034	1,139	1,234	2,425	14,567
Parking Tax	133	632	592	847	524	817	737	562	596	862	661	1,270	8,233
Franchise Fees	-	423	894	1,615	1,011	423	1,744	1,055	837	4,611	328	2,594	15,535
License & Permits	64	185	80	185	109	46	74	38	129	86	416	502	1,915
Fines & Penalties	-	1,626	1,606	1,921	1,726	1,657	1,708	1,698	2,679	2,085	2,143	5,777	24,625
Interest & Rentals[1]	286	306	262	342	286	282	322	251	405	874	735	1,650	6,000
Service Charges	2,950	4,670	4,108	5,691	4,711	4,559	7,076	4,792	4,734	4,769	3,677	10,763	62,500
Other Grants & Subsidies	14	61	282	47	3	4,141	-	37	3,430	-	2	116	8,133
Miscellaneous	-	444	186	193	24	133	300	69	201	-	321	153	2,025
Interfund Transfers	-	587	277	277	277	277	367	277	277	277	277	277	3,449
Note Proceeds	79,062	-	-	-	-	-	-	-	-	-	-	-	79,062
Lighting/Landscape Assess	-	8	47	180	605	10,093	989	22	2,457	5,707	1,530	138	21,776
Internal Service Funds	3,780	4,752	4,056	5,170	4,650	4,759	4,805	4,520	4,532	5,259	1,643	6,978	54,904
Total Receipts	86,723	25,846	32,552	36,898	29,648	126,325	40,251	44,217	79,146	102,139	37,032	76,139	716,916
DISBURSEMENTS													
Gen Fund Salaries & Benefits	33,914	30,934	27,038	29,888	27,544	28,686	29,606	27,976	29,278	29,437	35,867	27,313	357,480
Gen Fund Oper.& Maint	5,739	14,904	7,267	7,348	6,421	9,265	9,388	7,791	7,132	6,064	8,057	11,809	101,184
Note Principal	-	-	-	-	-	-	-	-	39,115	-	39,115	-	78,230
Note Interest	-	-	-	-	-	-	-	-	-	-	972	-	972
Interfund Transfers	1,405	7,003	3,203	15,771	1,319	15,846	3,399	1,319	1,319	1,695	1,319	2,271	55,869
POB Debt Service	-	49,724	-	-	-	-	-	-	-	-	-	-	49,724
Lighting/Landscape Assess	1,110	1,796	1,489	1,773	1,711	1,840	1,453	1,448	1,428	1,434	1,677	3,778	20,937
Internal Service Funds	1,904	3,610	3,524	4,570	4,774	3,646	4,006	3,477	3,831	3,759	4,836	9,049	50,986
Total Disbursements	44,073	107,971	42,522	59,348	41,769	59,283	47,852	42,011	82,103	42,389	91,843	54,220	715,384
SURPLUS/(DEFICIT)	42,650	(82,124)	(9,970)	(22,450)	(12,122)	67,042	(7,601)	2,207	(2,957)	59,749	(54,811)	21,919	1,532
ENDING BALANCE	184,615	102,491	92,521	70,070	57,949	124,990	117,389	119,596	116,639	176,388	121,577	143,496	

(1) Includes interest earnings on Note proceeds.
(2) Projected.

CITY OF OAKLAND
PROJECTED GENERAL FUND CASH FLOWS FOR FISCAL YEAR 2014-2015
(Thousands of Dollars)

	July	August	September	October	November	December	January	February	March	April	May	June	Total
BEGINNING BALANCE	**143,496**	**150,901**	**71,068**	**53,517**	**18,771**	**2,586**	**76,978**	**68,995**	**65,817**	**67,456**	**107,181**	**77,234**	
RECEIPTS													
General Property Tax	-	2,288	7,375	-	2,717	73,139	13,359	-	21,788	43,905	19,749	22,189	206,508
Sales & Use	-	1,978	2,516	2,479	3,608	9,075	2,275	3,131	4,037	8,872	3,157	9,232	50,360
Business License Tax	-	1,622	529	403	399	879	6,834	18,618	23,116	1,917	1,434	4,864	60,616
Utility Users Tax	1,267	2,921	4,028	4,712	3,328	5,554	3,041	4,795	3,743	6,592	4,939	5,081	50,000
Real Estate Transfer Tax	8	3,769	75	3,872	3,438	4,892	11,560	3,125	3,249	35	3,624	15,353	53,000
Bedroom/Occupancy Tax	261	1,280	1,357	1,408	1,508	1,119	1,012	997	1,086	1,140	1,253	2,462	14,883
Parking Tax	41	731	1,184	707	582	264	828	-	1,066	669	721	1,384	8,178
Franchise Fees	-	954	406	1,768	746	847	1,565	406	808	1,949	684	5,403	15,535
License & Permits	163	269	102	208	323	103	67	70	53	131	207	249	1,945
Fines & Penalties	407	1,673	1,593	1,858	1,957	1,547	1,867	1,656	2,013	1,878	2,110	5,688	24,248
Interest & Rentals[(1)]	378	451	372	491	363	281	476	267	420	553	600	1,347	6,000
Service Charges	2,644	4,925	4,582	4,867	6,779	5,254	5,511	4,543	7,470	5,304	5,140	15,045	72,065
Other Grants & Subsidies	-	1,235	-	1	18	3,585	-	2,808	-	2,012	85	937	10,682
Miscellaneous	141	164	616	59	230	-	215	491	-	311	1,293	928	4,449
Interfund Transfers	-	-	-	-	1,468	294	294	294	294	294	294	294	3,524
Note Proceeds	55,459	-	-	-	-	-	-	-	-	-	-	-	55,459
Lighting/Landscape Assess	21	399	-	71	280	9,933	190	8	2,238	5,778	160	1,540	20,617
Internal Service Funds	1,698	6,945	1,993	7,166	1,941	7,473	4,990	1,655	6,604	5,340	4,205	4,433	54,444
Total Receipts	62,488	31,604	26,728	30,070	29,685	124,238	54,082	42,866	77,987	86,679	49,655	96,429	712,512
DISBURSEMENTS													
Gen Fund Salaries & Benefits	37,353	34,522	29,763	32,892	31,728	32,740	34,007	28,540	31,822	31,416	34,777	26,484	386,044
Gen Fund Oper.& Maint	10,191	10,058	8,275	9,519	7,312	10,550	10,689	8,871	9,274	8,057	9,175	13,446	115,416
Note Principal	-	-	-	-	-	-	-	-	27,500	-	27,500	-	55,000
Note Interest	-	-	-	-	-	-	-	-	-	-	515	-	515
POB Debt Service	-	50,969	-	-	-	-	-	-	-	-	-	-	50,969
Interfund Transfers	4,404	8,645	1,589	15,661	1,589	1,589	10,522	3,592	1,589	1,589	1,589	1,589	53,948
Lighting/Landscape Assess	779	2,307	1,176	2,336	1,291	1,664	1,868	1,273	1,847	1,883	1,910	2,412	20,744
Internal Service Funds	2,357	4,936	3,475	4,409	3,951	3,302	4,979	3,768	4,317	4,009	4,136	7,739	51,379
Total Disbursements	55,083	111,437	44,278	64,816	45,871	49,846	62,065	46,044	76,349	46,954	79,601	51,670	734,015
SURPLUS/(DEFICIT)	7,405	(79,834)	(17,551)	(34,746)	(16,185)	74,392	(7,983)	(3,178)	1,638	39,725	(29,947)	44,759	(21,503)
ENDING BALANCE	150,901	71,068	53,517	18,771	2,586	76,978	68,995	65,817	67,456	107,181	77,234	121,993	

(1) Includes interest earnings on Note proceeds.

GENERAL CITY INFORMATION

Located in the County of Alameda (the "County") on the east side of San Francisco Bay, the City is approximately seven miles from downtown San Francisco via the San Francisco-Oakland Bay Bridge. The City ranges from industrialized lands bordering the Bay in the west to suburban foothills in the east. Historically the industrial heart of the Bay Area, Oakland has developed into a financial, commercial, and governmental center. The City is the hub of an extensive transportation network that includes a freeway system and the western terminals of major railroad and trucking operations, as well as one of the largest container-ship ports in the United States. The City supports an expanding international airport and rapid-transit lines that connect it with most of the Bay Area. The City is the seat of government for Alameda County and is the eighth most populous City in the State.

City Government

The City is a municipal corporation and charter city organized and existing under the Constitution and laws of the State. It was incorporated as a town in 1852 and as a city in 1854. The City became a charter city in 1889. The Charter provides for the election, organization, powers and duties of the legislative branch, known as the City Council; the powers and duties of the executive and administrative branches; fiscal and budgetary matters, personnel administration, franchise, licenses, permits, leases and sales; employee's pension funds; and the creation and organization of the Port of Oakland. An eight-member City Council, seven of whom are elected by district and one of whom is elected on a city-wide basis, governs the City. The Mayor is not a member of the City Council but is the City's chief elective officer. The Mayor and Council members serve four-year terms staggered at two-year intervals.

For additional information concerning the City, its government and its financial affairs, see "APPENDIX A – CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" and "APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

City Investment Policy

The authority to invest Unrestricted Moneys in the City's General Fund is governed by Council Resolution No. 56127, which delegates to the Treasurer or designee the authority to invest such moneys within the guidelines of Section 53600 of the Government Code. The investment policy may be revised by the City Council at any time. For a complete description of the current investment policy, including the objectives, reporting requirements and permitted investments of the portfolio, see "APPENDIX A – CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – FINANCIAL INFORMATION – City Investment Policy" and "APPENDIX C – CITY OF OAKLAND INVESTMENT POLICY FOR FISCAL YEAR 2014-15."

SPECIAL RISK FACTORS

The following information should be considered by prospective investors in evaluating the Notes. However, this information does not purport to be an exhaustive listing of the risks and other considerations which may be relevant to an investment in the Notes.

Limitations on Remedies in Event of Default

The rights of the owners of the Notes in the event of nonpayment of the Notes may be subject to the limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by 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 creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes 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. See "SECURITY FOR THE NOTES – Lien in Bankruptcy."

Bankruptcy

Bankruptcy proceedings, or the exercise of powers by the Federal or State government, if initiated, could subject the owners of the Notes 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. On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the State statute that provides for the lien in favor of holders of tax and revenue anticipation notes. The City holds taxes and other revenues that are pledged and will be set aside to repay the Notes. Following payment of these funds to the Fiscal Agent, such funds will be invested in the City's investment pool or other investments permitted under the Ordinance. In the event of a petition for the adjustment of debts of the City under Chapter 9 of the Bankruptcy Code, a court might hold that the Owners of the Notes do not have a valid and prior lien on the Pledged Moneys where such amounts are deposited in the City's investment pool and may not provide the Owners of the Notes with a priority interest in such amounts. Such amounts may not be available for payment of principal of and interest on the Notes unless the Owners of the Notes could "trace" the funds that have been deposited in the City's investment pool from the Special Account. There can be no assurance that the Owners could successfully so "trace" the Pledged Moneys.

Federal Income Tax Consequences

Certain federal income tax consequences of an investment in the Notes are discussed under "TAX MATTERS" herein. Each prospective purchaser of the Notes should consult with his or her own tax advisor to determine the specific effects of an investment in the Notes based upon such prospective investor's particular tax situation.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Notes, the City has covenanted in the Ordinance to comply with each applicable requirement of the Internal Revenue Code of 1986, as amended. The interest on the Notes could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Notes as a result of acts or omissions of the City in violation of such covenants in the Ordinance. Current or future legislative proposals, if enacted into law, or clarification of the Internal Revenue Code of 1986, as amended, or court decisions, may cause interest on the Notes to be subject, directly or indirectly, to federal or state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Despite the occurrence of any such event of taxability, the Notes are nonetheless not subject to redemption and will remain outstanding until maturity. See "TAX MATTERS" herein.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978, or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition, or (3) any bonded indebtedness incurred by a school district, community college district or county office of education for the construction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities approved after November 8, 2000 by 55% of the voters of the district or county, as appropriate, voting on the proposition. Section 2 of 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" ("Full Cash Value"). The Full Cash Value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Taxpayers in the City may appeal the determination of the County Assessor of the Full Cash Value of their property. At any given point in time, hundreds of property tax assessment appeals are pending in the City. The total number of assessment appeals filed for Fiscal Year 2013-14 decreased by 2 (0.2%) from the number of assessment appeals filed for Fiscal Year 2012-13, going from a total of 986 appeals to 984 appeals. If the assessed value of a property is reduced as a result of an assessment appeal, the reduction is borne by relevant taxing agencies, including the City. See "APPENDIX A – CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – GENERAL FUND REVENUES – Property Taxation."

Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIII A has been amended a number of times. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first $1,000,000 of the Full Cash Value of other real property between parents and children, does not constitute a “purchase” or “change of ownership” triggering reappraisal under Article XIII A. Other amendments permit the State Legislature to allow persons over the age of 55 who meet certain criteria or “severely disabled homeowners” who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence.

In the November 1990 election, the voters approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of “new construction” certain additions and improvements.

Article XIII A has also been amended 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 or construction or reconstruction of seismic retrofitting components.

Section 4 of Article XIII A provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which have been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Article XIII B of the State Constitution

State and local government agencies in the State are each subject to annual “appropriations limits” imposed by Article XIII B of the State Constitution (“Article XIII B”). Article XIII B prohibits government agencies and the State from spending “appropriations subject to limitation” in excess of the appropriations limit imposed. “Appropriations subject to limitation” are generally authorizations to spend “proceeds of taxes,” which include, but are not limited to, all tax revenues and the proceeds from (i) regulatory licenses, user charges or other user fees to the extent that such proceeds exceed “the cost reasonably borne by that entity in providing the regulation, product, or service,” (ii) the investment of tax revenues, and (iii) certain subventions received from the State. No limit is imposed on appropriations of funds which are not “proceeds of taxes,” appropriated for debt service on indebtedness existing prior to the passage of Article XIII B or authorized by the voters or appropriations required to comply with certain mandates of courts or the federal government.

As amended at the June 5, 1990 election by Proposition 111, Article XIII B provides that, in general terms, a county’s appropriations limit is based on the limit for the prior year adjusted annually to reflect changes in cost of living, population and, when appropriate, transfer of financial responsibility of providing services from one governmental unit to another. Proposition 111 liberalized the aforementioned adjustment factors as compared to the original provisions of Article XIII B. If county revenues during any two consecutive fiscal years exceed the combined appropriations limits for those two years, the excess must be returned by a revision of tax rates or fee schedules within the two subsequent fiscal years.

Section 7900, et seq. of the California Government Code defines certain terms used in Article XIII B and sets forth the methods for determining the appropriations limits for local jurisdictions. Relying on these definitions, and Chapter 60, Statutes of 1990 effective August 1, 1990, which implemented Proposition 111, the City’s appropriations limit for “proceeds of taxes” for Fiscal Year 2013-14 is $511,784,608, an increase of 7.69% over Fiscal Year 2012-13.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

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 require a majority vote and taxes for specific purposes, even if deposited in the General Fund, require a two-thirds vote. The voter approval requirements of Article XIII C reduce the City's flexibility to deal with fiscal problems by raising revenue through new or extended or increased taxes and no assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

Article XIII D contains several provisions making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property.

Article XIII D also contains several provisions affecting a "fee" or "charge," defined for purposes of Article XIII D to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by [a local government] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) with respect to any parcel or person, exceed the proportional cost of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) 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. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. The City has two enterprise funds that are self-supporting from fees and charges, which could, depending upon judicial interpretation of Proposition 218, ultimately be determined to be property related for purposes of Article XIII D. In the event that fees and charges cannot be appropriately increased, or are reduced pursuant to exercise of the initiative power (described in the following paragraph), the City may have to decide whether to support any deficiencies in these enterprise funds with moneys from the General Fund or to curtail service, or both.

In addition to the provisions described above, Article XIII C removes prohibitions and limitations on the initiative power in matters of any "local tax, assessment, fee or charge." Consequently, the voters of the City could, by future initiative, repeal, reduce or prohibit the future imposition or increase of any local tax, assessment, fee or charge. "Assessment," "fee" and "charge," are not defined in Article XIII C and it is not clear whether the definitions of these terms in Article XIII D (which are generally property related as described above) would limit the scope of the initiative power set forth in Article XIII C. If the Article XIII D definitions are not held to limit the scope of Article XIII C initiative powers, then the

Article XIII C initiative power could potentially apply to revenue sources that currently constitute a substantial portion of General Fund revenues. No assurance can be given that the voters of the City will not, in the future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

Proposition 26

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

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase, rental or lease of local government property; (5) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Article XIII D. Fees, charges and payments that are made pursuant to a voluntary contract that are not "imposed by a local government" are not considered taxes and are not covered by Proposition 26.

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

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

Future Initiatives

Article XIII A, Article XIII B and Propositions 218 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, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the Notes, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the Notes is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Notes. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, or any facts or circumstances that may thereafter come to its attention, or changes in law or in interpretations thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action thereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on such Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Notes. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Note Premium

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Note after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Note (a "Premium Note"). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the bond premium over the remaining term of the Premium Note, based on the owner's yield over the remaining term of the Premium Note determined based on constant yield principles. An owner of a Premium Note must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Note, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Notes should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Notes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding", which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Notes under Federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes. For example, the Fiscal Year 2015 Budget proposed on March 4, 2014, by the Obama Administration recommends a 28% limitation on "all itemized deductions, as well as other tax benefits" including "tax-exempt interest." The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond. Similarly, on February 26, 2014, Dave Camp, Chairman of the United States House Ways and Means Committee, released a discussion draft of a proposed bill which would significantly overhaul the Code, including the repeal of many deductions; changes to the marginal tax rates; elimination of tax-exempt treatment of interest for certain bonds issued after 2014; and a provision similar to the 28% limitation on tax-benefit items described above (at 25%) which, as to certain high income taxpayers, effectively would impose a 10% surcharge on their "modified adjusted gross income," defined to include tax-exempt interest received or accrued on all bonds, regardless of issue date.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, sale, execution and delivery by the City of the Notes are subject to the approval of Hawkins Delafield & Wood LLP, Bond Counsel to the City. A complete copy of the proposed form of opinion of Bond Counsel is contained in "APPENDIX D – FORM OF OPINION OF BOND COUNSEL." Curls Bartling P.C., as Disclosure Counsel, will provide certain other legal services for the City. Certain other legal matters will be passed upon for the City by the City Attorney. Bond Counsel, Disclosure Counsel and the City Attorney, respectively, undertake no responsibility for the accuracy, completeness or fairness of the Official Statement. Payment of fees of Bond Counsel and Disclosure Counsel is contingent upon the issuance of the Notes.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate, the City will covenant for the benefit of the owners and Beneficial Owners of the Notes to provide notices of the occurrence of certain enumerated events. The notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. The specific nature of the information to be contained in the notices of enumerated events and the text of the proposed form of the Continuing Disclosure Certificate are set forth under the caption "APPENDIX E – PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE." A default under the Continuing Disclosure Certificate will not be an event of default under the Ordinance. The sole remedy under the Continuing Disclosure Certificate in the event of any failure of the City to comply will be an action to compel specific performance. This covenant will be made in order to assist the underwriter of the Notes in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Rule”).

The City believes that it has not failed during the previous five years to comply in all material respects with any previous undertaking under such Rule, however between February 1, 2008 and June 28, 2012, the City did not file event notices (i) relating to upgrades by Moody’s and Fitch Ratings to the City’s underlying ratings in April 2010 resulting from Moody’s and Fitch Ratings’ respective recalibrations of their global ratings scale and (ii) relating to the downgrades by Moody’s, S&P and Fitch Ratings of the insured ratings of certain bonds for which the City entered into continuing disclosure undertakings. Such downgrades resulted from the downgrades of the ratings of the insurers of such bonds. The City has made corrective filings setting forth information regarding the above-referenced downgrades and upgrades. Additionally, the City has instituted additional procedures to ensure timely compliance in the future with its continuing disclosure undertakings.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under the provisions of the Financial Code of the State, the Notes are legal investments for commercial banks in the State to the extent that the Notes, in the informed opinion of the bank, are prudent for the investment funds of its depositors, and under provisions of the Government Code of the State are eligible to secure deposits of public moneys in the State.

LITIGATION

No litigation is pending or, to the best of the knowledge of the City, threatened, seeking to restrain or enjoin the issuance of the Notes or in any way contesting or affecting the validity of the Notes or any proceedings of the City taken with respect to any of the foregoing. The City Attorney will render an opinion at the time of original delivery of the Notes to that effect. The City is not aware of any litigation pending or threatened questioning its political existence or contesting its ability to levy and collect ad valorem taxes or to collect or receive Pledged Moneys or contesting its ability to pay the principal of and interest on the Notes.

The City is involved in certain litigation and disputes relating to its operation. Upon the basis of information presently available, the City Attorney believes (1) there are substantial defenses to such litigation and disputes and (2) in any event, any ultimate liability in the aggregate in excess of applicable insurance coverage resulting therefrom will not materially affect the ability of the City to pay debt service on the Notes.

See “APPENDIX A – CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – OTHER MATTERS – Litigation” herein.

UNDERWRITING

The Notes will be purchased by RBC Capital Markets, LLC (the "Underwriter") as winner of a competitive bid conducted on July 9, 2014. The Underwriter has agreed to purchase the Notes from the City, at a purchase price of $55,458,705 (representing the par amount of the Notes, plus bid premium in the amount of $458,705). Under the terms of its bid, the Underwriter will be obligated to purchase all of the Notes if any are purchased, subject to the approval of certain legal matters by Bond Counsel and certain other terms and conditions.

The Underwriter may offer and sell Notes to certain dealers, dealer banks, and banks, and banks acting as agents at prices lower than the offering price stated on the cover page hereof. The public offering price may be changed from time to time by the Underwriter.

FINANCIAL ADVISOR

First Southwest Company has been retained as Financial Advisor to the City with respect to the sale of the Notes. The Financial Advisor has assisted the City in the review of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Notes. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement. The Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor will receive compensation from the City contingent upon the sale and delivery of the Notes.

RATINGS

Moody's and S&P have assigned ratings of MIG 1 and SP-1+, respectively, to the Notes as shown on the cover of this Official Statement. Certain information was supplied by the City to the Rating Agencies to be considered in evaluating the Note issue. The ratings issued reflect only the views of such rating agencies, and any explanation of the significance of any rating should be obtained from the applicable rating agency. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by any such rating agency if in its judgment, circumstances so warrant. The City undertakes no responsibility to oppose any downward revision or withdrawal of any of such ratings obtained. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Notes.

FINANCIAL STATEMENTS

The audited Annual Financial Report of the City for its Fiscal Year ended June 30, 2013, is included in "APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2013." Such Annual Financial Report has been audited by Macias Gini & O'Connell LLP, independent accountants (the "Auditor"), as stated in the Auditor's report appearing in APPENDIX B. The City has not requested, nor has the Auditor given, the Auditor's consent to the inclusion in APPENDIX B of its report. The Auditor has not reviewed this Official Statement nor performed any procedures subsequent to rendering its opinion on such Annual Financial Report.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Notes. Quotations from and summaries and explanations of the Notes and the Ordinance authorizing the Notes and of statutes and documents contained herein do not purport to be complete, and reference is hereby made to said Ordinance, statutes and documents for full and complete statements of their provisions. Additional information can be obtained from the City's Treasurer.

All data contained herein have been taken or constructed from the City's records and other sources. The appropriate City officials, acting in their official capacity, have reviewed this Official Statement and have determined that as of the date hereof the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. The appropriate City official will execute a certificate to this effect upon delivery of the Notes.

This Official Statement and its distribution have been duly authorized and approved by the City Council of the City.

CITY OF OAKLAND, CALIFORNIA

By: /s/ Henry L. Gardner
Interim City Administrator

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APPENDIX A

CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

Overview

The City of Oakland (the "City" or "Oakland") is located in the County of Alameda (the "County") on the eastern shore of the San Francisco Bay (the "Bay"), approximately seven miles from downtown San Francisco via the San Francisco-Oakland Bay Bridge. Occupying approximately 53.8 square miles, the City is the largest and most established of the "East Bay" cities. Its geography ranges from industrialized areas in the west, which border the Bay, to suburban foothills in the east. The City is the hub of an extensive transportation network, which includes several interstate freeways, the western terminus of major railroad and trucking operations, and one of the largest container-ship ports in the United States. The City is also served by an active international airport and the Bay Area Rapid Transit system ("BART"), which connects the City by commuter rail with most of the San Francisco Bay Area (the "Bay Area"). Formerly the industrial heart of the Bay Area, the City has developed into a diverse financial, commercial and governmental center. The City is the seat of government for the County and is the eighth most populous city in the State of California (the "State"), with a population of approximately 404,355 as of January 1, 2014.

Oakland has a diverse mix of traditional and new economy companies. Companies are attracted to the City's excellent quality of life, comparatively low business costs, proximity to research institutions, extensive fiber-optic infrastructure and vast intermodal transportation network. Leading industries include business services, health care services, transportation, food processing, light manufacturing, government, arts, culture, entertainment, and tech-startups. Prominent employers or businesses headquartered in the City include Clorox Company, Kaiser Permanente, Cost Plus and Dreyer's Grand Ice Cream.

Culturally, the City is home to a regionally and nationally recognized symphony, many up-and-coming artistic and cultural institutions, an award-winning zoo, the Paramount Theatre and newly-renovated Fox Theater, a burgeoning restaurant scene, the recently remodeled Oakland Museum of California, and a vibrant nightlife. The City is also the only city in California outside of Los Angeles, and the only city in the Bay Area, with three major professional sports teams. The Oakland Athletics, the Golden State Warriors, and the Oakland Raiders all play at stadiums within the City, and at times these venues are used for other purposes, including concerts and other events.

Oakland was ranked as the fifth most desirable destination to visit worldwide in The New York Times piece "The 45 Places to Go in 2012," and was the top-ranked U.S. destination.

Oakland also was ranked #1 on the list of "The 10 Most Exciting Cities in America" by Movoto.com on May 2, 2013, based on a number of criteria, including the presence of parks and entertainment, population diversity and other quality of life metrics.

As recently reported in CIO.com on February 13, 2013, Oakland was ranked among the most attractive U.S. cities for tech startups according to a recent report by the National Venture Capital Association.

The City boasts one of the highest percentages of parks and open space per capita in the nation. The City counts lush green hills, redwood forests, creeks, an estuary, and two shimmering lakes among its natural amenities, and the extensive East Bay Regional Park District is easily accessible from the City.

The City also is home for three (3) of the top twelve (12) "B" corporations with more than 50 employees, ranked nationally by the non-profit, B Lab, for the companies' public benefits, as reported by Forbes Magazine. These companies are Give Something Back Office Supplies, One Pacific Coast Bank and Sungevity Electricity Systems.

City Government

The City was incorporated as a town in 1852 and as a city in 1854. In 1889, the City became a charter city. The City Charter (the "Charter") provides for: the election, organization, powers and duties of the legislative branch, known as the City Council (the "City Council"); the powers and duties of the executive and administrative branches; fiscal and budgetary matters, personnel administration, franchises, licenses, permits, leases and sales; employee pension funds; and the creation and organization of the Port of Oakland. An eight-member City Council, seven of whom are elected by district and one of whom is elected on a citywide basis, governs the City. The mayor of the City (the "Mayor") is not a member of the City Council but is the City's chief executive officer. The current Mayor, Jean Quan, is serving her first term, which expires in January 2015. No person can be elected Mayor for more than two consecutive terms. The Mayor and City Council members serve four-year terms staggered at two-year intervals. The City Attorney is elected to a four-year term, two years following the election of the Mayor. The current City Attorney's term will expire on January 31, 2017. The City Auditor is elected to a four-year term at the same election as the Mayor. The current City Auditor's term will expire in January 2015.

The Mayor appoints a City Administrator who is subject to confirmation by the City Council. The City Administrator is responsible for daily administration of City affairs and preparation of the annual budget for the Mayor to submit to the City Council. Subject to civil service regulations, the City Administrator appoints all City employees who are not elected officers of the City. The current Interim City Administrator, Henry L. Gardner, was appointed on June 16, 2014.

The City provides a full range of services required by State law and the Charter, including those functions delegated to cities under State law. These services include public safety (police and fire), sanitation and environmental health enforcement, recreational and cultural activities, public improvements, planning, zoning and general administrative services.

ECONOMIC HIGHLIGHTS

The City is a central hub city for the Bay Area with a well-connected transportation network including interstate freeways, railroad and trucking operations, an airport and a major west coast port. The City is one of the most diverse cities in the nation with a highly skilled labor pool. Approximately 1 million square feet of retail development have been developed since 2011 or are currently under construction or in planning or design stages.

The following represent some of the major projects in the City that were recently completed or that are currently underway or in the final planning stages located in the City.

Major Announcements:

- The Oakland Global Trade and Logistics Development broke ground at the former Oakland Army Base in October 2013. Funding commitments from both the City and State of nearly $230 million will fund public backbone infrastructure and extensive site improvements. Public funding is being used to leverage approximately $270 million from private investment to construct approximately 1.5 million square feet of new industrial facilities emphasizing warehousing, port/trade logistics, trucking operations and recycling facilities. Construction is scheduled to be complete and be operational prior to April 2019. The trade and logistics center will bolster the Port of Oakland's ability to compete globally, allow higher volumes of cargo and create thousands of jobs.

- The Brooklyn Basin Project broke ground in March 2014. It is projected to be a $1.5 billion project, which will be the largest approved, mixed-use master plan in the City. The project will consist of approximately 3,100 housing units, 200,000 square feet of offices and shops, and 30 acres of parks and open space along Oakland's estuary. An estimated 10,000 jobs will be created upon completion of its build-out.

Major Projects and Activities Completed:

Arts and Entertainment

- "Art Murmur," held on the first Friday of every month, attracts approximately 25,000 visitors a month to open galleries in Downtown/Old Oakland, Uptown, and Jack London Square.

- Uptown ArtPark opened in April 2013 – the City's first outdoor sculpture park. It is a showplace for large-scale local art for the entire community to enjoy. Oakland was named one of America's Top 12 ArtPlaces in 2013, by ArtPlace America.

- The Fox Theater, which is a national historic landmark, was renovated in 2009, becoming a 3,000-person live performance venue and the home for the Oakland School for the Arts, a 600-student performing arts middle and high school. This was one of the largest historic theater renovations in the nation.

- After a $58 million renovation and expansion of its iconic building, the Oakland Museum of California ("OMCA") welcomed back the public with a dramatically different presentation of its renowned collections. OMCA has revived its founding vision by introducing innovative exhibitions, setting a new paradigm for the way a museum engages the public. In addition, in May 2013, the renovation of the OMCA Natural Sciences Gallery was completed and opened to the public.

Housing

Over the last 14 years the City has placed an emphasis on constructing housing in the City's downtown area. In 1999, former Mayor of Oakland Jerry Brown introduced the 10K Housing Program, a housing development program which sought to bring an additional 10,000 residents to the City's downtown and Jack London Square areas. Since the implementation of the 10K Housing Program, a total of 45 projects with 4,625 units have been completed, while 1,670 units have planning approvals and 1,439 units are in planning. Once all of these are completed, they are expected to provide housing for approximately 13,150 new residents in downtown Oakland. Major projects include:

- The City Walk Project, referred to as Domain by Alta, includes 264 rental apartments and approximately 3,000 square feet of neighborhood-serving retail business. This project was completed in September 2011.

- The Uptown Housing Project Phase I provides 665 rental apartments, approximately 9,000 square feet of neighborhood-serving retail, and a 25,000 square foot public park. This project was completed in 2009.

- The Wood Street Development Project is approved for 1,570 units of housing and 13,000 square feet of neighborhood-serving commercial uses. Construction was completed on the first three phases of the project between 2008 and 2010, with several more phases being planned.

Library and Recreation

- The 81st Avenue Library opened in 2011 and is the largest branch library in the City at approximately 23,000 square feet. The library offers more than 30,000 books in English and Spanish languages, a computer lab, an internet café, free Wi-Fi, multimedia classrooms, a community meeting room and separate areas for children, teens and adults.

- The newly completed East Oakland Sports Center project, which opened in 2011, features an indoor recreational pool, water slide, fitness center, dance and exercise, multipurpose and meeting rooms. The LEED-certified, two-story building includes sustainable design elements such as a "cool roof" and the recycled use of grey water.

Other

- The renovated Foothill Square Shopping Center opened in spring 2014. The center is anchored by a 75,000-square-foot Foods Co. supermarket with other tenants including Ross, Anna's Linens and Wells Fargo. Approximately 450 retail jobs have been created.

Major Projects That Are Currently Underway or in the Final Planning Stages:

Mixed-Use Developments

- The MacArthur Transit Village project is expected to include 624 housing units and approximately 42,500 square feet of retail. Construction of the first phase of the project, which includes the construction of a public parking garage for BART, started in August of 2012 with a projected completion date of July 2014. The next phase, 90 units of affordable housing, began construction in September 2013.

- Coliseum Transit Village Phase I consists of a planned mixed-use transit oriented development centered on a portion of the existing Coliseum BART station parking lot. Phase I will replace a 1.3-acre portion of the existing Coliseum BART station parking lot with approximately 100 units of workforce/market rate rental housing and neighborhood-serving retail. Construction of Phase I will begin 2015.

- The new proposed Fruitvale Transit Village Phase II project is fully entitled for 275 residential units of housing including 277 garage parking stalls. The first phase (92 units) of the project, which is expected to begin in 2015-16, is intended to further revitalize the Fruitvale neighborhood, create housing for new residents, reduce air pollution and dependence on cars and increase BART ridership.

- The Oak Knoll Project is a 167-acre, mixed-use project that calls for the reuse of the former Oak Knoll Naval Medical Hospital, which was decommissioned in 1996. The proposed project calls for 960 residential units and 82,000 square feet of commercial space. Construction is expected to begin in 2015-16. Developer SunCal is partnering with King Street Capital Management to develop this project.

- The Hive is an office, retail and housing development under construction by Signature Development Group. The first phase consists of 100,000 square feet of commercial space and broke ground in 2013 and the grand opening was held in May 2014. The residential phase will feature 104 units with construction expected to begin by the end of 2014.

Housing

- The Lion Creek Crossings Affordable Housing Development has approximately 442 units of affordable family rental housing units, of which Phases I-IV have been completed. The final phase, Phase V, is fully entitled and will provide an additional 128 units of affordable rental housing. Phase V is expected to be completed later this year.

- The Lampwork Lofts project is the conversion of a historic four-story brick warehouse into 92 for-rent live/work units. As part of the rehabilitation, the 115,000-square-foot building will be registered as a national landmark with the National Park Service. The project is expected to be completed in summer 2014.

- Cathedral Gardens is an affordable rental housing community designed for families. The development incorporates a mix of new construction and historic rehab. Two new buildings are being constructed on either side of a rehabilitated 110-year-old historic rectory building. Occupancy is expected in August 2014.

- AveVista Apartments, at 460 Grand Avenue, will offer 68 units of affordable housing. The Oakland Housing Authority is building this lakeside project and expects completion in spring 2015.

Other

- The $484 million 3.2-mile BART Oakland International Airport Connector project is currently under construction and is expected to commence operations in late 2014. The new automated guide rail connector is expected to offer reliable world-class service by seamlessly connecting passengers from the Coliseum BART Station directly to the Oakland International Airport in less than nine minutes.

- The Kaiser Foundation Hospitals, as part of the Kaiser Hospital Master Plan, has completed construction of the first medical office building and new parking structure and has begun construction to replace the existing medical center with a state-of-the-art medical center of approximately 1.8 million square feet (exclusive of parking structures) on approximately 21 acres. The hospital is expected to be completed in July 2014.

- The Alameda County Medical Center has begun its $668 million Highland Hospital Tower Replacement Project. The new 9-story, 169-bed Acute Care Tower is expected to house inpatient, maternal and child support services when completed in 2017.

- Construction is underway at Alta Bates Summit Medical Center to build a new 250,000-square-foot, 238-bed patient care pavilion (an acute care hospital tower and relocated emergency department) and a new 1,067-space parking structure onsite. The hospital is expected to be completed in July 2014.

- By the end of 2014 the George P. Scotlan Memorial Convention Center will complete a $7.75 million renovation and modernization in order to enhance its appearance, marketability and the long-term economic success of the aging facility. The attached 484-room Marriott Hotel underwent a $19 million renovation, which was completed in July 2011.

- Safeway is redeveloping the existing Rockridge Shopping Center at Broadway and 51st into a 331,000-square-foot regional center, nearly doubling the square footage. In addition to the Safeway anchor, the center will host other retail and office tenants.

- In October 2013, Safeway broke ground on a replacement project for its store on College Avenue at Claremont. The project includes a new 45,000-square-foot grocery store and an additional 9,500 square feet of ground floor retail. The estimated project cost is $9.8 million.

Population

The Demographic Research Unit of the California Department of Finance estimated the City's population on January 1, 2014 at 404,355. This figure represents approximately 25.7% of the corresponding County figure and 1.1% of the corresponding State figure. The City's population grew 1.2% between 2013 and 2014. The following Table 1 sets forth the estimated population of the City, the County, and the State from calendar years 2010 through 2014.

Table 1
City of Oakland, County of Alameda and State of California
Population

Calendar Year	City	County	State
2010	390,724	1,510,271	37,253,956
2011	392,333	1,517,756	37,427,946
2012	394,838	1,530,206	37,668,804
2013	399,699	1,550,119	37,984,138
2014	404,355	1,573,254	38,340,074

Note: Data reflects population estimates as of January 1.
Source: California State Department of Finance, Demographic Research Unit, "Population Estimates for Cities, Counties, and the State, 2011-2014, with 2010 Census Benchmark" dated as of May 1, 2014, the most current information available as of May 8, 2014.

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Industry and Employment

The following Table 2 sets forth estimates of the labor force, civilian employment, and unemployment for City residents, State residents and United States residents from calendar years 2010 through 2014. The California Employment Development Department has reported preliminary unemployment figures for April 2014 at 7.3% for the State and 8.9% for the City (not seasonally adjusted).

Table 2
City of Oakland, State of California and United States
Civilian Labor Force, Employment and Unemployment
Annual Average for Years 2010 through 2014

Year and Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate (%)
2010				
City	204,700	170,200	35,500	16.9
State	18,316,400	16,051,500	2,264,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
2011				
City	203,600	171,800	31,800	15.6
State	18,384,900	16,226,600	2,158,300	11.7
United States	153,617,000	139,869,000	13,747,000	8.9
2012				
City	206,000	177,800	28,200	13.7
State	18,519,000	16,589,700	1,929,300	10.4
United States	154,975,000	142,469,000	12,506,000	8.1
2013				
City	206,000	182,700	23,400	11.3
State	18,596,800	16,933,300	1,663,500	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
City(1)	201,700	183,800	17,900	8.9
State(1)	18,497,800	17,139,800	1,358,000	7.3
United States(2)	154,845,000	145,767,000	9,079,000	5.9

(1) Data for the City of Oakland and the State of California reflect preliminary April 2014 numbers, as shown on the State Employment Development Department, Labor Market Information Division, as of May 29, 2014.

(2) Data for the United States, as shown on the U.S. Bureau of Labor Statistics, Household Data, Employment Status of Civilian Population (not seasonally adjusted) for April 2014, as of May 29, 2014.

Commercial Activity

The following Table 3 sets forth a history of taxable sales for the City for Fiscal Years 2008-09 through 2012-13.

Table 3
City of Oakland
Trade Outlets and Taxable Sales
for Fiscal Years 2008-09 through 2012-13
($ In Thousands)

Taxable Retail Sales	2008-09	2009-10	2010-11	2011-12	2012-13
Auto & Transportation	$ 695,919	$ 580,398	$ 651,555	$ 674,154	$ 743,329
Business & Industry	574,628	490,566	512,453	642,399	655,454
General Customer Goods	505,460	480,781	496,571	548,072	559,941
Restaurants and Hotels	515,602	525,068	566,973	606,936	681,562
Building & Construction	416,701	344,171	325,085	378,922	374,421
Food & Drugs	342,922	366,461	359,148	386,236	402,383
Food & Service Stations	638,147	433,207	620,279	888,349	733,489
TOTAL ALL OUTLETS	$3,689,379	$3,220,652	$3,532,064	$4,125,068	$4,150,579

Source: HdL Companies, as shown in the City of Oakland, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013.

The following Table 4 sets forth the largest industries in the County in terms of employment in each respective industry, as estimated by the State Employment Development Department for calendar years 2008 through 2012:

Table 4
County of Alameda
Employment by Industry Group
Annual Averages 2008 through 2012

Industry Employment [1]	2008	2009	2010	2011	2012[3]
Total Farm	700	700	700	700	600
Manufacturing	72,300	64,100	61,500	63,100	62,900
Other Goods Producing	40,300	33,600	30,400	30,900	33,200
Trade, Transportation and Utilities	131,800	121,700	117,600	118,900	121,900
Information	16,100	14,900	14,000	13,600	13,600
Financial Activities	26,100	22,400	22,900	23,000	23,200
Professional and Business Services	113,900	105,200	108,300	111,400	116,900
Education and Health Services	87,200	87,500	88,000	87,900	90,600
Leisure and Hospitality	56,300	53,900	54,500	56,000	58,300
Other Services	23,700	22,900	23,200	23,300	23,700
Government	124,600	121,200	116,100	116,000	114,800
TOTAL[2]	693,300	648,100	637,100	644,700	659,700

(1) Based on place of work.
(2) Total may not be precise due to rounding.
(3) Most recent data available.

Source: State of California, Employment Development Department, Labor Market Information Division, dated March 21, 2014 as shown on April 17, 2014.

The following Table 5 sets forth the top ten major employers in the City, the employees of which represent approximately 27.33% of the labor force, as of June 30, 2013.

Table 5
City of Oakland
Principal Employers
As of June 30, 2013

Rank	Employer	Type of Business	Number of Employees	Percent of Total Employment[1]
1	Kaiser Permanente Medical Group	Health Care	10,914	6.01%
2	Oakland Unified School District	School District	7,664	4.22
3	State of California	State Government	7,480	4.12
4	County of Alameda	County Government	6,218	3.43
5	City of Oakland	City Government	5,082	2.80
6	Alta Bates Summit Medical Center	Health Care	3,623	2.00
7	Children's Hospital & Research Center	Pediatric Hospital	2,600	1.43
8	Internal Revenue Service	Federal Government	2,500	1.38
9	Southwest Airlines	Transportation	2,100	1.16
10	Peralta Community College District	Community College	1,420	0.78
	TOTAL		**49,601**	**27.33%**

[1] Total employment of 181,499 (2013 estimate) from DemographicsNow.com is used to calculate the percentage of employment.
Source: City of Oakland, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013.

Construction Activity

The following Table 6 sets forth a summary of residential and commercial building permit valuations in the City for Fiscal Years 2008-09 through 2012-13.

Table 6
City of Oakland
Building Permit Valuation
2008-09 through 2012-13

	2008-09	2009-10	2010-11	2011-12	2012-13
Building Permits Issued	13,055	12,951	13,648	13,696	13,513
Authorized New Dwelling Units	395	555	528	237	486
Commercial Value (in thousands)	$117,876	$ 95,851	$108,767	$150,613	$ 65,152
Residential Value (in thousands)	$196,362	$168,872	$179,374	$159,723	$253,516

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Year Ended June 30, 2009 through June 30, 2013.

FINANCIAL INFORMATION

City Budget Process

The City's budget cycle is a two-year process that is intended to promote long-term decision-making, increase funding stability and allow for greater performance evaluation. The City's budget is developed in accordance with Generally Accepted Accounting Principles ("GAAP") and is reported on a modified accrual basis for governmental funds and accrual basis for proprietary and fiduciary funds. The City's budget is adopted for a two-year period (as discussed above), with appropriations divided into two one-year spending plans. During the second year of the two-year cycle, a mid-cycle review is conducted to amend the operating budget and address significant variances in estimated revenues and revised mandates arising from federal, State, or court actions. The City is currently operating under the Fiscal Year 2013-15 operating budget.

Under the City Charter, the City Administrator prepares budget recommendations which the Mayor presents to the City Council in accordance with the following procedure. First, the City Administrator and Agency Directors conduct internal budget hearings to develop budget recommendations. The Mayor then submits the proposed two-year budget to the City Council and formal public budget hearings are held. The proposed budget is based on the Mayor's budget priorities and includes estimates of receipts from the City's various revenue sources. The City Council may make adjustments and/or revisions to the proposed budget. Following public budget hearings, the City Council adopts by resolution the City's operating budget. In practice, the City Council adopts the City's operating budget on or before June 30 and has never failed to achieve this deadline. The final adopted budget is subject to revision throughout these two fiscal years to reflect any changes in revenue and expenditure projections.

City's General Financial Condition

Between Fiscal Year 2007-08 and Fiscal Year 2012-13, the City closed $317.8 million in budget shortfalls and made hard decisions about service reductions and eliminations. Short-term measures have included reduced discretionary spending, hiring and salary freezes, business closures, furlough days, deferred maintenance, and service reductions. Long-term measures have included elimination of 720 full-time positions, pension reform, and major City reorganization. However, the City remains a full-service city despite these service cuts.

Recently, the City has experienced modest but persistent recovery in tax revenues. The Mayor and City Council have invested these revenues in key areas including: improvements to public safety, efforts to encourage economic development, and payment of deferred capital expenditures. These investments are designed to provide needed services to residents while continuing to grow Oakland's economic base.

City's Fiscal Year 2013-14 Year End Forecast

The City's Fiscal Year 2013-14 year-end projections based on third quarter results (the "2013-14 Year End Forecast") projects General Purpose Fund revenues to total $487.9 million, an increase of $32.6 million compared to the adopted budget of $455.3 million. This overall increase primarily reflects a significant raise in the Real Estate Transfer Tax as the real estate market continues to recover and the Transient Occupancy Tax, as more people are traveling as general economic conditions continue to improve, and the use of fund balance**.** The City's 2013-14 Year End Forecast projects General Purpose Fund expenditures to total $487.9 million. This is an increase of $32.6 million over the adopted budget of $455.3 million, which reflects carry forwards of $27.5 million and various City Council approved increases of $12.4 million approved throughout the Fiscal Year 2013-14, which is expected to be offset primarily by $7.30 million in salary savings. See also Table 7 herein.

City's Fiscal Year 2014-15 Proposed Revised Budget

The City has weathered the challenges, and economic indicators continue to show modest and steady growth of its General Purpose Fund. The City continues to invest in economic development, public safety, stabilizing its workforce, economic growth, and job creation and training.

The proposed revised budget for General Purpose Fund for Fiscal Year 2014-15 anticipates revenues and expenditures to be balanced at $489.1 million. To preserve core programs and services and minimize the necessity for employee layoffs or service reductions, the City has utilized various strategies to maximize revenue such as (1) pursuing grants from federal and state governments, as well as foundations and the private sector, (2) aggressively pursuing dollars owed to the City through special revenue collection efforts, (3) developing more public/private partnerships and (4) increasing fees to fully recover the costs related to services. At the core of the budget is restructuring and streamlining of City government to reduce costs and maximize the efficient delivery of services while minimizing reductions in such services.

The following Table 7 presents information regarding the City's adopted budget of General Purpose Fund revenues and expenditures for Fiscal Year 2013-14. It also presents the 2013-14 Year-End Forecast and a proposed revised General Purpose Fund revenues and expenditures for Fiscal Year 2014-15, as presented on June 2, 2014, by the City Administration for the City Council's consideration.

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Table 7
City of Oakland
General Purpose Fund Revenues and Expenditures[(1)]

	FY 2013-14 Adopted Budget	FY 2013-14 Year End Forecast[(2)]	FY 2014-15 Proposed Revised Budget[(3)]
REVENUES			
Property Tax[(4)]	$144,468,000	$142,061,162	$148,846,000
Sales Tax[(5)]	48,893,000	49,061,996	50,360,000
Business License Tax	59,240,000	58,850,505	60,616,020
Utility Consumption Tax	50,000,000	50,000,000	50,000,000
Real Estate Transfer Tax	40,365,000	56,745,000	53,000,000
Transient Occupancy Tax	12,620,000	14,567,000	14,883,000
Parking Tax	9,235,000	8,232,736	8,178,000
Licenses & Permits	1,427,188	1,914,800	1,935,731
Fines & Penalties	22,498,995	24,625,143	23,268,807
Interest Income	740,482	740,482	740,482
Service Charges	43,912,137	42,966,898	46,292,242
Internal Service Funds	-	-	-
Grants & Subsidies	-	129,188	119,435
Miscellaneous	1,299,320	349,320	4,349,320
Interfund Transfers	-	177,000	-
Subtotal Revenues	$434,699,122	$450,421,230	$462,589,037
Transfers from Fund Balance[(6)]	20,595,277	37,458,004[(7)]	26,496,787
TOTAL REVENUES	**$455,294,399**	**$487,879,234**	**$489,085,824**
EXPENDITURES			
Mayor	$2,008,238	$2,035,074	$1,979,622
City Council	3,621,245	3,917,915	3,848,097
City Administrator	11,959,693	10,958,799	15,340,648
City Clerk	1,917,527	2,517,156	1,911,305
City Attorney	4,705,200	11,952,884	5,053,619
City Auditor	1,556,461	1,641,605	1,561,450
Finance Department	16,664,566	18,540,429	21,403,837
Human Resource Management	4,173,895	3,926,438	4,133,661
Fire Services	95,824,502	97,027,588	111,369,719
Information Technology	8,178,546	11,509,264	10,219,640
Police Services	179,148,647	196,604,397	203,718,153
Public Works	2,948,738	3,287,193	3,743,496
Parks & Recreation	13,338,364	13,720,532	13,807,713
Human Services	7,144,297	8,010,096	5,753,494
Library	9,060,667	9,192,082	9,263,806
Economic & Workforce Development	3,223,235	3,110,430	2,981,069
Housing & Community Development	1,814,766	1,813,935	-
Planning & Building	980,574	518,143	507,691
Non-Departmental	86,773,238	86,640,422	72,236,804
Subtotal Expenditures	$455,042,399	$486,924,381	$488,833,824
Capital Improvement Projects	252,000	954,852	252,000
TOTAL EXPENDITURES	**$455,294,399**	**$487,879,234**	**$489,085,824**

(1) Table includes General Purpose Fund revenues, but excludes special funds.
(2) Forecast as of close of third (3rd) quarter of Fiscal Year 2013-14.
(3) Revised proposed budget as presented on June 2, 2014 by the City Administration for the City Council's consideration.
(4) Excludes the Tax Override (defined herein) collected for pension obligations and general obligation bond debt service. See "OTHER FISCAL INFORMATION – Retirement Programs – *Police and Fire Retirement System*," herein.
(5) Refers to Sales & Use Tax.
(6) Transfers from Fund Balance were previously combined with Interfund Transfers.
(7) Of the $27.9 million in project and encumbrance carry forward, the City anticipates using only $16.3 million from fund balance due to an increase in projected operating revenues.

Source: City of Oakland.

State Budget

The following information concerning the State's budget has been obtained from publicly available information, which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, www.govbud.dof.ca.gov. An impartial analysis of the State budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The State's cash flow can be found on the California State Controller's website, www.sco.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

*The State Budget Process; Fiscal Year 2014-15 Proposed State Budget***.** According to the State Constitution, the Governor of the State (the "Governor") is required to propose a budget to the State Legislature (the "Legislature") no later than January 10 of each year, and a final budget must be adopted by the vote of each house of the Legislature no later than June 15, although this deadline has been routinely breached in the past. The State budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

On January 10, 2014, the Governor released his proposed budget for 2014-2015 (the "2014-15 Governor's Budget"). Such budget proposes a multi-year plan that is balanced, maintains a $1 billion reserve, and continues to pay down budgetary debt from past years. For the first time in several years, the proposed budget does not project that corrective measures will be necessary to avoid a year-end deficit in the current fiscal year.

Under the 2014-15 Governor's Budget, State General Fund revenues and transfers for Fiscal Year 2014-15 (excluding any revenue balance from the prior year) were projected at $104.5 billion, an increase of $4.4 billion or 4.3% compared with revised estimates for Fiscal Year 2013-14. State General Fund expenditures for Fiscal Year 2014-15 were projected at $106.8 billion, an increase of $8.3 billion or 8.5% compared with revised estimates for Fiscal Year 2013-14. The vast majority of spending growth was projected to be the result of an investment in critical deferred maintenance to State infrastructure (i.e., parks, highways, streets, roads, schools, community colleges, prisons, courts and other state facilities) and continuing investment in education.

May Revision to the Proposed 2014-15 Budget. State law requires the Governor to update the Governor's budget projections and budgetary proposals by May 14 of each year (the "May Revision"). The May Revision is normally the basis for final negotiations between the Governor and Legislature to reach agreement on appropriations and other legislation to fund State government for the ensuing fiscal year. On May 13, 2014, the Governor released the May Revision to the 2014-15 Governor's Budget.

Under the May Revision, projected State General Fund revenues and transfers (including prior year balances) for Fiscal Year 2014-15 increased by $534 million to $109.3 billion and projected State General Fund expenditures for Fiscal Year 2014-15 increased by $973 million to $107.8 billion. Revenue increases were attributed to an increase in the forecasted 2013-14 personal income tax revenues, and increased expenditures were attributed to increases in costs for the Proposition 98 minimum guarantee for education and Medi-Cal, additional drought-related expenditures, increased CalPERS costs as a result of new assumptions regarding longer life expectancy of State retirees and increased costs in connection with trial court operations.

2014-15 Enacted Budget. The State approved a budget for Fiscal Year 2014-15, which was signed by the Governor on June 20, 2014. Projected State General Fund revenues and transfers (including prior year balances) for Fiscal Year 2014-15 remained at $109.3 billion and projected State General Fund expenditures for Fiscal Year 2014-15 increased slightly over the projections set forth in the May Revision from $107.8 billion to approximately $107.99 billion.

*2014-15 Enacted Budget and Future State Budgets***.** No prediction can be made by the City as to whether the State will encounter budgetary problems in this or in any future fiscal years, and, if it were to do so, 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 final outcome of current or future State budget negotiations, the impact that such budgets will have on City finances and operations or what actions will be taken by the Legislature and Governor to deal with changing State revenues and expenditures. There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors, including economic downturns, over which the City has no control.

*Potential Impact of the State of California's Financial Condition on the City***.** There can be no assurance that the State will not significantly reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address State financial difficulties. No prediction can be made by the City as to what measures the State will adopt to respond to the current or potential future financial difficulties. The City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on the City's finances and operations or what actions will be taken in the future by the Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including economic downturns, over which the City has no control. There can be no assurance that State actions to respond to State financial difficulties will not adversely affect the financial condition of the City.

Dissolution of Redevelopment Agencies

The Redevelopment Agency of the City of Oakland (the "Prior Redevelopment Agency") was created by the City Council (the "City Council") of the City on October 11, 1956, by adoption of Resolution No. 35000, C.M.S., to exercise the powers granted by the California Community Redevelopment Law (Sections 33000 et seq. of the California Health and Safety Code).

On June 29, 2011, Assembly Bill No. 26 ("AB 1X 26") was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 ("AB 1X 27"). AB 1X 26 dissolved redevelopment agencies in the State of California subject to the option of opting into a new redevelopment agency scheme provided for in AB 1X 27. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al. v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. Dec. 29, 2011) (the "California Redevelopment Association case"), challenging the constitutionality of AB 1X 26 and AB 1X 27. The California Supreme Court largely upheld AB 1X 26, invalidated AB 1X 27, and held that AB 1X 26 may be severed from AB 1X 27 and enforced independently. As a result of AB 1X 26 and the decision of the California Supreme Court in the California Redevelopment Association case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Prior Redevelopment Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB 1X 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 ("AB 1484"), enacted as Chapter 26, Statutes of 2012 (as amended from time to time, the "Dissolution Act").

On January 10, 2012, in accordance with Sections 34171(j) and 34173 of the Dissolution Act, the City Council appointed the City to serve as successor agency to the Prior Redevelopment Agency. On July 17, 2012, pursuant to provisions in the Dissolution Act amended by AB 1484, the City Council adopted Resolution No. 84017 C.M.S. creating the Oakland Redevelopment Successor Agency ("ORSA") to serve as successor agency. Also on July 17, 2012, the City Council sitting as the governing board of ORSA adopted Agency Resolution No. 2012-0002 establishing ORSA, designating its officers, and adopting administrative, governance and operating rules for ORSA. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that ORSA is a separate public entity from the City, that the two entities (*i.e.*, the City and ORSA) shall not merge, and that the liabilities of the Prior Redevelopment Agency will not be transferred to the City nor will the assets of the Prior Redevelopment Agency become assets of the City.

On August 21, 2013, the State Controller issued a report (the "Report") of his review of asset transfers made by the Prior Redevelopment Agency to the City prior to the Prior Redevelopment Agency's dissolution, pursuant to the State Controller's authority under Section 34167.5 of the Dissolution Act. As part of this Report, the State Controller ordered the return of approximately $170 million in assets, both real property and cash, from the City to ORSA.

Most of the $170 million in assets subject to the State Controller's order consisted of real property with an aggregate book value of approximately $93.4 million. The State Controller's order to the City to return this real property to ORSA had little practical impact on the City or ORSA. ORSA had already assumed the return of the real property, and incorporated it, in its Long Range Property Management Plan, which was approved by the ORSA's Oversight Board. The remaining $76.5 million in assets subject to the State Controller's order were cash funds, consisting of: (1) $45 million in restricted bond proceeds remaining from tax allocation bonds previously issued by the Prior Redevelopment Agency; and (2) $32 million in non-bond funds. The bond-related funds had been set aside in the City's General Purpose Fund and were returned to ORSA. The non-bond funds were transferred to ORSA in May 22, 2013. The return to ORSA of these cash funds and real property had a positive effect on the asset balances and real estate portfolio of ORSA, with little adverse effect on the City's finances. To the best of their knowledge, the City and ORSA are in full compliance with all of the orders contained in the Report.

The City cannot predict whether or not there will be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26 and AB 1484.

City Investment Policy

The authority to invest the City's and the Port of Oakland's pooled moneys (the "Pooled Operating Portfolio") is derived from City Council Resolution No. 56127, which delegates to the City Treasurer the authority to invest these funds within the guidelines of Section 53600 *et seq*. of the Government Code of the State (the "Government Code"). The City complies with the current statutes governing the investment practices of local governmental entities located within the State. The Government Code also directs the City to present an annual investment policy (the "Investment Policy") for confirmation to the City Council. The City Council adopted the Investment Policy for Fiscal Year

2014-15 on July 15, 2014. See "APPENDIX C – CITY OF OAKLAND INVESTMENT POLICY FOR FISCAL YEAR 2014-15" attached herein. The Investment Policy is consistent with California Assembly Bill 279, which expand the types of deposits (beyond certificates of deposit) in which a local agency can invest surplus funds until January 1, 2017.

The objectives of the Investment Policy are to preserve capital, liquidity, diversity, and yield. The Investment Policy addresses the soundness of financial institutions in which the City may deposit funds, types of investment instruments permitted by the City and the Government Code, investment duration, and the amounts which may be invested in certain instruments. The Investment Policy also reflects certain ordinances and resolutions of the City further restricting investments, including the Nuclear Free Zone Ordinance and the Tobacco Divestiture Resolution.

The following Table 8 summarizes the permitted investments under the Investment Policy.

Table 8
City of Oakland
Summary of Investment Policy
Fiscal Year 2014-15

Permitted Investment Types	Maximum Investment	Maximum Maturity
U.S. Treasury Bills, Notes & Bonds[1]	20%	5 years
Federal Agencies	No Maximum	5 years
Bankers Acceptance	40%	180 days
Commercial Paper	25%	270 days
Asset-Backed Commercial Paper	25%	270 days
Local Government Investment Pools	20%	N/A
Medium Term Notes	30%	5 years
Negotiable CDs	30%	5 years
Repurchase Agreements	No Maximum	360 days
Reverse Repurchase Agreements[2]	20%	92 days
Money Market Mutual Funds	20%	N/A
Certificates of Deposit[3]	Prudent Person Standard Applies	360 days
Local Agency Investment Fund	No Maximum	N/A
Local City / Agency Bonds	No Maximum	5 years
State of California Bonds or any other of the United States Registered State Bonds, Treasury Notes or Warrants	No Maximum	5 years
Other Local Agency Bonds	No Maximum	5 years
Secured Obligations and Agreements	20%	2 years
Deposits – Private Placement[4]	30%	N/A

(1) Investment in U.S. Treasury securities requires approval of the City Council under the Nuclear-Free Ordinance.
(2) The sum of reverse repurchase agreements and securities lending agreements should not exceed 20% of the portfolio.
(3) For deposits over $250,000, the Certificate of Deposit must be collateralized.
(4) Sunsets on January 1, 2017
Source: City of Oakland

Current Investment Portfolio

The Pooled Operating Portfolio is composed of different types of investment securities and is invested in accordance with the Investment Policy. See "APPENDIX C – CITY OF OAKLAND INVESTMENT POLICY FOR FISCAL YEAR 2014-15." The following Table 9 summarizes the composition of the Pooled Operating Portfolio as of April 30, 2014.

Table 9
City of Oakland
Pooled Operating Portfolio
As of April 30, 2014

Investments	Market Value	Book Value	Percent of Portfolio	Days to Maturity	360 Day Equivalent
Federal Agency Issues–Coupon	$195,927,287.50	$196,110,462.00	35.96%	906	0.810
Federal Agency Issues–Discount	173,967,510.00	173,925,259.99	31.89	129	0.079
Medium Term Notes	1,999,888.00	1,997,885.54	0.37	1,768	2.193
Money Market	103,110,000.00	103,110,000.00	18.91	1	0.044
Local Agency Investment Funds	49,858,369.91	49,858,369.91	9.14	1	0.230
Negotiable CDs	11,001,273.00	11,000,000.00	2.02	40	0.219
Cal State RANs	4,010,840.00	4,010,259.41	0.74	53	0.254
California State–GOB	4,511,540.00	4,518,890.06	0.83	1,446	1.071
State of California Revenue Bonds	796,026.00	795,064.83	0.15	1,280	1.016
TOTAL/AVERAGE	$545,182,734.41	$545,326,191.74	100.00%	389	0.371

Source: City of Oakland

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GENERAL FUND REVENUES

The City's General Fund, which includes the General Purpose Fund, receives revenues from a variety of sources, including local taxes, taxes imposed by the State, intergovernmental transfers and fees and charges for services. The following Table 10 summarizes the major General Fund revenues as of June 30 for Fiscal Years ended 2009 through 2013 and sets forth the major General Fund revenues as of June 30, 2013 as a percentage of total General Fund revenues for Fiscal Year 2012-13.

Table 10
City of Oakland
Major General Fund Revenue Breakdown
as of June 30
($ in Thousands)

Revenue Type	2009	2010	2011	2012	2013	2013 Percent of Total General Fund Revenues[3]
Property[1]	$198,848	$194,591	$189,237	$198,192	$214,495	38%
Sales & Use	46,122	35,877	41,235	44,741	48,818	9
Business License	54,291	54,138	53,138	58,712	60,371	11
Utility Consumption	52,701	51,107	53,440	51,434	50,752	9
Real Estate Transfer	34,267	36,971	31,608	30,653	47,406	9
Transient Occupancy	10,599	8,578	9,634	10,830	12,454	2
Parking	7,655	7,523	8,513	8,617	7,947	1
Fines and Penalties	25,838	27,218	24,397	23,924	22,971	4
Charges for Services	57,447	60,578	96,052[2]	93,256	69,442	12
Subtotal	$487,768	$476,581	$507,254	$520,359	$534,656	95%
Other	45,295	42,662	38,753	42,951	25,380	5
TOTAL	$533,063	$519,243	$546,007	$563,310	$560,036	100%

(1) Includes property tax overrides collection for pension obligations and tax revenues for general obligation debt service.
(2) Due to the adoption of GASB Statement No. 54, Oakland Redevelopment Agency Project Funds are now included in the General Fund.
(3) Totals may not be precise due to rounding.
Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Year Ended June 30, 2009 through June 30, 2013.

Property Taxation

Ad Valorem Property Taxes. Property taxes are assessed and collected by the County. Taxes arising from the general 1% levy are apportioned among local taxing agencies on the basis of a formula established by State law, which reflects the average tax rate levied by the taxing agency for the three years before Proposition 13 was adopted. Taxes relating to voter-approved indebtedness are allocated to the relevant taxing agency. The City levies taxes for two forms of voter-approved indebtedness, general obligation bonds and pension obligations.

The County is permitted under State law to pass on costs for certain services provided to local government agencies, including the collection of property taxes. The County imposes a fee on the City of approximately 1.00% of the taxes collected for tax collection services it provides.

In prior years, the State budget has resulted in various reallocations affecting property tax revenues, including the "triple flip" involving property tax and sales tax, the replacement of Vehicle License Fee revenues, and the temporary Education Revenue Augmentation Fund ("ERAF") transfers. See "– Other Taxes," below.

The 2013-14 Year End Forecast projects the City's General Purpose Fund property tax revenues at $142.1 million, or 30.2% of the City's total expected General Purpose Fund revenues, for Fiscal Year 2013-14. Property tax revenues budgeted at $148.8 million, or 30.4% of the City's total expected General Purpose Fund revenues, for Fiscal Year 2014-15. Such tax revenues exclude tax override revenues for pension obligations and tax revenues for general obligation debt service.

Assessed Valuations. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, nonprofit hospitals, and charitable institutions. State law also allows exemptions from *ad valorem* property taxation at $7,000 of full value of owner-occupied dwellings and 100% of business inventories. Revenue losses to the City from the homeowner's exemption are replaced by the State.

Future assessed valuation growth allowed under Article XIIIA—for new construction, certain changes of ownership, and with 2% annual increases allowed for inflation—will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability to such entities of revenue from growth in the tax base were affected by the establishment of redevelopment project areas, which under certain circumstances, were entitled to revenues resulting from the increase in certain property values. See "FINANCIAL INFORMATION – Dissolution of Redevelopment Agencies."

The following Table 11 sets forth a five-year history of assessed valuations in the City for Fiscal Years 2009-10 through 2013-14:

Table 11
City of Oakland
Assessed Valuations
Fiscal Years 2009-10 through 2013-14
($ In Thousands)

Fiscal Year	Total Assessed Value	*Less:* Tax-Exemptions	Total Taxable Assessed Value	*Less:* Redevelopment Tax Increments	Net Taxable Assessed Value
2009-10	$42,568,090	$(2,691,489)	$39,876,601	$(9,753,604)	$30,122,997
2010-11	41,252,183	(2,768,044)	38,484,139	(9,030,570)	29,453,569
2011-12	41,940,552	(3,084,118)	38,856,434	(9,247,268)	29,609,166
2012-13	42,838,031	(3,322,453)	39,515,578	(9,496,227)	30,019,351
2013-14	45,042,336	(4,245,847)	40,796,489	(9,625,116)	31,171,373

Source: Alameda County Auditor-Controller.

Tax Levies, Collections and Delinquencies. Taxes are levied for each fiscal year on taxable real and personal property situated in the City as of the preceding January 1. A supplemental roll is developed when property is transferred or sold or new construction is completed that produces additional revenue.

Secured property taxes are due on November 1 and March 1 and become delinquent if not paid by December 10 and April 10, respectively. A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus interest at 1.5% per month from the July 1 first following the default. If taxes remain unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year; a lien is also recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) pursuing a civil action against the taxpayer; (2) filing a certificate in the office of the clerk of the court specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's Office in order to obtain a lien on specified property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Certain counties within the State, including the County, have adopted an "Alternative Method of Distribution of Tax Levies and Collections and Tax Sale Proceeds" authorized under the State Revenue and Taxation Code (the "Teeter Plan"). Under the Teeter Plan, local taxing agencies receive 100% of the tax levy for each fiscal year rather than on the basis of actual collections. The City does not participate in the Teeter Plan and thus absorbs current delinquencies and receives the payment of past delinquencies, penalties and interest.

The following Table 12 represents a five-year history of the secured tax levy and of uncollected amounts in the City for Fiscal Years 2008-09 through 2012-13. Included in these collections are the City's share of the 1% tax rate and levies for voter-approved indebtedness.

Table 12
City of Oakland
Secured Property Tax Levies and Collections
Fiscal Years 2008-09 through 2012-13
($ In Thousands)

Fiscal Year	City's Share of 1%	Levy Voter-Approved Debt	Total	Total Collected[1]	Percent Collected
2008-09	$89,482	$75,753	$165,245	$154,557	93.53%
2009-10	85,706	83,581	169,287	161,187	95.22
2010-11	83,960	85,262	169,222	162,519	96.04
2011-12	84,590	85,076	169,666	164,236	96.80
2012-13	85,791	82,312	168,103	164,084	97.61

(1) As of June 30 of the related Fiscal Year.

Source: County of Alameda, Office of the Auditor-Controller, as shown in the Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013.

Assessment Appeals. The following Table 13 sets forth resolved and unresolved pending assessment appeals in the City as of April 10, 2014.

Table 13
City of Oakland
Pending Assessment Appeals
As of April 10, 2014

Pending Appeals (2009-10 through 2013-14)	
Number of Pending Appeals	1,873
Total Assessed Value Under Appeal	$ 9,324,499,664
Owner's Opinion of Value	5,079,321,678
Maximum Potential Loss(1)	4,245,177,986
Percent of Value under Appeal	45.53%
Resolved Appeals (Fiscal Year 2012-13)	
Number of Resolved Appeals	516
Total Appealed Value of Resolved Appeals	$ 1,018,025,010
Appeals Denied	140
Assessed Value of Denied Appeals	$ 577,447,080
Appeals Allowed with Change of Value	376
Original Assessed Value of Allowed Appeals	$ 440,577,930
Value Determined by Appeals Board	374,301,839
Board Approved Reduction in Value	66,276,091
Percent of Original Assessed Value of Allowed Appeals Reduced	15.04%
City of Oakland 2013-14 Taxable Value	$40,589,108,041(2)
Maximum Appeals Loss(1)	4,245,177,986
Percent of Taxable Value	10.46%

(1) Assumes all pending assessment appeals are resolved fully in favor of property owner.
(2) This amount represents the full taxable value for the City including secured, unsecured and utility. It does not include homeowner's exemption or State Board of Equalization Non-unitary values.
Source: Alameda County Assessment Appeals Board.

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Tax Rates. The City is comprised of 48 tax rate areas. The following Table 14 sets forth a five-year history of the property tax rates levied by the City and other local government agencies on properties in the City's tax rate areas for Fiscal Years 2009-10 through 2013-14.

Table 14
City of Oakland
Property Tax Rates[1]
Fiscal Years 2009-10 through 2013-14

Fiscal Year	Countywide Tax	City of Oakland	Others[2]	Total
2009-10	1.00	0.2189	0.1919	1.4108
2010-11	1.00	0.2207	0.1879	1.4086
2011-12	1.00	0.2192	0.1920	1.4112
2012-13	1.00	0.2077	0.1980	1.4057
2013-14	1.00	0.1985	0.2418	1.4403

(1) The Tax Rates shown are the highest tax rates among the City's tax rate areas. Other of the City's tax rate areas have lower tax rates, the lowest total tax rate being 1.2838%, resulting from different school districts and community college districts.
(2) "Others" includes Oakland Unified School District, Peralta Community College District, Bay Area Rapid Transit District, East Bay Regional Park District and East Bay Municipal Utility District Special District No. 1.
Source: County of Alameda, Office of the Auditor-Controller.

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Principal Property Taxpayers. The following Table 15 sets forth the largest secured taxpayers in the City in Fiscal Year 2013-14.

Table 15
City of Oakland
Top Twenty Taxpayers
Fiscal Year 2013-14[1]

Property Taxpayer	Primary Land Use	Assessed Valuation	Percentage of Total Assessed Valuation[1]
CIM Oakland	Office Building	$ 462,774,553	1.23%
Sutter East Bay Hospitals	Hospital	267,047,997	0.71
OCC Venture LLC	Office Building	241,004,139	0.64
SIC Lakeside Drive LLC	Office Building	185,510,745	0.49
Kaiser Foundation Health Plan Inc.	Office Building	145,100,747	0.39
Digital 720 2nd LLC	Industrial	127,825,966	0.34
1800 Harrison Foundation	Office Building	127,509,307	0.34
Oakland Property LLC	Office Building	126,409,000	0.34
555 Twelfth Street Venture LLC	Office Building	121,289,573	0.32
Westcore City Center LLC	Office Building	110,000,000	0.29
Eastmont Oakland Associates LLC	Commercial	84,901,314	0.23
LV Oak Knoll LLC	Commercial	79,547,860	0.21
Alta City Walk LLC	Condominiums	69,248,581	0.18
BRE Properties Inc	Apartments	68,113,189	0.18
Owens Brockway Glass Container INC	Industrial	67,921,105	0.18
Essex Portfolio LP	Apartments	66,041,771	0.16
Brandywine Operating Partnership	Office Building	59,840,299	0.16
LBA Riv Co. LLC	Industrial	59,675,100	0.16
WM Allegro LLC	Apartments	58,465,594	0.16
TCR Property LLC	Hotel/Resort	54,142,301	0.14
TOTAL		$2,582,369,141	6.86%

(1) Based on the Assessed Value of $37,629,227,426. This number is the total local secured assessed valuations minus all exemptions, plus the homeowners' exemption.
Source: California Municipal Statistics, Inc.

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Other Taxes

In addition to property taxes, the City's General Fund receives taxes from other sources, including the following: sales and use, utility consumption, business license, real estate transfer, transient occupancy, and parking. See Tables 7 and 10, above, for historic revenues and the 2013-14 Year-End Forecast.

Sales & Use Taxes. The current sales & use tax ("sales tax") rate in the City is 9%. The City's General Fund traditionally receives 1% of the total under the State Bradley-Burns law, which portion is allocated on the basis of the point of sale. Effective July 1, 2004, the traditional Bradley-Burns 1% city sales tax was modified by a State budgetary change known as the "triple flip." The "triple flip" puts in place a complex revenue swap to fund the State's deficit bonds approved by the electorate in March 2004 to balance the State budget. The "triple flip" trades 0.25% of the 1% city share of the Bradley-Burns sales tax for an equal amount of property taxes from the countywide ERAF until the State's deficit bonds are retired.

The City's General Fund receives a portion of the 0.50% sales tax for public safety authorized by Proposition 172 in 1993. The City also receives a portion of the 0.50% countywide transportation sales tax, which is deposited in a special revenue fund. The 2013-14 Year-End Forecast projects the City's sales tax revenue for Fiscal Year 2013-14 to be approximately $49.1 million. Such amount includes the revenues that are projected to be traded for property taxes pursuant to the "triple flip."

Utility Consumption. The City's utility consumption tax ("UCT") is a surcharge on the use of electricity, gas (including alternative fuels), telephone and cable television. The current tax rate is 7.5%. Low-income ratepayers have been exempted from certain rate increases on gas and electric bills and pay 5.5%.

The City recently revised the Utility Consumption tax ordinance. The revisions include de-linking the tax from the Federal Excise Tax on Telephones and subjecting text messaging and cell phone use to the UCT. The 2013-14 Year-End Forecast projects the City's UCT tax revenue for Fiscal Year 2013-14 to be approximately $50.0 million.

Business License. The City's business license tax ("BT") is charged annually to businesses based in the City. It applies to gross receipts, payroll, number of employees, number of permits, number of vehicles, value-added gross receipts, or manufacturing expenses, depending on the type of business. The BT rate ranges from 0.06% for grocers to 2.40% for firearm dealers when applied to gross receipts and is 0.12% when applied to gross payroll. The BT rate of 0.12% is applied to value-added gross receipts and manufacturing expenses for manufacturers. The BT rate of $180 per permit applies to the taxicab business and $75 per vehicle applies to the ambulance and limousine business. The 2013-14 Year-End Forecast projects the City's BT revenue for Fiscal Year 2013-14 to be approximately $58.9 million.

Real Estate Transfer. Real Estate Transfer Tax ("RETT") revenues are generated by the transfer of ownership of existing properties. The tax is applied to the sale price of the property, and the cost is typically split between the buyer and seller. The tax rate is 1.61%, and is comprised of a City and a County portion: 0.11% is allocated to the County and the remaining 1.50% is allocated to the City. Historically, this revenue has been the City's most volatile as it is directly dependent on the number and value of real estate sales. RETT revenues have been projected to decline from both fewer sales of single family homes and declining median sale prices. The City has revised current and future year projections using conservative estimates to reflect the downward trend. The 2013-14 Year-End Forecast projects the City's RETT revenue for Fiscal Year 2013-14 to be approximately $56.7 million. However, only $40.0

million of such amount may be recognized as operating revenue for Fiscal Year 2013-14, because City Ordinance No. 13134 C.M.S. requires that RETT revenues in excess of $40.0 million must be deposited in the General Purpose Fund Reserve until such reserve is equal to 10% of budgeted General Purpose Fund expenditures.

Transient Occupancy. The transient occupancy tax ("TOT") represents a surcharge on room rates imposed by hotels and motels operating within the City. The tax is levied on persons staying 30 days or less in a hotel, motel, inn or other lodging facility and is collected by the lodging facility operator, who then remits the collected tax to the City. In July 2009, the voters approved Measure C which increased the transient occupancy tax rate from 11% to 14%. The 2013-14 Year-End Forecast projects the City's TOT revenue for Fiscal Year 2013-14 to be approximately $14.6 million.

Parking. The City's parking tax ("PT") is imposed on the occupant of an off-street parking space for the privilege of renting the space within the City. The tax is collected by the parking facility operators who then remit the collected tax to the City. The current PT rate, which is applied to the gross receipts of parking facility operators, is 18.5%, with 8.5% of the PT revenues restricted to funding the Violence Prevention and Public Safety Act of 2004 ("Measure Y"). The 2013-14 Year-End Forecast projects the City's PT revenue for Fiscal Year 2013-14 to be approximately $8.2 million.

Fines and Penalties. Fines and Penalties consist primarily of parking enforcement fines and penalties and interest for late tax payments. The 2013-14 Year-End Forecast projects the City's fines and penalties revenue for Fiscal Year 2013-14 to be approximately $24.6 million.

General Fund Revenues and Expenditures

The City Council employs an independent certified public accountant who examines books, records, inventories, and reports of all officers and employees who receive, control, handle, or disburse public funds and those of any other employees or departments as the City Council directs. These duties are performed both annually and upon request. The City's independent auditor for Fiscal Year 2012-13 was Macias, Gini & O'Connell LLP who will also prepare the Fiscal Year 2013-14 audit.

Within a reasonable period following the fiscal year end, the accountant submits the final audit to the City Council. The City then publishes the financial statements as of the close of the fiscal year.

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The following Table 16 summarizes revenues and expenditures for the General Fund, which encompasses a series of sub-funds including the General Purpose Fund, for Fiscal Years 2008-09 through 2012-13.

Table 16
City of Oakland
Revenues and Expenditures
General Fund
($ In Thousands)
Fiscal Years 2008-09 through 2012-13

Revenues	2009	2010	2011	2012	2013
Taxes					
Property	$198,848	$194,591	$189,237	$198,192	$214,495
State[(1)]	47,404	37,128	43,403	44,962	48,818
Local[(2)]	173,734	172,736	171,057	175,818	194,759
Licenses and Permits	1,282	724	888	1,160	1,373
Fines and Penalties	25,838	27,218	24,397	23,924	22,971
Interest Income	5,311	2,197	1,295	1,016	458
Charges for Services	57,447	60,578	96,052[(3)]	93,256	69,442
Grant Revenue	4,505	1,927	1,370	1,357	1,391
Other Revenue, Including Transfers	13,346	8,912	10,661	9,560	6,329
Annuity Income[(4)]	5,348	13,232	7,647	14,065	0[(4)]
TOTAL REVENUES	$533,063	$519,243	$546,007	$563,310	$560,036
Expenditures					
General Government[(5)]	$73,500	$63,335	$70,057	$74,211	$75,996
Public Safety[(6)]	316,761	290,387	285,255	307,163	281,875
Public Works	31,300	32,144	35,312	30,526	29,564
Life Enrichment[(7)]	38,307	35,211	36,836	30,299	32,555
Economic and Community Development	7,555	4,847	17,266[(3)]	10,010	0[(8)]
Other[(9)]	5,560	11,192	10,721	12,589	49,145
TOTAL EXPENDITURES	$472,983	$437,116	$455,447	$464,798	$469,135
Other Financing Sources and Uses[(10)]	$ (70,815)	$ (86,026)	$ (93,003)	$ (67,944)	$(99,874)
Net Change in Fund Balance	$ (10,735)	$ (3,899)	$ (2,443)	$ 30,568	$(10,286) [(11)]

(1) Includes Sales and Use, Motor Vehicle in-lieu.
(2) Includes Business License, Utility Consumption, Real Estate Transfer, Transient Occupancy, Parking, Voter Approved Special Tax, and Franchise.
(3) Due to the adoption of GASB Statement No. 54, ORA Project Funds have been included in the General Fund since Fiscal Year 2010-11.
(4) Reflects an overall market loss which is absorbed as an expenditure.
(5) Includes elected and appointed officials, general governmental agencies and administrative services.
(6) Includes police and fire services.
(7) Includes Community Service Department, Library, Housing and Community Development, and Planning, Building and Neighborhood Preservation.
(8) Restructure due to AB1x26, the dissolution of redevelopment agency.
(9) Includes capital outlays and certain debt service charges not paid from a general obligation bond tax levy.
(10) Includes transfers in and transfers out.
(11) Reflects an extraordinary loss of $1.3 million from the State Controller's Office asset transfer review and California Department of Finance disallowances.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2009 through June 30, 2013.

The following Table 17 summarizes the balance sheet for the City's General Fund for the Fiscal Years 2008-09 through 2012-13.

Table 17
City of Oakland
Balance Sheet
General Fund
($ In Thousands)
Fiscal Years 2008-09 through 2012-13

ASSETS	2008-09	2009-10	2010-11	2011-12	2012-13
Cash and investments	$120,422	$114,060	$135,066	$161,352	$186,526
Receivables					
Accrued interest	254	165	172	153	162
Property taxes	14,966	10,241	9,719	5,053	7,496
Accounts receivable	41,053	43,016	33,972	43,270	36,074
Due from component unit	13,350	15,766	17,093	7,507	6,044
Due from other funds[(1)]	69,781	66,048	54,565	38,325	41,597
Notes and loans receivable	22,000	8,399	8,599	47,493	53
Restricted cash and investments	120,736	121,565	106,692	110,708	97,723
Other	36	35	35	35	575
TOTAL ASSETS	$402,598	$379,295	$365,913	$413,896	$376,188
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other accrued liabilities	$125,811	$119,206	$111,058	$ 94,319	$ 95,960
Due to other funds[(1)]	8,578	8,784	8,992	819	18,753
Due to other governments	51	290	3,220	4,380	873
Unearned/Deferred revenue	30,653	17,411	16,187	56,372	10,315
Other	556	554	1,095	2,077	4,644
TOTAL LIABILITIES	$165,649	$146,245	$140,552	$157,967	$130,545
Fund Balances:					
Reserved:					
Encumbrances	$ 4,594	$ 1,195	–	–	–
Long term receivables	–	–	–	–	–
Debt service	13,949	2,177	–	–	–
Pension obligations	98,000	100,000	–	–	–
Unreserved	120,406	129,678	–	–	–
Restricted[(2)]	–	–	106,692	110,708	165,400
Committed[(2)]	–	–	3,890	70,284	–
Assigned[(2)]	–	–	65,985	6,256	58,452
Unassigned[(2)]	–	–	48,794	68,681	21,791
TOTAL FUND BALANCES	$236,949	$233,050	$225,361	$255,929	$245,643
TOTAL LIABILITIES AND FUND BALANCES	$402,598	$379,295	$365,913	$413,896	$376,188

(1) Includes Oakland Redevelopment Successor Agency Trust Fund.
(2) Added as a result of GASB Statement No. 54 reporting requirements implemented beginning Fiscal Year 2010-11.
Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2009 through June 30, 2013.

DEBT OBLIGATIONS

General Obligation Debt

As of May 1, 2014, the City had outstanding a total of $231,645,000 aggregate principal amount of general obligation bonds. The bonds are general obligations of the City, approved by at least two-thirds of the voters voting on the respective proposition. The City has the power and is obligated to levy *ad valorem* taxes upon all property within the City subject to taxation without limitation as to the rate or the amount (except certain property taxable at limited rates) for the payment of principal and interest on these bonds. Table 18 below summarizes the City's outstanding General Obligation Bonds as of May 1, 2014.

Table 18
City of Oakland
General Obligation Bonds
As of May 1, 2014
($ In Thousands)

Issue Name	Purpose	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program)	Refunded Measure I and K Bonds, which were used on various recreational and educational projects	6/16/2005	2025	$122,170	$ 73,810
General Obligation Bonds, Series 2006 (Measure G)	Museum and Zoo	6/28/2006	2036	21,000	17,865
General Obligation Bonds, Series 2009 (Measure DD)	Lake Merritt	7/30/2009	2039	64,545	59,645
General Obligation Refunding Bonds, Series 2012	Refunded Series 2002A (Measure G) and Series 2003A (Measure DD)	1/10/2012	2031	83,775	80,325
TOTAL					$231,645

Source: City of Oakland.

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The following Table 19 summarizes the voter-approved measures for which debt obligations have not yet been issued as of May 1, 2014.

Table 19
City of Oakland
General Obligation Bond Remaining Authorization
As of May 1, 2014
($ In Thousands)

Authorization	Date Passed	Use	Bond Total	Authorization Remaining
Measure DD	11/5/2002	Recreational and aquatic facilities	$198,250	$62,255

Source: City of Oakland.

Short-Term Obligations

The City has issued short-term notes to finance general fund temporary cash flow deficits for each of the last fifteen fiscal years, all of which have been paid when due. The following Table 20 sets forth the principal amount of tax and revenue anticipation notes issued in Fiscal Years 2009-10 through 2013-14.

Table 20
City of Oakland
Tax and Revenue Anticipation Notes
($ In Thousands)

Fiscal Year	Principal Amount
2009-10	$162,375
2010-11	100,000
2011-12	81,200
2012-13	83,125
2013-14	78,230

Source: City of Oakland

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Lease Obligations

The City has entered into various long-term lease arrangements that secure lease revenue bonds or certificates of participation, under which the City must make annual payments, payable by the City from its General Fund, for the use of public buildings or equipment. The following Table 21 summarizes the City's outstanding long-term lease obligations and the principal amounts outstanding as of May 1, 2014.

Table 21
City of Oakland
Lease Obligations
As of May 1, 2014
($ In Thousands)

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding	Leased Asset
Oakland – Alameda County Coliseum Authority Lease Refunding Revenue Bonds (Arena Project), Series 1996 Series A1 and A2[(1), (2)]	8/2/1996 8/2/1996	2026 2026	$35,000 35,000	$ 21,627 21,540	Coliseum Arena
Oakland – Alameda County Coliseum Authority Lease Revenue Bonds, 2012 Refunding Series A[(1)]	5/31/2012	2025	61,408	53,225	Coliseum Stadium
Oakland Joint Powers Financing Authority Lease Revenue Bonds, (Oakland Convention Center) Series 2001	5/15/2001	2014	134,890	13,695	Oakland Convention Center
Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, 2008 Series A-1[(3)]	4/16/2008	2017	107,630	40,995	Portion of sewer system
Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, (Oakland Administration Buildings), 2008 Series B	5/1/2008	2026	113,450	86,865	Oakland Administration Buildings
TOTAL				$237,947	

(1) The lease payments securing these bonds are joint and several obligations of both the City and the County. Each entity has covenanted to budget and appropriate one-half of the annual lease payments and to take supplemental budget action if required to cure any deficiency. Principal amounts shown represent half of total original and outstanding principal amount, representing the amount that is directly attributable to the City.
(2) These bonds are variable rate demand bonds. Letters of credit for the Series A1 and A2 bonds, which expire in June 2015, are provided by The Bank of New York Mellon Trust Company, N.A.
(3) The proceeds of this issue refunded bonds associated with financing the City's pension systems. The debt service is supported by property tax override revenues.
Source: City of Oakland.

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Swap Agreements

On October 16, 2012, the City amended and adopted a written interest rate swap policy (the "Swap Policy"). The Swap Policy establishes guidelines for the use and management of interest rate swaps. The Swap Policy was adopted, and will be updated as needed, to provide the appropriate internal framework to ensure that consistent objectives, practices, controls and authorizations are maintained to minimize the City's risk related to its debt portfolio.

The obligation of the City to make payments to swap providers under a swap agreement is an obligation of the City payable from any source of available funds on a parity with payments of principal of and interest on the applicable series of bonds. Under certain circumstances, the swap agreements are subject to termination and the City may be required to make a substantial termination payment to the respective swap providers depending upon the then current market value of the swap transaction.

Series 1998 Bonds. The City entered into a forward starting interest rate swap agreement in connection with the issuance of the Oakland Joint Powers Financing Authority Lease Revenue Bonds, 1998 Series A1/A2 (the "Series 1998 Bonds"). In June 2005, the Series 1998 Bonds were refunded by the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1, 2005 Series A-2 and 2005 Series B, which in turn were refunded by the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2008 Series A-1 and 2008 Series A-2. However, the swap associated with the Series 1998 Bonds remains in effect until the stated termination date on July 31, 2021. Pursuant to this swap agreement, the City receives a variable rate payment from each counterparty equal to 65% of USD-LIBOR-BBA multiplied by the notional amount of the swap; these payments were intended to approximate the variable rate interest payments the City would have paid on the Series 1998 Bonds. The City makes semiannual fixed rate payments to the counterparties as set forth below. The interest payments are supported by the retirement annuity revenues. The variable payments that the City receives from the counterparties will not usually equal the payments that the City makes to them, and there is no guarantee that the floating rate payable to the City pursuant to the swap agreement will match the variable interest rate on the associated bonds to which the swap agreement relates at all times or at any time. Under certain circumstances, the counterparties could be obligated to make a payment to the City under the swap agreement that is less than the interest due on the associated bonds. In such event, the District would be obligated to pay such insufficiency. The interest rate swap agreement is terminable at any time at the option of the City upon payment of a termination payment equal to its market value. The objective of the swap at the time it was entered into was to achieve a reasonable and dependable synthetic fixed rate with respect to the Series 1998 Bonds and avoid variable interest rate turbulence.

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The following Table 22 below summarizes the interest rate swap agreement entered into by the City in connection with the 1998 Bonds, as of May 1, 2014.

Table 22
Summary of Series 1998 Bonds
Interest Rate Swap Agreement
(As of May 1, 2014)

Effective Date	Notional Amount	Counterparty/ Guarantor	Counterparty Credit Ratings (Moody's/S&P)	Fixed Rate Payable by City	Market Value to City	Expiration Date
1/09/97	$53,700,000	Goldman Sachs Mitsui Marine Derivative Products	Aa2[1]/AAA	5.6775%	($9,560,827.32)[2]	July 31, 2021

(1) Downgraded by Moody's on June 27, 2012. The rating shown is the current rating.
(2) Market Value information provided by Goldman Sachs.
Source: City of Oakland.

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Pension Obligation Bonds

The City has previously issued three series of pension obligation bonds (in 1997, 2001 and 2012) to fund a portion of the City's unfunded actuarial accrued liability ("UAAL") for retirement benefits to members of the Oakland Police and Fire Retirement System ("PFRS"), a closed plan covering uniformed employees hired prior to July 1, 1976. The pension obligation bonds are obligations of the general fund and are secured by a senior pledge of property tax override revenues. The second series of pension obligation bonds, which was a series of capital appreciation bonds issued in 2001 (the "2001 Pension Obligation Bonds"), was part of a plan of finance undertaken by the City to restructure the City's 1997 pension obligation bonds (the "1997 Pension Obligation Bonds"), to reduce the annual net debt service on the bonds and to minimize the need for the City to use General Fund revenues other than property tax override funds to pay debt service on the 1997 Pension Obligation Bonds and the 2001 Pension Obligation Bonds. The third series of pension obligation bonds were issued in July 12, 2012 (the "2012 Pension Obligation Bonds") to refund a debenture evidencing a portion of the City's UAAL for retirement benefits to members of PFRS. The 1997 Bonds matured in December 2010. The City annually levies an *ad valorem* tax at a rate of 0.1575% on all property within the City subject to taxation to fund PFRS pension obligations. See "OTHER FISCAL INFORMATION – Retirement Programs – *Police and Fire Retirement System*." The 2001 Pension Obligation Bonds and 2012 Pension Obligation Bonds are secured by a senior pledge of these property tax override revenues. The City projects that it will receive approximately $64.2 million of tax override revenues to pay debt service on the 2001 Pension Obligation Bonds and 2012 Pension Obligation Bonds in Fiscal Year 2013-14.

The following Table 23 summarizes the 2001 Pension Obligation Bonds and 2012 Pension Obligation Bonds as of May 1, 2014.

Table 23
City of Oakland
Pension Obligation Bonds
As of May 1, 2014
($ In Thousands)

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
City of Oakland Taxable Pension Obligation Bonds, Series 2001	10/17/2001	2022	$195,636	$135,972
City of Oakland Taxable Pension Obligation Bonds, Series 2012	7/12/2012	2025	$212,540	$212,540
TOTAL				$348,512

Source: City of Oakland.

In addition, the City has issued subordinate pension bonds also secured by the tax override revenues. The proceeds were used to refund outstanding PFRS pension related bonds and fund a portion of the UAAL for retirement benefits. These bonds were issued through the Joint Powers Financing Authority, in the form of annual appropriation lease revenue bonds, 2008 Series A-1 and A-2 as more fully outlined in Table 21.

The following Table 24 sets forth the City's debt service obligations on its 2001 Pension Obligation Bonds and 2012 Pension Obligation Bonds for the next five fiscal years. The maximum annual debt service payment for these bonds is $70,994,170, which occurs in Fiscal Year 2022-23. Such bonds are secured by a senior pledge of certain property tax override revenues.

Table 24
City of Oakland
Annual Payments for Pension Obligation Bonds
Fiscal Years 2014-15 through 2018-19

Fiscal Year	Series 2001	Series 2012
2014-15	$42,010,000	$ 8,961,220
2015-16	43,285,000	8,961,220
2016-17	44,590,000	8,961,220
2017-18	45,925,000	18,511,496
2018-19	47,295,000	18,413,458

Source: City of Oakland.

For additional information on the City's pension systems, see "OTHER FISCAL INFORMATION – Retirement Programs" herein.

Limited Obligations

The City, the Prior Redevelopment Agency (defined below) and ORSA have incurred other obligations that are neither general obligations nor payable from the General Fund of the City, and are secured solely by specified revenue sources. These obligations are described below.

Redevelopment Agency of the City of Oakland

The City's Redevelopment Agency (the "Prior Redevelopment Agency"), prior to its dissolution, issued several series of tax allocation bonds to provide funding for blight alleviation and economic development in parts of the City or for the construction of low-income housing. The bonds are payable from tax increment revenues received from the specific redevelopment project areas which they support. Tax allocation bonds have been issued for the Central District Redevelopment Project Area, the Coliseum Area Redevelopment Project Area, the Broadway/MacArthur/San Pablo Redevelopment Project Area, and the Central City East Redevelopment Project Area. In addition, bonds have been issued that are secured by dedicated housing set-aside revenues from all the City's redevelopment project areas.

The Dissolution Act suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011.

Pursuant to the California Supreme Court's ruling in the California Redevelopment Association case, the dissolution of the Prior Redevelopment Agency occurred on February 1, 2012. The City established ORSA to serve in the capacity of successor agency to the Prior Redevelopment Agency. See "FINANCIAL INFORMATION – Dissolution of Redevelopment Agencies" above. ORSA has issued tax allocation refunding bonds.

The following Table 25 sets forth ORSA's outstanding tax allocation debt and other financings, including the final maturity date, original principal amounts and principal amounts outstanding. All information below is presented, and sets forth the principal amount of debt outstanding, as of May 1, 2014.

Table 25
Tax Allocation Bonds
As of May 1, 2014
($ In Thousands)

Central District Redevelopment Project Area

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T	11/21/2006	2022	$ 33,135	$ 15,275
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable)	5/20/2009	2020	38,755	34,550
Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013	10/3/2013	2022	$102,960	102,960
TOTAL CENTRAL BUSINESS DISTRICT			$334,510	$152,785

Broadway/MacArthur/San Pablo Redevelopment Project Area

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds Series 2006C-TE and 2006C-T	10/12/2006	2037	$ 17,270	$ 15,200
Broadway/MacArthur/San Pablo Redevelopment Project Tax Second Lien Allocation Bonds Series 2010-T (RZEDB)	12/12/2010	2040	7,390	7,290
TOTAL BROADWAY/MACARTHUR/SAN PABLO DISTRICT			$ 24,660	$ 22,490

Central City East Redevelopment Project Area

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE and 2006A-T	10/12/2006	2037	$ 76,300	$ 67,100

Coliseum Area Redevelopment Project Area

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE and 2006B-T	10/12/2006	2037	$102,590	$ 89,810

City-wide Housing

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Subordinated Housing Set-Aside Revenue Bonds, Series 2006A and 2006A-T	4/4/2006	2037	$ 84,840	$ 75,885
Subordinated Housing Set-Aside Revenue Bonds, Series 2011A-T	3/8/2011	2041	46,980	44,890
TOTAL HOUSING SET-ASIDE REVENUE BONDS			$131,820	$120,775

Source: City of Oakland

Special Assessments

The City has debt outstanding for three bond issues supported by assessment districts. Debt service on each of these assessment and reassessment bond issues is paid solely from assessments levied on real property within the respective districts.

The following Table 26 sets forth the City's outstanding special assessment bonds as of May 1, 2014.

Table 26
City of Oakland
Special Assessment Bonds
As of May 1, 2014
($ In Thousands)

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Oakland Joint Powers Financing Authority Special Assessment Pooled Revenue Bonds, Series 1996 A	8/1/1996	2020	$ 465	$ 135
Oakland Utility Underground Assessment District, Piedmont Pines Phase 1, Series 2010	3/9/2010	2039	3,148	2,945
City of Oakland 2012 Limited Obligation Refunding Improvement Bonds, Reassessment District No. 99-1	8/1/2012	2024	3,545	3,285
TOTAL				$6,365

Source: City of Oakland.

Enterprise Revenue Bonds

The City also has issued bonds secured solely by revenues of its sewer system. On March 20, 2014, the City issued Sewer Revenue Refunding Bonds, 2014 Series A, in the principal amount of $40,590,000 (the "2014 Sewer Bonds"). The proceeds of the 2014 Sewer Bonds were used to refund the City's then outstanding Sewer Revenue Bonds, Series 2004A. The 2014 Sewer Bonds have an outstanding principal amount of $40,590,000, as of May 1, 2014 and mature on June 15, 2029.

Estimated Direct and Overlapping Debt

Located within the City are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue, certificates of participation, and special assessment bonds. The direct and overlapping debt of the City as of May 1, 2014, according to California Municipal Statistics, Inc., is shown in the following Table 27. The City makes no representations as to the accuracy of the following table. Inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc. According to California Municipal Statistics, Inc., self-supporting revenue bonds, tax allocation bonds, and non-bonded capital lease obligations are excluded from this debt statement.

Table 27
City of Oakland
Statement of Direct and Overlapping Debt
As of May 1, 2014

2013-14 Assessed Valuation: $41,173,827,196

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/14
Bay Area Rapid Transit District	7.833%	$ 50,779,381
East Bay Municipal Utility District, Special District No. 1	51.819	7,337,570
East Bay Regional Park District	12.092	24,451,233
Chabot-Las Positas Community College District	0.899	3,886,714
Peralta Community College District	54.398	219,593,846
Berkeley and Castro Valley Unified School Districts	0.004 & 0.115	113,212
Oakland Unified School District	99.999	842,671,573
San Leandro Unified School District	8.102	15,403,002
City of Oakland	**100.000**	**231,791,916**[1]
City of Oakland 1915 Act Bonds	100.000	6,370,000
City of Emeryville 1915 Act Bonds	4.183	245,751
City of Piedmont 1915 Act Bonds	4.792	147,594
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$1,402,791,792
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Alameda County and Coliseum Authority General Fund Obligations	19.792%	$ 177,442,207
Alameda County Pension Obligations	19.792	17,374,887
Alameda-Contra Costa Transit District Certificates of Participation	23.436	6,598,406
Peralta Community College District Pension Obligations	54.398	86,250,254
Oakland Unified School District Certificates of Participation	99.999	43,364,566
Castro Valley Unified School District Certificates of Participation	0.115	6,814
City of Oakland and Coliseum Authority General Fund Obligations	**100.000**	**237,947,500**
City of Oakland Pension Obligations	**100.000**	**348,512,379**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$917,497,013
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	100.000%	$ 449,790,000
COMBINED TOTAL DEBT		$2,770,078,805[2]

Ratios to 2013-14 Assessed Valuation:
Direct Debt ($231,791,916) 0.56%
Total Direct and Overlapping Tax and Assessment Debt............3.41%
Total Direct Debt ($818,251,795) 1.99%
Combined Total Debt 6.73%

Ratio to Redevelopment Incremental Valuation ($9,619,163,222):
Total Overlapping Tax Increment Debt.......................................4.68%

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

Source: California Municipal Statistics, Inc.

OTHER FISCAL INFORMATION

Insurance and Risk Management

The City is insured up to $25,000,000 after a $3,000,000 per occurrence self-insured retention for the risks of general liability and auto liability. All properties are insured against damage from fire and other forced perils at full replacement value after a $25,000 deductible to be paid by the City. The City does not insure for damage from earthquakes (see "OTHER MATTERS – Natural Hazard Risks" below). The City is also insured up to $100,000,000 after a $750,000 per occurrence self-insured retention for workers' compensation losses. As of June 30, 2013, the amount of all self-insured general liability exposure is valued at approximately $28,554,250. Of this amount, approximately $11,389,651 is estimated to be due within one year. Payment of workers' compensation claims is provided through annual appropriations. As of June 30, 2013, the amount of workers' compensation liability determined to be payable is approximately $80,596,283. Of this amount, $20,820,639 is estimated to be due within one year.

Labor Relations

City employees are represented by seven (7) labor unions and associations (identified in the following Table 28 as of June 30, 2013). The largest employee organization is the Service Employees International Union Local 1021, which represents approximately 54% of City employees. Approximately 95% of City employees are covered by negotiated agreements, as detailed below. The Memoranda of Understanding ("MOUs") for the International Association of Firefighters, Local 55, is set to expire on June 30, 2014 and is currently under negotiation.

Wages for represented employees covered by the miscellaneous MOUs increased by way of a two percent (2%) Cost of Living Adjustment ("COLA") effective July 1, 2013, and will increase by a one percent (1%) COLA effective July 1, 2014. A two percent (2%) increase is scheduled on July 1, 2014 for the Oakland Police Officers' Association ("OPOA") and a two percent (2%) increase is scheduled on January 1, 2015 for the Oakland Police Management Association ("OPMA").

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Table 28
City of Oakland
Labor Relations
As of June 30, 2013

Employee Organization / Representation Unit	Number of Represented Employees	Contract Expiration
Confidential Management Employees' Association, Unit U31	20	June 30, 2015
International Association of Fire Fighters Local 55, Unit FQ1	408	June 30, 2014*
International Brotherhood of Electrical Workers Local 1245, Units IE1, TV1	20	June 30, 2015
International Federation of Professional and Technical Engineers (IFPTE)		
IFPTE Local 21, Units TA1, TF1, TL1, TM2, TW1	441	June 30, 2015
IFPTE Local 21, Units UH1 (Supervisors), UM1 and UM2 (Managers)	329	June 30, 2015
IFPTE Local 21, Unit TM1 (Deputy City Attorney I-IV)	18	June 30, 2015
IFPTE Local 21, Unit U41 (Deputy Attorney V & Special Counsel)	8	June 30, 2015
Service Employees International Union (SEIU) Local 1021		
SEIU Local 1021, Units SB1, SC1, SD1	1,132	June 30, 2015
SEIU Local 1021, Unit SI1 (Part Time)	1,306	June 30, 2015
Oakland Police Officers' Association, Unit PP1, PT1	633	June 30, 2015
Oakland Police Management Association, Unit UN2	11	June 30, 2015
TOTAL	**4,326**	

*Currently under negotiation. The City anticipates that a new labor contract will be in place by July 1, 2014.
Source: City of Oakland, Department of Human Resources Management, Employee Relations Unit, City Annual Continuing Disclosure Filing, January 2014.

Retirement Programs

The City maintains two closed pension systems, the Police and Firemen's Retirement System ("PFRS") and the Oakland Municipal Employees Retirement System ("OMERS"). In addition, the City is a member of the California Public Employees' Retirement System ("CalPERS"), a multiple-employer pension system that provides a contributory defined-benefit pension for most current employees. Additional information concerning the City's retirement program can be found in "APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2013 – Note 15 to the Basic Financial Statements."

Police and Fire Retirement System. PFRS is a defined benefit plan administered by a seven-member Board of Trustees (the "Retirement Board"). PFRS is a closed plan and covers uniformed employees hired prior to July 1, 1976. On December 12, 2000, the voters of the City amended the City Charter to give active members of PFRS the option to terminate their membership and transfer to CalPERS upon certain conditions. As a result, 126 former members transferred to CalPERS. See "– *California Public Employees Retirement System*" below. As of July 1, 2012, PFRS covered one active employee and 1,082 retired employees and beneficiaries.

In November 2006, City voters passed Measure M to modify the City Charter to allow the PFRS Board to invest in non-dividend paying stocks and to switch the asset allocation structure from 50% equities and 50% fixed income to any asset allocation structure determined to satisfy the Prudent Person Standard.

In accordance with voter-approved measures adopting the City Charter provisions that govern PFRS, the City annually levies an *ad valorem* tax (the "Tax Override") on all property within the City subject to taxation by the City to help fund its pension obligations to PFRS. State law limits the City's tax rate for this purpose at the rate of 0.1575%, the level at which the City has levied the tax since 1983. The City is allowed to levy the Tax Override through 2026.

In 1997, the City issued 1997 Pension Obligation Bonds in the principal amount of $420.5 million, the net proceeds of which were used to fund the actuarial present value of the City's expected contributions to PFRS from March 1997 through June 2011. PFRS received a deposit of $417 million from the pension obligation bond proceeds. In return for this payment, PFRS agreed in a Funding Agreement, dated as of June 1, 1996, between the City and PFRS, that the City would not be required to make any further payments to PFRS for UAAL through June 30, 2011. A voluntary payment of $17.7 million was made during Fiscal Year 2005-06 to fund a portion of the City's obligation under its Charter to make payments to PFRS. The City's required contribution to PFRS resumed in July 2011.

On October 3, 2001, the City issued its 2001 Pension Obligation Bonds in the principal amount of $195.6 million, the proceeds of which were primarily used to purchase at tender for cancellation and defease a portion of the outstanding 1997 Pension Obligation Bonds. As a result of this purchase and defeasance, annual debt service through 2010 on the City's combined pension obligation bonds was reduced, but total debt service on the bonds was increased because the final maturity date was extended from 2010 to 2022.

On July 30, 2012, the City issued its 2012 Pension Obligation Bonds in the amount of approximately $212.5 million to refund a debenture in the amount of $210,000,000, which evidenced a portion of the City's UAAL for retirement benefits to members of PFRS. As a result, the City will not be required to make any further periodic payments to PFRS through June 30, 2017 pursuant to the Funding Agreement dated July 1, 2012, between the City and PFRS. The City pays debt service on the 2001 Pension Obligation Bonds and the 2012 Pension Obligation Bonds from proceeds of the Tax Override.

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An actuarial valuation of PFRS is conducted at least every two years; the most recent valuation was dated July 1, 2012 and was prepared by Bartel Associates, LLC. PFRS utilizes a modification of the aggregate actuarial cost method to determine contribution amounts. Under this method, the excess of the actuarial present value of projected benefits for PFRS members over the actuarial value of assets is amortized over the period ending July 1, 2026 as a level percentage of City safety payroll, including pay for individuals covered by CalPERS as well as those covered by PFRS. Significant actuarial assumptions used to compute the contribution requirement include a 6.75% investment rate of return (reduced in April 2011 from the previous assumption of 7.00%) and average long-term salary increases of 3.975% (reduced in April 2011 from the previous assumption of 4.50%). Current MOUs are used to predict salary increases over the short term. A method that smooths asset value is used to determine the Actuarial Value of Assets, but the resulting value is constrained to be within 10% of market value. The following Table 29 shows PFRS's recent funding progress.

Table 29
City of Oakland
Police and Fire Retirement System
Schedule of Funding Progress[1]
($ In Millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Market Value of Assets	Unfunded Actuarial Accrued Liability	Funded Status Based on Actuarial Value	Funded Ratio Based on Market Value	Number of Active Employees
2004	$890.2	$621.6	--	$268.6	69.8%	--	1
2005	883.5	614.9	--	268.6	69.6	--	1
2007	888.1	566.0	--	322.1	63.7	--	1
2009[2]	782.5	347.2	$315.6	435.3	44.4	40.3%	1
2010[2]	792.2	297.8	288.7	494.4	37.6	36.4	1
2011	683.2	256.4	284.9	426.8	37.5	41.7	1
2012[3]	658.3	257.2	268.5	401.1	39.1	40.1	1
2013[4]	640.9	437.2	455.6	203.7	68.2	--	1

(1) Because this is a closed system with one active employee, UAAL as a percentage of payroll is not presented.
(2) The decline in the funded ratio was due to investment market downturn and change in actuarial and cost of living assumptions.
(3) As of July 1, 2012, the market value of assets was $268.5 million. However, in late July 2012, the City deposited $210 million, which increased the assets. As a result, the City will not be required to make any further periodic payments to PFRS through June 30, 2017.
(4) Projected valuations for July 1, 2013, were produced as of July 1, 2012. Such valuations take into consideration the deposit of $210 million in late July 2012.

Note: The City is only required to generate an actuarial report for the Oakland Police and Fire Retirement System once every two years. The City did not produce actuarial reports for years 2006 and 2008.

Source: Oakland Police and Fire Retirement System, Actuarial Report as of July 1, 2012 and Oakland Police and Fire Retirement System, Annual Report for Fiscal Year ended June 30, 2013.

In light of the City not being required to make any further periodic payments to PFRS through June 30, 2017 as a result of the City's issuance of its 2012 Pension Obligation Bonds, the Oakland Police and Fire Retirement System Actuarial Report as of July 1, 2012 contains a projection of the annual contributions necessary beginning in Fiscal Year 2017-18 based on certain valuation assumptions. These assumptions and projected contributions are in Table 30 below.

Table 30
City of Oakland
Police and Fire Retirement System
Projection of Future Contributions
As of July 1, 2012

	Valuation Assumptions
Investment Return	6.75%
Wage Growth	3.975%
Annual City Contribution for FY 2017-18 Amount	\$35.1 million[1]

(1) If actual investment returns or wage growth varies from the assumptions, then the contribution rate will vary.
Source: Oakland Police and Fire Retirement System, Actuarial Report as of July 1, 2012.

The City maintains a cash and investment pool consisting of City funds and cash held for OMERS (defined below), PFRS, and the Port. See "Financial Information – City Investment Policy" herein.

Oakland Municipal Employees Retirement System ("OMERS"). OMERS is the second closed pension system, which covers active non-uniformed employees hired prior to September 1, 1970 who have not transferred to CalPERS. The program covers no active employees and 28 retired employees and beneficiaries as of July 1, 2012. OMERS is administered by a seven-member Board of Administration. An actuarial valuation of OMERS is conducted at least every three years; the most recent complete valuation was for the period ended July 1, 2012 prepared by Bartel Associates, LLC. OMERS utilizes the "Entry Age Normal Cost Method" for its actuarial calculations. Significant actuarial assumptions used to compute the contribution requirement include a 6.25% investment rate of return, inflation rate of 3.25%, future benefit increase of 3% and mortality rates. Based on the actuarial report, the plan was 122.5% funded as of July 1, 2013. As of July 1, 2012, the plan had actuarial value of assets of \$4.4 million and actuarial accrued liabilities of \$3.6 million. There was no employer contribution required to OMERS for Fiscal Year 2013-14.

California Public Employees Retirement System. CalPERS is a defined-benefit plan administered by the State and covers all uniformed employees hired after June 30, 1976 and all non-uniformed employees hired after September 1, 1970 as well as certain former members of PFRS and OMERS. CalPERS acts as a common investment and administrative agent for public entities participating with the State. CalPERS is a contributory plan deriving funds from employee contributions as well as employer contributions and earnings from investments. A menu of benefit provisions is established by State statutes within the Public Employees' Retirement Law. The City selects its optional benefit provisions from the benefit menu by contract with CalPERS. The information contained in this paragraph has been obtained by CalPERS. Additional information regarding CalPERS may be obtained from its website at www.calpers.ca.gov. However, the contents of such website are not incorporated herein by such reference.

For accounting purposes, employees covered under CalPERS are classified as either miscellaneous employees or safety employees (police and fire). The contribution requirements of the plan participants and the City are established by and may be amended by CalPERS. The City is required to contribute at an actuarially determined rate. The rate for Fiscal Year 2014-15 is 30.159% for miscellaneous employees, 35.145% for police employees and 31.145% for fire employees of annual covered payroll. However, under current bargaining agreements, all City participants are required to contribute 8% for miscellaneous employees, 9% for police employees, and 13% for fire employees of their annual covered salary to CalPERS. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

In July 2011, the City approved a CalPERS second tier (two-tiered pension plans) for all labor unions, consisting of one benefit plan for employees hired before June 9, 2011, and a less expensive plan for new employees hired after June 8, 2011 to reduce the City's cost over time. The two-tiered pension plans were approved through collective bargaining agreements between the City and labor organizations representing miscellaneous and safety employees. The City implemented the two-tiered pension plan for the safety employees on February 9, 2012, and on June 8, 2012 for miscellaneous employees.

In September 2012, Assembly Bill 340 (known as "PEPRA") was enacted into law. PEPRA reforms all state and local public retirement systems and their participating employers with the exception of charter cities and counties that operate an independent retirement system. PEPRA limits the pension benefits offered to new employees and increases flexibility for employee and employer cost sharing for current employees. A third tier was implemented as a result of PEPRA for miscellaneous and safety employees hired on or after January 1, 2013.

	Employee Organization	
Tier Pension Plans	**Safety**	**Miscellaneous**
Tier One (Classic Member)	Receive 3% at age 50. Pension benefits are based on the one year of highest salary.	Receive 2.7% at age 55. Final compensation is based on the twelve (12) highest paid consecutive months.
Tier Two (New Hires as of June 9, 2011)	Receive 3% at age 55. Pension benefits are based on the final average salary of 3 years under the Government Code 20037.	Receive 2.5% at age 55. Final compensation is based on the highest average annual compensation of the three consecutive years.
Tier Three: AB 340 (New Hires on or after January 1, 2013)	Basic: 2% at age 57. Option 1: 2.5% at age 57. Option 2: 2.7% at age 57. Pension benefits are based on the final average salary of 3 years subject to established cap.	Receive 2% at 62 Pension benefits are based on the final average salary of 3 years subject to established cap.

The following Table 31 sets forth the City's employer contribution rates as determined by CalPERS for Fiscal Years 2010-11 through 2014-15, and CalPERS' projections for Fiscal Years 2015-16 and 2019-20.

Table 31
City of Oakland
Public Employees Retirement System Contribution Rates
Fiscal Years 2010-11 through 2014-15 and Projected Fiscal Years 2015-16 and 2019-20
(Percentage of Payroll)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 (Projected)[1]	2019-20 (Projected)[1]
Miscellaneous Plan	19.89%	23.60%	25.12%	27.30%	30.159%	32.0%	39.4%
Safety Plan	28.09%	30.37%	30.90%	33.35%	35.145%	36.9%	44.1%

(1) These projections do not include the effects of PEPRA, Tier 3, for employees hired 1/1/2013 and later, or demographic assumption changes approved by CalPERS February 18, 2014.
Source: CalPERS Annual Valuation Report as of June 30, 2012.

CalPERS uses an actuarial method that takes into account those benefits that are expected to be earned in the future as well as those already accrued. CalPERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. Major actuarial assumptions included a 3.00% inflation rate and a 7.75% investment return until the June 30, 2012 valuation. For its June 30, 2012 valuation, CalPERS revised the assumptions to a 2.75% inflation rate and a 7.50% investment return. There can be no assurance that CalPERS will not again lower its investment assumptions thus increasing the City's contribution obligations. After the June 30, 2012 valuation, CalPERS made changes to its actual assumptions and methods. Additionally, PEPRA was implemented and the City adopted a third tier ("Tier 3").

At its April 16 and 17, 2013 meetings, the CalPERS Board approved a plan to replace the current 15-year asset-smoothing policy with a 5-year direct-rate smoothing process and to replace the current 30-year rolling amortization of unfunded liabilities with a 25-year fixed amortization period. The approach provides a single measure of funded status and unfunded liabilities, less volatility in extreme years, a faster path to full funding, and more transparency to employers about future contribution rates. These changes will accelerate the repayment of unfunded liabilities (including the 2008-09 market losses) of CalPERS participants' plans (including the City's) in the near term. The new methods were included in the June 30, 2012 valuation for rate projections, but actual rates will not be set using the new methods until Fiscal Year 2014-15, reflected in the June 30, 2013 valuation.

At its February 18, 2014, meeting, the CalPERS Board approved new demographic assumptions that take into account predictions for the life expectancy of males increasing by approximately 2.1 years for males and 1.6 years for females. Other demographic assumption changes include updated retirement rates and expected salary increases. CalPERS has not yet provided the City an estimate of the expected changes in contributions due to the new assumptions. Changes in contributions due to the new assumptions are expected to be phased in over 5 years starting with the Fiscal Year 2016-17.

The following Tables 32 and 33 set forth the schedules of funding progress from Fiscal Years ended 2008 to 2012 for public safety employees and for miscellaneous employees.

Table 32
City of Oakland
Public Employees Retirement System Schedule of Funding Progress
Public Safety Employees
($ In Millions)

Valuation Date (June 30)	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Status (AVA Basis)	Funded Status (MVA Basis)	Annual Covered Payroll	UAAL as % of Payroll
2008	$1,084.4	$ 829.7	$254.7	76.5%	77.5%	138.6	183.7%
2009	1,194.4	888.2	306.1	74.4	53.8	150.3	203.7
2010	1,262.8	951.5	311.3	75.3	59.1	145.6	213.8
2011	1,357.8	1,023.9	333.9	75.4	67.4	130.5	255.8
2012(1)	1,398.0	1,080.1	317.9	77.3	64.8	118.9	267.4

(1) As of June 30, 2012, the market value of assets was $905,555,632. Discount rate was reduced from 7.75% in 2011 valuation to 7.50% in 2012 valuation.
Source: CalPERS Actuarial Valuation Report as of June 30, 2012.

Table 33
City of Oakland
Public Employees Retirement System Schedule of Funding Progress
Miscellaneous Employees
($ In Millions)

Valuation Date June 30	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Status (AVA Basis)	Funded Status (MVA Basis)	Annual Covered Payroll	UAAL as % of Payroll
2008	$1,728.0	$1,445.4	$282.6	83.6%	85.4%	$237.5	119.0%
2009	1,876.3	1,505.3	371.0	80.2	58.4	224.8	165.1
2010	1,914.7	1,565.5	349.2	81.8	64.0	195.8	178.4
2011	2,025.1	1,615.9	409.2	79.8	70.8	194.1	210.8
2012(1)	2,080.2	1,655.9	424.2	79.6	66.4	184.6	229.8

(1) As of June 30, 2012, the market value of assets was $1,380,840,100. Discount rate was reduced from 7.75% in 2011 valuation to 7.50% in 2012 valuation.
Source: CalPERS Actuarial Valuation Report as of June 30, 2012.

For Fiscal Year 2012-13, the City's annual CalPERS pension cost was $46.5 million for the Safety plan and $42.9 million for the Miscellaneous plan.

The following Table 34 represents the City's annual contribution to CalPERS for Fiscal Years 2008-09 through 2012-13.

Table 34
City of Oakland
Public Employees Retirement System
Annual Pension Cost
Fiscal Years 2008-09 through 2012-13
($ In Millions)

Fiscal Year Ended June 30	Annual Cost[(1)]
2009	$98.2
2010	94.3
2011	84.2
2012	89.0
2013	89.4

For fiscal years prior to the Fiscal Year ended June 30, 2011, amount does not include employee contribution made by the City. Effective July 1, 2011, all City employees paid the employee contributions.
(1) Amount shows contribution to Safety and Miscellaneous plans.
Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2009 through June 30, 2013.

On June 25, 2012, GASB approved two new standards ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, will replace Statement No. 27 and most of Statements No. 25 and No. 50. The changes will impact the accounting treatment of pension plans in which state and local governments participate, but will have no direct effect on contributions or contribution rates. Major changes include: 1) the inclusion of net pension liabilities on the government's balance sheet (currently, unfunded liabilities are typically included as notes to the government's financial statements); 2) more components of full pension costs will be shown as expenses regardless of actual contribution levels; 3) lower discount rates will be required to be used for underfunded plans in certain cases for purposes of the financial statements; 4) closed amortization periods for unfunded liabilities will be required to be used for certain purposes of the financial statements; and 5) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means 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. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the City is not known at this time. These reporting requirements for pension plans will take effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the City, will take effect for the fiscal year beginning July 1, 2014.

Other Post-Employment Benefits

The City pays the partial costs of health insurance premiums for certain classes of retirees from City employment. Retirees meeting certain requirements relating to age and years of service are eligible for health benefits. The health benefits are extended to retirees pursuant to labor agreements between the City and certain of its employee labor unions and in resolutions adopted by the City. Approximately $17.6 million was paid on behalf of retirees under these programs for Fiscal Year 2012-13, which was funded on a pay-as-you-go-basis.

In August 2004, GASB issued Statement No. 45 ("GASB 45"), "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions" ("OPEB"), which addresses how state and local governments should account for and report the annual cost. GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under GASB 45, annual OPEB costs for most employers will be reported based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods on the income statement.

The City implemented GASB 45 in Fiscal Year 2007-08. As of July 1, 2012, the Actuarial Accrued Liability (the "AAL"), which is equal to that portion of the Actuarial Present Value of Benefits deemed to have been earned to date, was $553.5 million. As of June 30, 2013, the City's projected net OPEB obligation (defined, in terms of balance sheet liability, as the cumulative difference between the annual OPEB cost and the City's contribution to plan since 2008) was $215.2 million after a pay-as-you-go amount of $17.6 million. For Fiscal Year 2013-14, the current plan for the obligation is to fund the pay-as-you-go amount. In addition to making annual payments on a pay-as-you go basis, the City intends to set-aside into the California Employer's Retiree Benefit Trust (CERBT) Fund reserved for its OPEB obligations the amount of $2.3 million for Fiscal Year 2014-15 and approximately $600,000 annually thereafter for each Fiscal Year until June 30, 2022.

The following Table 35 sets forth certain information with respect to the City's OPEB obligations for the Fiscal Years ended June 30, 2009 through June 30, 2013.

Table 35
City of Oakland
Post-Employment Benefits Other than Pensions
Fiscal Years 2008-09 through 2012-13

Fiscal Year Ended June 30	Accrued Liability	Unfunded Liability	Annual OPEB Cost	Employer Contribution	Net OPEB Obligation
2009	$591,575,250[1]	$591,575,250[1]	$54,564,000	$12,474,000	$ 85,758,000
2010	520,882,498	520,882,498	54,495,000	14,016,000	126,237,000
2011	520,882,498[1]	520,882,498[1]	46,451,000	15,710,000	156,978,000
2012	553,530,074	553,530,074	46,401,000	16,796,000	186,583,000
2013	553,530,074[1]	553,530,074[1]	46,291,000	17,622,000	215,252,000

(1) Assumed amount, based on prior year's valuation.
Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2009 through June 30, 2013.

Port of Oakland Other Post-Employment Benefits. The Port of Oakland (the "Port"), designated by City Charter as an independent department of the City governed by a separate board of directors appointed by the City's Mayor and ratified by the City Council, contributes to the California Employer's Retiree Benefit Trust ("CERBT"), a single employer defined benefit post-employment healthcare plan administered by CalPERS. The CERBT is an IRC Section 115 Trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and OPEB costs.

The Port's Retiree Health plan allows eligible retirees and their dependents to receive employer paid medical insurance benefits through CalPERS. The medical insurance reimbursement is not to exceed the Kaiser-HMO family plan rate. The Port's Retiree Health Plan also includes dental and vision benefits and reimbursement of Medicare part B monthly insurance premium.

The Port of Oakland's annual OPEB cost and net OPEB obligation are as follows:

Table 36
Port of Oakland
Post-Employment Benefits Other than Pensions
Fiscal Years 2008-09 through 2012-13
($ In Thousands)

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$10,019	123%	$ 5,443
2010	10,019	51	10,389
2011	11,193	99	10,461
2012	10,983	99	10,510
2013	10,984	100	10,453

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2009 through June 30, 2013.

OTHER MATTERS

Natural Hazard Risks

The City is in a seismically active area, located near or on three major active earthquake faults (the Hayward, Calaveras and San Andreas faults). During the past 150 years, the Bay Area has experienced several major and numerous minor earthquakes. The largest earthquake was the 1906 San Francisco earthquake along the San Andreas Fault, which passes through the San Francisco peninsula west of Oakland, with an estimated magnitude of 8.3 on the Richter scale. The most recent major earthquake was the October 17, 1989 Loma Prieta earthquake, also on the San Andreas Fault, with a magnitude of 7.1 on the Richter scale and an epicenter near Santa Cruz, approximately 60 miles south of the City. Both the San Francisco and Oakland areas sustained significant damage. The City experienced significant damage to the elevated Cypress freeway and to several buildings within the City, especially unreinforced masonry buildings constructed prior to 1970 and current building code requirements. Much of the damage resulting from the Loma Prieta earthquake was due to soil liquefaction, a phenomenon during which loose, saturated, non-cohesive soils temporarily lose shear strength during ground shaking induced by severe earthquakes.

A substantial portion of the City is built in partially-wooded hillside areas, which are naturally prone to wildfire. In October 1991 a fire in the Oakland/Berkeley Hills damaged 1,990 acres of forest and residential property, destroying 2,354 homes and 456 apartment units, most of which were in the City. The City has established a wildfire prevention assessment district covering portions of the City, which was approved by voters in January 2004, and which finances fire hazard inspections, brush and debris removal, wood chipping, and public education.

Litigation

The City is involved in certain litigation and disputes relating to its operation. Upon the basis of information presently available, the City Attorney believes that (1) there are substantial defenses to such litigation and disputes and (2) in any event, any ultimate liability in the aggregate in excess of applicable insurance coverage resulting therefrom will not materially affect the ability of the City to pay debt service on the Notes.

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APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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CITY OF OAKLAND, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

CITY OF OAKLAND
CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

PREPARED BY THE ADMINISTRATIVE SERVICES DEPARTMENT

OSBORN K. SOLITEI, FINANCE DIRECTOR/CONTROLLER

PRINTED ON RECYCLED PAPER

CITY OF OAKLAND

Comprehensive Annual Financial Report
Year Ended June 30, 2013

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Year Ended June 30, 2013

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Comprehensive Annual Financial Report
Year Ended June 30, 2013

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CITY OF OAKLAND

Comprehensive Annual Financial Report
Year Ended June 30, 2013

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INTRODUCTORY SECTION

CITY OF OAKLAND

CITY HALL ● 1 FRANK H. OGAWA PLAZA ● OAKLAND, CALIFORNIA 94612

Office of the City Administrator (510) 238-3301
Deanna J. Santana FAX (510) 238-2223
City Administrator

December 13, 2013

Citizens of the City of Oakland
The Honorable Mayor and
Members of the City Council

The Comprehensive Annual Financial Report of the City of Oakland

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") of the City of Oakland, California ("City"). The Administrative Services Department, Controller's Office has prepared this report to present the financial position and the changes in net assets for the fiscal year ended June 30, 2013, and the cash flows of its proprietary fund types for the year then ended. The basic financial statements and supporting schedules have been prepared in compliance with Section 809 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with Generally Accepted Accounting Principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

This report consists of management's representations concerning the finances of the City. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse; to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP, and to comply with applicable laws and regulations. As the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe this CAFR to be complete and reliable in all material respects.

The City contracted with Macias Gini & O'Connell LLP, a firm of Certified Public Accountants licensed to practice in the State of California, to perform the annual independent audit. The auditors expressed an opinion that the City's financial statements for the year ended June 30, 2013 are fairly stated and in accordance with accounting principles generally accepted in the United States. This is the most favorable conclusion and is commonly known as an "unmodified" or "clean" opinion. The independent auditor's report is included in the Financial Section of this report.

In addition, Macias Gini & O'Connell LLP audited the City's major program expenditures of federal funds for compliance with the Federal Single Audit Act Amendments of 1996, the Office of Management and Budget (OMB) Circular A-133 regulating Single Audits, and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. The report of the Single Audit is published separately from this CAFR and may be obtained upon request from the City's Controller's Office.

The Reporting Entity and Its Services

The City has defined its reporting entity in accordance with GAAP that provides guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. The Basic Financial Statements present information on the activities of the City and its component units.

GAAP requires that the component units be separated into blended or discretely presented units for reporting purposes. Although legally separate entities, blended component units are, in substance, part of the City's operations. Therefore, they are reported as part of the Primary Government. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City's operations.

Accordingly, we have included the operations of the Oakland Municipal Employees' Retirement System (OMERS), the Police and Fire Retirement System (PFRS), and the Oakland Redevelopment Successor Agency, as blended component units. The operations of the Port of Oakland (including the Oakland International Airport) are presented discretely. The Oakland-Alameda County Coliseum Authority (Authority) is a Joint Venture owned and operated by the City and the County of Alameda. The Joint Venture agreement and operations are disclosed on Note 14 of the basic financial statements.

The Oakland Housing Authority, the Oakland Unified School District, and the Peralta Community College District were not included in the CAFR because they have limited relationships with the City and, therefore, did not meet the criteria for inclusion in the reporting entity. The City is also represented in six regional agencies that are excluded from the City's reporting entity. These agencies are the San Francisco Bay Area Rapid Transit District (BART), Alameda-Contra Costa County Transit District (AC Transit), Bay Area Air Quality Management District, Association of Bay Area Governments (ABAG), East Bay Regional Park District, and the East Bay Municipal Utility District.

Profile of the Government

The City of Oakland was chartered as a city in 1852. It is situated on the eastern side of the Oakland/San Francisco Bay in the County of Alameda. Its western border offers nineteen miles of coastline, while the rolling hills to the east present views of the Bay and the Pacific Ocean. In between are traditional, well-kept neighborhoods, a progressive downtown that is experiencing a tremendous surge in growth, and superior cultural and recreational amenities. It is the administrative site for the County of Alameda, the regional seat for the federal government, the district location of primary state offices, and the transportation hub of commerce for the Bay Area.

In November 1998, the citizens of Oakland passed Measure X changing the form of government from Council-City Manager to Mayor-Council through a charter amendment. Legislative authority is vested in the City Council and executive authority is vested in the Mayor. The City Administrator, appointed by the Mayor and approved by the City Council, has administrative authority to manage the day-to-day administrative and fiscal operations of the City. The City Auditor and the City Attorney are both elected officials and serve four-year terms.

The Mayor and City Council is the governing body of the City and is comprised of eight elected officials. One Council member is elected "at large", while the other seven Council members represent specific geographic districts. The Mayor and City Council are elected to serve four-year terms.

On March 2, 2004, the citizens of Oakland passed Measure P: (1) to repeal the sunset provision of Measure X passed in November 1998 to retain the Mayor-Council form of government; (2) to change the term limit for Mayor from two terms to two consecutive terms; (3) to reduce the number of votes needed for the City Council to pass an ordinance on reconsideration from six votes to five votes; (4) to eliminate the prohibition on paying the Mayor more than the City Administrator; (5) to remove the rule that the Mayor vacates his or her office by missing ten consecutive City Council meetings; (6) to require the Mayor to advise the City Council before removing the City Administrator; and (7) to change the title of the City Manager to "City Administrator".

The City provides a full range of services contemplated by statute or charter, including those functions delegated to cities under state law. These services include public safety (police and fire), sanitation and environmental health, economic development, community involvement and empowerment, public-private partnerships, library, recreational and cultural activities, public improvements, planning, zoning and general administrative services.

Economic Condition and Fiscal Outlook

Despite challenging circumstances, the City has made notable, prudent investments to improve its financial situation, such as implementing the Three-Tier pension plan reform system for all labor unions (See note 15), increasing the ratio of funded pension obligations, and fully funding the General Purpose Fund reserve to 7.5 percent per the City Council policy. The City ended fiscal year 2012-13, fortunately experiencing modest economic growth that is expected to accelerate in the future. Growth has been noteworthy in a number of revenue categories including Real Estate Transfer Tax, Sales Tax, Business License, and Transient Occupancy Tax. Property tax increased modestly and one-time Redevelopment Property Tax Trust Funds ("RPTTF") residual payment derived from the due diligence review process by the California Department of Finance pursuant to AB 1484.

As the result of the improved financial circumstances, the adopted FY 2013-15 budget includes no layoffs, for the first time in more than four years. The adopted budget also invests in essential services that the City Council has repeatedly expressed are its highest priorities: public safety and economic development. This investment includes scheduling four police academies, funding key economic development initiatives, and restoring senior and recreation center hours. The City also financed some critical deferred infrastructure needs, such as replacing outdated vehicles and equipment, upgrading to energy-efficient LED streetlights and enhancing Information Technology infrastructure.

After a very challenging 2011-12 fiscal year, the City factored the economic indicators cited below, among others, and the state of labor union contracts and concessions into the budget formulation process for fiscal year 2012-13. These factors helped inform the budget development process, particularly related to revenue forecasting, program planning, and resource allocation.

Oakland has been emerging, along with the rest of the East Bay, from the recent Great Recession. Since the recent high of fiscal year 2008-09, the City's budget consistently declined through fiscal year 2011-12, increasing for the first time recently in fiscal year 2012-13. The City adopted a balanced budget for fiscal year 2012-13 without layoffs for the first time in more than four years. The FY 2013-15 Adopted Policy Budget assumed the continuing trend of modest revenue growth; began to restore services; made strides in paying down unfunded liabilities, including negative funds, despite difficult financial times; and implemented a three-tiered system that the City successfully negotiated with all labor unions in July 2011.

The City approved a PERS second tier (two-tiered pension plans) for all labor unions, one benefit plan for existing employees (classic member), and a less expensive plan for new employees hired after

June 9, 2011 to reduce the City's costs overruns. The two-tiered pension plans were approved through collective bargaining agreements between the City and labor organizations representing Miscellaneous and Safety employees. The City implemented the two-tiered pension plan for the Safety employees on February 9, 2012, pursuant to Ordinance No. 13106 C.M.S., and on June 8, 2012 for the Miscellaneous employees, pursuant to Ordinance No. 13119 C.M.S. In September 2012, Governor Brown signed Assembly Bill ("AB") 340, known as California Public Employees' Pension Reform ("PEPRA") Act of 2013 or Tier Three. AB 340 took effect on January 1, 2013; it will limit the pension benefits offered to new employees and increase flexibility for employee and employer cost-sharing for current employees (see note 15 for more details). The third-tier retirement plan has been implemented since January 1, 2013.

In October 2012, the City issued a Five-Year Financial Forecast that projected revenues and expenditures. It projected modest revenue growth as the region's economy stabilizes, then beginning in 2015, forecasted that the City will experience revenue growth consistent with long-term trends, in the range of 4% annual nominal growth range. Property tax, sales tax, business license tax, and real estate transfer tax are all forecasted to grow faster than the rate of inflation.

The employment forecast for the remainder of 2013 continues to improve from the previous year. The City's average unemployment (not seasonally adjusted) rate decreased to 11.3 percent in June 2013 compared to 14.3 percent in June 2012. In general, as the economic climate remains uncertain, the City will continue to maintain prudent financial policies to navigate these challenging economic times.

The City's general obligation credit ratings of Aa2\AA-\A+ and stable outlook from Moody's Investor Services, Inc ("Moody's), Standard and Poor's Corporation ("S&P"),and Fitch Ratings ("Fitch"), respectively, continue to show the City's fiscal prudence. The City continues to maintain strong credit ratings on the City's existing general obligation bonds from all three rating agencies despite the difficult financial and economic conditions both nationally and locally. Page 17 of the Management and Discussion & Analysis ("MD&A") has more discussion on the City's credit ratings. The rating agencies continue to cite management's demonstrated commitment to strong fiscal management as a basis of their rationale for bestowing the City's strong ratings. These ratings translate to significant interest cost savings in the City's debt program and to the taxpayers of the City of Oakland.

Significant Events and Accomplishments

Highlights of activities and accomplishments for the fiscal year ended June 30, 2013, include the following:

- In October 2012, the City partnered with PG&E to upgrade 241 City-owned streetlight fixtures in four areas of East Oakland identified by the Oakland Police Department with Energy-Efficient LED streetlights. The older high-pressure sodium (HPS) light bulbs were changed out with new, energy-efficient light-emitting diode (LED) bulbs. As a result of this project, the City would save $19,367 in annual energy costs and remove the equivalent of 79,768 pounds of greenhouse gases from the environment per year. The City would also receive more than $34,000 in PG&E incentives. In addition, LED lights help make streets safer with higher quality light with a significantly longer lifespan.

- In November 2012, of the 100 largest cities in the country, Oakland was ranked 7th in the nation in the bicycling rate with 7,000 biking commuters. More Oaklanders have been pedaling to work than ever before. Over three percent of Oakland workers – or about 5,000 daily commuters – commuted by bicycle according to the U.S. Census Bureau's newly released 2011 American Community Survey data. Since 2000, bicycling in Oakland has increased by more than 250 percent. The rise in cycling reflects Oakland's extensive efforts to make bicycling in Oakland an easy and safe choice for all residents.

- In February 2013, the City offered the nation's first municipal identification/debit card; the City ID Prepaid MasterCard program was the first card of its kind in the United States and represents a major new resource for the community.

- In February 2013 – ***Oakland Named Among Top 15 Cities for Tech Startups*** – CIO.com ranked Oakland among the most attractive U.S. cities for tech startups according to a recent report by the National Venture Capital Association (NVCA). "The cost of living and creating a business is lower in Oakland than in San Jose and San Francisco…" said NVCA President Mark Heesen in the article. "Things are just cheaper in the East Bay than opposed to the city or San Jose or Silicon Valley areas." The NVCA list measures overall venture capital investment in each respective market to compile its ranking data.

- In February 2013 – ***Lake Merritt Channel Re-Opening a Milestone for Measure DD*** **–** On Friday, February 22, the City held a media event marking a major milestone in the effort to reconnect Lake Merritt to the Bay – the re-opening of a 750-foot section of the Lake Merritt Channel. The removal of the 12th Street dam, culverts and twelve-lane roadway is one of the premier Measure DD projects. Since 1869, Lake Merritt has been separated from the channel by man-made structures that altered what was once an open waterway to the San Francisco Bay.

- In May 2013, the real estate website Movoto ranked Oakland as the most exciting city in America on its roster of the "The 10 Most Exciting Cities in America." In selecting their top 10 cities, Movoto looked at the following criteria that gauge the level of excitement in a city: Park acreage per person, Percent of population between 20 and 34 years old, Fast food restaurants per square mile (the fewer the better), Bars per square mile, Big box stores per square mile (the fewer the better), Population diversity, Movie theaters per square mile, Museums per square mile, Theater companies per square mile and Music venues per square mile. To view the post, please visit http://www.movoto.com/blog/top-ten/10-most-exciting-cities/.

- On November 1, 2013, Oakland broke ground at the former Oakland Army Base. One of Oakland's largest development projects in several years, this transformative project will bolster the Port of Oakland's ability to compete globally, allow higher volumes of cargo to be transported more quickly, and create thousands of jobs, with historic local-hire requirements mandating that many of those jobs go to Oakland residents.

Economic Indicators and Next Fiscal Year's Budget and Tax Rates

The City of Oakland's primary economic indicators are highlighted on page 19 of the Management Discussion and Analysis (MD&A) section of this report.

The Five-Year Financial Forecast

In October 2012, as part of the proposed FY2013-15 Biennial Budget, the City issued a Five-Year Financial Forecast that forecasted revenues and expenditures. The purpose of the Five-Year Financial Forecast is to help the City of Oakland make informed financial and operational decisions by better anticipating long-term future revenues and expenditures. The forecast covers all major City funds, and generally assumes that service levels and revenue mechanisms will remain constant at base year (FY

2013-14) levels for all of the future forecast years, with a few key exceptions. The forecast assumes that employee contributions will sunset with the current employee contracts.

The major findings of the Five-Year Financial Forecast are that, although revenues are expected to grow at a modest but healthy rate, expenditures are projected to grow more, outpacing revenues and leaving the City with an ongoing, structural imbalance between revenues and expenditures, particularly when deferred expenditures for capital assets and long-term liabilities are included.

The forecast anticipates that the City will experience modest revenue growth as the region's economy stabilizes, then beginning in FY 2015-16, the forecast assumes that the City will experience revenue growth consistent with long-term trends, in the 4% annual nominal growth range. Property tax, sales tax, business license tax, and real estate transfer tax are all expected to grow faster than the rate of inflation. General Purpose Fund ("GPF") revenues are forecasted to grow from $457M in FY 2013-14 to $496M in FY 2017-18.

GPF expenditures are forecasted to grow from $455M in FY 2013-14 to $609M in FY 2015-16 and to $674M in FY 2017-18 due to unfunded/deferred costs, escalating benefits liabilities, and a number of other factors. These expenditure figures include recommended FY 2013-14 service levels that were assumed as part of the FY2013-15 adopted Biennial Budget with normal cost escalation, plus backfilling the sunset of employee contributions, Cost of Living Adjustment ("COLA"), and the loss of funding from certain tax, assessment, and other revenue sources. "Deferred" expenditures include deferred capital acquisition (for facilities, infrastructure, vehicles, and information technology), deferred repayment of negative funds, and deferred payment of other postemployment benefits ("OPEB") and pension/retirement unfunded liabilities. The report contains some examples, for illustrative purposes, of possible strategies to reduce expenditures and increase revenues in order to close the forecasted shortfall.

Single Audit

As a recipient of Federal, State and County financial assistance, the City is responsible for providing assurance that adequate internal controls are in place to ensure compliance with applicable laws and regulations. These controls are periodically evaluated by management, the City Auditor's Office (internal), and the City's independent auditors (external).

As part of the City's single audit procedures, tests are performed to determine the effectiveness of the internal controls over major federal award programs and the City's compliance with applicable laws and regulations related to these federal award programs.

Budget Controls

The City's budget is a detailed operating plan that identifies estimated costs in relation to estimated revenues. The budget includes:

- The programs, projects, services and activities to be carried out during the fiscal year;
- The estimated revenue available to finance the operating plan; and
- The estimated spending requirements for the operating plan.

The budget represents a process where policy decisions by the Mayor and the City Council are adopted, implemented and controlled. The notes to the required supplementary information summarize the budgetary roles of various City officials and the timetable for their budgetary actions according to the City Charter. In June 2013, the City Council, during its mid-cycle review, approved the City's revised budget for fiscal year 2012-13.

The City Charter prohibits expending monies for which there is no legal appropriation. Therefore, the City is required to adopt budgets for all City funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level, although for management purposes, the line item budget is controlled at the departmental level within funds. The City Administrator is authorized to administer the budget and may transfer monies from one activity, program or project to another within the same agency and fund. Supplemental appropriations or transfers of appropriations between funds or agencies must be approved by the City Council.

The City also maintains an encumbrance accounting system to provide budgetary controls for governmental funds. Encumbrances which would result in an overrun of an account balance are suspended in the system until additional funding is made available via budget change requests or withdrawn due to lack of funding. Encumbrances outstanding at June 30 and carried forward are reported as assigned of the appropriate governmental fund's fund balance since they do not constitute expenditures or liabilities. Encumbrances that do not lapse but are brought forward to the new fiscal year are incorporated as part of the budget adopted by the City Council for that year.

The City Council receives quarterly reports on the City's revenues and expenditures compared to budget as a management tool to pro-actively monitor the City's fiscal condition. The City continues to meet its responsibility for sound financial management as demonstrated by the statements and schedules included in the financial section of this report.

Debt Management Policy

The City's Debt Management Policy is reviewed and adopted annually by the City Council. The goal of the Debt Management Policy is to set prudent guidelines to ensure that the City's debt portfolio is fiscally stable. It is in place to maintain long-term financial flexibility while ensuring that the City's capital needs are adequately supported. The Debt Management Policy establishes the following equally important objectives:

- To achieve the lowest possible cost of capital for the City;
- To achieve the highest practical credit rating;
- Maintain full and complete financial disclosure and reporting;
- Ensure timely repayment of debt;
- Maintain a prudent level of financial risk
- Utilize local and disadvantaged banking and financial firms, whenever possible
- Ensure compliance with applicable State and Federal laws.

Cash Management Policies and Practices

To maximize interest income and maintain liquidity, the City pools operating cash of the City and invests these monies in securities of various maturities. These monies and operating funds of the Oakland Redevelopment Successor Agency are invested pursuant to the City's Investment Policy in compliance with Section 53601 of the California Government Code, the City's Nuclear Free Zone and Linked Banking Ordinances, and the City's Tobacco Divestiture Resolution. The objectives of the Investment Policy are to preserve capital, provide adequate liquidity to meet cash disbursements of the City, and to reduce overall portfolio needs while maintaining market-average rates of return. Investments are secured by collateral as required under law, with maturity dates staggered to ensure that cash is available when needed. The City Council receives quarterly reports on the performance of the City's pooled investment program.

Risk Management

To finance its risks of general liability and workers' compensation, the City maintains a program of self-insurance, supplemented with commercial insurance of limited coverage that is sufficient to protect resources at the lowest reasonable cost. The City maintains commercial fire insurance policies on all of its buildings. Additionally, the City insures for the perils of earthquake and flood on the Henry J. Kaiser Convention Center and the George F. Scotlan Memorial Convention Center.

The City Attorney represents the City in all of its legal matters, including claims investigation, civil litigation and disposition of claims and lawsuits.

Insurance to protect and indemnify the City against the risks of general liability and property damage is required in virtually all of its public works, contractor-supplied and professional services contracts.

Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oakland for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. The City of Oakland has received a Certificate of Achievement the last 24 years. The City's Fiscal Year 2012-13 CAFR will be submitted to GFOA for consideration for the Certificate of Achievement for Excellence in Financial Reporting.

Acknowledgements

The preparation of this CAFR represents the culmination of a concerted team effort by the entire staff of the Administrative Services Department, most particularly the Controller's Office, Treasury, City Administrator's Office, and other departmental staff, who have demonstrated their professionalism, dedication and efficiency in the preparation of this report. We also thank Macias, Gini & O'Connell LLP for their assistance and guidance.

Finally, we wish to express our sincere appreciation to the Mayor, and the members of the City Council for providing policy direction and their interest and continuing support in planning and conducting the City's financial operations in a fiscally responsible and progressive manner.

Respectfully submitted,

DEANNA J. SANTANA	**OSBORN K. SOLITEI**
City Administrator	Finance Director / Controller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Oakland

California

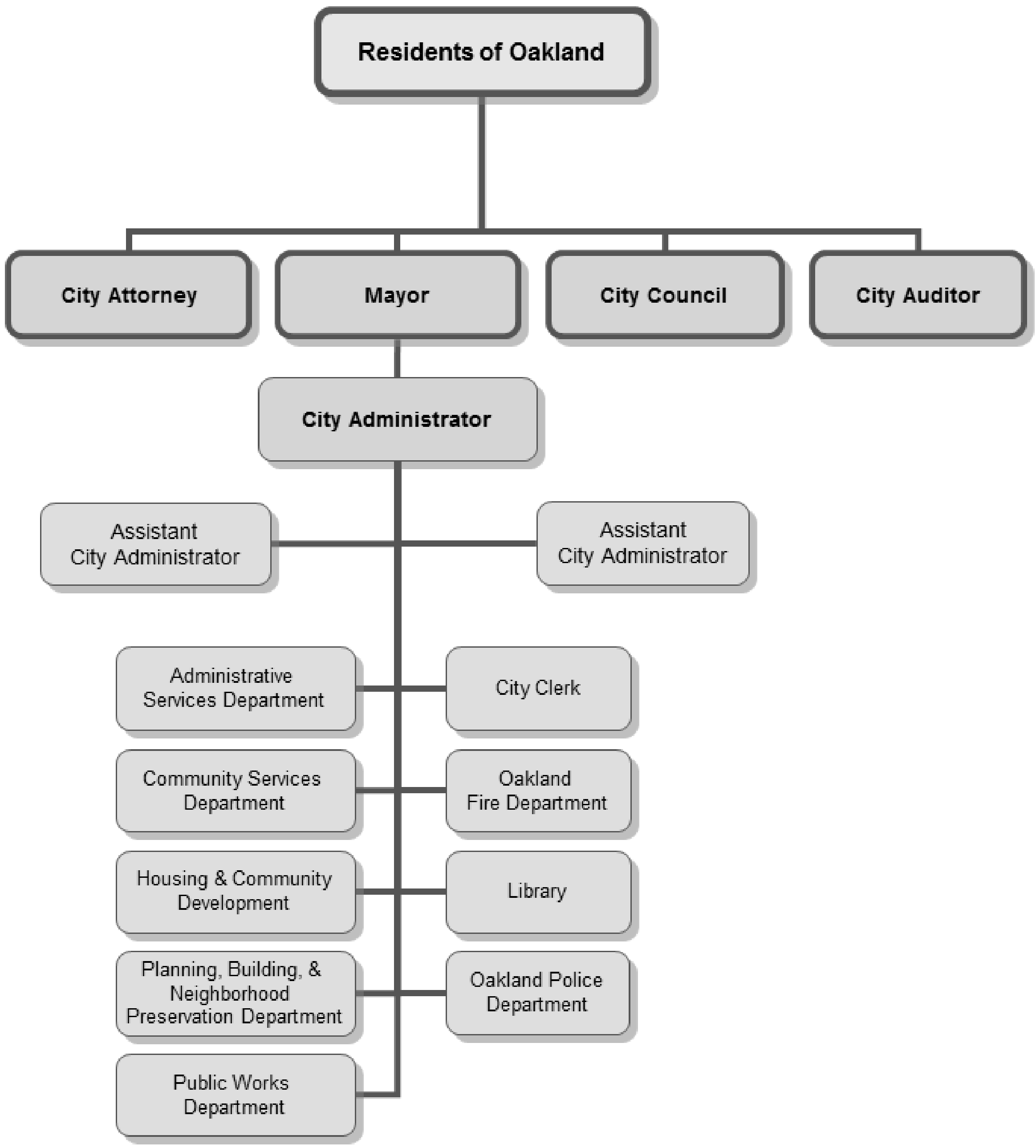
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2012

Jeffrey R. Esser

Executive Director/CEO

CITY OF OAKLAND ORGANIZATION CHART



DIRECTORY OF CITY OFFICIALS
MAYOR/COUNCIL FORM OF GOVERNMENT
June 30, 2013

MAYOR
Jean Quan

MEMBERS OF THE CITY COUNCIL
Patricia Kernighan, *President (District 2)*
Larry Reid, *Vice-Mayor (District 7)*

Rebecca Kaplan
At Large
(President Pro Tem)

Dan Kalb
District 1

Lynette Gibson McEihaney
District 3

Libby Schaff
District 4

Noel Gallo
District 5

Desley Brooks
District 6

MAYOR APPOINTED OFFICERS
Deanna J. Santana, *City Administrator*

Fred G. Blackwell, *Assistant City Administrator*

Vacant, *Assistant City Administrator*

La Tonda Simmons, *City Clerk*

ELECTED OFFICERS
Barbara Parker, *City Attorney*
Courtney A. Ruby, *City Auditor*

DEPARTMENT DIRECTORS

Brooke Levin
(Interim)
Public Works

Teresa Deloach Reed
(Chief)
Fire Services

Fred G. Blackwell
Community Services

Geary Garzon
(Interim)
Library Services

Vacant
Administrative Service Department

Sean Whent
(Interim Chief)
Police Services

Rachel Flynn
Planning, Building & Neighborhood Preservation

Michele Byrd
Housing & Community Development

CITY OF OAKLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

PROJECT TEAM

AUDIT/FINANCIAL STATEMENT COORDINATOR

Osborn K. Solitei, *Finance Director/Controller*

FINANCIAL STATEMENT PREPARATION

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Financial Analyst

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Pat Lee
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Andy Yang
Rogelio Medalla

SPECIAL ASSISTANCE

Dawn Hort
David Jones

Katano Kasaine
Sharon Holman

SPECIAL ASSISTANCE - DEPARTMENTS & OFFICES

City Administrator's Office

City Attorney's Office

Administrative Service Department - Treasury Division

Human Resources Department – Risk/Benefits Division

FINANCIAL SECTION

MGO Certified Public Accountants.

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Walnut Creek, CA 94596
925.274.0190

Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Oakland, California (City), as of and for the year ended June 30, 2013, 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 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 financial statements of the Oakland Municipal Employees' Retirement System (OMERS) and the Oakland Police and Fire Retirement System (PFRS), which collectively represent 45%, 103% and 45%, respectively of the assets, net position, and additions of the aggregate remaining fund information as of and for the year ended June 30, 2013. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for OMERS and PFRS, are based solely on the reports 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 the 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. The financial statements of OMERS and PFRS were not audited in accordance with *Government Auditing Standards*.

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 entity'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 entity'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 reports of 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Changes in Accounting Principles
As discussed in Note 2 to the financial statements, effective July 1, 2012, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, and the budgetary comparison schedule for the general fund 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 GASB, 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 and other auditors 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, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the combining and individual nonmajor fund financial statements and schedules are 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 December 13, 2013, 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 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.

Macias Gini & O'Connell LLP

Oakland, California
December 13, 2013

This section of the City of Oakland's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's financial statements and related notes and our letter of transmittal that precedes this section.

FINANCIAL HIGHLIGHTS

- The government-wide statement of net position for the City's governmental and business-type activities indicates that as of June 30, 2013, the total assets exceeded its total liabilities by $986.8 million compared to $1,086.1 million at June 30, 2012. This represents a net decrease of $99.3 million or 9.1 percent compared to the previous year. The decrease is primarily attributed to the extraordinary loss on the State Controller's Office ("SCO") asset transfer review of $156.9 million of the former Oakland Redevelopment Agency ("Agency"), the total amount consists of real properties, cash and cash equivalents and notes and loan receivables. The SCO asset transfer review was recorded as an extraordinary gain in Oakland Redevelopment Successor Agency's ("ORSA") financial statements. Accordingly, SCO asset transfer review of the former Agency's assets from City to the Oakland Redevelopment Successor Agency (ORSA) was recorded as extraordinary loss in the City's governmental funds and the City governmental activities. The components of the extraordinary item recorded in the financial statements are discussed in Note 2. Excluding the extraordinary gain, net position increased by $57.5 million

- The City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities,* as of July 1, 2012. The City restated the July 1, 2012 net position to write off unamortized bond issuance costs previously reported as an asset or included in deferred amounts from refundings. Gains and losses on refundings of debt were reclassified from a contra liability account and reported as deferred inflows of resources or deferred outflows of resources, respectively. The total impact of this change was a $3.0 million reduction in the beginning net position. The 2012 financial statements were not restated.

- The City's governmental cumulative fund balances decreased by 31.0 percent or $149.7 million to $561.8 million compared to $711.5 million for the prior fiscal year. This decrease is primarily attributed to SCO asset transfer review of the former Agency's assets from City to the ORSA recorded in the Municipal Capital Improvement Fund; the decrease for the fund was $131.9 million, of which $101.2 million was due to the SCO asset transfer review; General Fund decreased by $10.3 million; the Federal/State Grant fund decreased by ($13.2 million). These decreases are partially offset by increases in fund balance in the Other Governmental Fund Funds by $3.6 million.

- As of June 30, 2013, the City had total long-term obligations outstanding of $1.58 billion compared to $1.41 billion outstanding for the prior fiscal year for an increase of 12.3 percent or $173.0 million. The increase is primarily as a result the issuance of taxable pension obligation bonds series 2012 for $212.5 million, issuance of $28.0 million Capital leases for Master Lease for Vehicle and Equipment for $11.9 million and Master Lease – Led Streetlight acquisition lease financing for $16.1 million. This increase was partially offset by payments of scheduled debt service ($74.9 million) of governmental bonds. The decrease in business-type activities was due to payments of scheduled debt service including sewer revenue bonds for $2.0 million and sewer notes payable for $0.3 million. Of the $1.58 billion, $309.8 million is general obligation bonds backed by the full faith and credit of the City. The remaining $1.27 billion is comprised of various long-term debt instruments including accruals of year-end estimates for other long-term liabilities.

- The City undesignated, uncommitted fund balance met the requirements of the City Council's 7.5% reserve policy based on the total General Purpose Fund expenditures for fiscal year 2013 (See note 12).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to introduce the City's basic financial statements. The City's basic financial statements consist of four components:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements
- Required Supplemental Information

In addition, this report also contains other supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to the financial statements for a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, Community Services, community and economic development, and public works. The business-type activities of the City include the sewer service system and the parks and recreation.

The government-wide financial statements include the primary government of the City and the Port of Oakland (Port) as a discrete component unit. Financial information for the Port is reported separately from the financial information presented for the primary government. Further information about the Port can be obtained from the Port Financial Services Division, 530 Water Street, Oakland, CA 94607 or visit the website at www.portofoakland.com.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: *governmental funds, proprietary funds* and *fiduciary funds.*

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, capital projects, debt service and general fund). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the federal and state grant special revenue fund, the low and moderate income housing asset fund ("LMIHF"), the municipal capital improvement fund, and the special revenue bond fund, all of which are considered to be major funds. Data from the remaining funds are combined in a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund in the required supplementary information to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers, either outside customers or internal units or departments of the City. Proprietary funds provide the same type of information shown in the government-wide statements only in more detail.

The City maintains the following two types of proprietary funds:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Sewer Service System and the Parks and Recreation operations. The Sewer Service Fund is considered to be a major fund of the City.

Internal service funds are used to report activities that provide services and supplies for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, radio and communication equipment, facilities management, printing and reproduction, central stores and purchasing. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of employees and parties outside the City. The Oakland Municipal Employees Retirement System (OMERS) Fund and the Police and Fire Retirement System (PFRS) Fund are reported as pension trust funds. The private purpose trust funds along with the private pension trust fund are reported as trust funds since their resources are not available to support the City's own programs. For this reason, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The required supplementary information includes the budgetary schedule for the General Fund and schedules of funding progress for pension and other postemployment benefits that show the City's progress towards funding its obligation to provide future pension and other postemployment benefits for its active and retired employees.

Other Information

In addition, this report presents combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds and fiduciary funds are immediately following the required supplementary information along with budgetary comparison schedules.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of the City's financial position. The City's total assets and deferred outflows of resources exceed total liabilities as of June 30, 2013 by $986.8 million compared to $1,086.1 million as of June 30, 2012, a decrease of $99.3 million. The largest portion of the City's net position, 85.3 percent, reflects City's net investment in capital assets of $842.1 million for governmental and business-type activities. Of the remaining balance, $142.5 million are subject to external restrictions on how they may be used. $2.2 million represent unrestricted net position, which is comprised of a deficit balance of $51.2 million for governmental activities, and a positive balance of $53.3 million for business-type activities.

Statement of Net Position
June 30, 2013 and 2012
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Increase/(Decrease)	
	2013	2012 (As Restated)	2013	2012 (As Restated)	2013	2012	Amount	%
Assets:								
Current and other assets	$ 1,417,618	$ 1,369,730	$ 60,226	$ 51,122	$ 1,477,844	$ 1,420,852	$ 56,992	4.0%
Capital assets	1,098,752	1,035,352	175,932	171,698	1,274,684	1,207,050	67,634	5.6%
Total assets	2,516,370	2,405,082	236,158	222,820	2,752,528	2,627,902	124,626	4.7%
Total deferred outflows of resources	17,088	18,546	-	-	17,088	18,546	(1,458)	-7.9%
Liabilities:								
Long-term liabilities	1,528,387	1,352,972	50,886	53,272	1,579,273	1,406,244	173,029	12.3%
Other liabilities	201,130	151,488	2,389	2,874	203,519	154,362	49,157	31.8%
Total liabilities	1,729,517	1,504,460	53,275	56,146	1,782,792	1,560,606	222,186	14.2%
Net Position:								
Net investment in capital assets	712,606	663,785	129,542	122,911	842,148	786,696	55,452	7.0%
Restricted	142,506	274,004	-	-	142,506	274,004	(131,498)	-48.0%
Unrestricted	(51,171)	(18,621)	53,341	43,763	2,170	25,142	(22,972)	-91.4%
Total net position	$ 803,941	$ 919,168	$ 182,883	$ 166,674	$ 986,824	$ 1,085,842	$ (99,018)	-9.1%

The City implemented two new Governmental Accounting Standards Board (GASB) Statements in the current fiscal year that significantly changed the current year's presentation.

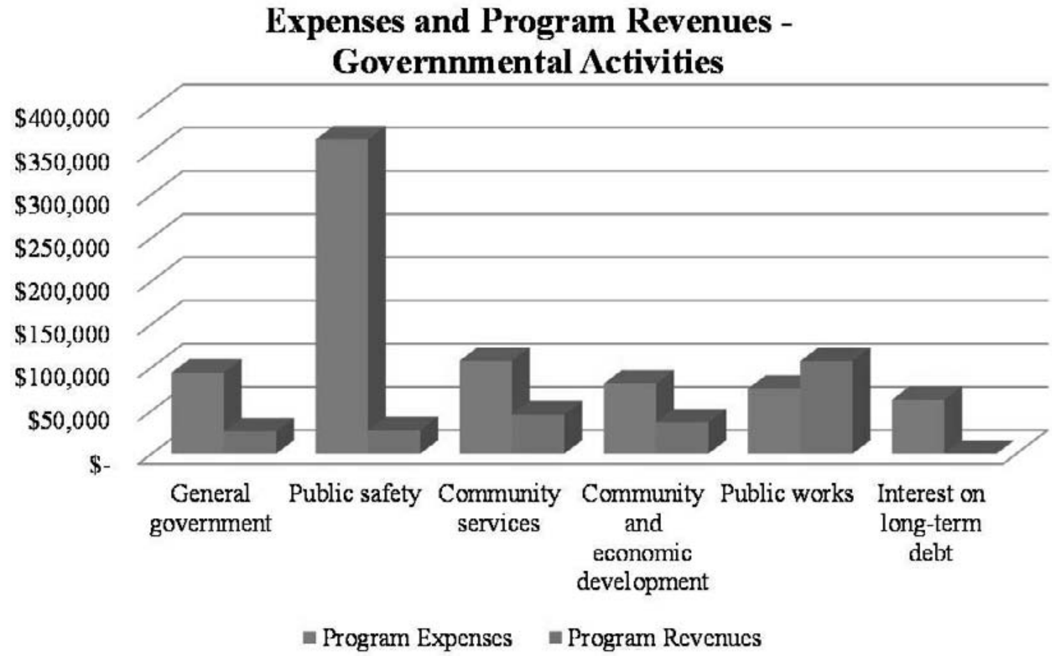
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for two new financial statement elements – deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources* are defined as a consumption of net assets that is applicable to a future reporting period. *Deferred inflows or resources* are defined as an acquisition of net position that is applicable to a future reporting period. This Statement also incorporates deferred outflows of resources and deferred inflows of resources into the residual measure as net position, rather than net position.

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify certain items (that were previously reported as assets and liabilities) as deferred outflows of resources or deferred inflows of resources, and recognizes certain items (that were previously reported as assets and liabilities) as outflows of resources or inflows of resources. As a result, the City restated the beginning net position by reporting a prior year adjustment of $3.0 million in the Statement of Activities for the fiscal year ended June 30, 2013.

Governmental activities. The City's net position in governmental activities decreased by $112.5 million, excluding the extraordinary loss of $156.9 million from SCO asset transfer review of the former Agency, the net position increased by $44.4 million for the year ended June 30, 2013. The following table indicates the changes in net position for governmental and business-type activities:

Statement of Activities
(In Thousands)

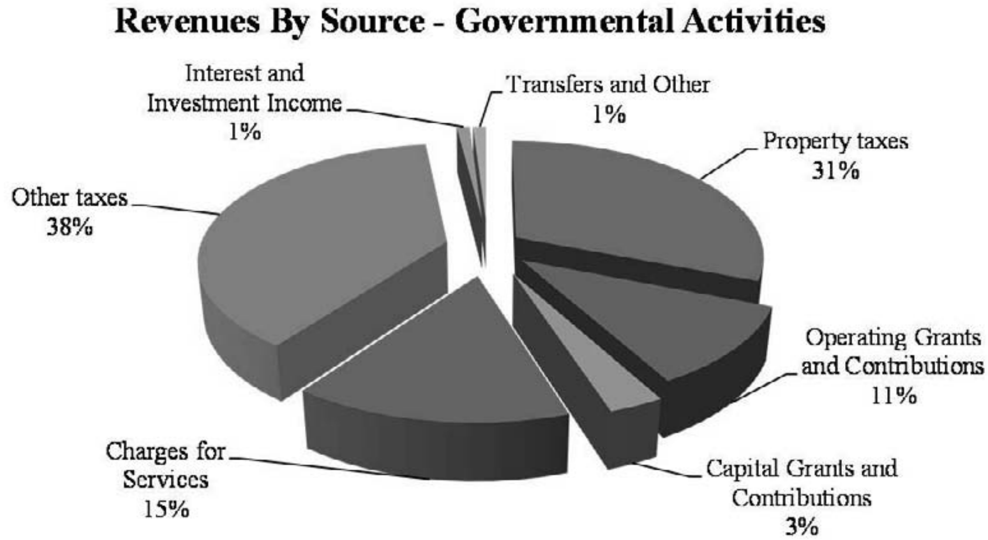
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$ 126,831	$ 166,033	$ 53,291	$ 48,775	$ 180,122	$ 214,808
Operating grants and contributions	89,424	89,620	-	-	89,424	89,620
Capital grants and contributions	26,179	30,607	-	-	26,179	30,607
General revenues:						
Property taxes	256,333	288,923	-	-	256,333	288,923
Sales and use taxes	60,494	55,659	-	-	60,494	55,659
Motor vehicles in-lieu tax	-	221	-	-	-	221
Gas tax	10,004	11,060	-	-	10,004	11,060
Local taxes:						
Business license	60,371	58,712	-	-	60,371	58,712
Utility consumption	50,752	51,434	-	-	50,752	51,434
Real estate transfer	47,406	30,653	-	-	47,406	30,653
Transient occupancy	15,831	13,822	-	-	15,831	13,822
Parking	15,565	15,975	-	-	15,565	15,975
Voter approved special tax	38,247	35,812	-	-	38,247	35,812
Franchise	16,035	15,829	-	-	16,035	15,829
Interest and investment income	6,358	7,078	(24)	83	6,334	7,161
Other	7,076	53,172	-	-	7,076	53,172
Total revenues	826,906	924,610	53,267	48,858	880,173	973,468
Expenses:						
General government	93,942	83,131	-	-	93,942	83,131
Public safety	363,597	351,566	-	-	363,597	351,566
Community services	107,779	122,829	-	-	107,779	122,829
Community & economic development	81,182	138,596	-	-	81,182	138,596
Public works	75,158	101,892	-	-	75,158	101,892
Interest on long-term debt	62,744	68,948	-	-	62,744	68,948
Sewer	-	-	34,504	31,210	34,504	31,210
Parks and recreation	-	-	643	492	643	492
Total expenses	784,402	866,962	35,147	31,702	819,549	898,664
Change in net position before transfers and extraordinary items	42,504	57,648	18,120	17,156	60,624	74,804
Transfers	1,911	1,893	(1,911)	(1,893)	-	-
Extraordinary loss due to SCO asset transfer review and DOF disallowances	(156,902)	273,020	-	-	(156,902)	273,020
Change in position	(112,487)	332,561	16,209	15,263	(96,278)	347,824
Net position, beginning (as restated)	916,428	586,607	166,674	151,411	1,083,102	738,018
Net position, end	$ 803,941	$ 919,168	$ 182,883	$ 166,674	$ 986,824	$ 1,085,842



Governmental activities: Net position for governmental activities, excluding extraordinary loss of $156.9 million due to SCO asset transfer review of the former Agency and last year extraordinary gain of $273.0 million from dissolution of the former Agency, net position increased by $44.4 million or 6.0 percent during 2012-13 from $646.1 million to $690.5 million. Total revenue decreased at rate of 10.6 percent compared to expenses decreased at a rate of 9.2 percent. During 2011-12, revenues decreased at a rate of 2.4 percent and expenses decreased at rates of 4.9 percent, respectively.

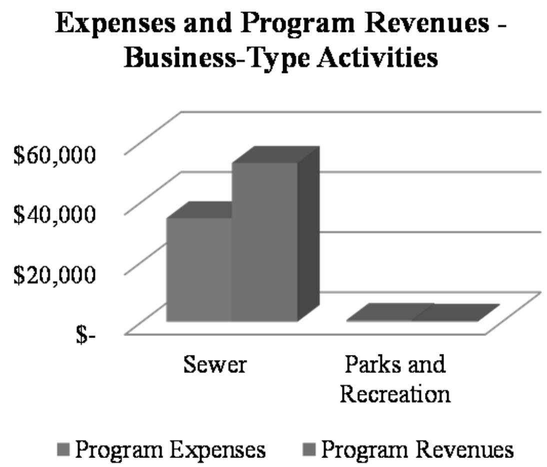
Changes in net position for governmental activities are attributed to the following significant elements:

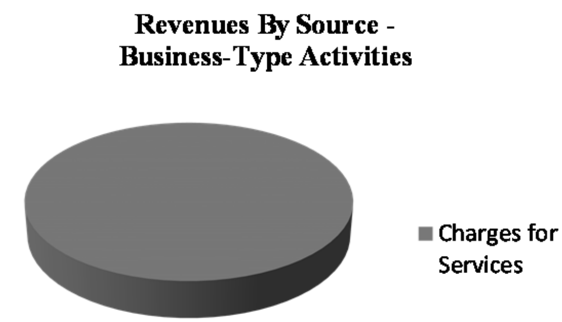
- Contributing factors resulting to increases in certain revenue categories are as follows: Real estate transfer tax increased by $16.7 million or 54.6 percent primarily due to stronger high volume real estate sales. Real estate transfer tax is highly volatile and revenues can increase and decrease rapidly with changing market conditions or a result of the sale of high value properties. Sales and use taxes increased by $4.8 million or 8.7 percent due modest consumer spending as well as high per gallon price of gasoline. Business License increased by $1.6 million due to increase in gross receipts from businesses and an increase in cannabis dispensaries. Transient occupancy increased by $2.0 million or 14.5 percent due to local Hotel demand thriving. The voter approved special tax increased slightly by $2.4 million or 6.8 percent.
- Contributing factors resulting to decrease in certain revenue categories are as follows: property taxes $32.6 million or 11.8 percent, this is mainly due to redistribution of the former redevelopment agency property tax revenues in to the ORSA private-purpose trust fund starting February 1, 2012. Excluding the impact of $33.3 million of the former Agency's property taxes for seven months in the prior fiscal year, property taxes increased slightly by $0.8 million to reflect a slight increase in assessed property valuations. Other revenues decreased by $46.1 million or 86.7 percent mainly due to only $67 thousand sale of various properties by the City in FY 2012-13 compared to $32.2 million in FY 2011-12, also in the same category, pension annuity contract market value decreased by $13.0 million from prior fiscal year.



- General government expenses increased by $10.8 million or 13.0 percent when compared to previous year primarily due to organizational restructuring of the former community and economic development agency into the city administrator as divisions; Cultural Arts division, office of neighborhood investment, and office of economic and workforce development. The restructuring took effect after the dissolution law on February 1, 2012 of the former Agency.
- Public safety expenses increased by $12.0 million or 3.4 percent when compared to the previous year due primarily to net pension cost as a result of the pension obligation bonds series 2012 and overtime on sworn employees. The increase is partially offset by vacancy savings.
- Community and economic development expenses decreased by $57.4 million or 41.4 percent primarily due to the dissolution of the former Agency and less housing program activities as a result of the dissolution of the agency.
- Community services expenses decreased by $15.1 million or 12.3 percent primarily due to the dissolution of the former Agency effective February 1, 2012.
- Public works expenses decreased by $26.7 million or 26.2 percent from the prior year primarily due to the dissolution of the former Agency effective February 1, 2012.
- Interest on long-term debt decreased by $6.2 million or 9.0 percent primarily due to obligations of the former Agency transferred to ORSA private-purpose trust fund on February 1, 2012. A full fiscal year of interest and fiscal charges is recorded in ORSA private-purpose trust fund commencing in fiscal year 2013.

Business-type activities: Business-type activities ended the fiscal year with a positive change in its net position of $15.9 million compared to $15.2 million the previous fiscal year. The increase in net position is primarily attributable to $4.5 million or 9.3 percent increase in sewer revenues offset by $3.3 million or 10.5 percent increase in sewer project related expenses.

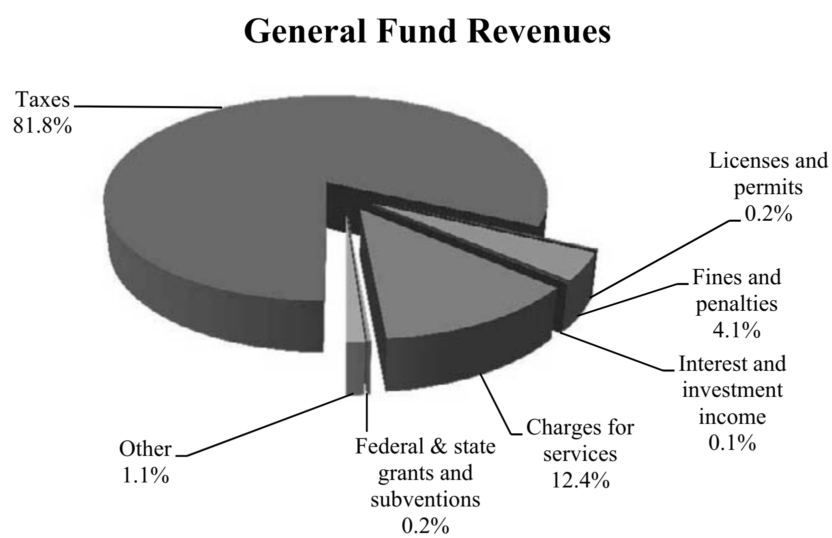




Financial Analysis of the Government's Funds

Governmental funds: The focus of City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund: The General Fund is the chief operating fund of the City. At June 30, 2013, its unassigned fund balance is $52.4 million or 21.3 percent of the $245.6 million total General Fund balance.



For the fiscal year ended June 30, 2013 and 2012, revenues for the General Fund by revenue source are distributed as follows (in thousands):

	General Fund		Increase/(Decrease)	
	2013	2012	Amount	%
Revenues:				
Property taxes	$ 214,495	$ 198,192	$ 16,303	8.2%
Sales and use taxes	48,818	44,741	4,077	9.1%
Motor vehicles in-lieu tax	-	221	(221)	-100.0%
Local taxes:				
Business license	60,371	58,712	1,659	2.8%
Utility consumption	50,752	51,434	(682)	-1.3%
Real estate transfer	47,406	30,653	16,753	54.7%
Transient occupancy	12,454	10,830	1,624	15.0%
Parking	7,947	8,617	(670)	-7.8%
Franchise	15,829	15,572	257	1.7%
Licenses and permits	1,373	1,160	213	18.4%
Fines and penalties	22,971	23,924	(953)	-4.0%
Interest and investment income	458	1,016	(558)	-54.9%
Charges for services	69,442	93,256	(23,814)	-25.5%
Federal & state grants and subventions	1,391	1,357	34	2.5%
Annuity income	-	14,065	(14,065)	-100.0%
Other	6,329	9,560	(3,231)	-33.8%
Total revenues	**$ 560,036**	**$ 563,310**	**$ (3,274)**	**-0.6%**

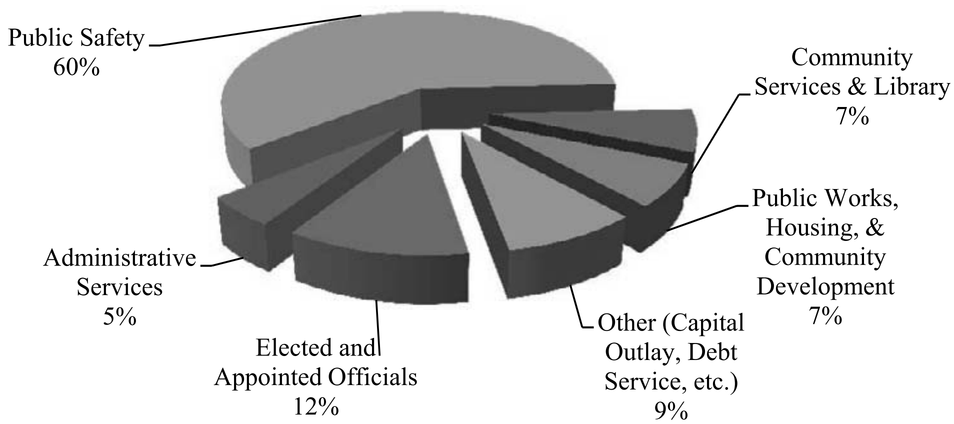
General Fund Revenues: Significant changes in revenues are as follows:

- *Property taxes* increased by $16.3 million or 8.2 percent primarily due to receiving of the "residual payment" of $12.0 million from the Redevelopment Property Tax Trust Funds (RPTTF) distribution as a result of the California Department of Finance ("DOF") due diligence review ("DDR") for LMIHF and Other Funds and Accounts ("OFA") DDR. In 2011, the State passed a legislation mandating all Redevelopment Agencies ("RDAs") be dissolved by February 1, 2012. Under this legislation, monies historically distributed to the former RDAs are now transferred to the Redevelopment Property Tax Trust Fund (RPTTF). In FY 2012-13, the City received a one-time total of $12.0 million as a share of the residual balances.
- *Sales and use tax* increased by $4.1 million or 9.1 percent represents due modest consumer spending as well as high per gallon price of gasoline
- *Real estate transfer tax* increased by $16.7 million or 54.7 percent primarily due to stronger high volume real estate sales
- *Annuity income* decreased by $14.1 million or 100 percent mainly due to the decrease in fair market value of the New York Life annuity contract investment from $101 million in last fiscal year to $88 million in current year.
- *Charges for services* decreased by $23.8 million or 25.5 percent primarily due dissolution of the former Agency.

For the fiscal years ended June 30, 2013 and 2012, expenditures for the General Fund by function are distributed as follows (in thousands):

	General Fund		Increase / (Decrease)	
	2013	2012	Amount	%
Expenditures:				
Current:				
Elected and Appointed Officials:				
Mayor	$ 1,696	$ 1,676	$ 20	1.2%
Council	3,509	3,698	(189)	-5.1%
City Administrator	36,325	22,321	14,004	62.7%
City Attorney	9,712	10,060	(348)	-3.5%
City Auditor	1,369	1,333	36	2.7%
City Clerk	2,069	2,223	(154)	-6.9%
Departments:				
Administrative Service Department:				
Human Resource Management	5,107	4,645	462	9.9%
Information Technology	7,130	7,199	(69)	-1.0%
Financial Services	9,079	21,056	(11,977)	-56.9%
Public Safety:				
Police Services	186,971	196,096	(9,125)	-4.7%
Fire Services	94,904	111,067	(16,163)	-14.6%
Community Service Department:				
Parks and Recreation	16,690	15,934	756	4.7%
Aging & Health and Human Services	4,945	5,322	(377)	-7.1%
Cultural and community services	306	-	306	n/a
Library	8,957	8,952	5	0.1%
Community and Economic Development	-	9,216	(9,216)	-100.0%
Planning, Building & Neighborhood Preservation	76	91	(15)	-16.5%
Public Works	29,564	30,526	(962)	-3.2%
Housing & Community Development	1,581	794	787	99.1%
Other	8,011	4,758	3,253	68.4%
Capital outlay	38,362	4,996	33,366	667.9%
Debt service:				
Principal repayment	2,047	1,954	93	4.8%
Bond issuance costs	225	-	225	n/a
Interest charges	500	881	(381)	-43.2%
Total expenditures	$ 469,135	$ 464,798	$ 4,337	0.9%

General Fund Expenditures



General Fund Expenditures: Significant changes in expenditures are as follows:

- *Public safety* decreased by $25.3 million or 8.2 percent due to vacancy in public safety and other budget concessions. The decrease is offset by an increase in overtime.
- *City elected offices, agencies and departments*, excluding public safety, are reporting a total decrease of $3.7 million in expenditures mainly due to furlough days and other union contract concessions. The increase in the City Administrator Office increase was primarily due to organizational restructuring of the former community and economic development agency into the City Administrator Office as divisions: Cultural Arts Division, Office of Neighborhood Investment, and Office of Economic and Workforce Development.
- *Capital outlay* increase $33.4 million in expenditures mainly due to the State Controller's Office asset transfer review.

Federal and State Grant Fund: The Federal and State Grant Fund had a deficit fund balance of $3.7 million as of June 30, 2013 that represents a decrease of $13.2 million from the prior fiscal year. The decrease was primarily due to the end of American Recovery and Reinvestment Act funded grants. Also, federal/state grant fund deficit will be cleared by grant reimbursement submitted to granting agencies, but revenue has not been received within the City's availability period and are recorded as deferred inflows of resources for $5.5 million as of June 30, 2013.

Low and Moderate Income Housing Asset Fund ("LMIHF"): Upon the dissolution of the former Agency, the City retained the housing activities previously funded by the former agency; the City created LMIHF and transferred the assets and affordable housing activities of the low and moderate income fund to the City. The ending fund balance as of June 30, 2013 was $11.2 million and the fund's loan receivable balance (net) was $171.6 million.

The Special Revenue Bonds Fund: accounts for financing received in connection with the Special Refunding Revenue Bonds (Pension Financing) and for payments on such bonds. The revenues for this fund comes from the "Tax Override Revenues" consist of the revenues generated and collected by the City as proceeds of its annual tax levy authorized Resolution No. 59916 C.M.S adopted in August 1981 by the City Council to fund the City's obligations under Measure R and Measure O. The revenues are used by the City to fund a portion of the City's liability for public safety employee pensions. The ending fund balance as of June 30, 2013 was $16.3 million.

Municipal Capital Improvement Fund: The Municipal Capital Improvement Fund had a fund balance of $131.5 million as of June 30, 2013 that represents a decrease of $131.9 million or 50.1 percent from the prior fiscal year. Pursuant to Health and Safety (H&S) Code section 34167.5, State Controller's Office ("SCO") reviewed all asset transfers made by the former Agency to the City after January 1, 2011. Therefore, a decrease of $101.2 million is due to SCO asset transfer review.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements under the business-type column but in more detail.

The portion of net position invested in capital assets was $129.5 million as of June 30, 2013, compared to $122.9 million for the previous fiscal year. The $6.6 million or 5.4 percent increase is related to proceeds spent from debt issued to finance sewer projects. During the fiscal year, the City capitalized $4.4 million in sewer system completed projects, net of depreciation.

General Fund Budgetary Highlights

During the fiscal year ended June 30, 2013, General Fund had a $68.9 million increase in budgeted revenues between the original and final amended operating budget. The increase in revenue budget is primarily attributed to property taxes, sales and use tax, business license real estate transfer tax and charges for services from ORSA reimbursements. Actual budgetary basis revenues of $559.6 million were $10.0 million higher than the final amended budget. The variance is due primarily to property tax revenue, real estate transfer tax, and business license.

In addition, there was an $61.5 million increase in appropriations between the original and final amended operating budget for the General Fund. The increase in appropriation is due primarily to the determination of actual project carryforwards for continuing appropriations for various multiyear projects, capital improvement projects, and other projects authorized by the City Council. The original approved expenditure budget contained only estimates of project carryforwards.

Actual budgetary basis expenditures of $469.1 million were $16.4 million less than the amended budget. Savings were experienced in all expenditure categories mainly due to budget contingency and project and encumbrance carryforwards for multi-year budgets.

Capital Assets

The City's capital assets, net of depreciation, totaled $1.27 billion as of June 30, 2013 compared to $1.21 billion as of June 30, 2012, an increase of $67.6 million or 5.6 percent. Governmental activities additions of $160.0 million in capital assets included construction in progress and capitalization of infrastructure, facilities and improvements, and furniture, machinery and equipment which met the City's threshold for capitalization.

These additions were offset by retirements and depreciation, the net effect of which was an increase of $63.4 million in additions of capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by $4.4 million, net of retirements and depreciation. See Note (7) for more details in capital assets.

Construction Commitments

The City has committed to funding in the amount of $155.7 million to a number of capital improvement projects for fiscal year 2014 through fiscal year 2015. This projects include building and facilities improvements; parks and open space; sewers and storm drains; streets and sidewalks construction; technology enhancements and traffic improvements. See note 17 for more details in construction commitments.

Debt Administration:

General Obligation Bonds and Other Bond Ratings

A credit rating is a value assigned by one or more of the recognized rating agencies that "grade" a jurisdiction's credit, or financial trustworthiness. The three primary rating agencies are Moody's Investors Service ("Moody's"), Standard & Poor's Rating Services ("S&P"), and Fitch Ratings ("Fitch"). These rating agencies serve as independent assessors of municipal and corporate credit strength. Rating agencies generally focus on four major areas when assigning credit ratings: finances, management, economy and outstanding debt. The City continues to maintain strong credit ratings on the City's existing general obligation bonds from all three national rating agencies despite the difficult financial and economic conditions nationally and locally. The City of Oakland's underlying ratings for its general obligation bonds as of June 30, 2013 were as follows:

	Ratings		
Type of Bond	**Moody's**	**S & P**	**Fitch**
General Obligation Bonds	Aa2/Stable	AA-/Stable	A+/Stable
Pension Obligation Bonds	Aa3:A1/Stable	A+/Stable	A/Stable
Tax Allocation Bonds	Ba1[1]	A+:A:A-/Stable	N/A

[1] Rating as of September 5, 2013

On January 30, 2013, Moody's has confirmed the long-term rating of the City's pension obligation bonds and upgrade the outlook on these bonds to "Stable". The stable outlook was a result of Moody's expectation that the City will continue to experience gradual economic improvement and produce stable financial results. Moody's has also affirmed the City's general obligation bonds ratings as shown in the above table.

On September 5, 2013, Moody's confirmed the rating on the Successor Agency to the Oakland Redevelopment Agency's tax allocation bonds. The ratings reflect the credit strength of the agency's both value and size. The strengths that Moody's takes into account are the Agency's large geographic and total project area, sizable incremental and assessed valuation and solid high period of debt service coverage.

General Fund Bonded Debt Limit

At the end of the current fiscal year, the City's debt limit (3.75 percent of property valuation, net of exemptions subject to taxation) was $1,125.7 million. The total amount of debt applicable to the debt limit was $309.8 million. The resulting legal debt margin was $815.9 million.

Outstanding Debt

As of June 30, 2013, the City had total long-term obligations outstanding of $1.5 billion compared to $1.3 billion outstanding for the prior fiscal year, an increase of 13.0 percent. Of this amount, $309.8 million is general obligation bonds backed by the full faith and credit of the City. The remaining $1.2 billion is comprised of various long-term debt instruments listed below including accruals of year-end estimates for other long-term liabilities.

Outstanding Debt
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Increase\ (Decrease)	
	2013	2012 (Restated)	2013	2012	2013	2012 (Restated)	Amount	%
General obligation bonds	$ 309,793	$ 326,609	$ -	$ -	$ 309,793	$ 326,609	$ (16,816)	-5.1%
Lease revenue bonds	176,850	210,530	-	-	176,850	210,530	(33,680)	-16.0%
Pension obligation bonds	367,394	174,777	-	-	367,394	174,777	192,617	110.2%
Special assessment debt with government commitments	6,690	7,475	-	-	6,690	7,475	(785)	-10.5%
Accreted interest on appreciation bonds	162,874	157,211	-	-	162,874	157,211	5,663	3.6%
Sewer-bonds and notes payable	-	-	49,001	51,269	49,001	51,269	(2,268)	-4.4%
Unamortized premiums and discounts	20,219	23,176	1,885	2,003	22,104	25,179	(3,075)	-12.2%
Total Bonds Payable	1,043,820	899,778	50,886	53,272	1,094,706	953,050	141,656	14.9%
Notes & Leases payable	47,043	23,638	-	-	47,043	23,638	23,405	99.0%
Other long-term liabilities	437,524	429,556	-	-	437,524	429,556	7,968	1.9%
Total Outstanding Debt	$ 1,528,387	$ 1,352,972	$ 50,886	$ 53,272	$ 1,579,273	$ 1,406,244	$ 173,029	12.3%

The City's overall total long-term obligations increased by $173.0 million compared to the prior fiscal year. The net increase is primarily attributable to the issuance of new debt (Pension obligation bonds series 2012 for $212.5 million; Limited obligation refunding improvement bonds reassessment district for $3.5 million; Master lease – vehicle and equipment for $11.8 million; and Master lease – LED streetlight acquisitions lease financing for $16.2 million). The increase is off-set by scheduled debt service payments for $74.9 million of governmental bonds and $2.3 million of business-type bonds.

Current Year Long-Term Debt Financing:

- ***Taxable Pension Obligation Bonds Series 2012:*** On July 30, 2012, the City issued its $212,540,000 Taxable Pension Obligation Bonds Series 2012 (the "POB Series 2012). The POB Series 2012 were issued to refund a debenture evidencing a portion of the City's unfunded actuarial accrued liability for retirement benefits to members of the Retirement System.

- ***City of Oakland 2012 Limited Obligation Refunding Improvement Bonds Reassessment District No. 99-1.*** On August 30, 2012, the City issued $3,545,000 of Limited Obligation Refunding Improvement Bonds, Reassessment District No. 99-1 (the "Bonds"). The proceeds were used to refund all of the City's outstanding Oakland Joint Powers Financing Authority's Reassessment Revenue Bonds, Series 1999.

- ***Master Lease – Vehicles and Equipment.*** On May 9, 2013, the City of Oakland closed a lease transaction with Chase Equipment Finance, Inc. in the amount of $11,850,000 for the purpose of financing the acquisition of the equipment, software, maintenance and services for different types of fleet vehicles and equipment.

- ***Master Lease – LED Streetlight Acquisition Lease Financing.*** On May 30, 2013, the City of Oakland closed a lease transaction with Banc of America Leasing & Capital LLC in the amount of $16,150,000 for the purpose of financing the acquisition and installation of 30,000 light-emitting diode (LED) streetlamps and related improvements and equipment on and to an equivalent numbers of streetlights to replace high pressure sodium cobra-head streetlamps in the City.

Additional information on the City's long-term debt obligations can be found in Note 11 to the financial statements.

Economic Factors and Next Year's Budgets and Tax Rates

The economic indicators highlighted below, among others and including labor union contracts and concessions, were factored into the City's budget formulation process as they relate to revenue forecasting, program planning, and resource allocation for fiscal year 2012-13.

Oakland is emerging, along with the rest of the East Bay, from the recent Great Recession. Since the recent high of fiscal year 2008-09, the City's budget consistently declined through fiscal year 2011-12, increasing for the first time recently in fiscal year 2012-13. The City adopted a balanced budget for fiscal year 2012-13 without layoffs, for the first time in more than four years.

In October 2012, the City issued a Five-Year Financial Plan that forecasted revenues and expenditures. It projected modest revenue growth as the region's economy stabilizes, then beginning in 2015, forecasted that the City will experience revenue growth consistent with long-term trends, in the 4% annual nominal growth range. Property tax, sales tax, business license tax, and real estate transfer tax are all forecasted to grow faster than the rate of inflation

The City of Oakland's unemployment rate decreased to 11.3 percent in June 2013 compared to an average unemployment rate of 14.3 percent for June 2012.

The Bay Area's consumer price index for all urban consumers in June 2013 was 245.935 compared to 239.806 in June 2012 and to the U.S. city average consumer price index (CPI-U) for all urban consumers at 233.504 (Base period: 1982 – 84 = 100).

Estimated population for January 1, 2013 is 399,326 with an estimated total number of households of 159,056, an average household size of 2.5 persons, and a per capita personal income of $31,030.
PERS pension rates, and health care costs have been factored into the City's biennial budget for Fiscal Years 2013-15.

Requests for Information

This financial report is designed to provide a general overview of the City of Oakland's finances for all those with an interest in the City's fiscal and economic affairs. Requests for additional financial information should be addressed to the Administrative Service Department, Controller's Office, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353; Oakland, California 94612-2093. This report is also available online at http://www.oaklandnet.com.

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BASIC FINANCIAL STATEMENTS

City of Oakland
Statement of Net Position
June 30, 2013

(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Port of Oakland
ASSETS				
Cash and investments	$ 287,601	$ 38,341	$ 325,942	$ 179,440
Receivables (net of allowance for uncollectibles of $20,527 for City and $1,955 for Port):				
Accrued interest	248	-	248	25
Property taxes	15,517	-	15,517	-
Accounts receivable	45,929	16,344	62,273	34,052
Grants receivable	29,341	-	29,341	-
Due from Port	6,044	-	6,044	-
Due from Oakland Redevelopment Successor Agency	1,611	-	1,611	-
Due from Pension Trust Funds	62	-	62	-
Inventories	193		193	-
Restricted assets:				
Cash and investments	297,975	5,279	303,254	71,867
Receivables	-	-	-	2,596
Property held for resale	76,966	-	76,966	-
Notes and loans receivable (net of allowance for uncollectibles of $126,707 for the City)	325,705	-	325,705	-
Prepaid expenses	1,924	262	2,186	-
Other	640	-	640	50,784
Net pension asset	327,862	-	327,862	-
Capital assets:				
Land and other capital assets not being depreciated	247,914	23,666	271,580	743,853
Facilities, infrastructures, and equipments, net of depreciation	850,838	152,266	1,003,104	1,455,232
TOTAL ASSETS	2,516,370	236,158	2,752,528	2,537,849
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debts	17,088	-	17,088	14,512
TOTAL DEFERRED OUTFLOWS	17,088	-	17,088	14,512
LIABILITIES				
Accounts payable and other current liabilities	125,145	2,277	127,422	35,660
Accrued interest payable	10,284	106	10,390	9,732
Due to other governments	897	-	897	-
Due to primary government	-	-	-	6,044
Due to Oakland Redevelopment Successor Agency	48,894	-	48,894	-
Unearned revenue	3,756	-	3,756	105,254
Other	12,154	6	12,160	13,336
Non-current liabilities:				
Due within one year	168,927	2,499	171,426	59,296
Due in more than one year	1,359,460	48,387	1,407,847	1,294,620
TOTAL LIABILITIES	1,729,517	53,275	1,782,792	1,523,942
NET POSITION				
Net investment in capital assets	712,606	129,542	842,148	944,974
Restricted for:				
Debt service	13,757	-	13,757	-
Pension	97,723	-	97,723	-
Urban redevelopment and housing	11,207	-	11,207	-
Other purposes	19,819	-	19,819	14,178
Unrestricted	(51,171)	53,341	2,170	69,267
TOTAL NET POSITION	$ 803,941	$ 182,883	$ 986,824	$ 1,028,419

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Activities
For the Year Ended June 30, 2013
(In Thousands)

		Program Revenue			Net (Expense) Revenue and Changes in Net Position — Primary Government			Component Unit
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Port of Oakland**
Primary government:								
Governmental activities:								
General government	$ 93,942	$ 17,756	$ 8,092	$ -	$ (68,094)	$ -	$ (68,094)	
Public safety	363,597	7,610	17,591	2,062	(336,334)	-	(336,334)	
Community services	107,779	6,342	39,305	-	(62,132)	-	(62,132)	
Community and economic development	81,182	19,025	17,340	-	(44,817)	-	(44,817)	
Public works	75,158	76,098	7,096	24,117	32,153	-	32,153	
Interest on long-term debt	62,744	-	-	-	(62,744)	-	(62,744)	
TOTAL GOVERNMENTAL ACTIVITIES	784,402	126,831	89,424	26,179	(541,968)	-	(541,968)	
Business-type activities:								
Sewer	34,504	52,919	-	-	-	18,415	18,415	
Parks and recreation	643	372	-	-	-	(271)	(271)	
TOTAL BUSINESS-TYPE ACTIVITIES	35,147	53,291	-	-	-	18,144	18,144	
TOTAL PRIMARY GOVERNMENT	$ 819,549	$ 180,122	$ 89,424	$ 26,179	(541,968)	18,144	(523,824)	
Component unit:								
Port of Oakland	$ 309,455	$ 315,518	$ -	$ 37,896				$ 43,959
General revenues:								
Property taxes					256,333	-	256,333	-
Sales and use taxes					60,494	-	60,494	-
Gas tax					10,004	-	10,004	-
Local taxes:								
Business license					60,371	-	60,371	-
Utility consumption					50,752	-	50,752	-
Real estate transfer					47,406	-	47,406	-
Transient occupancy					15,831	-	15,831	-
Parking					15,565	-	15,565	-
Voter approved special tax					38,247	-	38,247	-
Franchise					16,035	-	16,035	-
Interest and investment income					6,358	(24)	6,334	1,095
Other					7,076	-	7,076	41,031
Transfers					1,911	(1,911)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					586,383	(1,935)	584,448	42,126
Extraordinary loss from State Controller's Office asset transfer review and California Department of Finance disallowances					(156,902)	-	(156,902)	-
Changes in net position					(112,487)	16,209	(96,278)	86,085
Net position, beginning of year, as previously reported					919,168	166,972	1,086,140	963,447
Prior year adjustment due to implementation of GASB Statement No. 65					(2,740)	(298)	(3,038)	(21,113)
Net position, beginning of year, as restated					916,428	166,674	1,083,102	942,334
NET POSITION, END OF YEAR					$ 803,941	$ 182,883	$ 986,824	$ 1,028,419

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND
Balance Sheet
Governmental Funds
June 30, 2013
(In Thousands)

	General	Federal/State Grant Fund	Low and Moderate Income Housing Asset Fund	Municipal Capital Improvement	Special Revenue Bonds Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	$ 186,526	$ -	$ 970	$ 17,740	$ 3,119	$ 74,091	$ 282,446
Receivables (net of allowance for uncollectibles of $15,698):							
Accrued interest	162	-	-	19	3	64	248
Property taxes	7,496	-	-	-	-	8,021	15,517
Accounts receivable	36,074	257	1,297	1	-	8,208	45,837
Grants receivable	-	24,844	-	2,178	-	2,319	29,341
Due from component unit	6,044	-	-	-	-	-	6,044
Due from Oakland Redevelopment Successor Agency Trust Fund	-	-	1,434	177	-	-	1,611
Due from Pension Trust Funds	62	-	-	-	-	-	62
Due from other funds	41,535	-	178	-	-	-	41,713
Notes and loans receivable (net of allowance for uncollectibles of $126,707)	53	120,842	171,575	377	-	32,858	325,705
Restricted cash and investments	97,723	3,631	-	80,368	13,136	90,847	285,705
Property held for resale	-	-	9,137	67,829	-	-	76,966
Other	513	111	-	-	-	16	640
TOTAL ASSETS	$ 376,188	$ 149,685	$ 184,591	$ 168,689	$ 16,258	$ 216,424	$ 1,111,835
LIABILITIES							
Accounts payable and accrued liabilities	$ 95,960	$ 12,711	$ 1	$ 4,754	$ 1	$ 8,375	$ 121,802
Due to Oakland Redevelopment Successor Agency Trust Fund	18,575	990	225	29,104	-	-	48,894
Due to other funds	178	11,592	-	81	-	1,086	12,937
Due to other governments	873	-	-	-	-	24	897
Unearned revenue	3,756	-	-	-	-	-	3,756
Other	4,644	1,735	15	666	-	5,087	12,147
TOTAL LIABILITIES	123,986	27,028	241	34,605	1	14,572	200,433
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property tax	3,553	-	-	-	-	6,016	9,569
Unavailable revenue - notes and loans	53	120,842	171,575	377	-	32,858	325,705
Unavailable revenue - grants and others	2,953	5,518	134	2,179	-	2,151	12,935
Unavailable revenue - loans to OSRA	-	-	1,434	-	-	-	1,434
TOTAL DEFERRED INFLOWS	6,559	126,360	173,143	2,556	-	41,025	349,643
FUND BALANCES (DEFICITS)							
Restricted	165,400	3,631	11,207	80,368	16,257	137,054	413,917
Committed	-	-	-	-	-	16,075	16,075
Assigned	58,452	-	-	51,160	-	10,213	119,825
Unassigned	21,791	(7,334)	-	-	-	(2,515)	11,942
TOTAL FUND BALANCES (DEFICITS)	245,643	(3,703)	11,207	131,528	16,257	160,827	561,759
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 376,188	$ 149,685	$ 184,591	$ 168,689	$ 16,258	$ 216,424	$ 1,111,835

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position for Governmental Activities
June 30, 2013
(In Thousands)

Fund balances - total governmental funds		$ 561,759
Amounts reported for governmental activities in the statement of net position are different due to the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Primary government capital assets, net of depreciation	$ 1,098,752	
Less: internal service funds' capital assets, net of depreciation	(9,901)	1,088,851
Net pension asset is recognized in the statement of net position as an asset; however, it is not considered a financial resource and, therefore, is not reported on the balance sheet of governmental funds.		327,862
Prepaid insurance premium on long-term debt are not financial resources and, therefore, are not reported in the governmental funds.		1,924
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds.		
Interest payable on long-term debt for primary government	$ (10,284)	
Add: Interest payable on long-term debt for internal service fund	58	(10,226)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred inflows of resources in the governmental funds.		349,643
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.		
Long-term liabilities	$ (1,528,387)	
Less: long-term liabilities for internal service funds	13,704	(1,514,683)
Deferred outflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		17,088
Internal service funds are used by the City to charge the costs of providing supplies and services, fleet and facilities management, and use of radio and communication equipment to individual funds. Assets and liabilities of internal service funds are included in governmental activities in the statement of net position.		(18,277)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 803,941

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013
(In Thousands)

	General	Federal/State Grant Fund	Low and Moderate Income Housing Asset Fund	Municipal Capital Improvement	Special Revenue Bonds Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property	$ 214,495	$ -	$ -	$ -	$ -	$ 39,993	$ 254,488
Sales and use tax	48,818	-	-	-	-	11,676	60,494
Gas tax	-	-	-	-	-	10,004	10,004
Local taxes:							
Business license	60,371	-	-	-	-	-	60,371
Utility consumption	50,752	-	-	-	-	-	50,752
Real estate transfer	47,406	-	-	-	-	-	47,406
Transient occupancy	12,454	-	-	-	-	3,377	15,831
Parking	7,947	-	-	-	-	7,618	15,565
Voter approved special tax	-	-	-	-	-	38,247	38,247
Franchise	15,829	206	-	-	-	-	16,035
Licenses and permits	1,373	-	-	-	-	11,958	13,331
Fines and penalties	22,971	156	-	-	-	3,530	26,657
Interest and investment income	458	418	278	824	39	4,313	6,330
Charges for services	69,442	463	103	1,928	-	14,906	86,842
Federal and state grants and subventions	1,391	98,351	-	25	-	3,035	102,802
Other	6,329	2,670	26,097	-	4	4,178	39,278
TOTAL REVENUES	560,036	102,264	26,478	2,777	43	152,835	844,433
EXPENDITURES							
Current:							
Elected and Appointed Officials:							
Mayor	1,696	-	-	-	-	134	1,830
Council	3,509	-	-	-	-	-	3,509
City Administrator	36,325	8,344	1,297	4,449	-	1,900	52,315
City Attorney	9,712	48	-	-	-	1,138	10,898
City Auditor	1,369	-	-	-	-	-	1,369
City Clerk	2,069	-	-	-	-	-	2,069
Departments:							
Administrative Service Department:							
Human Resource Management	5,107	-	-	-	-	-	5,107
Information Technology	7,130	17	-	-	-	606	7,753
Financial Services	9,079	586	-	-	-	565	10,230
Public Safety:							
Police Services	186,971	10,950	-	-	120,403	13,058	331,382
Fire Services	94,904	5,701	-	-	89,597	9,852	200,054
Community Service Department:							
Parks and Recreation	16,690	98	-	6	-	4,466	21,260
Aging & Health and Human Services	4,945	37,491	290	-	-	18,252	60,978
Cultural and community services	306	-	-	-	-	125	431
Library	8,957	123	-	-	-	13,543	22,623
Planning, Building & Neighborhood Preservation	76	470	-	-	-	22,070	22,616
Public Works	29,564	7,124	-	3,065	-	32,744	72,497
Housing & Community Development	1,581	16,589	23,975	-	-	1,275	43,420
Other	8,011	172	-	1,086	8	3,966	13,243
Capital outlay	38,362	25,199	298	34,289	-	5,757	103,905
Debt service:							
Principal repayment	2,047	2,325	-	-	36,598	33,916	74,886
Bond issuance costs	225	-	-	-	1,370	363	1,958
Payment to refund bond escrow agent	-	-	-	-	-	1,217	1,217
Interest charges	500	208	-	-	34,623	24,770	60,101
TOTAL EXPENDITURES	469,135	115,445	25,860	42,895	282,599	189,717	1,125,651
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	90,901	(13,181)	618	(40,118)	(282,556)	(36,882)	(281,218)
OTHER FINANCING SOURCES (USES)							
Issuance of bonds	-	-	-	-	212,540	3,545	216,085
Capital leases	-	-	-	-	-	16,150	16,150
Premiums (discount) on issuance of bonds	-	-	-	-	(1,170)	41	(1,129)
Payment to refund bond escrow agent	-	-	-	-	-	(3,018)	(3,018)
Property sale proceeds	67	-	-	-	-	-	67
Insurance claims and settlements	3,726	-	-	-	-	-	3,726
Transfers in	3,293	-	-	9,364	72,677	34,283	119,617
Transfers out	(106,960)	-	-	-	-	(10,513)	(117,473)
TOTAL OTHER FINANCING SOURCES (USES)	(99,874)	-	-	9,364	284,047	40,488	234,025
Extraordinary loss from State Controller's Office asset transfer review and California Department of Finance disallowances	(1,313)	-	-	(101,191)	-	-	(102,504)
NET CHANGE IN FUND BALANCES	(10,286)	(13,181)	618	(131,945)	1,491	3,606	(149,697)
Fund balances - beginning	255,929	9,478	10,589	263,473	14,766	157,221	711,456
FUND BALANCES (DEFICIT) - ENDING	$ 245,643	$ (3,703)	$ 11,207	$ 131,528	$ 16,257	$ 160,827	$ 561,759

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities of Governmental Activities

For the Year Ended June 30, 2013

(In Thousands)

Net change in fund balances - total governmental funds		$ (149,697)
Amounts reported for governmental activities in the statement of activities are different due to the following:		
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and other capital transactions exceeds depreciation in the current period.		
Primary government:		
Capital asset acquisition	$ 156,715	
Disposal of properties	(42,201)	
Adjustment for SCO asset transfer review on property transfers	40,058	
Depreciation	(52,126)	
Less: net changes of capital assets within internal service funds	1,011	103,457
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, loans made to developers and others are treated as urban redevelopment and housing expenditures at the time the loans are made and are reported as revenues when the loans are collected in the funds. This represents the change in the deferred amounts during the current period.		
Change in deferred inflows of resources	$ (38,692)	
Adjustment for SCO asset transfer review on notes and loans transfers (net of allowances)	14,340	
Less: amortization of depository agreement and others	(695)	(25,047)
Some expenses such as claims, workers' compensation, and vacation and sick leave reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.		11,253
Changes to the net pension asset, as reported in the statement of activities, do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds.		173,488
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and the advance refunding of debt consume the current financing sources of the governmental funds. These transactions, however, have no effect on net position. This is the amount by which principal retirement and payment to escrow agent exceeded bond proceeds in the current period.		
Debt and capital lease principal and accreted interest payments	$ 91,832	
Issuance of bonds and notes	(216,085)	
Capital leases	(16,150)	
Payment to refunding escrow	4,235	
Net premium and discount on bonds	1,129	(135,039)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Amortization of bond premiums and discounts	$ 1,828	
Amortization of deferred outflows of refunding loss	(1,458)	
Amortization of prepaid bond insurance premium on long-term debt	(295)	
Accreted interest on appreciation bonds	(22,609)	
Changes in accrued interest on bonds and notes payable	(674)	
Changes in Coliseum Authority pledge obligation	4,513	
Changes in mandated environmental remediation obligations	978	
Changes on postemployment benefits other than pension benefits (OPEB)	(28,669)	
Changes on fair market value of the interest swap agreement	3,957	(42,429)
Adjustment of extraordinary loss on the State Controller's Office (SCO) assets transfer review:		
SCO assets transfer review on property transfers	$ (40,058)	
SCO assets transfer review on notes and loans transfers (net of allowances)	(14,340)	(54,398)
The net income of activities of internal service funds is reported with governmental activities		6,220
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (112,487)

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND
Statement of Fund Net Position
Proprietary Funds
June 30, 2013
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	**Nonmajor Fund Parks and Recreation**	**Total**	**Internal Service Funds**
ASSETS				
Current Assets:				
Cash and investments	$ 37,809	$ 532	$ 38,341	$ 5,155
Accounts receivables (net of uncollectibles of $1,342 and $3 for the enterprise funds and internal service funds, respectively)	16,343	1	16,344	92
Inventories	-	-	-	193
Restricted cash and investments	4,496	783	5,279	12,270
Total Current Assets	58,648	1,316	59,964	17,710
Non-current Assets:				
Capital assets:				
Land and other assets not being depreciated	23,448	218	23,666	380
Facilities, equipment and infrastructure, net of depreciation	149,785	2,481	152,266	9,521
Total capital assets	173,233	2,699	175,932	9,901
Prepaid Expenses	262	-	262	-
Total Non-current Assets	173,495	2,699	176,194	9,901
TOTAL ASSETS	232,143	4,015	236,158	27,611
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	2,271	6	2,277	3,343
Accrued interest payable	106	-	106	58
Due to other funds	-	-	-	28,776
Other liabilities	6	-	6	7
Bonds, notes payable, and capital leases	2,499	-	2,499	3,479
Total Current Liabilities	4,882	6	4,888	35,663
Non-current Liabilities:				
Bonds, notes payable, and capital leases	48,387	-	48,387	10,225
Total Non-current Liabilities	48,387	-	48,387	10,225
TOTAL LIABILITIES	53,269	6	53,275	45,888
NET POSITION				
Net investment in capital assets	126,843	2,699	129,542	9,199
Unrestricted	52,031	1,310	53,341	(27,476)
TOTAL NET POSITION	$ 178,874	$ 4,009	$ 182,883	$ (18,277)

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
OPERATING REVENUES				
Rental	$ -	$ 372	$ 372	$ -
Sewer services	52,919	-	52,919	-
Charges for services	-	-	-	46,579
Other	-	-	-	475
TOTAL OPERATING REVENUES	52,919	372	53,291	47,054
OPERATING EXPENSES				
Personnel	14,392	86	14,478	15,897
Supplies	813	191	1,004	6,699
Depreciation and amortization	5,401	302	5,703	2,274
Contractual services and supplies	2,148	6	2,154	1,229
Repairs and maintenance	64	19	83	3,800
General and administrative	4,881	20	4,901	5,045
Rental	1,093	14	1,107	1,653
Other	3,314	5	3,319	4,897
TOTAL OPERATING EXPENSES	32,106	643	32,749	41,494
OPERATING INCOME (LOSS)	20,813	(271)	20,542	5,560
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment income (loss)	(23)	(1)	(24)	28
Interest expense	(2,398)	-	(2,398)	(106)
Other (settlements, rental), net	-	-	-	971
TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,421)	(1)	(2,422)	893
INCOME/(LOSS) BEFORE TRANSFERS	18,392	(272)	18,120	6,453
Transfers out	(1,511)	(400)	(1,911)	(233)
Change in net position	16,881	(672)	16,209	6,220
Net position - Beginning, as previously reported	162,291	4,681	166,972	(24,497)
Prior year adjustment due to implementation of GASB Statement No. 65	(298)	-	(298)	-
Net position - beginning, as restated	161,993	4,681	166,674	(24,497)
NET POSITION - ENDING	$ 178,874	$ 4,009	$ 182,883	$ (18,277)

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	$ 52,766	$ 1	$ 52,767	$ 46,617
Cash received from tenants for rents	-	372	372	-
Cash from other sources	-	-	-	1,446
Cash paid to employees	(14,392)	(86)	(14,478)	(15,897)
Cash paid to suppliers	(12,868)	(249)	(13,117)	(21,228)
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,506	38	25,544	10,938
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from interfund loans	-	-	-	403
Repayment of interfund loans	-	-	-	(6,082)
Transfers out	(1,511)	(400)	(1,911)	(233)
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(1,511)	(400)	(1,911)	(5,912)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(9,835)	(103)	(9,938)	(3,285)
Lease Proceeds	-	-	-	11,850
Long-term debt:				
Repayment of long-term debt	(2,386)	-	(2,386)	(223)
Interest paid on long-term debt	(2,386)	-	(2,386)	(106)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(14,607)	(103)	(14,710)	8,236
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	(23)	(1)	(24)	28
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(23)	(1)	(24)	28
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,365	(466)	8,899	13,290
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	32,940	1,781	34,721	4,135
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 42,305	$ 1,315	$ 43,620	$ 17,425
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 20,813	$ (271)	$ 20,542	$ 5,560
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Other receipts	-	-	-	971
Depreciation and amortization	5,401	302	5,703	2,274
Changes in assets and liabilities:				
Receivables	(153)	1	(152)	11
Inventories	-	-	-	27
Other assets	(64)	-	(64)	-
Accounts payable and accrued liabilities	(491)	6	(485)	2,095
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 25,506	$ 38	$ 25,544	$ 10,938
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and investments	$ 37,809	$ 532	$ 38,341	$ 5,155
Restricted cash and investments	4,496	783	5,279	12,270
TOTAL CASH AND CASH EQUIVALENTS	$ 42,305	$ 1,315	$ 43,620	$ 17,425
NON CASH ITEMS:				
Amortization of bond premiums	$ (118)	$ -	$ (118)	$ -
Amortization of bond insurance premium	12	-	12	-
	$ (106)	$ -	$ (106)	$ -

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013
(In Thousands)

	Pension Trust Funds	Oakland Redevelopment Successor Agency Trust Fund	Other Private Purpose Trust Funds
ASSETS			
Cash and investments	$ 8,621	$ 75,166	$ 7,258
Receivables:			
Accrued interest and dividends	1,189	380	3
Accounts receivable	-	-	2
Investments and others	12,990	7,998	-
Due from primary government	-	48,894	-
Restricted:			
Cash and investments:			
Short-term investments	11,278	82,682	-
U.S. government bonds	66,722	4,600	-
U.S. corporate bonds and mutual funds	119,593	-	-
Domestic equities and mutual funds	204,279	-	-
International equities and mutual funds	56,868	-	-
Securities lending collateral	8,876	-	-
Loans receivable, net	-	13,437	-
Property held for resale	-	100,271	-
TOTAL ASSETS	490,416	333,428	7,263
DEFERRED OUTFLOWS			
Unamortized loss on refunding of debts	-	2,953	-
TOTAL DEFERRED OUTFLOWS	-	2,953	-
LIABILITIES			
Accounts payable and accrued liabilities	21,437	16,181	186
Due to primary government	62	1,611	-
Securities lending liabilities	8,876	-	-
Other	-	47	-
Non-current liabilities:			
Due within one year	-	25,667	-
Due in more than one year	-	458,636	-
TOTAL LIABILITIES	30,375	502,142	186
NET POSITION			
Net position (deficit) held in trust	$ 460,041	$ (165,761)	$ 7,077

The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013
(In Thousands)

	Pension Trust Funds	Oakland Redevelopment Successor Agency Trust Fund	Other Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Member	$ 7	$ -	$ -
City pension contributions	210,000	-	-
Total contributions	210,007	-	-
Trust receipts	-	65,174	308
Investment income:			
Net appreciation in fair value of investments	29,441	50	-
Interest	5,472	517	(11)
Dividends	4,438	-	-
Securities lending	130	-	-
TOTAL INVESTMENT INCOME	39,481	567	(11)
Less investment expenses:			
Investment expenses	(1,566)	-	-
Borrowers rebates and other agent fees on securities lending transactions	(32)	-	-
Total investment expenses	(1,598)	-	-
NET INVESTMENT INCOME	37,883	567	(11)
Federal and state grants	-	11,534	-
Other income	43	221	286
TOTAL ADDITIONS	247,933	77,496	583
DEDUCTIONS:			
Benefits to members and beneficiaries:			
Retirement	36,318	-	-
Disability	21,797	-	-
Death	1,806	-	-
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	59,921	-	-
Administrative expenses	893	4,595	92
Community and Economic Development	-	52,167	205
Aging & Health and Human Services	-	-	133
Police services	-	-	237
Other	-	-	25
Capital outlay	-	-	6
Payment to County-Auditor Controller	-	32,478	-
Interest on debt	-	28,574	-
TOTAL DEDUCTIONS	60,814	117,814	698
Extraordinary gain from State Controller's Office asset transfer review and California Department of Finance disallowances	-	156,902	-
Change in net position	187,119	116,584	(115)
Net position - beginning as previously reported	272,922	(278,259)	7,192
Adjustment due to implementation of GASB Statement No. 65	-	(4,086)	-
Net position - beginning as restated	272,922	(282,345)	7,192
NET POSITION - ENDING	$ 460,041	$ (165,761)	$ 7,077

The notes to the basic financial statements are an integral part of this statement.

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NOTES TO BASIC FINANCIAL STATEMENTS

(1) ORGANIZATION AND DEFINITION OF REPORTING ENTITY

The City of Oakland, California, (the City or Primary Government) was incorporated on May 25, 1852, by the State of California and is organized and exists under and pursuant to the provisions of State law. The Mayor/Council form of government was established in November 1998 through Charter amendment. The legislative authority is vested in the City Council and the executive authority is vested in the Mayor with administrative authority resting with the City Administrator.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and are combined with the data of the Primary Government within the governmental activities column in the government-wide financial statements and governmental funds in the fund financial statements.

Blended Component Units:

a) Oakland Redevelopment Successor Agency (ORSA)

On June 28, 2011, Assembly Bill X1 26 ("AB X1 26") was enacted. This legislation is referred to herein as the Redevelopment Dissolution Law. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26, and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The legislation provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and wind down of redevelopment activity. At the City's meeting on January 10, 2012, the City Council affirmed its decision as part of resolution number 83679 C.M.S. to serve as the Oakland Redevelopment Successor Agency ("ORSA"), effective February 1, 2012, and as such is a component unit of the City. Also, on the same meeting, the City Council elected as part of resolution number 83680 C.M.S. to retain the housing assets, functions and powers previously performed by the former Agency.

The ORSA was created to serve as a custodian for the assets and to wind down the affairs of the former Oakland Redevelopment Agency (Agency). The ORSA is a separate public entity from the City, subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies: two City representatives appointed by the Mayor; two County of Alameda (County) representatives; the County Superintendent of Education; the Chancellor of California Community Colleges; and a representative of the largest special district from the taxing entities.

In general, the ORSA's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). The ORSA will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the ORSA's custodial role, the ORSA is reported in a fiduciary fund (private-purpose trust fund).

b) Oakland Joint Powers Financing Authority (JPFA)

The Oakland Joint Powers Financing Authority (JPFA) was formed to assist in the financing of public capital improvements. JPFA is a joint exercise agency organized under the laws of the State of California and was composed of the City and the former Agency. The Oakland City Council serves as the governing board for JPFA. JPFA transactions are reported in other governmental funds. Related debt is included in the long-term obligations of the City in the governmental activities column of the statement of net position. AB X1 26 as amended by AB 1484 was enacted and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The dissolution law provides that ORSA is a separate legal entity from the City, with ORSA holding all of the transferred assets and obligations of the former Redevelopment Agency (other than the housing assets). Therefore, ORSA stepped into former Redevelopment Agency's role as member of the JPFA as of February 1, 2012 per AB X1 26.

Discretely Presented Component Unit – Port of Oakland

The Port of Oakland (Port) is a legally separate component unit established in 1927 by the City. Operations include the Oakland International Airport and the Port of Oakland Marine Terminal Facilities. Although the Port has a significant relationship with the City, it is fiscally independent and does not provide services solely to the City and, therefore, is presented discretely. All interfund transactions have been eliminated. The Port is governed by a seven-member Board of Port Commissioners (Board of Commissioners) that is appointed by the City Council, upon nomination by the Mayor. The Board of Commissioners appoints an Executive Director to administer operations. The Port prepares and controls its own budget, administers and controls its fiscal activities, and is responsible for all Port construction and operations. The Port is required by City charter to deposit its operating revenues in the City Treasury. The City is responsible for investing and managing such funds. The Port is presented in a separate column in the government-wide financial statements.

Complete financial statements of the individual component units may be obtained from:

City of Oakland,
Controller's Office
150 Frank H. Ogawa Plaza, 6th Floor, Suite 6353
Oakland, CA 94612-2093

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. The effect of interfund activity has been removed from these statements except for interfund services provided among funds. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from its discretely presented component unit for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and a major individual enterprise fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available for the year levied and if they are collected within 60 days of the end of the fiscal period. All other revenues are considered to be available if they are collected within 120 days of the end of the fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and local taxes, grants, licenses, charges for services, and interest and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Special assessments are recorded as revenues and receivables to the extent installments are considered available. The estimated installments receivable not considered available, as defined above, are recorded as receivables and offset by deferred revenue.

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial activities and resources of the general government except those required to be accounted for in another fund. These activities are funded principally by property taxes, sales and use taxes, business, utility and real estate transfer taxes, interest and investment income, and charges for services.

The ***Federal/State Grant Fund*** accounts for various Federal and State grants and certain state allocations used or expended for a specific purpose, activity or program.

The ***Low and Moderate Income Housing Asset Fund ("LMIHF")*** is a special revenue fund that was created to administer the housing assets and functions related to the Low and Moderate Income Housing program retained by the City following the dissolution of the former Agency. Prior to the dissolution of redevelopment agencies, the LMIHF accounted for the Agency's affordable housing activities, including the 20% and 5% redevelopment property tax revenue (i.e. former tax increment) set-aside for low and moderate income housing and related expenditures. Upon dissolution of the former Agency and the City Council's election to retain the housing activities previously funded by the former Agency, the City created LMIHF and transferred the assets and affordable housing activities.

The ***Municipal Capital Improvement Fund*** accounts primarily for monies pertaining to the Oakland Museum of California and the Scotlan Convention Center financings. This fund may be used for the lease, acquisition, construction or other improvements of public facilities.

The ***Special Revenue Bonds Fund*** accounts for financing received in connection with the Special Refunding Revenue Bonds (Pension Financing) and for payments on such bonds. The revenues for this fund comes from the "Tax Override Revenues" consist of the revenues generated and collected by the City as proceeds of its annual tax levy authorized Resolution No. 59916 C.M.S adopted in August 1981 by the City Council to fund the City's obligations under Measure R and Measure O. The revenues are used by the City to fund a portion of the City's liability for employee pensions. The unfunded actuarial accrued liability ("UAAL") is amortized to 2026.

The City reports the following major enterprise fund:

The ***Sewer Service Fund*** accounts for the sewer service charges received by the City based on the use of water by East Bay Municipal Utility District customers residing in the City. The proceeds from the sewer charges are used for the construction and maintenance of sanitary sewers and storm drains and the administrative costs of the fund.

Additionally, the City reports the following fund types:

The ***Internal Service Funds*** account for the purchases of automotive and rolling equipment; radio and other communication equipment; the repair and maintenance of City facilities; acquisition, maintenance and provision of reproduction equipment and services; acquisition of inventory provided to various City departments on a cost reimbursement basis; and procurement of materials, supplies, and services for City departments.

The ***Pension Trust Funds*** account for closed benefit plans that cover uniformed employees hired prior to July 1976 and non-uniformed employees hired prior to September 1970.

The ***Private Purpose Trust Funds*** include: (a) the Oakland Redevelopment Successor Agency Trust Fund, which accounts for the custodial responsibilities that are assigned to the Oakland Redevelopment Successor Agency with passage of AB X1 26 (b) the Private Purpose Trust Fund, which accounts for assets and liabilities from the former Oakland Redevelopment Agency and for the operations of the Youth Opportunity Program and certain gifts that are not related to Agency projects or parks, recreation and cultural, activities and (c) The Private Pension Trust Fund, which accounts for the employee deferred compensation plan.

Charges between the City and the Port are not eliminated because the elimination of these charges would distort the direct costs and revenues reported.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: sewers, golf courses, vehicle acquisition and maintenance, radio and telecommunication support charges, charges for facilities maintenance, and reproduction services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Investments

The City follows the practice of pooling cash of all operating funds for investment, except for the Oakland Redevelopment Successor Agency, Pension Trust Funds, and funds held by outside custodians. Investments are generally carried at fair value. Money market investments (such as short-term, highly liquid debt instruments including commercial paper, banker's acceptances, U.S. Treasury and agency obligations) that have a remaining maturity at the time of purchase of one year or less, and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) are carried at amortized cost. Changes in fair value of investments are recognized as a component of interest and investment income.

Proceeds from debt and other cash and investments held by fiscal agents by agreement are classified as restricted assets. Income earned or losses arising from the investment of pooled cash are allocated on a monthly basis to the participating funds and component units based on their proportionate share of the average daily cash balance.

Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Mortgages are reported based on the remaining principal balances which approximate the value of future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on prices in a competitive market as determined by a specialist.

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The proprietary funds' investments in the City's cash and investment pool are, in substance, demand deposits and are therefore considered to be cash equivalents.

Property Taxes

The County of Alameda is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state law, and for remitting such amounts to the City. Property taxes are assessed and levied as of July 1 on all taxable property located in the City, and result in a lien on real property on January 1. Property taxes are then due in two equal installments—the first on November 1 and the second on February 1 of the following calendar year and are delinquent after December 10 and April 10, respectively. General property taxes are limited to a flat 1% rate applied to the 1975-76 full value of the property, or 1% of the sales price of the property or of the construction value added after the 1975-76 valuation. Assessed values on properties (exclusive of increases related to sales and construction) can rise a maximum of 2% per year. Taxes were levied at the maximum 1% rate during the year ended June 30, 2013.

Due From/Due To Other Funds and Internal Balances

During the course of operations, numerous transactions and borrowings occur between individual funds for goods provided or services rendered and funds that have overdrawn their share of pooled cash and interfund loans. In the fund financial statements, these receivables and payables are classified as "due from other funds" and "due to other funds", respectively. In the government-wide financial statements, these receivables and payables are eliminated within the governmental activities and business-type activities columns. Net receivables and payables between the governmental activities and business-type activities are classified as internal balances.

Interest Rate Swap Agreement

The City entered into an interest rate swap agreement to modify the interest rate on outstanding debt. Refer to Note 11 for additional information.

Interfund Transfers

In the fund financial statements, interfund transfers are recorded as transfers in/out except for certain types of transactions that are described below:

> Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.
>
> Reimbursements for expenditures, initially made by one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

Prepaid Bond Insurance, Original Issue Discounts and Premiums, and Refundings

Prepaid bond insurance costs are amortized using the straight-line method over the life of the bonds. Amortization of these balances is recorded as a component of operating expenses. In the government-wide, proprietary fund and fiduciary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund and fiduciary fund financial statements. Bond premiums and discounts are deferred and amortized using the straight-line method over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gains or losses from refunding of debt are reported as deferred inflows or outflows of resources and amortized over the shorter of the life of the refunded debt or refunding debt. Amortization of bond premiums and discounts nad gains or losses from refunding of debt are recorded as a component of interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Inventories

Inventories, consisting of materials and supplies held for consumption, are stated at cost. Cost is calculated using the average cost method. Inventory items are considered expensed when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, museum collections, intangibles, construction in progress, facilities and improvements, furniture, machinery and equipment, infrastructure (e.g., streets, streetlights, traffic signals, and parks), sewers and storm drains, and capital assets acquired prior to 1980, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital outlay is recorded as expenditures in the governmental funds and as assets in the government-wide and proprietary financial statements to the extent the City's capitalization threshold is met.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

The City has a collection of artwork presented for public exhibition and education that is being preserved for future generations. These items are protected, kept unencumbered, cared for, and preserved by the City. The proceeds from the sale of any pieces of the collection are used to purchase other acquisitions for the collection. However, future acquisitions purchased with authorized budgeted City funds during a fiscal year will be reported as non-depreciable assets in the City's financial statements.

The City's depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Facilities and improvements	5-40 years
Furniture, machinery and equipment	2-20 years
Sewer and storm drains	50 years
Infrastructure	5-50 years

The Port's depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Building and improvements	5-50 years
Container cranes	25 years
Infrastructure	10-50 years
Other equipment	5-10 years

Property Held for Resale

Property held for resale is acquired as part of the former Agency's redevelopment program. These properties are both residential and commercial. Costs of administering the projects are charged to the municipal capital improvement fund as expenditures are incurred. A primary function of the redevelopment process is to prepare land for specific private development. For financial statement presentation, property held for resale is stated at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of each property parcel based on its current intended use.

During the period it is held by the City, property held for resale may generate rental or operating income. This income is recognized as it is earned in the City's statement of activities and generally is recognized in the City's governmental funds in the same period depending on when the income becomes available on a modified accrual basis of accounting. The City does not depreciate property held for resale, as it is the intention of the City to only hold the property for a period of time until it can be resold for development.

Net Pension Asset

In February 1997 and July 2012, the City issued pension obligation bonds to reduce the actuarial accrued liability of the Police and Fire Retirement System (PFRS). The net pension asset represents a prepaid asset amortized over the same period used by the actuary at the time of the bond issuance, as it allows for the matching of the asset with the related pension obligation bond liability. See Note 15 for the accounting treatment of the net pension asset.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for *deferred outflows of resourc*es. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. As of June 30, 2013, the City has deferred outflows of resources related to the unamortized loss on refunding of debts. The losses on refunding result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows of resources related to unavailable revenues reported under the modified accrual basis of accounting in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, notes and loan receivables, grant receivables/advances from the federal and State, and other sources as appropriate. These amounts are deferred and recognized as revenues in the period the amounts become available.

Compensated Absences – Accrued Vacation, Sick Leave, and Compensatory Time

The City's policy and its agreements with employee groups permit employees to accumulate earned but unused vested vacation, sick leave and other compensatory time. All earned compensatory time is accrued when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they are due and payable.

Retirement Plans

City employees participate in one of four defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS), and the Miscellaneous and the Public Safety Plans of the California Public Employees' Retirement System (PERS) (collectively, the Retirement Plans). Employer contributions and member contributions made by the employer to the Retirement Plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the provisions of the Retirement Plans. Refer to Note 15 for additional information.

Other Postemployment Benefits (OPEB)

The OPEB plan covers Police, Fire, and Miscellaneous employees. City retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. Retiree health benefits are described in the labor agreements between the City and Local Unions and in City resolutions. The demographic rates used for the California Public Employee Retirement System (PERS) were public safety employees retirements benefits under a 3% at 50 formula and miscellaneous employees retirement benefits under a 2.7% at 55 formula. See Note 16 for additional information.

Pollution Remediation Obligations

Under the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the City recorded remediation liabilities related to its pollution remediation activities. See Note 17 for additional information.

Fund Balances

Governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2013, fund balances for government funds are made up of the following:

- *Restricted Fund Balance:* includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. It also includes a legally enforceable requirement that the resources can only be used for specific purposes enumerated in the law.
- *Committed Fund Balance:* includes amounts that can only be used for the specific purposes determined by City Council ordinance, which is the City's highest level of decision-making authority. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance:* comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. The City Administrator and department heads can assign available fund balance to be used for specific purposes during the budget process. The City Council approves the City budgets. This category includes the City's encumbrances, project carry-forwards, and continuing appropriation.
- *Unassigned Fund Balance:* are amounts technically available for any purpose. It's the residual classification for the General Fund and includes all amounts not contained in the other classifications.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Fund balances for all the major and nonmajor governmental funds as of June 30, 2013, were distributed as follows (in thousands):

	General	Federal/ State Grant Fund	LMIHF [1]	Municipal Capital Improvement	Special Revenue Bonds Fund	Other Governmental Funds	Total
Restricted for:							
Capital projects	$ -	$ 3,631	$ -	$ 80,368	$ 16,257	$ 44,973	$ 145,229
Pension obligations:							
Annuity	97,723	-	-	-	-	-	97,723
PFRS	67,677	-	-	-	-	-	67,677
Debt service	-	-	-	-	-	92,081	92,081
Property held for resale	-	-	9,137	-	-	-	9,137
Housing projects	-	-	2,070	-	-	-	2,070
Subtotal	165,400	3,631	11,207	80,368	16,257	137,054	413,917
Committed for:							
Library, Kid's First and museum trust	-	-	-	-	-	16,075	16,075
Assigned for:							
Property held for resale	-	-	-	51,160	-	-	51,160
Capital projects	58,452	-	-	-	-	10,213	68,665
Subtotal	58,452	-	-	51,160	-	10,213	119,825
Unassigned	21,791	(7,334)	-	-	-	(2,515)	11,942
Total	**$ 245,643**	**$ (3,703)**	**$ 11,207**	**$ 131,528**	**$ 16,257**	**$ 160,827**	**$ 561,759**

[1] Low and Moderate Income Housing Asset Fund

Extraordinary Items:

Extraordinary items are both 1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) and 2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates). The dissolution of all redevelopment agencies in the State of California qualifies as an extraordinary item since this state-wide dissolution was both unusual and infrequent.

Under ABx1 26, adopted on June 28, 2011, as amended by AB 1484 adopted on June 27, 2012, all new redevelopment activities were suspended, with limited exceptions, and redevelopment agencies were dissolved on February 1, 2012. Under this legislation, the California Department of Finance (DOF) and the California State Controller's Office (SCO) have varying degrees of responsibility and oversight. The ultimate outcome of issues raised by State authorities, such as the rejection of using ORSA assets to pay obligations or the return of asset transfers to the ORSA.

In a letter dated May 17, 2013, DOF completed its review of the ORSA Due Diligence Reviews (DDR) and adjusted $32.5 million in cash and cash equivalents. Therefore, the balance of Non-Low and Moderate Income Housing Asset Fund or Other Funds Accounts (OFA) available for distribution to the affected taxing entities is $32.5 million. As a result, ORSA issued a payment of $32.5 million to the County-Auditor Controller to be deposited into the trust fund for distribution to the taxing entities.

Pursuant to Health and Safety (H&S) Code Section 34167.5, the SCO reviewed all assets transfers made by the former Oakland Redevelopment Agency to the City or any other public agency after January 1, 2011. The review included, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source. In a review report dated August 21, 2013, SCO rescinded a total of $170 million in asset transfers. The total amount consists of real properties, cash and cash equivalents and notes and loan receivables. The SCO asset transfer review and the DOF disallowance were recorded as of June 30, 2013 as an extraordinary gain in ORSA's financial statements. Accordingly, the State Controller Office's asset transfer review of the former Agency's assets from City to the Oakland Redevelopment Successor Agency (ORSA) was recorded as extraordinary loss in the City's governmental funds and the City governmental activities. The extraordinary item differed from the SCO asset transfer review by $13 million due to $32.1 million of ORSA's basis in the properties transferred, less DOF's disallowance of third-party contracts of $4.6 million, and transfers of notes and loans receivable of $49.3 million that was adjusted for $35.0 million of allowance for doubtful notes and loans receivable .

The components of the extraordinary gains and losses recorded in the financial statements are as follows (in thousands):

Governmental Funds:		
Transfers assets back to ORSA as of June 30, 2013		
Transfers out of City asset class of property held for resale		$ (56,418)
Transfer out for disallowed third party contracts back to ORSA		(41,455)
Transfer out for additional DOF disallowed third party contracts back to ORSA		(4,631)
Extraordinary loss reported in governmental funds due to SCO asset transfer review		(102,504)
Governmental Activities:		
Transfers out of capital asset back to ORSA		(36,963)
Transfers out of City notes and loans receivable	$ (49,290)	
Adjust for allowance for doubtful notes and loans receivables	34,950	(14,340)
Transfers out of cash to ORSA for properties sold to ORSA	$ (35,162)	
ORSA's basis of properties purchased from the City	32,067	(3,095)
Extraordinary loss reported on Statement of Activities on State Controller's Office asset transfer review and California Department of Finance disallowances		$ (156,902)

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment in Capital Assets* groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- *Restricted Net Position* reflects consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
  - Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources and includes a *legally enforceable* requirement that those resources be used only for the specific purposes stipulated in the legislation.
  - A legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. As of June 30, 2013, restricted net position for the governmental activities was $142.5 million as reported on the government-wide statement of net position, and approximately $12.8 million of which was restricted by enabling legislation.
- *Unrestricted Net Position* represents net position of the City that is not restricted for any project or purpose.

Adoption of New Pronouncements

In November 2010, Governmental Accounting Standards Board (GASB) issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. Common examples of SCAs include long-term arrangements between a transferor (a government) and an operator (governmental or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. As of July 1, 2012, the City adopted the provisions of this statement, which did not have a significant impact on its financial statements.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet the needs of users and address reporting entity issues that have come to light since these statements were issued in 1991 and 1999, respectively. GASB Statement No. 61 improves the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units) and amends the criteria for blending – reporting component units as if they were part of the primary government – in certain circumstances. As of July 1, 2012, the City adopted the provisions of this statement, which did not have a significant impact on its financial statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures which does not conflict with or contradict other GASB pronouncements. As of July 1, 2012, the City adopted the provisions of this statement, which did not have a significant impact on its financial statements.

GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and incorporates these financial measures into the definitions of the required components of the residual measure, which will be renamed as net position, rather than net assets. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of July 1, 2012, the City adopted the provisions of this statement, which did not have a significant impact on its financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As of July 1, 2012, the City adopted the provisions of GASB Statement No. 65 and restated the beginning net position in the amount of $3.0 million in the primary government, $21.1 million in the Port, and $4.1 million in the ORSA to write off unamortized bond issuance costs that were previously reported as assets. In addition, the remaining balance of prepaid insurance were reclassified from deferred charges to assets and the remaining unamortized loss on refunding was reclassified from contra liabilities to deferred outflows of resources.

New Pronouncements

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Codification of Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

In June 2012, the GASB issued two new standards, GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.

- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA/Aa or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

The statements relate to accounting and financial reporting and do not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in audited financial reports. The statements would separate how the accounting and financial reporting is determined from how pensions are funded. Application of Statement No. 67 is effective for financial statements for the City's fiscal year ending June 30, 2014. Application of Statement 68 is effective for the City's fiscal year ending June 30, 2015.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is intended to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations. This statement provides guidance for determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement is intended to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities and requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement is intended to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issues related to amounts associated with contributions, if any, made by a state of local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(3) CASH AND INVESTMENTS AND RESTRICTED CASH AND INVESTMENTS

The City maintains a cash and investment pool consisting of City funds and cash held for OMERS, PFRS, and Port. The City's funds are invested according to the investment policy adopted by the City Council. The objectives of the policy are legality, safety, liquidity, diversity, and yield. The policy addresses soundness of financial institutions in which the City can deposit funds, types of investment instruments permitted by the California Government Code, duration of the investments, and the percentage of the portfolio that may be invested in:

- United States Treasury securities (subject to restrictions by the Nuclear Free Ordinance);
- federal agency issues;
- bankers' acceptances;
- commercial paper;
- medium term corporate notes and deposit notes;
- negotiable certificates of deposit;
- certificates of deposit;
- State of California Local Agency Investment Fund;
- money market mutual funds;
- local city/agency bonds;
- State of California bonds;
- secured obligations and agreements;
- repurchase agreements; and
- reverse repurchase agreements.

The City's investment policy stipulates that the collateral to back up repurchase agreements be priced at market value and be held in safekeeping by the City's primary custodian. Additionally, the City Council has adopted certain requirements prohibiting investments in nuclear weapons makers and restricting investments in U.S. Treasury bills and notes due to their use in funding nuclear weapons research and production.

Other deposits and investments are invested pursuant to the governing bond covenants, deferred compensation plans, or retirement systems' investment policies. Under the investment policies, the investment counsel is given the full authority to accomplish the objectives of the bond covenants or retirement systems subject to the discretionary limits set forth in the policies.

Total City deposits and investments at fair value are as follows (in thousands):

	Primary Government				Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	Port
Cash and investments	$ 287,601	$ 38,341	$ 91,045	$ 416,987	$ 179,440
Restricted cash and investments	297,975	5,279	546,022	849,276	71,867
Securities lending collateral	-	-	8,876	8,876	-
TOTAL	$ 585,576	$ 43,620	$ 645,943	$ 1,275,139	$ 251,307
Deposits				$ 57,591	$ 2,895
Investments				1,217,548	248,412
TOTAL				$ 1,275,139	$ 251,307

Primary Government

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the City may be unable to recover the value of the investments or collateral securities in the possession of an outside party. To protect against fraud and potential losses from the financial collapse of securities dealers, all securities owned by the City shall be held in the name of the City for safekeeping by a third party bank trust department, acting as an agent for the City under the terms of the Custody Agreement. The City's investments subject to Custodial Credit Risk Category is very low.

At June 30, 2013, the carrying amount of the City's deposits was $57.6 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance, $2.0 million was insured by the Federal Deposit Insurance Corporation (FDIC) and $55.6 million was collateralized with securities held by the pledging financial institution in the City's name, in accordance with Section 53652 of the California Government Code.

The California Government Code requires that governmental securities or first trust deed mortgage notes be used as collateral for demand deposits and certificates of deposit at 110 percent and 150 percent, respectively, of all deposits not covered by federal deposit insurance. The collateral must be held by the pledging financial institution's trust department and is considered held in the City's name.

Credit Risk: Credit risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The most effective method for minimizing the risk of default by an issuer is to invest in high quality securities. Under the City investment policy, short-term debt shall be rated at least A-1 by Standard and Poor's (S&P), P-1 by Moody's Investors Service or F-1 by Fitch Ratings at the time security is purchased. Long-term debt shall be rated at least A by Standard and Poor's, Moody's Investors Service or Fitch Ratings. Since these securities are permitted by State law, investing in them is also the most effective way to maintain legal compliance. Per the California Debt and Management Advisory Commission ("CDIAC"), it is recommended that the portfolio be monitored, as practical, for subsequent changes in credit rating of existing securities. As of June 30, 2013, approximately 87% of the pooled investments was invested in "AAA" and "AA" quality securities.

The following tables show the City's credit risk for the Pool and Restricted portfolios as of June 30, 2013 (in thousands):

Pooled Investments

		Ratings as of June 30, 2013			
	Fair Value	AAA/Aaa	AA/Aaa	A1/P1	Not Rated
U.S. Government Agency Securities	$ 162,730	$ -	$ 162,730	$ -	$ -
U.S. Government Agency Securities (Discount)	177,964	-	177,964	-	-
Money Market Mutual Funds	93,110	93,110	-	-	-
Local Agency Investment Fund (LAIF)	49,749	-	-	-	49,749
Negotiable Certificates of Deposit	12,999	-	-	12,999	-
State of California, General Obligation Bonds	998	-	-	998	-
Total Pooled Investments	**$ 497,550**	**$ 93,110**	**$ 340,694**	**$ 13,997**	**$ 49,749**

Restricted Investments

		Ratings as of June 30, 2013			
	Fair Value	AAA/Aaa	AA/Aaa	A1/P1	Not Rated
U.S. Government Agency Securities	$ 3,001	$ -	$ 3,001	$ -	$ -
U.S. Government Agency Securities (Discount)	11,499	-	11,499	-	-
U.S. Treasury Securities (Discount)	500	-	500	-	-
Money Market Mutual Funds	123,840	123,840	-	-	-
Commercial Papers (Discount)	354	-	-	354	-
Local Government Bonds	73,957	-	-	-	73,957
Annuity Contract	88,000	-	-	-	88,000
Total Restricted Investments	**$ 301,151**	**$ 123,840**	**$ 15,000**	**$ 354**	**$ 161,957**

Concentration of Credit Risk: The City has an investment policy related to the City's cash and investment pool, which is subject to annual review. Under the City's Investment Policy, no more than five percent (5%) of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises, investment with the Local Agency Investment Fund, and proceeds of or pledged revenues for any tax and revenue anticipation notes. Per the Investment Policy, investments should conform to Sections 53600 et seq. of the California Government Code and the applicable limitations contained within the policy. Certain other investments are governed by bond covenants which do not restrict the amount of investment in any one issuer.

Investments in one issuer that exceed 5% of the City's investment portfolio at June 30, 2013 are as follows (in thousands):

Investment Type / Issuer	Amount	Percent of City's Investment Portfolio
U.S. Government Agency Securities:		
Federal Farm Credit Bank	$ 86,186	10.79%
Federal National Mortgage Association (Fannie Mae)	101,441	12.70%
Federal Home Loan Bank	83,632	10.47%
Federal Home Loan Mortgage Corporation (Freddie Mac)	83,935	10.51%
Local Government Bond:		
Oakland Joint Powers Financing Authority	73,957	9.26%
Annuity Contract:		
New York Life Insurance Company	88,000	11.02%

The following table shows the diversification of the City's portfolio (in thousands):

Pooled Investments

Investment Type	Fair Value	Percent (%) of Portfolio
U.S. Government Agency Securities	$ 162,730	32.71%
U.S. Government Agency Securities (Discount)	177,964	35.77%
Money Market Mutual Funds	93,110	18.71%
Local Agency Investment Fund (LAIF)	49,749	10.00%
Negotiable Certificates of Deposit	12,999	2.61%
State of California, General Obligation Bonds	998	0.20%
Total Pooled Investments	**$ 497,550**	**100.00%**

Restricted Investments

Investment Type	Fair Value	Percent (%) of Portfolio
U.S. Government Agency Securities	$ 3,001	1.00%
U.S. Government Agency Securities (Discount)	11,499	3.82%
U.S. Treasury Securities (Discount)	500	0.17%
Money Market Mutual Funds	123,840	41.12%
Commercial Papers (Discount)	354	0.12%
Local Government Bond	73,957	24.55%
Annuity Contract	88,000	29.22%
Total Restriced Investments	**$ 301,151**	**100.00%**

Interest Rate Risk: This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. The longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates.

As a means for limiting its exposure to changing interest rates, Section 53601 of the State of California Government Code and the City's Investment Policy limit certain investments to short-term maturities such as certificates of deposit and commercial paper, whose maturities are limited 360 days and 270 days, respectively. Also, Section 53601 of the State of California Government Code limits the maximum maturity of any investment to be no longer than 5 years unless authority for such investment is expressly granted in advance by the City Council or authorized by bond covenants. The City continues to purchase a combination of short- term and long-term investments to minimize such risks.

The City uses the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2013, the City had the following investments and original maturities (in thousands):

Pooled Investments

			Maturity		
Investment Type	**Fair Value**	**Interest Rates (%)**	**12 Months or Less**	**1 - 3 Years**	**3 - 5 Years**
U.S. Government Agency Securities	$ 162,730	0.18 - 1.47	$ 13,599	$ 84,710	$ 64,420
U.S. Government Agency Securities (Discount)	177,964	0.02 - 0.09	177,964	-	-
Money Market Mutual Funds*	93,110	0.03 - 0.09	93,110	-	-
Local Agency Investment Fund (LAIF)*	49,749	0.24	49,749	-	-
Negotiable Certificates of Deposit	12,999	0.15 - 0.28	12,999	-	-
State of California, General Obligation Bonds	998	1.11	-	998	-
Total Pooled Investments	**$ 497,550**		**$ 347,421**	**$ 85,708**	**$ 64,420**

* weighted average maturity used.

Restricted Investments

			Maturity			
Investment Type	**Fair Value**	**Interest Rates (%)**	**12 Months or Less**	**1 - 3 Years**	**3 - 5 Years**	**5 Years or More**
U.S. Government Agency Securities	$ 3,001	0.424	$ 3,001	$ -	$ -	$ -
U.S. Government Agency Securities (Discount)	11,499	0.02 - 0.09	11,499	-	-	-
U.S. Treasuries (Discount)	500	0.01	500	-	-	-
Money Market Mutual Funds[1]	123,840	0.01	123,840	-	-	-
Commercial Papers (Discount)	354	0.01	354	-	-	-
Local Government Bond	73,957	4.86	7,603	15,429	16,027	34,897
Annuity Contract	88,000	2.40	-	-	-	88,000
Total Restricted Investments	**$ 301,151**		**$ 146,797**	**$ 15,429**	**$ 16,027**	**$ 122,897**

[1] weighted average maturity used.

Foreign Currency Risk: This is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect an investment's fair value. The City only invests in U.S. dollar denominated obligations. This successfully eliminates all risk of principal erosion due to fluctuations in the values of foreign currencies.

Other Disclosures: As of June 30, 2013, the City's investment in LAIF is $49.7 million. A total amount invested by all public agencies in LAIF at that date is approximately $21.2 billion. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately $58.8 billion, 98.04% is invested in non-derivative financial products and 1.96% in structured notes and asset-backed securities. As of June 30, 2013, LAIF has an average life-month end of 278 days. The Local Investment Advisory Board (Advisory Board) has oversight responsibility for LAIF. The Advisory Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the City's position in the pool.

Investments - Oakland Redevelopment Successor Agency ("ORSA")

Cash and Investments held by ORSA

ORSA follows the investment policy of the City, which is governed by provisions of the California Government Code 53600 and the City's Municipal Code. The Agency also has investments subject to provisions of the bond indentures of the former Agency's various bond issues. According to the investment policy and bond indentures, the Agency is permitted to invest in the City's cash and investment pool, LAIF, obligations of the U.S. Treasury or U.S. Government agencies, time deposits, money market mutual funds invested in U.S. Government securities, along with various other permitted investments. The Agency's cash and investments consist of the following at June 30, 2013:

Cash and Investments	Amount	
Cash and investments (unrestricted)	$	75,166
Restricted cash and investments		87,282
Total cash and investments	$	162,448

As of June 30, 2013, ORSA invested a total amount of $57.6 million with U.S. Government Agency Securities, which is comprised of $47.6 million from its unrestricted accounts, $10.0 million from the Tax Allocation Bonds and the Housing Set-Aside Bonds reserve and capitalized interest. The remaining balance is invested in Money Market Funds, which comprised of $9.5 million from unrestricted accounts, and $77.3 million in Money Market Funds from the Tax Allocation Bonds and the Housing Set-Aside Bonds reserve and capitalized interest.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of a depository financial institution, ORSA will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, ORSA will not be able to recover the value of the investment or collateral securities that are in the possession of another party.

The California Government Code requires that a financial institution secure its deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by the depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged governmental securities and/or first trust deed mortgage notes held in the collateral pool must be at least 110% and 150% of ORSA's deposits, respectively. The collateral is held by the pledging financial institution's trust department and is considered held in the ORSA's name.

As of June 30, 2013, the carrying amount of the ORSA's deposits was $18.1 million. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of $250 thousand, and the bank balance of $17.8 million are collateralized with securities held by the pledging financial institutions as required by Section 53652 of the California Government Code.

ORSA invests in individual investments. 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 ORSA employs the trust department of a bank or trustee as the custodian of certain ORSA investments, regardless of their form.

Interest Rate Risk: This risk represents the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market rates. ORSA investment policy has mitigated interest rate risk by establishing policies over liquidity. As of June 30, 2013, ORSA had the following investments and original maturities (in thousands):

Pooled Cash and Investments

			Maturities	
Type of Investment	**Fair Value**	**Interest Rates (%)**	**12 Months of Less**	**1 - 3 Years**
U.S. Government Agency Securities	$ 15,609	0.16 - 0.62	$ 15,609	$ -
U.S. Government Agency Securities (Discount)	31,998	0.03	31,998	-
Money Market Mutual Funds	9,500	0.03 - 0.09	9,500	-
Total	57,107		$ 57,107	$ -
Deposits	18,059			
	$ 75,166			

Restricted Cash and Investments

			Maturities	
Type of Investment	**Fair Value**	**Interest Rates (%)**	**12 Months of Less**	**1 - 3 Years**
U.S. Government Agency Securities	$ 4,003	0.30	$ -	$ 4,003
U.S. Government Agency Securities (Discount)	6,000	0.02	6,000	-
Money Market Mutual Funds	77,279	0.01	77,279	-
Total	$ 87,282		$ 83,279	$ 4,003

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 risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations. ORSA's investment policy has mitigated credit risk by limiting investments to the safest types of securities, by prequalifying financial institutions, by diversifying the portfolio and by establishing monitoring procedures. The following tables show ORSA's credit risk as rated by Standard & Poor's and Moody's for the Pooled and Restricted portfolios as of June 30, 2013 (in thousands):

Pooled Cash and Investments

		Ratings as of June 30, 2013	
Type of Investment	**Fair Value**	**Aaa/AAA**	**Aaa/AA**
U.S. Govornment Agency Securities	$ 15,609	$ 15,609	$ -
U.S. Govornment Agency Securities (Discount)	31,998	-	31,998
Money Market Mutual Funds	9,500	9,500	-
Total Cash and Investments	$ 57,107	$ 25,109	$ 31,998

Restricted Cash and Investments

Type of Investment	Fair Value	Ratings as of June 30, 2013 Aaa/AAA	Aaa/AA
U.S. Govornment Agency Securities	$ 4,003	$ 4,003	$ -
U.S. Govornment Agency Securities (Discount)	6,000	-	6,000
Money Market Mutual Funds	77,279	77,279	-
Total Cash and Investments	$ 87,282	$ 81,282	$ 6,000

Concentration of Credit Risk: Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on ORSA. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement, as they are normally diversified themselves. The following table shows the diversification of the ORSA's portfolio as of June 30, 2013 (in thousands):

Pooled Cash and Investments

Type of Investment	Fair Value	Percentage of Portfolio
U.S. Govornment Agency Securities	$ 15,609	27.3%
U.S. Govornment Agency Securities (Discount)	31,998	56.0%
Money Market Mutual Funds	9,500	16.7%
Total Cash and Investments	$ 57,107	100.0%

Restricted Cash and Investments

Type of Investment	Fair Value	Percentage of Portfolio
U.S. Govornment Agency Securities	$ 4,003	4.6%
U.S. Govornment Agency Securities (Discount)	6,000	6.9%
Money Market Mutual Funds	77,279	88.5%
Total Cash and Investments	$ 87,282	100.0%

The following table show's ORSA's investments in one issuer that exceed 5% of ORSA's investment portfolio at June 30, 2013 (in thousands):

Investment Type / Issuer	Amount	Percent of ORSA's Investment Portfolio
U.S. Government Agency Securities:		
Federal National Mortgage Association (Fannie Mae)	$ 18,609	12.9%
Federal Home Loan Bank	22,999	15.9%
Federal Home Loan Mortgage Corporation (Freddie Mac)	16,003	11.1%

Restricted Cash and Investments with Fiscal Agents

Under the provisions of the bond indentures, certain accounts with trustees were established for repayment of debt, amounts required to be held in reserve, and temporary investments for unexpended bond proceeds. As of June 30, 2012, the amounts held by the trustees aggregated $87.3 million. All restricted investments held by trustees as of June 30, 2013 were invested in U.S. treasury notes, and money market mutual funds, and were in compliance with the bond indentures.

Investments – Retirement Plans

The Retirement Plans' investment policies authorize investment in domestic stocks and bonds, U.S. equities, international equities, U.S. fixed income, mortgage loans, and real estate. The Retirement Plans' investment portfolios are managed by external investment managers. During the year ended June 30, 2013, the number of external investment managers was eleven for PFRS and one for OMERS.

Oakland Municipal Employees' Retirement System (OMERS)

Deposits in the City's Investment Pool

Cash and deposits consisted of cash in treasury held in the City's cash and investment pool. These funds are invested according to the investment policy adopted by the City Council. Interest earned on these pooled accounts is allocated monthly to all funds based on the average daily cash balance maintained by the respective funds. As of June 30, 2013, OMERS' share of the City's investment pool totaled $60,124.

Investments

OMERS' investment policy authorizes investments in domestic common stocks and bonds. OMERS' investment policy states that the asset allocation of the investment portfolio target shall be 70% domestic equity and 30% domestic fixed income. As of June 30, 2012, OMERS' investment portfolio consists of shares of two investment funds (Funds). OMERS invests in the American Century Equity Mutual Fund and the HighMark Employee Benefit Flexible Bond Commingled Fund. Specific guidelines for the Funds are detailed in the prospectus or Declaration of Trust, for each individual fund.

The following summarizes OMERS' investment portfolio as well as the interest rate and the weighted average maturities of the Funds as of June 30, 2013 (in thousands):

Investment	Fair Value	Yield	Weighted Average Maturity
Short-Term Investments	$ 47	-	*
Equity Investments			
American Century Equity Mutual Fund	3,219	-	-
Fixed Income Investments			
HighMark Employee Benefit Flexible Bond Commingled Fund	1,281	2.5%	5.8 Years
Total Investments	$ 4,547		

* Weighted average maturity is less than 0.1 year.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. OMERS' investment policy states that the fixed income portfolio shall not exceed 8% investment in below investment grade securities (rated Ba/BB or below by at least one Nationally Recognized Statistical Rating Organization (NRSRO)) in fair market value. As of June 30, 2013, OMERS was invested in the HighMark Employee Benefit Flexible Bond Commingled Fund which has a credit quality rating of AA.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a failure of a depository financial institution or counterparty to a transaction, OMERS may not be able to recover the value of deposits, investments, or collateral securities in the possession of an outside party.

The California Government Code requires that governmental securities or first trust deed mortgage notes be used as collateral for demand deposits and certificates of deposit at 110 percent and 150 percent, respectively, of all deposits not covered by federal deposit insurance. As the City holds all cash and certificates of deposit on behalf of OMERS, the collateral must be held by the pledging financial institution's trust department and is considered held in the City's name.

OMERS does not have any investments that are not registered in the name of OMERS and are either held by the counterparty or the counterparty's trust department or agent, but not in OMERS's name.

Oakland Police and Fire Retirement System (PFRS)

Deposits in the City's Investment Pool

As of June 30, 2013, cash and cash deposits consisted of cash in treasury held in the City's cash and investment pool as well as cash deposits held in bank and with a custodian. These funds are invested according to the investment policy adopted by the City Council. Interest earned on these pooled accounts is allocated monthly to all funds based on the average daily cash balance maintained by the respective funds. As of June 30, 2013, PFRS' share of the City's investment pool totaled $8,253,821.

As of June 30, 2013, PFRS also had cash and cash deposits not held in the City's investment pool totaled $367,523.

Investments

PFRS' investment policy authorizes investment in U.S. equities, international equities, U.S. fixed income securities, instruments including U.S. Treasury notes and bonds, government agency mortgage backed securities, U.S. corporate notes and bonds, collateralized mortgage obligations, yankee bonds and non-U.S. issued fixed income securities denominated in foreign currencies. PFRS' investment portfolio is managed by external investment managers, except for the bond iShares which are managed internally. During the year ended June 30, 2013, the number of external investment managers was eleven.

The PFRS investments are also restricted by the City Charter. In November 2006, City voters passed Measure M to amend the City Charter to allow the PFRS Board to invest in non-dividend paying stocks and to change the asset allocation structure from 50% equities and 50% fixed income to the Prudent Person Standard as defined by the California Constitution.

PFRS' investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. PFRS' investment policy with respect to fixed income investments identifies two standards for credit quality. The policy allows the fixed income managers to invest in securities with a minimum rating of B or higher as long as the portfolio maintains an average credit quality of BBB (investment grade using Standard & Poor's or Moody's ratings).

PFRS' investment policy states that investments in derivative securities known as Collateralized Mortgage Obligations (CMOs) shall be limited to a maximum of 20% of a broker account's fair value with no more than 5% in any one issue. CMOs are mortgage-backed securities that create separate pools of pass-through rates for different classes of bondholders with varying maturities. The fair value of CMOs are considered sensitive to interest rate changes because they have embedded options.

The investment policy allows for each fixed income asset manager to have a maximum of 10% of any single security investment in their individual portfolios with the exception of U.S. government securities, which is allowed to have a maximum of 25% in each manager's portfolio.

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. PFRS' investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. The weighted average duration for PFRS' fixed income investment portfolio excluding fixed short-term investments and securities lending investments was 2.59 years as of June 30, 2013.

As of June 30, 2013, PFRS had the following fixed income investments by category (in thousands):

Short-Term Investment Duration:

Investment Type	Fair Value	Modified Duration (Year)
Short-Term Investment Funds	$11,231	n/a

Long-Term Investment Duration:

Investment Type	Fair Value	Modified Duration (Year)
Government Bonds:		
U.S. Treasuries	$ 66,722	1.56
U.S. Government Agency Securities	26,188	4.83
Total Government Bonds	92,910	
U.S. Corporate and Other Bonds		
Corporate Bonds	80,980	1.92
TIPS Bond Fund (iShares)	6,690	7.75
Other Government Bonds	4,454	9.42
Total U.S. Corporate and Other Bonds	92,124	
Total Fixed Income Investments	$ 185,034	2.59
Securities Lending Collateral	$ 8,876	-

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The following tables provide information as of June 30, 2013 concerning credit risk of fixed income securities (in thousands):

Investment Type	S&P / Moody's Rating	Fair Value
Short-Term Investment Funds	Not Rated	$11,231

The following tables provide information as of June 30, 2013 concerning credit risk of fixed income and long-term investment rating (in thousands):

S & P/Moody's Rating	Fair Value	Percent of Total Fair Value
AAA/Aaa	$ 130,348	70.4%
AA /Aa	13,181	7.1%
A/A	12,254	6.6%
BBB/Baa	9,873	5.3%
BB/Ba	15	0.0%
B/B	339	0.2%
Not Rated	19,024	10.4%
Total Fixed Income Investments	$ 185,034	100.0%

The following tables provide information as of June 30, 2013 concerning credit risk of securities lending collateral ratings (in thousands):

S&P / Moody's Rating	Fair Value
Not Rated	$8,876

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2013, no investment in any single insurer exceeded 5% of PFRS' net assets.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a failure of a depository financial institution or counterparty to a transaction, there will be an inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party.

The California Government Code requires that governmental securities or first trust deed mortgage notes be used as collateral for demand deposits and certificates of deposit at 110 percent and 150 percent, respectively, of all deposits not covered by federal deposit insurance. As the City holds cash and certificates of deposit on behalf of PFRS, the collateral must be held by the pledging financial institution's trust department and is considered held in the City's name. For all other PFRS deposits, the collateral must be held by the pledging financial institution's trust department and is considered held in PFRS' name.

The City, on behalf of PFRS, does not have any funds or deposits that are not covered by depository insurance, which are either uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name. PFRS does not have any investments that are not registered in the name of PFRS and are either held by the counterparty or the counterparty's trust department or agent, but not in PFRS' name.

Foreign Currency Risk: Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. Currency hedging is allowed under the PFRS investment policy for defensive purposes only. The investment policy limits currency hedging to a maximum of 25% of the portfolio value.

The following summarizes PFRS' investments denominated in foreign currencies as of June 30, 2013 (in thousands):

Foreign Currency	Total
Australian Dollar	$ 1,326
Brazilian Real	420
Canadian Dollar	358
Chinese Yuan Renminbi	28
Danish Krone	1,018
Euro	9,149
Hong Kong Dollar	4,590
Indonesian Rupian	323
Japanese Yen	4,796
Malaysian Ringgit	94
Mexican Peso	603
Norwegian Kroner	297
Singapore Dollar	687
South Korean Won	1,204
Swedish Krona	482
Swiss Franc	4,196
Turkish Lira	257
United Kingdom Pound	6,732
Total Foreign Currency	**$ 36,560**

Securities Lending Transactions

PFRS is authorized to enter into securities lending transactions which are short-term collateralized loans of PFRS securities to brokers-dealers with a simultaneous agreement allowing PFRS to invest and receive earnings on the loan collateral for a loan rebate fee. All securities loans can be terminated on demand by either PFRS or the borrower, although the average term of such loans is one week.

The Bank of New York Mellon administers the securities lending program. The administrator is responsible for maintaining an adequate level of collateral in an amount equal to at least 102% of the market value of loaned U.S. government securities, common stock and other equity securities, bonds, debentures, corporate debt securities, notes, and mortgages or other obligations. Collateral received may include cash, letters of credit, or securities. If securities collateral is received, PFRS cannot pledge or sell the collateral securities unless the borrower defaults. PFRS does not match the maturities of investments made with cash collateral with the securities on loan.

As of June 30, 2013, management believes that PFRS has minimized its credit risk exposure to borrowers because the amounts held by PFRS as collateral exceeded the securities loaned by PFRS. PFRS' contract with The Bank of New York Mellon requires it to indemnify PFRS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities borrowed) or fail to pay PFRS for income distributions by the securities' issuers while the securities are on loan.

The following table summarizes investments in securities lending transactions and collateral received as of June 30, 2013 (in thousands):

Securities Lending
Investments and Collateral Received (At Fair Value)

Securities on loan:		
U.S. Government and agencies	$	1,690
U.S. Corporate Bonds		428
U.S. Equity		4,711
Non-U.S. Equity		1,760
Total Securities on Loan	$	8,589
Invested Cash Collateral Received:		
Repurchase Agreements	$	8,876
Total Invested Cash Collateral Received	$	8,876

Fair Value Highly Sensitive to Change in Interest Rates: The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. PFRS has invested in collateralized mortgage obligations (CMOs), which are mortgage-backed bonds that pay pass-through rates with varying maturities. The fair values of CMOs are considered sensitive to interest rate changes because they have embedded options, which are triggers related to quantities of delinquencies or defaults in the loans backing the mortgage pool. If a balance of delinquent loans reaches a certain threshold, interest and principal that would be used to pay junior bondholders is instead directed to pay off the principal balance of senior bondholders and shortening the life of the senior bonds. The following table shows PFRS' investments in CMOs as of June 30, 2013 (in thousands):

Security Name	Weighted Average Coupon Rate	Weighted Average Maturity (Years)	Fair Value	Percent of Total Investments
Commercial Mortgage Pass-Through	3.69%	21.1	$ 1,682	0.37%

Discretely Presented Component Unit – Port of Oakland

The Port's cash, investments and deposits consisted of the following at June 30, 2013 (in thousands):

Cash on hand	$	626
Bank Deposits and Deposits in Escrow		2,269
Investments		248,412
Total Cash and Investments	$	251,307

Deposits in Escrow consist of amounts received from construction contractors that are deposited into an escrow account in-lieu of retention withheld from construction progress billings. Interest on these deposits accrues to the contractor.

Investments

Under the City of Oakland Charter, all income and revenue from the operation of the Port is to be deposited in the City Treasury. Unused bonds proceeds are on deposit with a Trustee for both reserves and construction funds. The investment of funds held by a Trustee is governed by the Amended and Restated Master Trust Indenture, dated as of April 1, 2006 (the Restated Indenture). There were no investments pertaining to the Intermediate Lien Debt. Escrow funds are on deposit with an escrow agent. At June 30, 2013 the Port had the following investments (in thousands):

			Maturities	
Type of Investment	**Fair Value**	**Credit Rating**	**Less than 1 Year**	**1 - 5 Years**
U.S. Treasury Notes	$ 57,896	Aaa[1]	$ -	$ 57,896
Government Securities Money Market Mutual Funds	120	Aaa[1]	120	-
City Investment Pool	190,396	Not Rated	190,396	-
Total Investments	**$ 248,412**		**$ 190,516**	**$ 57,896**

[1] Per Moody's

Investments Authorized by Debt Agreements

The following are the types of investments generally allowed under the Senior Trust Indenture and the Intermediate Lien Master Trust Indenture dated as of October 1, 2007 and the applicable Supplemental Indentures (Intermediate Trust Indenture, together with the Senior Trust Indenture, the Trust Indentures): U.S. Government Securities, U.S. Agency Obligations, Obligations of any State in the U.S., Prime Commercial Paper, FDIC Insured Deposits, Certificates of Deposit/Banker's Acceptance, Money Market Mutual Funds, State-sponsored Investment Pools, Investment Contracts, and Forward Delivery Agreements.

Interest Rate Risk: This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. In order to manage interest rate risk, it is the Port's policy that most bond proceeds are invested in permitted investment provisions of the Port's Trust Indentures with a short-term maturity.

Credit Risk: Provisions of the Port's Trust Indenture prescribe restrictions on the types of permitted investments of the monies held by the trustee in the funds and accounts created under the trust indentures, including agreements or financial institutions that must meet certain ratings.

Concentration of Credit Risk: The Trust Indenture places no limit on the amount the Port may invest in any one issuer. There were no investments that exceeded 5% of the total invested funds.

Custodial Credit Risk: For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the ability to recover the value of the investments or collateral securities in the possession of an outside party may be doubtful. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Port will not be able to recover the value of its investment or collateral securities that are in possession of another party. To protect against custodial credit risk, all securities owned by the Port are held in the name of the Port for safekeeping by a third party bank trust department, acting as an agent for the Port under the terms of the Restated Trust Indenture.

The Port had investments held by a third party bank trust department in the amount of $58,016,000 at June 30, 2013. The carrying amount of Port deposits in escrow was $2,269,000 at June 30, 2013. Bank balances and escrow deposits of $250,000 at June 30, 2012 are insured or collateralized with securities held by the pledging financial institution's trust department in the Port's name. The remaining balance of $1,839,000 as of June 30, 2013, was exposed to custodial credit risk by not being insured or collateralized.

Cash and Investments with the City of Oakland

Pursuant to the City Charter, Port operating revenues are deposited in the City Treasury. These funds are commingled in the City's investment pool. The Port receives a monthly interest allocation from investment earnings of the City based on the average daily balance on deposit and the earnings of the investments.

(4) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash and interfund loans. The amounts due from the Oakland Redevelopment Successor Agency are related to advances and interfund loans made by the City for projects, loans, and services. The receivable amounts of ORSA relate to project advances made by ORSA for the City. The internal service funds' borrowing will be repaid over a reasonable period of time as described in Note 18. The composition of interfund balances and transfers as of June 30, 2013, is as follows (in thousands):

Due From/Due To Other Funds

Receivables	Payable Fund	Amount
General Fund	Other Governmental Funds	$ 1,086
	Federal/State Grant Fund	11,592
	Municipal Capital Improvement	81
	Internal Service Funds	28,776
	Subtotal General Fund	41,535
Low and Moderate Income Housing Asset Fund (LMIHF)	General Fund	178
Total		$ 41,713

Interfund Transfers:

Transfers Out	Transfers In	Amount	
General Fund	Other Governmental Funds	$ 34,283	(1)
	Special Revenue Bonds Fund	72,677	(2)
Other Governmental Funds	General Fund	1,149	(3)
	Municipal Capital Improvement Fund	9,364	(4)
Sewer Service Fund	General Fund	1,511	(5)
Nonmajor Parks & Recreation Fund	General Fund	400	(6)
Internal Service Funds	General Fund	233	(7)
Total		**$ 119,617**	

(1) The $34.3 million transferred from the General Fund consists of transfers made to provide funding for the following:

- $10.9 million for the Kids' First Children's Program.
- $23.2 million for debt service payments.
- $0.2 million for City-owned parcels of land in the Wildfire Prevention Assessment District.

(2) The $72.7 million transferred from the General Fund to Special Revenue Bond Fund for debt service payments.

(3) The $1.1 million transfer from Other Governmental Funds to General Fund as one-time contribution to general purpose budget and for City's claims and liability payments.

(4) The $9.4 million transfer from Other Governmental Funds to Municipal Capital Improvement Fund for City capital improvement projects such as critical Information Technology projects.

(5) The $1.5 million transfer from the Sewer Service Fund to the General Fund is to provide funding for $0.6 million for City-wide lease payments and $0.9 million for City's claims and liability payments.

(6) The $0.4 million transfer from the Parks and Recreation Fund to the General Fund as contribution for general fund purposes as approved in the Budget.

(7) The $0.2 million transfer from the Internal Service Fund to the General Fund is to provide funds for City's claims and liability payments.

(5) MEMORANDUMS OF UNDERSTANDING

The City and the Port have Memorandums of Understanding (MOUs) relating to: general obligation bonds issued by the City for the benefit of the Port; various administrative, personnel, south airport police security, aircraft rescue and fire fighters, and financial services (Special Services); police, fire, public street cleaning and maintenance, and similar services (General Services) provided by the City to the Port; and Lake Merritt payments. Payments are made upon execution of appropriate agreements and periodic findings and authorizations from the Board.

Special Services and Aircraft Rescue & Fire Fighters (ARFF)

Payments for special services and ARFF are treated as a cost of Port operations pursuant to the City Charter Section 717(3) Third Clause and have priority over certain other expenses of Port revenues. Special services and ARFF totaled $3,916,000 and are included in Operating Expenses. At June 30, 2013, $3,899,000 was accrued as a current liability by the Port and as a receivable by the City.

General Services and Lake Merritt Trust Services

Payments for General Services provided by the City are payable only to the extent the Port determines annually that surplus monies are available under the Charter for such purposes. As of June 30, 2012, the Port accrued approximately $1,012,000 of payments for General Services as a current liability and by the City as a receivable. Additionally, subject to certain conditions, the Port accrued approximately $1,133,000 to reimburse the City for General Services for net City expenditures for Lake Merritt Tideland Trust properties in 2013. Subject to adequate documentation from the City, and subject to availability of surplus monies, the Port expects that it will continue to reimburse the City annually for General Services and Lake Merritt Tideland Trust services.

Golf Course Lease with the Port

The Port has leased property to the City under a 66-year lease, which is expressed in terms of the Amended and Restated Lease between the Port and the City for the development and operation of the public golf course by the City. The lease commenced in 2003 when the Port delivered a completed 164.90 acres golf course to the City to replace the City's golf course that was destroyed when the Port used the site as a dredge disposal site. The golf course is leased to a third party and the minimum annual rental is $270,000 payable in twelve installments of $22,500 per month, which is then split 50/50 between the Port and the City.

(6) NOTES AND LOANS RECEIVABLE

Primary Government

The composition of the City's notes and loans receivable as of June 30, 2013, is as follows (in thousands):

Type of Loan	General Fund	Federal/ State Grant Fund	LMIHF[1]	Municipal Capital Improvement	Other Governmental Funds	Total
Pass-through Loans	$ -	$ 1,081	$ -	$ -	$ -	$ 1,081
HUD Loans	-	142,005	-	-	-	142,005
Economic Development Loans and Other	53	6,481	266,330	377	36,085	309,326
Less: Allowance for Uncollectible Accounts	-	(28,725)	(94,755)	-	(3,227)	(126,707)
Total Notes and Loans Receivable, Net	$ 53	$ 120,842	$ 171,575	$ 377	$ 32,858	$ 325,705

[1] Low and Moderate Income Housing Asset Fund

As of June 30, 2013, the City has a total of $325.7 million net notes and loans receivable, which is not expected to be received in the next twelve months. All of the City's notes and loans receivables are offset with deferred inflows of resources in the governmental funds as the collection of those notes and loans are not expected within the City's availability period.

Prior to effective date of the Redevelopment Dissolution Law, California Community Redevelopment Law required that at least 20% of the incremental tax revenues generated from certain redevelopment project areas be used to increase, improve, and preserve the affordable housing stock for families and individuals with very low, low, and moderate incomes. In response to this former requirement, the City established its 20% Housing Program and an additional 5% of the former tax increment to offer financial assistance to qualified developers, families, and individuals by providing loans at "below market" rates. Upon dissolution of the former Agency, the City assumed the housing activity function of the former Agency. All loans receivable relating to the Low and Moderate Income Housing Program have been transferred from the former Agency to the LMIHF, which was established as of February 1, 2012 pursuant to City Council resolution no. 83680 C.M.S. As of June 30, 2013, loans receivable relating to the LMIHF program totaled approximately $171.6 million, net of allowance for uncollectible accounts.

Notes and Loans Receivables Held by ORSA

Composition of loans receivable as of June 30, 2013 is as follows:

Housing development project loans	$ 1,462
Economic development loans	60,095
Gross notes and loans receivable	61,557
Allowance for uncollectible	(48,120)
Total notes and loans receivable, net	$ 13,437

As of June 30, 2013, ORSA has a total of $13.4 million net notes and loans receivable, which is not expected to be received in the next twelve months. The decrease in notes and loans receivable is mainly as a result of the State Controller's Office asset transfer review of $49.3 million (net of allowance of $34.9 million).

(7) CAPITAL ASSETS AND LEASES

Primary Government

Capital assets activity of the primary government for the year ended June 30, 2013, is as follows (in thousands):

	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
GOVERNMENTAL ACTIVITIES					
Capital assets, not being depreciated:					
Land [1]	$ 81,289	$ 8,148	$ 4,159	$ 1,111	$ 86,389
Intangibles (easements)	2,607	-	-	-	2,607
Museum collections	761	32	-	-	793
Construction in progress	96,172	113,631	-	(51,678)	158,125
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	180,829	121,811	4,159	(50,567)	247,914
Capital assets, being depreciated:					
Facilities and improvements [1]	780,088	30,381	40,922	6,635	776,182
Furniture, machinery and equipment	185,003	7,896	9,183	4,546	188,262
Infrastructure	610,269	-	-	39,386	649,655
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	1,575,360	38,277	50,105	50,567	1,614,099
Less accumulated depreciation:					
Facilities and improvements	329,370	24,162	2,871	-	350,661
Furniture, machinery and equipment	156,654	8,538	9,105	-	156,087
Infrastructure	234,813	21,700	-	-	256,513
TOTAL ACCUMULATED DEPRECIATION	720,837	54,400	11,976	-	763,261
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	854,523	(16,123)	38,129	50,567	850,838
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 1,035,352	$ 105,688	$ 42,288	$ -	$ 1,098,752

[1] The additions, deletion and transfers include the State Controllers's Office asset review pursuant to Health and Safety Code Section 34167.5 dated August 21, 2013. See Note 2 on extraodinary items for more details.

CITY OF OAKLAND

Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
BUSINESS-TYPE ACTIVITIES:					
Sewer Service Fund:					
Capital assets, not being depreciated:					
Land	$ 4	$ -	$ -	$ -	$ 4
Construction in progress	15,261	8,915	-	(732)	23,444
Total capital assets, not being depreciated	15,265	8,915	-	(732)	23,448
Capital assets, being depreciated:					
Facilities and improvements	311	-	-	-	311
Furniture, machinery and equipment	2,934	919	-	-	3,853
Sewer and storm drains	243,257	-	-	732	243,989
Total capital assets, being depreciated	246,502	919	-	732	248,153
Less accumulated depreciation:					
Facilities and improvements	195	21	-	-	216
Furniture, machinery and equipment	1,054	507	-	-	1,561
Sewer and storm drains	91,718	4,873	-	-	96,591
Total accumulated depreciation	92,967	5,401	-	-	98,368
Total capital assets, being depreciated, net	153,535	(4,482)	-	732	149,785
SEWER SERVICE FUND CAPITAL ASSETS, NET	$ 168,800	$ 4,433	$ -	$ -	$ 173,233
Parks and Recreation Fund:					
Capital assets, not being depreciated:					
Land	$ 218	$ -	$ -	$ -	$ 218
Total capital assets, not being depreciated	218	-	-	-	218
Capital assets, being depreciated:					
Facilities and improvements	4,391	42	-	-	4,433
Furniture, machinery and equipment	369	61	-	-	430
Infrastructure	85	-	-	-	85
Total capital assets, being depreciated	4,845	103	-	-	4,948
Less accumulated depreciation:					
Facilities and improvements	1,807	279	-	-	2,086
Furniture, machinery and equipment	332	18	-	-	350
Infrastructure	26	5	-	-	31
Total accumulated depreciation	2,165	302	-	-	2,467
Total capital assets, being depreciated, net	2,680	(199)	-	-	2,481
PARKS AND RECREATION FUND CAPITAL ASSETS, NET	$ 2,898	$ (199)	$ -	$ -	$ 2,699
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 171,698	$ 4,234	$ -	$ -	$ 175,932

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental Activities:		
General Government	$	9,243
Public Safety		5,625
Community Service Department		10,246
Community and Economic Development		
Planning, Building & Neighborhood Preservation		3,117
Housing & Community Development		75
Public Works		23,820
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets		2,274
Total	$	54,400
Business-Type Activities:		
Sewer	$	5,401
Parks and Recreation		302
Total	$	5,703

Discretely Presented Component Unit – Port of Oakland

Capital assets activity for the Port for the year ended June 30, 2013, is as follows (in thousands):

	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
Capital assets, not being depreciated:					
Land	$ 520,805	$ -	$ (762)	$ 3,192	$ 523,235
Intangibles (noise easements and air rights)	23,493	-	-	-	23,493
Construction in progress	175,086	116,424	(3,331)	(91,054)	197,125
Total capital assets, not being depreciated	719,384	116,424	(4,093)	(87,862)	743,853
Capital assets, being depreciated:					
Building and improvements	851,721	56	(7,008)	3,663	848,432
Container cranes	153,775	-	-	-	153,775
Systems and structures	1,574,781	-	(1,130)	77,314	1,650,965
Intangibles (software)	11,052	-	-	2,339	13,391
Other equipment	75,973	163	(1,853)	4,546	78,829
Total capital assets, being depreciated	2,667,302	219	(9,991)	87,862	2,745,392
Less accumulated depreciation:					
Building and improvements	472,661	30,088	6,171	-	496,578
Container cranes	83,817	5,254	-	-	89,071
Systems and structures	592,858	57,298	1,058	-	649,098
Intangibles (software)	1,658	1,105	-	-	2,763
Other equipment	49,949	4,489	1,788	-	52,650
Total accumulated depreciation	1,200,943	98,234	9,017	-	1,290,160
Total capital assets, being depreciated, net	1,466,359	98,015	(974)	87,862	1,455,232
CAPITAL ASSETS, NET	$ 2,185,743	$ 18,409	$ (5,067)	$ -	$ 2,199,085

On June 10, 2013, the Port completed the combined sale and lease of approximately 64-acres of land in total known as Oak-to-Ninth. Buildings, improvements, infrastructure and certain land was transferred to a developer in exchange for approximately $18,000,000, of which $4,500,000 was paid in cash and $13,500,000 financed with a promissory note payable in full to the Port on or before October 1, 2015. The net book value of the assets transferred was approximately $4,977,000.

Capital Leased to Others

The capital assets leased to others at June 30, 2013, consist of the following (in thousands):

Land	$	447,870
Container cranes		153,775
Building and improvements		215,556
Building and other facilities		1,045,178
Subtotal		1,862,379
Less accumulated depreciation		(631,192)
Net capital assets, on lease	$	1,231,187

Operating Leases

A major portion of the Port's capital assets is held for lease. Leased assets include maritime facilities, aviation facilities, office and commercial space, and land. The majority of the leases are classified as operating leases.

Certain maritime facilities are leased under agreements, which provide the tenants with preferential, but nonexclusive, use of the facilities. Certain leases provide for rentals based on gross revenues of the leased premises or, in the case of marine terminal facilities, on annual usage of the facilities. Such leases generally provide for minimum rentals and certain preferential assignments provide for both minimum and maximum rentals.

A summary of revenues from long-term leases for the year ended June 30, 2013, is as follows (in thousands):

Minimum non-cancelable rentals, including preferential assignments	$178,085
Contingent rentals in excess of minimums	16,272
Total	$ 194,357

The Port and Ports America Outer Harbor Terminal, LLC, a private company, entered into a long-term concession and lease agreement on January 1, 2010 for the operation of berths 20-24 for 50 years. A $60 million upfront fee was paid to the Port in fiscal year 2010. At June 30, 2013, the unamortized net upfront fee is approximately $50 million and the amounts are reported as unearned revenue in the statement of net position.

The Port's goals for the concession and lease agreement for berths 20-24 was, among other things, to maintain the continuous use and occupancy of berths 20-24 by a rent-paying tenant and maximize the annual revenue guarantee over the life of the concession, while also transferring the risk and responsibility for the berths to the concessionaire to the greatest extent commercially reasonable to do so. In furtherance of these goals, the concession and lease agreement provides that the concessionaire is responsible for any redevelopment of the berths. Except for certain emissions reductions measures which the concessionaire is obligated to implement, the improvements to be made by the concessionaire are at the discretion of the concessionaire, subject to market conditions and the concessionaire's ability to compete for and handle cargo under the then existing condition of the facilities at Berths 20-24.

Minimum future rental revenues for years ending June 30 under non-cancelable operating leases having an initial term in excess of one year are as follows (in thousands):

Year	Rental Revenues
2014	$ 166,746
2015	164,079
2016	162,643
2017	142,566
2018	178,585
2019 - 2023	488,001
2024 - 2028	262,325
2029 - 2033	215,992
2034 - 2038	236,753
2039 - 2043	254,948
2044 - 2048	278,455
Thereafter	764,601
Total	$ 3,315,694

The Port turned over the operation of its Marina to a private company through a long-term financing lease and operating agreement on May 1, 2004. Minimum future lease payments to be received for the succeeding years ending June 30 are as follows (in thousands):

Year	Rental Revenues
2014	$ 390
2015	401
2016	413
2017	426
2018	438
2019 - 2023	2,398
2024 - 2028	2,780
2029 - 2033	3,222
2034 - 2038	3,736
2039 - 2043	4,331
2044 - 2048	5,020
Thereafter	6,874
Total	$ 30,429

(8) PROPERTY HELD FOR RESALE

Primary Government

A summary of changes in Property Held for Resale is as follows (in thousands):

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Property held for resale	$ 133,383	$ -	$ 56,417	$ 76,966

On August 21, 2013, the State Controller's Office pursuant to Health and Safety Code section 34167.5, issued the asset transfer review and reversed the March 3, 2011 agreement entered between the City and the former Redevelopment Agency for the purchase and sale agreement of various Agency properties to the City. The reversal resulted in a transfer of $56,417 in property held for resale to the ORSA. See extraordinary item under Note 2 for a detailed discussion.

Oakland Redevelopment Successor Agency

As of June 30, 2013, ORSA has a total $100.3 million for properties booked at the lower of cost or net realizable value. The changes represent the State Controller Office asset transfer review dated August 21, 2013. On May 29, 2013, ORSA received its finding of completion under Health and Safety Code section 34179.7 from California Department of Finance (DOF). On July 2, 2013, the City approved resolution no 2013-0022 C.M.S approving a Long-Range Property Management Plan ("LRPMP") addressing the disposition and use of former Redevelopment Agency properties and authorizing the disposition of properties pursuant to the plan, subsequently, the Oversight Board followed suit on July 15, 2013 with approving resolution no. 2013-014 for the same. DOF has yet to approve the plan. The table below shows a summary of the changes in the Property Held for Resale (in thousands):

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Property held for resale	$ 38,957	$ 93,381	$ 32,067	$ 100,271

(9) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2013, for the City's individual major funds, nonmajor governmental funds in the aggregate, business-type activities – enterprise fund and internal service funds, are as follows (in thousands):

	Accounts Payable	Accrued Payroll/ Employee Benefits	Total
Governmental Activities:			
General Fund	$ 31,751	$ 64,209	$ 95,960
Federal/State Grant Fund	12,711	-	12,711
Low and Moderate Income Housing Asset Fund	1	-	1
Municipal Capital Improvement Fund	4,754	-	4,754
Special Revenue Bonds Fund	1	-	1
Other governmental funds	8,376	-	8,375
Subtotal	57,594	64,209	121,802
Internal service funds	3,343	-	3,343
TOTAL	$ 60,937	$ 64,209	$ 125,145

	Accounts Payable	Accrued Payroll/ Employee Benefits	Total
Business-type Activities:			
Sewer Service Fund	$ 2,271	$ -	$ 2,271
Nonmajor Fund - Parks and Recreation	6	-	6
TOTAL	$ 2,277	$ -	$ 2,277

Accounts payable and accrued liabilities for the pension trust funds and private purpose trust funds at June 30, 2013, are as follows (in thousands):

Pension Trust Funds:	
Accounts payable	$ 25
Investments payable	16,107
Accrued investment management fees	396
Member benefits payable	4,909
Total	21,437
Oakland Redevelopment Successor Agency Trust Fund	
Accounts payable and accrued liabilities	16,181
Private Purpose Trust Fund	
Accounts payable and accrued liabilities	186

(10) TAX AND REVENUE ANTICIPATION NOTES PAYABLE

The City issued tax and revenue anticipation notes in advance of property tax collections. The notes were used to satisfy General Fund obligations and carried an interest rate of 1.00% to yield at 0.21% at maturity. Principal and interest were paid on June 30, 2013.

The short-term debt activity for the year ended June 30, 2013, is as follows (in thousands):

	Beginning Balance	Issued	Redeemed	Ending Balance
2012 - 2013 Tax & Revenue Anticipation Notes	$ -	$ 83,125	$ (83,125)	$ -

(11) LONG-TERM OBLIGATIONS

Primary Government

The following is a summary of long-term obligations as of June 30, 2013 (in thousands):

Governmental Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Bonds Payable:			
General obligation bonds (A)	2039	3.50 - 6.25%	$ 309,793
Lease revenue bonds (B)	2027	3.00 - 5.50%	176,850
Pension obligation bonds (C)	2026	2.374 - 6.89%	367,394
Accreted interest (B) and (C)			162,874
City guaranteed special assessment district bonds (C)	2039	2.00 - 6.70%	6,690
Plus Deferred Amounts:			
Bond issuance premiums			20,219
Total			1,043,820
Notes Payable and Capital Leases:			
Notes payable (B) and (D)	2017	1.00 - 8.27%	7,815
Capital leases (B) and (D)	2025	1.460 - 5.46%	39,228
Total			47,043
Other Long-Term Liabilities			
Accrued vacation and sick leave (E)			40,564
Self-insurance liability - workers' compensation (B)			80,596
Self-insurance liability - general liability (B)			28,554
Estimated environmental cost (B)			3,455
Pledge obligation for Coliseum Authority debt (B)			56,895
Net OPEB obligation (B)			215,252
Interest rate swap agreement (B)			12,208
Total			437,524
Total Governmental Activities Long-Term Obligations, Net			**$ 1,528,387**

Debt service payments are made from the following sources:

- (A) Property tax recorded in the debt service funds
- (B) Revenues recorded in the general fund
- (C) Property tax voter approved debt
- (D) Revenues recorded in the special revenue funds
- (E) Compensated absences are financed by governmental funds (General Fund, Federal/State Grant Fund, LMIHF, Municipal Capital Improvement Fund, and Other Governmental Funds) and proprietary funds (Sewer Service Fund) that are responsible for the charges.

Business-Type Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Sewer fund - Notes payable	2014	3.00 - 3.50%	$ 291
Sewer fund - Bonds	2029	3.00 - 5.25%	48,710
Unamortized Bond Premium			1,885
Total Business-Type Activities Long-Term Obligations, Net			$ 50,886

Component Unit - Port of Oakland

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Senior and intermediate lien bonds	2033	2.00- 5.50%	$ 1,160,615
Notes and loans	2030	0.13 - 5.00%	83,755
Plus Deferred Amounts:			
Unamortized bond discounts and premiums, net			62,091
Total bonds, notes, and loans payable			1,306,461
Self-insurance liability - workers' compensation			9,630
Self-insurance liability - general liability			290
Accrued vacation, sick leave and compensatory time			7,481
Environmental remediation and other liabilities			19,601
Net OPEB obligation			10,453
Total other long-term obligations			47,455
Total Component Unit Long-Term Obligations, Net			$ 1,353,916

Oakland Redevelopment Successor Agency

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Tax Allocation Bonds	2041	2.50 - 8.50%	$ 358,980
Housing Set-Aside Bonds	2042	3.25 - 9.25%	122,015
Plus (less) Deferred Amounts:			
Issuance premiums			5,695
Issuance discounts			(2,387)
Total ORSA Long-Term Obligations, Net			$ 484,303

Revenues Pledged for the Repayment of Debt Service - ORSA

Tax Allocation Bonds

The Tax Allocation Bonds (TAB), which are comprised of Series 1992, Series 2003, Series 2005, Series 2006T, Series 2009T, Series 2006A TE/T, Series 2006B TE/T, Series 2006C TE/T, and Series 2010T are issued primarily to finance redevelopment projects and are all secured by pledge of redevelopment property tax revenues (i.e. former tax increment), consisting of a portion of taxes levied upon all taxable properties within each the tax increment generating redevelopment project areas, and are equally and ratably secured on a parity with each TAB series.

As of June 30, 2013, assuming no growth in assessed valuation throughout the term of each project area, the total projected accumulated redevelopment property tax revenue through the period of the bonds would be estimated at $2,856,580,000. These revenues have been pledged until the year 2041, the final maturity date of the bonds. The total principal and interest remaining on these TABs as of June 30, 2013 is estimated at $559,959,000, which is 19.6 percent of the total projected redevelopment property tax revenues. The pledged redevelopment property tax revenues recognized as of June 30, 2013 were $65,174,000 of which $39,741,766 (principal and interest) was used to pay debt service.

Historically, upon receipt of property tax increment, the Agency calculated the 80 percent and 20 percent and the voluntary 5 percent amount of tax increment and would then transfer the 20 percent and 5 percent portion to the Low and Moderate Income Housing Fund, as required by the California Health and Safety Code and the Agency board resolution. The previous requirement to bifurcate the tax increment into 80 percent and 20 percent portions was eliminated in AB X1 26. However, in order to maintain compliance with bond indentures secured by the 80 percent and 20 percent tax increment, the Oakland Redevelopment Successor Agency plans to request the funds through the Recognized Obligation Payment Schedule (ROPS) from the Redevelopment Property Tax Trust Fund ("RPTTF") pursuant to Health and Safety Code 34183 (a)(2)(A) as an enforceable obligations for debt service payments until the debt obligations have been satisfied.

Housing Set-Aside Bonds

The Housing set-aside bonds, which is comprised of Series 2006A, Series 2006A-T and Series 2011T are issued to finance affordable housing projects and are secured by a pledge and lien upon the 20% redevelopment property tax revenue (i.e. former tax increment) set-aside for the low and moderate income housing fund.

As of June, 30, 2013, assuming no growth in assessed valuation throughout the term of each project area, the total projected accumulated redevelopment property tax revenue through the period of the bonds would be estimated at $758,182,000. These revenues have been pledged until the year 2042, the final maturity date of the bonds. The total principal and interest remaining on these Housing Set-Aside Bonds as of June 30, 2013 is estimated at $239,930,000, which is 31.6 percent of the total projected tax increment revenues. The pledged redevelopment property tax revenue recognized as of June 30, 2013 was zero. The principal and interest debt service payment for the reporting period was $12,115,887. The former Agency's debt service payments are requested through the Recognized Obligation Payment Schedule (ROPS) as enforceable obligations until the debt obligations have been satisfied.

In the future, in order to maintain compliance with bond indentures secured by the 20 percent tax increment, the Oakland Redevelopment Successor Agency plans to request the funds through the ROPS from the RPTTF pursuant to Health and Safety Code 34183 (a)(2)(A) as enforceable obligations for debt service payments until the debt obligations have been satisfied.

Revenues Pledged for the Repayment of Debt Service – Port

The Port's long-term debt consists primarily of tax-exempt bonds. The majority of the Port's outstanding bonds are revenue bonds which are secured by Pledged Revenues of the Port. Pledged Revenues are substantially all revenues and other cash receipts of the Port, including, without limitation, amounts held in the Port Revenue Fund with the City, but excluding amounts received from certain taxes, certain insurance proceeds, special facilities revenues, and certain other gifts, fees, and grants that are restricted by their terms to purposes inconsistent with the payment of debt service.

Pledged Revenues do not include cash received from Passenger Facility Charges (PFC) or Customer Facility Charges (CFC) unless projects included in a financing are determined to be PFC or CFC eligible and bond proceeds are expended on such eligible projects and the Port elects to pledge PFCs or CFCs as supplemental security to such applicable bonds. As of June 30, 2013, the Port has no bonds for which PFCs or CFCs are pledged.

For additional disclosures on revenues pledged for repayment of Port debt, see the separately issued financial statements of the Port.

Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures held by the City, ORSA, and the Port. Management believes that the City, ORSA, and the Port are in compliance.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2013, the City's debt limit (3.75% of valuation subject to taxation) was $1,125,725,668. The total amount of debt applicable to the debt limit was $309,791,916. The resulting legal debt margin was $815,933,752.

Interest Rate Swap

Oakland Joint Powers Financing Authority Lease Revenue Bonds, 1998 Series A1/A2

Objective of the Interest Rate Swap: On January 9, 1997, the City entered into a forward-starting synthetic fixed rate swap agreement (the "Swap") with Goldman Sachs Mitsui Marine Derivatives Products, U.S., L.P. (the "Counterparty") in connection with the $187,500,000 Oakland Joint Powers Financing Authority (the "Authority") Lease Revenue Bonds, 1998 Series A1/A2 (the "1998 Lease Revenue Bonds"). Under the swap agreement, which effectively changed the City's variable interest rate on the bonds to a synthetic fixed rate, the City would pay the Counterparty a fixed rate of 5.6775% through the end of the swap agreement in 2021 and receive a variable rate based on the Bond Market Association index. The City received an upfront payment from the Counterparty of $15 million for entering into the Swap.

On March 21, 2003, the City amended the swap agreement to change the index on which the Swap is based from the Bond Market Association index to a rate equal to 65% of the 1-month London Interbank Offer Rate ("LIBOR"). This amendment resulted in an additional upfront payment from the Counterparty to the City of $5.975 million.

On June 21, 2005, all of the outstanding 1998 Lease Revenue Bonds were defeased by the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1, A-2 and B ("Series 2005 A & B Bonds"). $143,093,669 was deposited with the trustee to defease the 1998 Lease Revenue Bonds. However, the Swap associated with the 1998 Lease Revenue Bonds still remains in effect. This is now a stand-alone swap with no association to any bond.

The amortization schedule is as follows as of June 30, 2013:

Calculation period (July 31)	Notional Amount	Fixed Rate To Counterparty	65% of LIBOR[1]	Net Rate
2013	$ 61,200,000	5.6775%	0.1265%	5.5510%
2014	53,700,000	5.6775%	0.1265%	5.5510%
2015	46,400,000	5.6775%	0.1265%	5.5510%
2016	39,300,000	5.6775%	0.1265%	5.5510%
2017	32,500,000	5.6775%	0.1265%	5.5510%
2018	25,800,000	5.6775%	0.1265%	5.5510%
2019	19,300,000	5.6775%	0.1265%	5.5510%
2020	12,800,000	5.6775%	0.1265%	5.5510%
2021	6,400,000	5.6775%	0.1265%	5.5510%

[1] Rate is as of 1-month LIBOR on June 28, 2013. Rates are projections, LIBOR rate fluctuates daily.

Terms: The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2013 of $61,200,000. The notional amount of the swap declines through 2021. Under the Swap, the City pays the counterparty a fixed payment of 5.6775% and receives a variable payment computed at 65% of LIBOR rate (total rate not to exceed 12%). The City's payments to the counterparty under the Swap agreement are insured by the third party bond insurer.

Fair Value: Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of $12,207,803 as of June 30, 2013. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the Swap.

Credit Risk: The issuer and the counterparty take a credit risk to each other over the life of the swap agreement. This is the risk that either the issuer or the counterparty will fail to meet its contractual obligations under the swap agreement. The Counterparty was rated Aa2 by Moody's Investors Service, and AAA by Standard and Poor's as of June 30, 2013. To mitigate the potential for credit risk, if the counterparty's credit quality falls below A3 by Moody's Investors Service or A- by Standard and Poor's, the swap agreement provides the counterparty, the City, the bond insurer for the Bonds and a third party collateral agent to execute a collateral agreement within 30 days of such a downgrade.

Termination Risk: An interest rate swap has some degree of termination risk. Linked to counterparty risk, a termination of the swap will result in a payment being made or received by the City depending on the then prevailing interest rate environment. The City may terminate the Swap if the counterparty fails to perform under the terms of the contract. The City also may terminate the Swap if the counterparty fails to execute a collateral agreement satisfactory to the City and the bond insurer within 30 days of the counterparty's ratings falling below "A3" by Moody's Investors Service or "A-" by Standard and Poor's.

The counterparty may terminate the Swap if the City fails to perform under the terms of the contract. The counterparty also may terminate the Swap if the City's ratings fall below "Baa3" by Moody's Investors Service or "BBB-" by Standard and Poor's. If at the time of termination, the Swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the Swap's fair value.

Changes in Long-term Obligations

Primary Government

The changes in long-term obligations for the year ended June 30, 2013, are as follows (in thousands):

Governmental Activities

	Balance at July 1, 2012 [1]	Additional obligations, interest accretion and net increases (decreases)	Current maturities, retirements and net decreases (increases)	Balance at June 30, 2013	Amounts due within one year
Bonds Payable:					
General obligation bonds	$ 326,609	$ -	$ 16,816	$ 309,793	$ 19,344
Lease revenue bonds	210,530	-	33,680	176,850	35,295
Pension obligation bonds	174,777	212,540	19,923	367,394	18,881
City guaranteed special assessment district bonds	7,475	3,545	4,330	6,690	325
Accreted interest on appreciation bonds	157,211	22,609	16,946	162,874	16,858
Unamortized premium and discount	23,176	(1,129)	1,828	20,219	1,829
Total	899,778	237,565	93,523	1,043,820	92,532
Notes Payable and Capital Leases:					
Notes payable	10,140	-	2,325	7,815	2,485
Capital Leases	13,498	28,000	2,270	39,228	6,925
Total	23,638	28,000	4,595	47,043	9,410
Other Long-Term Liabilities:					
Accrued vacation and sick leave	41,438	49,297	50,171	40,564	30,104
Pledge obligation for Coliseum Authority debt	61,408	-	4,513	56,895	3,670
Estimated environmental cost	4,433	50	1,028	3,455	1,000
Self-insurance liability - workers' compensation	85,558	17,297	22,259	80,596	20,821
Self-insurance liability - general liability	33,971	13,652	19,069	28,554	11,390
Net OPEB obligation	186,583	46,291	17,622	215,252	-
Interest rate swap agreement	16,165	-	3,957	12,208	-
Total	429,556	126,587	118,619	437,524	66,985
Total Governmental Activities Long-Term Obligations	**$ 1,352,972**	**$ 392,152**	**$ 216,737**	**$ 1,528,387**	**$ 168,927**

[1] The July 1, 2012 balance were restated to reflect the impact of GASB No. 65 implementation.

Internal service funds predominantly serve governmental funds and therefore, the long-term liabilities of these funds are included as part of the above totals for governmental activities. At June 30, 2013, $13,704,060 of capital leases and notes payable related to the internal service funds are included in the above amounts. Compensated absences obligations are financed and recorded in the appropriate governmental and proprietary funds when due.

Business-Type Activities

	Balance at July 1, 2012	Additions	Current maturities, retirements and net decreases	Balance at June 30, 2013	Amounts due within one year
Sewer fund - Notes payable	$ 574	$ -	$ 283	$ 291	$ 291
Sewer fund - Bonds	50,695	-	1,985	48,710	2,090
Unamortized bond premium	2,003	-	118	1,885	118
Total	$ 53,272	$ -	$ 2,386	$ 50,886	$ 2,499

A summary of the Oakland Redevelopment Successor Agency changes in long-term debt for June 30, 2013 are as follows (in thousands):

Oakland Redevelopment Successor Agency

	Balance at 7/01/2012 [1]	Additions	Deductions	Balance at June 30, 2013	Due within One Year
Bonds Payable:					
Tax allocation bonds	$ 377,665	$ -	$ (18,685)	$ 358,980	20,460
Housing set-aside revenue bonds	125,875	-	(3,860)	122,015	4,410
Plus (less) unamortized amounts:					
Issuance premiums	6,675	-	(980)	5,695	933
Issuance discount	(2,523)	-	136	(2,387)	(136)
Total	**$ 507,692**	**$ -**	**$ (23,389)**	**$ 484,303**	**25,667**

[1] The July 1, 2012 balance were restated to reflect the impact of GASB No. 65 implementation

Component Unit - Port of Oakland

	Balance at July 1, 2012[1]	Additions, interest accretion and net increases	Current maturities, retirements and net decreases	Balance at June 30, 2013	Amounts due within one year
Senior and intermediate lien bonds	$ 1,262,965	$ 383,890	$ 486,240	$ 1,160,615	$ 41,445
Notes and loans	92,832	-	9,077	83,755	219
Plus unamortized amounts:					
Unamortized bond discount and premium, net	19,773	46,323	4,005	62,091	6,800
Total	1,375,570	430,213	499,322	1,306,461	48,464
Accrued vacation, sick leave, and compensatory time	6,023	2,799	1,341	7,481	5,024
Environmental remediation and other liabilities	23,222	4,904	8,525	19,601	4,018
Self-insurance liability - workers' compensation	8,190	2,632	1,192	9,630	1,500
Self-insurance liability - general liability	5,663	-	5,373	290	290
Net OPEB obligation	10,510	10,984	11,041	10,453	-
Total	53,608	21,319	27,472	47,455	10,832
Total Component Unit Long-Term Obligations	**$ 1,429,178**	**$ 451,532**	**$ 526,794**	**$ 1,353,916**	**$ 59,296**

[1] The July 1, 2012 balance were restated to reflect the impact of GASB No. 65 implementation.

Repayment Schedule:

Primary Government

The annual repayment schedules for all long-term debt as of June 30, 2013, are as follows (in thousands):

Governmental Activities [1]

Year Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Special Assessment District Bonds Principal	Special Assessment District Bonds Interest
2014	$ 19,343	$ 15,637	$ 35,295	$ 8,155	$ 325	$ 276
2015	20,394	14,685	31,600	6,465	345	268
2016	19,350	13,700	18,845	5,290	335	260
2017	20,425	12,748	19,775	4,382	350	250
2018	21,462	11,752	5,660	3,398	365	237
2019-2023	97,445	42,494	32,830	12,468	1,960	986
2024-2028	39,343	25,526	32,845	3,388	1,155	662
2029-2033	45,895	14,780	-	-	625	480
2034-2038	21,795	5,223	-	-	825	261
2039-2041	4,340	271	-	-	405	26
Total	$ 309,792	$ 156,816	$ 176,850	$ 43,546	$ 6,690	$ 3,706

Governmental Activities [1]

Year Ending June 30	Notes Payable Principal	Notes Payable Interest	Capital Leases Principal	Capital Leases Interest
2014	$ 2,485	$ 216	$ 6,925	$ 1,134
2015	2,180	157	6,707	943
2016	1,090	121	6,482	764
2017	2,060	53	3,404	597
2018	-	-	2,997	495
2019-2023	-	-	9,946	1,277
2024-2028	-	-	2,767	126
Total	$ 7,815	$ 547	$ 39,228	$ 5,336

Year Ending June 30	Pension Obligation Bonds Principal	Pension Obligation Bonds Accreted Interest	Pension Obligation Bonds Interest	Total Principal	Total Accreted Interest	Total Interest
2014	$ 18,881	$ 16,858	$ 30,845	$ 83,254	$ 16,858	$ 56,263
2015	18,079	22,606	32,892	79,305	22,606	55,410
2016	17,210	24,688	35,036	63,312	24,688	55,171
2017	16,370	26,774	37,182	62,384	26,774	55,212
2018	25,275	28,807	39,162	55,759	28,807	55,044
2019-2023	120,199	173,074	221,702	262,380	173,074	278,927
2024-2028	151,380	-	10,832	227,490	-	40,534
2029-2033	-	-	-	46,520	-	15,260
2034-2038	-	-	-	22,620	-	5,484
2039-2041	-	-	-	4,745	-	297
Subtotal	$ 367,394	$ 292,807	$ 407,651	$ 907,769	$ 292,807	$ 617,602
Less: unaccreted interest	-	(129,933)	-	-	(129,933)	-
	$ 367,394	$ 162,874	$ 407,651	$ 907,769	$ 162,874	$ 617,602

[1] The specific year for payment of other long-term liabilities is not practicable to determine.

Business-Type Activities

Year Ending June 30	Sewer Revenue Bonds Principal	Sewer Revenue Bonds Interest	Sewer Notes Payable Principal	Sewer Notes Payable Interest	Total Principal	Total Interest
2014	$ 2,090	$ 2,395	$ 291	$ 9	$ 2,381	$ 2,404
2015	2,175	2,306	-	-	2,175	2,306
2016	2,285	2,197	-	-	2,285	2,197
2017	2,400	2,083	-	-	2,400	2,083
2018	2,520	1,963	-	-	2,520	1,963
2019-2023	14,480	7,933	-	-	14,480	7,933
2024-2028	18,490	3,931	-	-	18,490	3,931
2029-2033	4,270	214	-	-	4,270	214
Total	$ 48,710	$ 23,022	$ 291	$ 9	$ 49,001	$ 23,031

Oakland Redevelopment Successor Agency

The debt service requirements for all debt are based upon a fixed rate of interest. The annual requirements to amortize outstanding tax allocation bonds and other long-term debt outstanding as of June 30, 2013, including mandatory sinking fund payments, are as follows (in thousands):

Year Ending June 30:	Principal	Interest	Total
2014	$ 24,870	$ 28,053	$ 52,923
2015	19,865	26,651	46,516
2016	27,140	25,334	52,474
2017	29,760	23,670	53,430
2018	30,570	21,848	52,418
2019-2023	153,070	80,428	233,498
2024-2028	48,265	52,447	100,712
2029-2033	59,120	37,371	96,491
2034-2038	65,240	18,927	84,167
2039-2042	23,095	4,165	27,260
TOTAL	$ 480,995	$ 318,894	$ 799,889

Discretely Presented Component Unit – Port of Oakland

The Port's required annual debt service payment for the outstanding long-term debt, not including Commercial Paper Notes, as of June 30, 2013, are as follows (in thousands):

Year Ending June 30:	Principal	Interest	Total
2014	$ 61,797 (1)	$ 61,953	$ 123,750
2015	68,890	58,892	127,782
2016	71,654	54,469	126,123
2017	56,658	50,344	107,002
2018	53,208	47,798	101,006
2019-2023	290,971	199,574	490,545
2024-2028	357,690	120,463	478,153
2029-2033	283,502	34,815	318,317
TOTAL	$ 1,244,370	$ 628,308	$ 1,872,678

(1) Commercial Paper has been classified as long-term debt because the Port has the intent and ability to continue to refinance this debt. Although the Port intends to refinance the Commercial Paper debt in the future, for purposes of this schedule, Commercial Paper debt is amortized over the fiscal year 2014-2018 pursuant to the "Term Loan" provisions of the Commercial Paper Reimbursement Agreements.

On October 10, 2012, the Port issued $380.3 million of 2012 Series P (AMT) together with certain additional funds provided by the Port to refund and retire $357.0 million of 2002 Series L and $79.1 million of 2002 Series N. In addition, the Port issued $3.6 million of 2012 Series Q (non-AMT) together with certain additional funds provided by the Port to refund and retire $27.7 million of 2002 Series M. The final maturity date for the 2012 Series P is May 1, 2033 and for 2012 Series Q is May 1, 2014. The gross debt service savings through fiscal year 2033 is $63.4 million with a present value savings of $60.1 million. In addition, the Port recorded a deferred loss on refunding of $1.8 million.

Current Year Long-Term Debt Financings

Taxable Pension Obligation Bonds Series 2012

On July 30, 2012, the City issued its $212,540,000 Taxable Pension Obligation Bonds Series 2012 (the "POB Series 2012). The POB Series 2012 were issued to fund a portion of the City's unfunded actuarial accrued liability for retirement benefits to members of the Retirement System.

The issuance of the POBs Series 2012 is part of the plan of finance undertaken by the City to continue to permit annual debt service to be paid from the annual Tax Override Revenues anticipated by the City to be received and to minimize the need for the City to use other revenues to pay such debt service.

The interest rates on the POB Series 2012 ranged from 2.37% to 4.67% which produced a yield of 2.37% to 4.67% and the final maturity is on December 15, 2025.

City of Oakland 2012 Limited Obligation Refunding Improvement Bonds Reassessment District No. 99-1.

On August 30, 2012, the City issued $3,545,000 of Limited Obligation Refunding Improvement Bonds, Reassessment District No. 99-1 (the "Bonds"). The proceeds were used to refund all of the City's outstanding Oakland Joint Powers Financing Authority's Reassessment Revenue Bonds, Series 1999. The issuance of the Bonds produced approximately $425,000 in net present value savings and an annual per parcel savings of $41 for the property owners in the district.

The Bonds were issued with interest rates ranging from 2.00% to 3.50% which yielded a rate of 0.80% to 3.64% with a final maturity on September 2, 2024.

The refunding resulted in a positive cash flow in the amount of $626,760. In addition, the City obtained a net economic gain on this financing of $422,645.

Master Lease – Vehicles and Equipment.

On May 9, 2013, the City of Oakland closed a lease transaction with Chase Equipment Finance, Inc. in the amount of $11,850,000 for the purpose of financing the acquisition of the equipment, software, maintenance and services for different types of fleet vehicles and equipment. The financing is done on a tax-exempt basis with a final maturity of May 1, 2021; the interest rate on this lease transaction is 1.4604%.

Master Lease – LED Streetlight Acquisition Lease Financing.

On May 30, 2013, the City of Oakland closed a lease transaction with Banc of America Leasing & Capital LLC in the amount of $16,150,000 for the purpose of financing the acquisition and installation of 30,000 light-emitting diode (LED) streetlamps and related improvements and equipment on and to an equivalent numbers of streetlights to replace high pressure sodium cobra-head streetlamps in the City of Oakland.

The financing consists of two portions, a Taxable Qualified Energy Conservation Bonds (QECB, Direct Subsidy) and a Non-Bank Qualified tax-exempt basis with a final maturity of May 30, 2025; the interest rates on this lease transaction are 3.23% and 2.39%, respectively. The City expects to receive approximately $2.6 million or 70% interest subsidy from the federal government for the QECB issuance portion.

Prior Year's Debt Defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable escrow funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the escrow funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and is therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2013, the City has no defeased debt outstanding.

Authorized and Unissued Debt

The City has $62.3 million (Measure DD) General Obligation Bonds authorized and unissued. The voters, in a City election on November 5, 2002, authorized these bonds. The bonds are to be issued by the City in general obligation bonds for the improvement of Lake Merritt, the Estuary, inland creeks, Studio One, and other specifically identified projects in the City.

Conduit Debt

The following long-term debt has been issued by the City on behalf of named agents of the City. The bonds do not constitute an indebtedness of the City. The bonds are payable solely from revenue sources defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to the bond indentures. In the opinion of City officials, these bonds are not payable from any revenues or assets of the City, and neither the full faith and credit nor the taxing authority of the City, State or any political subdivision thereof is obligated for the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded.

The conduit debt issued and outstanding at June 30, 2013 (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2013
Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	$ 19,800	07/01/33	$ 14,985
Redevelopment Agency of the City of Oakland, Multifamily Housing Revenue Bonds (Uptown Apartment Project), 2005 Series A	160,000	10/01/50	160,000
TOTAL	$ 179,800		$ 174,985

(12) GENERAL FUND BALANCE RESERVE POLICY

The City Council approved the original City Reserve Policy on March 22, 1994. Creation of the policy was to help pay any unanticipated expenditures and pay for claims arising from the City's insurance program. In May 2010, the City adopted a revised reserve policy equal to seven and one-half percent (7.5%) for unassigned fund balance of the General Purpose Fund (GPF) appropriation for each fiscal year. The GPF accounts for the City's operating budget that pays for basic programs and services as well as elected offices and municipal business functions. The GPF is reported within the General Fund.

The reserve policy established criteria for the use of GPF reserve, the use of excess Real Estate Transfer Tax (RETT) revenue, and use of one-time revenues, and to minimize draw-downs from the GPF reserve by previous approved projects and encumbrances.

The policy also established a baseline for the Real Estate Transfer Tax at $40 million (an amount collected in a normal year), with any amount over the baseline used as follows:

- Replenishment of the GPF reserves until such reserves reach 10 percent of current year budgeted GPF appropriations; and the remainder.
- 50 percent to repay negative Internal Service Fund balances.
- 30 percent set aside the Police and Fire Retirement System (PFRS) liability until this obligation is met.
- 10 percent to establish an Other Postemployment Benefits (OPEB) trust; and
- 10 percent to replenish the Capital Improvement Reserve Fund until such baseline reaches $10 million.

The policy also requires the City to conform to the following regarding the use of one-time discretionary revenues:

- 50 percent to repay negative Internal Service Fund balances and,
- 50 percent to repay negative fund balances in all other funds, unless legally restricted to other purposes.

As of June 30, 2013, the City has $95.4 million in the GPF fund balance. Of this amount, $37.2 million is set aside to meet the mandated 7.5% required reserve of $33.2 million, and is reported in the assigned fund balance of the General Fund.

(13) SELF-INSURANCE

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; employee’s injuries; natural disasters; unemployment coverage; and providing health benefits to employees, retirees and their dependents. For the past three years, there have been no significant reductions in any of the City’s insurance coverage and no settlement amounts have exceeded commercial insurance coverage.

The City is self-insured for its general liability, malpractice liability, public official’s errors and omissions, products and completed operations, employment practices liability, and auto liability up to $4,000,000 retention level and up to $750,000 retention level for workers’ compensation and has excess insurance with the California State Association of Counties – Excess Insurance Authority as described in the Insurance Coverage section.

Property Damage

Property damage risks are covered on an occurrence basis by commercial insurance purchased from independent third parties. All properties are insured at full replacement values after a $25,000 deductible to be paid by the City.

Workers' Compensation

The City is self-insured for workers' compensation. Payment of claims is provided through annual appropriations, which are based on claim payment experience and supplemental appropriations. Of the $80,596,283 in claims liabilities as of June 30, 2013, approximately $20,820,639 is estimated to be due within one year.

Changes in workers' compensation claims liabilities for the years ended June 30, 2013 and 2012 are as follows (in thousands):

	2013	2012
Self-insurance liability - workers' compensation, beginning of year	$ 85,558	$ 82,045
Current year claims and changes in estimates	17,297	29,810
Claims payments	(22,259)	(26,297)
Self-insurance liability - workers' compensation, end of year	$ 80,596	$ 85,558

The estimated undiscounted liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

General Liability

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2013, the amount of liability determined to be probable of occurrence is approximately $28,554,250. Of this amount, claims and litigation approximating $11,389,651 are estimated to be due within one year. The recorded liability is the City's best estimate based on available information and may be revised as further information is obtained and as pending cases are litigated. The City and the ORSA are involved in various claims and litigation arising in the ordinary course of its activities. In the opinion of the ORSA's in-house counsel and the City Attorney's Office for the City, none of these claims are expected to have a significant impact on the financial position or changes in financial position of the City and the ORSA. The City has not accumulated or segregated assets or set aside fund balances for the payment of estimated claims and judgments.

Changes in general claims liabilities for the years ended June 30, 2013 and 2012 are as follows (in thousands):

	2013	2012
Self-insurance liability - general liability, beginning of year	$ 33,971	$ 36,687
Current year claims and changes in estimates	13,652	12,414
Claims payments	(19,069)	(15,130)
Self-insurance liability - general liability, end of year	$ 28,554	$ 33,971

The estimated undiscounted liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

Insurance Coverage

On July 15, 2002, the City entered into a contract with the California State Association of Counties Excess Insurance Authority (CSAC EIA), a joint powers authority, whose purpose is to develop and fund programs of excess insurance for its member counties and cities. Effective July 1, 2011, the self-insured retention levels and purchased insurance per occurrence are as follows:

Type of Coverage	Self-Insurance Retention	Insurance Authority/ Purchase Insurance (per occurrence/annual aggregate)
General Liability	Up to $3,000,000	$3,000,000 to $25,000,000
Automobile Liability	Up to $3,000,000	$3,000,000 to $25,000,000
Public Officials Errors and Omissions	Up to $3,000,000	$3,000,000 to $25,000,000
Products and Completed Operations	Up to $3,000,000	$3,000,000 to $25,000,000
Employment Practices Liability	Up to $3,000,000	$3,000,000 to $25,000,000
Workers' Compensation	Up to $750,000	$750,000 to $100,000,000

Discretely Presented Component Unit – Port of Oakland

Workers' Compensation

The Workers' Compensation liability at June 30, 2013 is based on an actuarial valuation performed as of June 30, 2013 that assumed a probability level of 70% and a discount rate of 1.15%. Changes in the reported liability resulted from the following (in thousands):

	2013	2012
Self-insurance liability - workers' compensation, beginning of year	$ 8,190	$ 6,900
Current year claims and changes in estimates	2,632	2,593
Claims payments	(1,192)	(1,303)
Self-insurance liability - workers' compensation, end of year	$ 9,630	$ 8,190

General Liability

The Port purchases insurance on certain risk exposures including but not limited to property, crane and rail, automobiles, airport liability, fidelity, fiduciary liability, and public officials liability. Port deductibles for the various insured programs range from $10,000 to $1,000,000 each claim. The Port is, however, self-insured for other general liability and liability/litigation-type claims, workers' compensation of the Port's employees and most first party earthquake exposures. However, during fiscal years 2013, the Port carried excess insurance over $1,000,000 for the self-insured general liability and for workers compensation exposures. There have been no claims payments related to these programs that exceeded insurance limits in the last three years.

As of June 30, 2013, the Port was a defendant in various lawsuits arising in the normal course of business, including constructing public improvements or construction related claims for unspecified amounts. The ultimate disposition of these suits and claims is not known and the Port's insurance may cover a portion of any losses. Port management may make provision for probable losses if deemed appropriate on the advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying financial statements.

Changes in the reported liabilities, which is included as part of long-term obligations is as follows (in thousands):

	2013	2012
Self-insurance liability - general liability, beginning of year	$ 5,663	$ 3,918
Current year claims and changes in estimates	(926)	4,685
Claims payments	(4,447)	(2,940)
Self-insurance liability - general liability, end of year	$ 290	$ 5,663

The Port was in litigation with one of its maritime tenants in connection with such tenant's complaint before the Federal Maritime Commission alleging the Port has violated the Federal Shipping Act of 1984 by entering into a long-term concession and lease agreement with another maritime tenant. As discussed in Note 19, the Port has settled the matter on July 18, 2013.

Capital Improvement Projects

The Port maintains an Owner Controlled Insurance Program (OCIP) and Professional Liability Insurance Program (PLIP) for contractors and consultants working on Port Capital Improvement Projects (CIP).

The OCIP provides general liability insurance and workers' compensation insurance for contractors working on CIP projects. The Port is responsible for payment of the deductible/self-insured retention, which is currently $100,000 for each general liability and workers' compensation claim. The Port's OCIP insurance broker has provided an actuarial forecast for this program that projects losses within the deductible/self-insured retention, which have not yet been accrued, will be approximately $507,000 through program expiration, which is July 2014.

The PLIP provides professional liability insurance for consultants working on Port CIP projects. Subject to this program, the consultants separately are responsible for paying the deductible/self-insured retentions, which are $50,000 for consultants with annual revenues under $20,000,000 and $1,000,000 for consultants with annual revenues over $20,000,000. The Port's deductible/self-insured retention is $1,000,000. There is no actuarial forecast for this coverage.

(14) JOINT VENTURE

Oakland-Alameda County Coliseum

The City is a participant with the County of Alameda (the County) in a joint exercise of powers agreement known as the Oakland-Alameda County Coliseum Authority (the Authority), which was formed on July 1, 1995, to assist the City and County in the financing of public capital improvements in the Oakland-Alameda County Coliseum Complex (Coliseum Complex) pursuant to the Mark-Roos Local Bond Pooling Act of 1985. The Oakland-Alameda County Coliseum Financing Corporation (the Corporation) is reported as a blended component unit of the Authority. The eight-member Board of Commissioners of the Authority consists of two council members from the City, two members of the Board of Supervisors from the County, two appointees of the City Council, and two appointees of the Board of Supervisors. The Board of Directors of the Corporation consists of the City Administrator and the County Administrator.

In August 1995, the Authority issued $9,200,000 in Fixed Rate Refunding Lease Revenue Bonds and $188,500,000 in Variable Rate Lease Revenue Bonds (collectively known as the Stadium Bonds) to satisfy certain obligations of the Authority, the City, the County, the Corporation and Oakland-Alameda County Coliseum Inc. (Coliseum Inc.), which manages the operations of the Coliseum Complex, to finance the costs of remodeling the stadium portion of the Coliseum complex as well as relocating the Raiders football franchise to the City.

On May 25, 2000, the Authority issued $201,300,000 in series 2000 C and D Refunding Bonds to retire the 1995 Series B-1 and B-2 Variable Rate Lease Revenue Stadium Bonds. The balance was reduced to $137,434,050 as of May 31, 2012 through annual principal payments and optional calls.

On May 31, 2012, the Authority issued $122,815,000 in Refunding Bonds Series 2012 A with coupons of 2 percent to 5 percent to refund and defease all outstanding variable rate 2000 Series C Refunding Bonds. The bonds were priced at a premium, bringing total proceeds to $138,166,073.

These funds coupled with $13,000,625 in the 2000 Series C reserve fund generated a total available fund of $151,166,698, which was used to refund the 2000 C Refunding Bonds of $137,434,050, fund a reserve fund of $12,809,500 and to pay underwriter’s discount and issuance cost of $923,147. The all-in-interest cost of the 2012A refunding bonds was 3.04 percent.

There was an economic loss of $23,021,101 (difference between the present value of the old and the new debt service payments) due to the low variable interest rates on the old bonds and the higher fixed rates on the new bonds. The Authority was unable to maintain the bonds at a variable rate because it was not able to renew the letters of credit as required due to the tightening of the credit markets since 2008. However, the Authority was able to take advantage of the fixed rate market with historically low interest rates and issued fixed rate bonds that generated a premium of $15,351,073. There was a deferred loss of $805,732, equal to the amount of unamortized issuance costs of the 2000 C and D Refunding Bonds.

The Stadium Bonds are limited obligations of the Authority payable solely from revenues of the Authority, consisting primarily of base rental payments to be received by the Authority from the City and the County. The source of the Authority's revenues relating to football games consists primarily of a portion of club dues, concessions, and parking payments. In the event that such football revenues and other revenues received in connection with the Stadium are insufficient to make base rental payments, the City and the County are obligated to make up the shortfall in the base rental payments from their respective General Funds. The City and the County each have covenanted to appropriate $11,000,000 annually to cover such shortfalls in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the City could have to pay up to $22,000,000 annually in the event of default by the County.

On August 2, 1996, the Authority issued $70,000,000 Series A-1 and $70,000,000 Series A-2 Variable Rate Lease Revenue Bonds (Arena Bonds) to finance the costs of remodeling the Coliseum Arena (Arena) and to satisfy certain obligations of the Authority, the City, the County and Coliseum Inc. in connection with the retention of the Golden State Warriors (the Warriors) to play professional basketball at the Arena for at least 20 basketball seasons, beginning with the 1997-98 season. These obligations are evidenced in a series of agreements (the Warriors Agreements) between the Warriors, the City, the County, Coliseum Inc., and the Authority.

Under the Warriors Agreements, the Arena Bonds were limited obligations of the Authority, payable solely from base rental revenues of the Authority received by the Authority on behalf of the City and the County. These revenues consist of base rental payments from the City and County and certain payments from the Warriors of up to $7,428,000 annually from premium seating revenues, and other payments from Arena operations. If the revenues received from the Warriors and from Arena operations are not sufficient to cover the debt service requirements in any fiscal year, the City and County are obligated to make up the shortfall in the base rental payment from their respective General Funds. The City and the County each have covenanted to appropriate up to $9,500,000 annually to cover such revenue shortfalls; however, the City and the County are jointly and severally liable to cover such shortfalls, which means that the City could have to pay up to $19,000,000 annually in the event of default by the County.

The Authority entered into an agreement with the Oakland Coliseum Joint Venture to manage the entire Coliseum complex beginning July 1, 1998. On January 1, 2001, the Authority terminated its agreement with Oakland Coliseum Joint Venture and reinstated its Operating Agreement with Oakland-Alameda County Coliseum, Inc. Oakland-Alameda County Coliseum, Inc. subcontracted all of the operations of the Coliseum Complex to the Oakland Coliseum Joint Venture. The Operating Agreement between the Authority and Coliseum Inc. expired, by its terms, on July 31, 2006. The Authority entered into a Termination Agreement whereby, in return for certain consideration, the Authority agreed to perform the duties of Coliseum, Inc. on and after August 1, 2006. The Authority's Management Agreement with Oakland Coliseum Joint Venture expired in June 2012. In July 2012, AEG Management of Oakland, LLC took over management of the Coliseum complex after signing a five year agreement.

Debt service requirements for the Coliseum Authority debt are as follows (in thousands):

For the Period	Stadium Bonds		Arena Bonds	
Ending June 30,	Principal	Interest	Principal	Interest [1]
2014	$ 7,340	$ 5,375	$ 4,700	$ 199
2015	7,560	5,121	5,100	188
2016	7,865	4,781	5,400	177
2017	8,255	4,379	5,800	165
2018	8,670	3,958	6,200	152
2019-2023	50,290	12,694	38,200	538
2024-2025	23,810	1,304	24,895	101
Total	$ 113,790	$ 37,612	$ 90,295	$ 1,520

[1] As of June 30, 2013, the variable interest rates for the Arena Bonds, which include Lease Revenue Bonds Series A-1 and Series A-2, are 0.20 and 0.24, respectively, and the term for the resets in the separate Commercial Paper Segment range from 31 and 60 days.

Complete financial statements for the Authority can be obtained from the County Auditor-Controller's office at 1221 Oak Street, Room 249. Oakland, CA 94612.

Under the joint exercise of power agreement, which formed the Authority, the City is responsible for funding up to 50% of the Authority's operating costs and debt service requirements, to the extent such funding is necessary. During the year ended June 30, 2013, the City made contributions of $9,835,000 to fund its share of operating deficits and debt service payments of the Authority.

The Authority has anticipated a deficit for operating costs and repayment of its Stadium bonds, such that the City and County may have to contribute to base rental payments. Of the $20,500,000 appropriated in the General Fund as part of the above agreements, it is estimated that the City may have to contribute $10,250,000 for the 2013-14 fiscal year. There are many uncertainties in the estimation of revenues for the Authority beyond one year into the future; therefore, the City has established a liability to fund the Authority's deficit in the statement of net position in an amount equal to its contingent share (50%) of the outstanding Stadium bonds in the amount of $56,895,000. The City has not established a contingent liability for the Arena Bonds because management is of the opinion that revenues from the Arena, including payments from the Warriors and revenues from Arena operations, will be sufficient to cover the debt payments.

(15) RETIREMENT PLANS

The City has four defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS), and the California Public Employees' Retirement System (PERS) Public Safety Retirement Plan and Miscellaneous Retirement Plan. PFRS and OMERS are closed plans that cover employees hired prior to July 1976 and September 1970, respectively. These two plans are considered part of the City's reporting entity and are included in the City's basic financial statements as pension trust funds. City employees hired subsequent to the Retirement Plans' closure dates are covered by PERS, which is administered by the State of California.

Member and employer contributions are recognized in the period in which the contributions are due pursuant to formal commitments, as well as contractual or statutory requirements, and benefits and refunds are recognized when due and payable, in accordance with the terms of the Retirement Plans.

	PFRS	OMERS	PERS
Type of plan	Single employer	Single employer	Agent multiple employer
Reporting entity	City	City	State
Most recent actuarial study	July 1, 2012	July 1, 2012	June 30, 2012

Police and Fire Retirement System (PFRS)

PFRS provides death, disability, and service retirement benefits to uniformed employees and their beneficiaries. Members who complete at least 25 years of service, or 20 years of service and have reached the age of 55, or have reached the age of 65, are eligible for retirement benefits. The basic retirement allowance equals 50% of the compensation attached to the average rank held during the three years immediately preceding retirement, plus an additional allowance of 1-2/3% of such compensation for each year of service (up to ten) subsequent to: a) qualifying for retirement, and b) July 1, 1951. Early retirees will receive reduced benefits based on the number of years of service. Benefit provisions and all other requirements are established by the City Charter (Charter). The June 30, 2013 stand alone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, CA 94612.

In accordance with the Charter, active members of PFRS contribute a percentage of earned salaries based upon entry age as determined by the City's consulting actuary. During the year ended June 30, 2013, the contribution rate was 5.47%. By statute, employee contributions are limited to 13% of earned salaries. Employee contributions are refundable with interest at 4% per annum if an employee elects to withdraw from PFRS upon termination of employment with the City.

The City contributes, at a minimum, such amounts that are necessary, determined on an actuarial basis, to provide assets sufficient to meet benefits to be paid to PFRS members. The City is required to fund all liabilities for future benefits for all members by June 30, 2026. In order to do so, the City makes contributions at rates established by consulting actuaries based upon plan valuations using various assumptions as to salary progression, inflation, and rate of return on investments. The City's contributions are based on a level percentage of all uniformed employees' compensation. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefits.

The City issued pension obligation bonds in March 1997 to fund PFRS through June 2011. Bond proceeds in the amount of $417,173,300 were contributed in fiscal year 1997 and, as a result, no employer contributions are contractually required through fiscal year 2011. In fiscal year 2005, the City made an advance contribution of $17,709,888 to PFRS.

In November 2007, City voters passed Measure M to modify the City Charter to allow PFRS to invest in non-dividend paying stocks and to switch the asset allocation structure from 50% equities and 50% fixed income to the Prudent Person Standard.

Effective July 1, 2011, the City resumed contributing to PFRS pension obligations. The City contributed a total of $45,507,996 to PFRS for the year ended June 30, 2012.

As of July 1, 2012 (the date of the last PFRS actuarial valuation), the unfunded actuarial accrued liability is approximately $401,100,000.

On July 30, 2012, the City issued additional Pension Obligation Bonds (Series 2012) and contributed $210,000,000 to PFRS. The contribution is expected to lower the unfunded liability from the $410,100,000 unfunded amount. As a result of a funding agreement entered into between the PFRS Board and the City, no additional contributions are required until July 1, 2017. See Note 11 for additional information.

The City's annual pension cost and prepaid asset, computed in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* for the fiscal year ended June 30, 2013, were as follows:

Annual Required Contribution (ARC)	$ (34,200,000)
Interest on pension asset	12,349,919
Adjustment to the annual required contribution	(14,662,126)
Annual Pension Cost	(36,512,207)
Contribution made	210,000,000
Increase in net pension asset	173,487,793
Net pension assets, beginning of year	154,373,983
Net pension assets, end of year	$ 327,861,776

The following table shows the City's annual pension cost and the percentage contributed for the fiscal year 2013 and each of the two preceding years:

Fiscal Year Ended June 30	Annual Pension Cost	Pension Contribution	Percentage (%) Contributed	Net Pension Asset
2011	$ 43,901,549	$ -	0%	$ 156,101,262
2012	47,235,275	45,507,996	96%	154,373,983
2013	36,512,207	210,000,000	575%	327,861,776

Actuarial Assumptions and Funded Status

Information regarding the funded status of the plan as of the most recent valuation date is shown below (in millions).

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2012	$ 658.3	$ 257.2	$ 401.1	39.1%	$ 0.1	401100%

Multiyear trend actuarial information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time is presented in the Required Supplementary Information (RSI) immediately following the notes to the basic financial statements.

A summary of the actuarial methods and significant assumptions used to calculate the funded status of the valuation date and the annual required contribution for fiscal year ended June 30, 2013 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	July 1, 2012 [1]	July 1, 2011 [2]
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Investment Rate of Return	6.75%	6.75%
Inflation Rate, U.S.	3.25%	3.25%
Inflation Rate, Bay Area	3.375%	3.375%
Long-term General Pay Increases	3.975%	3.975%
Long-term Postretirement Benefit Increases	3.975%	3.975%
Amortization Method	Level Dollar	Level Dollar
Amortization Period	23 years closed as of July 1, 2013	24 years closed as of July 1, 2012
Actuarial Value of Assets	Expected actuarial value plus 20% of the difference from market value, with 110% and 90% market value corridor.	Expected actuarial value plus 20% of the difference from market value, with 110% and 90% market value corridor.

[1] The July 1, 2012 valuation was used to determine the funded status
[2] The July 1, 2011 valuation was used to determine the annual required contribution for fiscal year 2013

Oakland Municipal Employees Retirement System (OMERS)

OMERS provides death, and service retirement benefits to participants of the plan. Members who complete at least 20 years of service and have reached the age of 52, or who complete at least 5 years of service and reach the age of 60, are eligible for retirement benefits. The retirement allowance is calculated on a basis which takes into account the final three-years' average compensation, age and the number of years of service. Benefit provisions and all other requirements are established by the Charter. The June 30, 2013 standalone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, CA 94612.

All active non-uniformed City employees hired prior to September 1970 have transferred to PERS as of July 1, 2004. Accordingly, OMERS did not receive any employee contributions during the year ended June 30, 2013, and will not receive any employee contributions in the future. Because of the OMERS' current funded status, the City is currently not required to make contributions to OMERS. The funding of the unfunded actuarial accrued liability is based on a level percentage of payroll over a period ending July 1, 2020, as required by the City Charter.

Actuarial Assumptions and Funded Status

Information regarding the funded status of OMERS as of the most recent valuation date is shown below (in thousands).

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2012	$ 3,630	$ 4,448	$ (818)	122.5%	$ -	n/a

Multiyear trend actuarial information about whether the actuarial value of Plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time is presented in the Required Supplementary Information (RSI) immediately following the notes to the financial statements.

A summary of the actuarial methods and significant assumptions used to calculate the funded status as of the valuations date and the annual required contribution for fiscal year ended June 30, 2013 are as follows:

Description	**Method/Assumption**	**Method/Assumption**
Valuation Date	July 1, 2012 [1]	July 1, 2010 [2]
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Asset Valuation Method	Market Value	Market Value
Investment Rate of Return	6.25%	6.50%
Inflation Rate	3.25%	3.25%
Cost-of-living Adjustments	3.00%	3.00%
Amortization Method	Closed Level Dollar	Closed Level Dollar
Amortization Period	6 Years	6 Years

[1] The July 1, 2012 valuation was used to determine the funded status
[2] The July 1, 2010 valuation was used to determine the annual required contribution for fiscal year 2013

California Public Employees Retirement Systems (PERS)

Plan Description

The City of Oakland contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street, Sacramento, CA 95814. A separate report for the City's plan is not available. The following are recent changes to the City pension plans:

a) Two-Tier Pension Plan:

In July 2011 the City approved a PERS second tier (two-tiered pension plans) for all labor unions, one benefit plan for existing employees (classic member), and a less expensive plan for new employees hired after June 9, 2011 to reduce the City's costs over time. The two-tiered pension plans were approved through collective bargaining agreements between the City and labor organizations representing Miscellaneous and Safety employees. The City implemented the two-tiered pension plan for the Safety employees on February 9, 2012, pursuant to Ordinance No. 13106 C.M.S., and on June 8, 2012 for the Miscellaneous employees, pursuant to Ordinance No. 13119 C.M.S.

b) California Public Employees' Pension Reform ("PEPRA") Act of 2013 (Tier Three):

In September 2012, the governor signed Assembly Bill 340, known as PEPRA, which reforms all state and local public retirement systems and their participating employers with the exception of charter cities or counties that operate an independent retirement system (not governed by the 37 Act) that took effect on and after January 1, 2013. PEPRA limits the pension benefits offered to new employees and increases flexibility for employee and employer cost sharing for current employees.

	Employee Organization	
Tier Pension Plans	**Safety**	**Miscellaneous**
Tier One (Classic Member)	Receive 3% at age 50. Pension benefits are based on the one year of highest salary.	Receive 2.7% at age 55. Final compensation is based on the twelve (12) highest paid consecutive months.
Tier Two (New Hires as of June 9, 2011)	Receive 3% at age 55. Pension benefits are based on the final average salary of 3 years under the Government Code 20037.	Receive 2.5% at age 55. Final compensation is based on the highest average annual compensation of the three consecutive years.
Tier Three: AB 340 (January 1, 2013)	Basic: 2% at age 57. Option 1: 2.5% at age 57. Option 2: 2.7% at age 57. Pension benefits are based on the final average salary of 3 years subject to established cap.	2% at 62 Pension benefits are based on the final average salary of 3 years subject to established cap.

Funding Policy

Participants are required to contribute 8% for non-safety employees, 9% for police, and 13% for fire employees of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 25.115% for non-safety employees and 30.899% for police and fire employees, of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2012-13, the City's annual pension costs of $46.5 million for the Safety Plan and $42.9 million for the Miscellaneous Plan were equal to the City's required and actual contributions. The required contributions were determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial values of plan assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). The plans' unfunded actuarial accrued liability is amortized as a level percentage of projected payroll over a closed 20-year period.

Three-year trend information for the Safety and Miscellaneous Plans are as follows (in millions):

Safety Plan			
Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	$ 51.1	100%	$ -
2012	46.8	100%	-
2013	46.5	100%	-

Miscellaneous Plan			
Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	$ 33.1	100%	$ -
2012	42.2	100%	-
2013	42.9	100%	-

Funded Status and Funding Progress for Retirement Plans

Safety Plan

As of June 30, 2012, the most recent actuarial valuation date, the Public Safety plan was 77.3% funded. The actuarial accrued liability for benefits was $1,398,098,675 and the actuarial value of Plan assets was $1,080,138,724 resulting in an unfunded actuarial accrued liability (UAAL) of $317,959,951. The annual covered payroll was $118,924,175, and the ratio of the UAAL to the annual covered payroll was 267.4%.

A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan and the annual required contribution for the fiscal year ended June 30, 2013 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	June 30, 2012 [1]	June 30, 2010 [2]
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	29 years closed as of the Valuation Date	31 years closed as of the Valuation Date
Asset Valuation Method	15 Years Smoothed Market	15 Years Smoothed Market

Description	Method/Assumption	Method/Assumption
Actuarial Assumptions:		
Investment Rate of Return	7.50% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, service, and type of employment	3.55% to 13.15% depending on Age, service, and type of employment
Inflation	2.75%	3.00%
Payroll Growth	3.00%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

[1] The July 1, 2012 valuation was used to determine the funded status
[2] The July 1, 2010 valuation was used to determine the annual required contribution for fiscal year 2013

Miscellaneous Plan

As of June 30, 2012, the most recent actuarial valuation date, the Miscellaneous Plan was 79.6% funded. The actuarial accrued liability for benefits was $2,080,205,749 and the actuarial value of plan assets was $1,655,997,001, resulting in an unfunded actuarial accrued liability (UAAL) of $424,208,748. The annual covered payroll was $184,568,347, and the ratio of the UAAL to the annual covered payroll was 229.8%. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry in PERS. Subsequent plan amendments are amortized as a level of payroll over a closed 20-year period.

A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan and the annual required contribution for the fiscal year ended June 30, 2013 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	June 30, 2012 [1]	June 30, 2010 [2]
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	17 years closed as of the Valuation Date	18 years closed as of the Valuation Date
Asset Valuation Method	15 Years Smoothed Market	15 Years Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.50% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on age, service, and type of employment	3.55% to 14.45% depending on age, service, and type of employment
Inflation	2.75%	3.00%
Payroll Growth	3.00%	3.25%

Description	Method/Assumption	Method/Assumption
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

[1] The July 1, 2012 valuation was used to determine the funded status
[2] The July 1, 2010 valuation was used to determine the annual required contribution for fiscal year 2013

The schedules of funding progress for the Public Safety and Miscellaneous Plans are presented as RSI following the notes to the financial statements, and present multiyear trend information about whether the actuarial valuation of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(16) POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

Primary Government

Plan Description

The City has three programs in place to partially pay health insurance premiums for certain classes of retirees from City employment. City retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. The retiree health benefits are described in the labor agreements between the City and Local Unions and in City resolutions. The demographic rates used for the California Public Employee Retirement System (PERS) were public safety employees retirements benefits under a 3% @ 50 formula and miscellaneous employees retirement benefits under a 2.7% @ 55 formula.

The City's a single employer defined benefit retiree health plan (Retiree Health Plan) allows eligible retirees and their dependents to receive employer-paid medical insurance benefits through PERS. The medical insurance reimbursement is not to exceed the Kaiser-HMO family plan rate. The Retiree Health Plan also includes dental and vision benefits and reimbursement of Medicare part B monthly insurance premium. The Retiree Health Plan does not issue a separate financial report.

Funding Policy

The City pays part of the health insurance premiums for all retirees from City employment receiving a pension annuity earned through City service and participating in a City-sponsored PERS health benefit plan on a pay-as-you-go basis. The City paid $17,622,496 for retirees under this program for the year ended June 30, 2013.

Annual OPEB Cost and Net OPEB Obligation

The City's annual postemployment benefit cost and net OPEB obligation for the Retiree Health Plan as of and for the fiscal year ended June 30, 2013 were as follows (in thousands):

Annual Required Contribution (ARC)	$ 46,596
Interest on net OPEB obligation	7,463
Adjustment to ARC	(7,768)
Annual OPEB cost	46,291
Employer Contribution	(17,622)
Increase in net OPEB obligation	28,669
Net OPEB obligation, beginning of year	186,583
Net OPEB obligation, end of year	$ 215,252

The City's annual OPEB cost, the percentage of annual OPEB cost contributed during the fiscal year, and the net OPEB obligation at the end of the year for the City's single employer Retiree Health Plan were as follows (in thousands):

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage OPEB Cost Contributed	Net OPEB Obligation
2011	$ 46,451	33.8%	$ 156,978
2012	46,401	36.2%	186,583
2013	46,291	38.1%	215,252

OPEB Funded Status and Funding Progress

As summarized in the table below, as of July 1, 2012, the most recent actuarial valuation date, the City's Retiree Health Plan was zero percent funded on an actuarial basis for other postemployment benefits (OPEB). Changes to the UAAL for the OPEB Plan was primarily the result of the actuarial value of assets being zero. The City is on a pay-as-you-go funding with no money set aside for future liabilities. The specific funded status for the OPEB plan is summarized in the table below, as of July 1, 2012 (in thousands):

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2012	$ 553,530	$ -	$ 553,530	0.0%	$ 304,373	182%

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the Notes to the Basic Financial Statements, presents information about whether the actuarial value of plan assets increased or decreased in relation to the actuarial accrued liability for benefits. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Methods and Assumptions for OPEB Plan

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrual liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The more significant actuarial methods and assumptions used in the calculations of the annual OPEB cost and the annual required contribution for the fiscal year ended June 30, 2013 and the funded status as of July 1, 2012 are as follows:

Description	Method/Assumption
Valuation Date	July 1, 2012
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	30 years open as of the Valuation Date
Asset Valuation Method	5 Years Smoothed Market
Actuarial Assumptions:	
Discount Rate [1]	4.00%
Projected Salary Increases	2.5% per year growth
Inflation	3.00%
Demographic Rate	Retirement benefit at 3% 50 formula for Safety employees and at 2.7% @ 55 formula for Miscellaneous employees.
Health Care Cost Trends Rate	7.25% for fiscal year 2014, graded down to 5.00% for fiscal year 2025 and beyond. The trend rate is determined by the Plan sponsor based on historical data and anticipated experience under the Plan.

[1] The City does not pre-fund the ARC, and therefore the discount rate is based on the expected return on the City's general assets.

Discretely Presented Component Unit – Port of Oakland

Plan Description

The Port contributes to the California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit postemployment healthcare plan administered by PERS. The CERBT is an Internal Revenue Code (IRC) Section 115 Trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Postemployment Benefit (OPEB) costs.

The Port's Retiree Health Plan allows eligible retirees and their dependents to receive employer paid medical insurance benefits through CalPERS, subject to certain limitations described below. The Port adopted resolutions which established a Health Benefit Vesting Requirement for employees hired on or after September 1, 2011 (on or after April 1, 2013 for members of SEIU and IBEW).

The Port shall pay a percentage of employer contributions for retiree medical coverage for a retiree and his or her eligible dependents based on the provisions of Section 22893 9 of the California Government Code. Under these rules, a retiree must have at least 10 years of credited service with a CalPERS agency, at least five of which are with the City/Port. Except as otherwise required by Section 22893(b) of the California Government Code (providing for 100% of employer contributions for a retiree who retired for disability or retired for service with 20 or more years of service credit), the Port will pay a percentage of employer contributions for the Retiree based upon the following:

Years of Credited Service (at least 5 of which are with the City/Port)	Percentage of Employer Contributions
10	50
11	55
12	60
13	65
14	70
15	75
16	80
17	85
18	90
19	95
20	100

The employer contribution will be adjusted by the Port each year but cannot be less than the amount required by California Government Code Sections 22893 plus administrative fees and contingency reserve fund assessments.

Employees hired on or after October 1, 2009 (before January 1, 2013 for members of the Services Employees International Union (SEIU) and International Brotherhood of Electrical Workers (IBEW) are eligible to receive dental and vision coverage through the Port's Retiree Health Plan.

Funding Policy

Benefit provisions are established and are amended through negotiations between the Port and the various bargaining units during each bargaining period. The Port pays a portion of retiree benefit expenses on a pay-as–you-go basis to third parties, outside of the CERBT fund, and funds the remaining annual required contribution (ARC) to the CERBT fund.

As of June 30, 2013, there were approximately 526 employees who had retired from the Port and were participating in the Port's Retiree Health Plan. During fiscal year ended June 30, 2013, the Port contributed $4,200,000 to the CERBT and made payments of $6,840,944 on behalf of eligible retirees to third parties outside of the CERBT fund.

Annual OPEB Cost and Net OPEB Obligation

The Port's annual other postemployment benefit (OPEB) cost is equal to (a) the annual required contribution (ARC) plus (b) one year's interest on the beginning balance of the net OPEB obligation, and minus (c) an adjustment of the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over an open period of thirty years.

The following table shows the components of the Port's annual OPEB cost for the year, the amount contributed to the CERBT, and changes in the Port's net OPEB obligation to the Plan as of June 30, 2013 (in thousands):

Annual Required Contribution (ARC)	$	10,783
Interest on net OPEB obligation		800
Adjustment to ARC		(599)
Annual OPEB cost		10,984
Employer Contribution		(11,041)
Increase in net OPEB obligation		(57)
Net OPEB obligation, beginning of year		10,510
Net OPEB obligation, end of year	$	10,453

The Port's annual OPEB cost and net OPEB obligation are as follows (in thousands):

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage OPEB Cost Contributed	Net OPEB Obligation
2011	$ 11,193	99.4%	$ 10,461
2012	10,983	99.6%	10,510
2013	10,984	100.5%	10,453

Funded Status and Funding Progress

The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over 30 years. The table below indicates the funded status of the Plan as of June 30, 2013, the most recent actuarial valuation date (in thousands):

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
6/30/2013	$ 136,616	$ 30,715.0	$ 105,901	22.5%	$ 47,823	221%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial cost method used for determining the benefit obligations of the Port is the Projected Unit Credit Cost Method. Under the principles of this method, the actuarial present value of the projected benefits is the value of benefits expected to be paid for active and retired employees. The AAL is the present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement. In the most recent valuation of the Port's plan, as of June 30, 2013, the Port's UAAL was amortized over a "closed" period of 30 years.

Actuarial assumptions used for the valuation of the Port's plan include a discount rate, which is based on the CERBT expected rate of return for the plan assets, and annual health care cost trends, which is based on the "Getzen"model published by the Society of Actuaries. The demographic assumptions regarding turnover and retirement are based on statistics from reports for CalPERS under a "2.7% @ 55" benefit schedule. The June 30, 2013 valuation used a discount rate of 7.00% and annual healthcare costs were assumed to increase at rates ranging from 2.75% to 7.25%.

The schedule presented as Required Supplementary Information following the notes to basic the financial statements, presents multiyear trend information. The Schedule of Funding Progress – Port of Oakland Postemployment Benefits presents information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(17) COMMITMENTS AND CONTINGENT LIABILITIES

Construction Commitments

The City has committed to funding in the amount of $155,736 million to a number of capital improvement projects for fiscal year 2014 through fiscal year 2015. As of June 30, 2013, the City had construction commitments for the acquisition and construction of assets as follows (in thousands):

Building, facilities and infrastructure	$	9,077
Parks and open space		30,746
Sewers and storm drains		33,218
Streets and sidewalks		63,607
Technology enhancements		538
Traffic improvements		18,550
Total	$	155,736

Other Commitments and Contingencies

Long-Range Property Management Plan ("LRPMP")

Under ABx1 26, adopted on June 28, 2011, as amended by AB 1484 adopted on June 27, 2012, all new redevelopment activities were suspended, with limited exceptions, and redevelopment agencies were dissolved on February 1, 2012, and replaced with successor agencies. Under this legislation, the Oakland Oversight Board, the California Department of Finance ("DOF") and the California State Controller's Office have varying degrees of responsibility and oversight over the dissolution process and successor agency activities. Health and Safety Code section 34179.7 provides that DOF will issue a finding of completion to a successor agency that makes required payments of available cash assets for distribution to taxing entities. On May 29, 2013, the Oakland Redevelopment Successor Agency ("ORSA"), after making its required payments, received its Finding of Completion from DOF.

Health and Safety Code Section 34191.5(b) requires a successor agency to prepare and submit for approval LRPMP within six months of receiving a finding of completion. On July 2, 2013, ORSA approved Resolution No. 2013-0022 approving a LRPMP addressing the disposition and use of former Redevelopment Agency properties and authorizing the disposition of properties pursuant to the Plan. The Plan has been approved by the Oakland Oversight Board and has been submitted to DOF for review. DOF has yet to approve the Plan and the ultimate outcome cannot presently be determined and, accordingly, no provision for any liability that may result has been recorded in the financial statements.

Wood Street Affordable Housing Project Environmental Remediation

The Wood Street Affordable Housing Project analytical results show concentrations of arsenic, lead, total petroleum hydrocarbons as diesel and polycyclic aromatic hydrocarbons in site soils and or ground water sample. As of June 30, 2013, environmental remediation clean up activities has not been completed yet. The Agency has set-aside $300 thousand in escrow to cover the remaining environmental obligations.

Oakland Army Base Environmental Remediation

Land held for the Oakland Army Base project may be subject to environmental remediation as required by the Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, the former redevelopment agency and the Port are responsible for the first $13.0 million of environmental remediation costs; including environmental remediation insurance. The former Agency has received a federal grant of $13 million to pay for the above-mentioned environmental remediation costs including a $3.5 million insurance premium. As of June 30, 2011 the former Agency has spent approximately $13.0 million on this project. $10.9 million has been reimbursed by the U.S. Department of the Army (Army). The City is working with the Army on the remaining balance of $2.1 million.

The next $11.0 million of environmental remediation costs are to be shared equally by the City and the Port. As of June 30, 2013, the City has recorded its remaining share of $2.9 million in estimated environmental cost under long-term liabilities. The next $9.0 million will be paid from insurance proceeds from the environmental remediation policy. If subsequent environmental remediation is required after the initially-required remediation is complete, then the environmental site liability policy will cover up to $30 million in additional environmental remediation-related costs. The City and the Port have agreed to share equally in any environmental remediation-related costs above $21 million that are not covered by insurance.

As part of the City and Agency properties purchase and sale agreement of March 3, 2011, the Oakland Army Base operations and remediation liabilities have been transferred to the City. In August 2013, the State Controller's Office, pursuant to Health and Safety Code section 34167.5 asset transfer review deemed the Oakland Army Base properties allowable and recommended for the City to the Oakland Army Base and its assets. The City management believes that none of the estimated environmental remediation costs will cause the recorded amounts of any properties held for resale to exceed their estimated net realizable values.

Discretely Presented Component Unit – Port of Oakland

As of June 30, 2013, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

Aviation	$	64,657
Maritime		66,080
Commercial real estate		1,418
Total	$	132,155

The most significant projects for which the Port has contractual commitments for construction are: Runway Safety Area of $36.5 million, Airport Terminal Renovation projects of $13.4 million, Maritime OHIT Rail yard project of $48.5 million and Shore Power of $12.1 million.

Power Purchases

The Port purchases electrical power for resale and self-consumption at the Airport, and at Port Maritime facilities located at the former Navy Fleet and Industrial Supply Center Oakland and the former Oakland Army Base. After power requirements are forecasted, the Port enters into power purchase agreements and make forward contract commitments.

The Port currently has three power purchase agreements with East Bay Municipal Utility (EBMUD), the Western Area Power Administration ("WAPA") and SunEdison, LLC ("SunEdison") with expiration dates greater than four years.

Counterparty	Contract Ending Year	Contract Structure	Estimated Output	Estimated Annual Cost
EBMUD	2017	Take and Pay - (Pay contract price only if energy is received)	8,000 MWH	Approx. $584,000 with no annual escalator
WAPA	2024	Take or Pay - (Pay contract price without regard to energy received)	17,000 MWH	Approx. $800,000 (Changes annually depending on revenue requirement for power generation projects)

Counterparty	Contract Ending Year	Contract Structure	Estimated Output	Estimated Annual Cost
SunEdison	2027	Take or Pay - (Pay contract price only if energy received)	1,200 MWH	Approx. $200,000 with annual escalator

In addition to the aforementioned power purchase agreements, the Port had outstanding, as of June 30, 2013, approximately $2.5 million of power purchases contracts with Powerex Corporation and Shell Energy North America with expiration dates of 18 months or less.

Environmental

The entitlements for the Airport Development Program (ADP) subject the Port to obligations arising from the adopted ADP Mitigation Monitoring and Reporting Program required under: the California Environmental Quality Act; permits issued by numerous regulatory agencies including the Regional Water Quality Control Board and the Bay Conservation and Development Commission; and settlement agreements. The majority of these obligations have been met, and monitoring and reporting are ongoing.

A summary of the Port's environmental liability accounts, net of the estimated recoveries, included in long-term obligations on the statement of net position at June 30, 2013, is as follows (in thousands):

Obligating Event	Liability	Estimated Recovery
Pollution poses an imminent danger to the public or environment	$ 392	$ -
Identified as responsible to clean up pollution	13,508	857
Named in a lawsuit to compel to clean up	31	-
Begins or legally obligates to clean up or post-clean up activities	3,743	60
Total by Obligating Event	$ 17,674	$ 917

The environmental liability accounts in the summary tables are listed by the initial obligating event. Due to new information, the obligating event may change from the initial obligating event. Obligating events include without limitations: 1) the Port is named, or evidence indicates that it will be named, by a regulator such as the Department of Toxic Substances Control or the Regional Water Quality Control Board, as a responsible party or potentially responsible party for remediation; and 2) the Port has commenced, or has legally obligated itself to commence, clean-up activities or monitoring or operation and maintenance of the remediation effort (e.g., by undertaking a soil and groundwater pre-development investigation).

Methods and Assumptions

The Port measured the environmental liabilities for pollution remediation sites on Port-owned property using the Expected Cash Flow technique. The measurements are based on the current value of the outlays expected to be incurred. The cash flow scenarios include each component which can be reasonably estimated for outlays such as testing, monitoring, legal services and indirect outlays for Port labor instead of ranges of all components. Reasonable estimates of ranges of possible cash flows are limited from a single scenario to a few scenarios. Data used to develop the cash flow scenarios is obtained from outside consultants, Port staff, and the Port's outside legal counsel.

Changes to estimates will be made when new information becomes available. Estimates for the pollution remediation sites will be developed when the following benchmarks or changes in estimated outlays occur:

- Receipt of an administrative order.
- Participation, as a responsible party or a potentially responsible party, in the site assessment or investigation.
- Completion of a corrective measures feasibility study.
- Issuance of an authorization to proceed.
- Remediation design and implementation, through and including operation and maintenance and postremediation monitoring.
- Change in the remediation plan or operating conditions, including but not limited to type of equipment, facilities and services that will be used and price increases.
- Changes in technology.
- Changes in legal or regulatory requirements.

Recoveries

Estimated future recoveries that are listed on the prior page have been netted against the environmental and other liability accounts. In calculating the estimated future recoveries, Port staff and outside legal counsel reviewed and applied the requirements of GASB Statement No. 49 for accounting for recoveries. For example, if a Port tenant has a contract obligation to reimburse the Port for certain pollution remediation costs, or if an insurance carrier has paid money on a certain claim and the Port is pursuing additional costs from the insurance carrier associated with the claim, then a recovery was estimated. If an insurance carrier has not yet acknowledged coverage, then a recovery was not estimated.

(18) DEFICIT FUND BALANCES/NET POSITION AND EXPENDITURES OVER BUDGET

As of June 30, 2013, the following funds reported deficits in fund balance/net position (in thousands):

Special Revenue:	
Federal/State Grant Fund	$ (3,703)
Internal Service Funds:	
Facilities	$ (20,555)
Reproduction	(1,267)
Central Stores	(3,922)
Purchasing	(302)

The Federal/State Grant Fund will be cleared by grant reimbursement submitted to granting agencies, but revenue has not been received within the City's availability period. The City's facilities, reproduction, central stores, and purchasing fund deficits are expected to be funded through increased user charges in future years. During the 2011-13 Budget, the City revised the repayment plan for the internal service funds to eliminate the funds net position deficit by 2019. In addition, the City adopted a financial policy that requires half of one-time revenues to be used to eliminate negative internal service fund balances and half be used to pay off other negative funds balances.

As of June 30, 2013, the following funds reported expenditures in excess of budgets (in thousands):

Debt Service Fund:		
JPFA Fund	$	(466)

The excess of expenditures over budget in the JPFA Fund is primarily attributed to administrative and commission costs associated with property tax collection and levy.

(19) SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On July 2, 2013, the City issued the 2013-14 Tax and Revenue Anticipation Notes (the "Notes") in the principal amount of $78,230,000 with a final maturity of June 30, 2014. The Notes were successfully sold on a competitive basis and were priced with an interest rate of 1.25% to yield 0.18% at maturity. The Notes were issued to finance General Fund expenditures, including but not limited to, current expenses, capital expenditures, and the discharge of other obligations of the City.

Master Lease – IBM Credit, LLC and Oracle Capital Corporation

On September 4, 2013, the City of Oakland issued a lease transaction with IBM Credit, LLC (the "IBM") and Oracle Capital Corporation (the "Oracle") for a combined total amount of $10,683,408 for the purpose of financing mandatory licenses, operating and maintenance fees, system upgrades and enhancements of critical services of hardware and software used by employees on a day to day basis. The financing was done on a tax-exempt basis with a final maturity of May 1, 2019; the interest rate on the Oracle and IBM lease transaction was 0.00% and 2.86% respectively.

Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2013

On September 18, 2013, the City issued the Oakland Redevelopment Successor Agency Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013 (the "Series 2013 TABs") in the principal amount of $102,960,000. The proceeds were used to refund the Redevelopment Agency of Oakland's Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2003 and its Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2005. The issuance of the Series 2013 TABs produced approximately $ 10,139,431 in debt service savings.

The Series 2013 TABs were issued with interest rates ranging from 3.00% to 5.00% which yielded a rate of 0.63% to 3.66% with a final maturity on September 1, 2022.

DOF Approval of Bond Spending Plan

Upon receiving the Finding of Completion from the DOF on May 29, 2013, the ORSA developed a Bond Spending Plan and drafted a Bond Expenditure Agreement for the use of unspent pre-2011 bond proceeds. Pursuant to H&S Code section 34179 (h), the DOF reviewed the Oversight Bond action on the Bond Spending Plan and approved the Bond Spending Plan on November 6, 2013. The Bond Spending Plan allows ORSA to utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. As required by H&S Code section 34191.4(c) (2) (A), ORSA has included excess bond proceeds in the total amount of $59.9 million on the ROPS for January through June 2014, which has been approved by the DOF.

City of Oakland v. Oakland Police and Fire Retirement System, et al., Alameda County Superior Court case number RG 11580626

This lawsuit was initiated by the City in June 2011, and seeks a writ of mandate and declaratory relief against PFRS, regarding PFRS's alleged overpayment of various retirement benefits to PFRS members. The City claims such overpayment amount to approximately $3,833,000 annually from 2008 to 2012, and generally seeks to have PFRS collect those overpayments from retirees. The Retired Oakland Police Officer's Association ("ROPOA") and individual retirees (Invervenors) intervened in the case on the side of PFRS.

The trial court ruled in favor of the City on September 7, 2012 and entered a judgment accordingly. The trial court's judgment is currently before the First District Court of Appeal. Although PFRS and Invervenors appealed, PFRS subsequently dismissed its appeal, so the only remaining parties to the appeal are the City and Intervenors. The matter is fully briefed as of August 1, 2013 and the City and Intervenors are waiting oral argument. A decision by the Court of Appeal is anticipated sometime in 2014.

Port of Oakland v. SSA Terminals, LLC and SSA Terminals (Oakland), LLC (Collectively, SSAT) Litigation Settlement.

On July 18, 2013 the Oakland Board of Port Commissioners approved a litigation settlement agreement with one of the Port's major long-term seaport tenants, SSA Terminals, LLC and SSA Terminals (Oakland), LLC (collectively, SSAT). The settlement involves four of the Port's seven marine terminals, and will create a 350-acre mega-terminal at the Port's middle harbor. Under the settlement, SSAT will lease two terminals through 2022 at current rates and conditions, and assume the lease on a third terminal through 2016, with one option to extend to 2022. Additionally, the Port agreed to terminate SSAT's current lease at a fourth terminal effective September 30, 2013.

The settlement involves short-term revenue loss in exchange for longer term revenue growth and stability. Prior to this agreement, the Port was facing the expiration of all four terminal leases in fiscal year 2016-17.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Year Ended June 30, 2013

PERS ACTUARIAL VALUATIONS
SCHEDULES OF FUNDING PROGRESS

The schedules of funding progress below show the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to covered payroll. The required contributions were determined as part of the actuarial valuation using the entry age normal actuarial cost method.

Public Safety Retirement Plan (Police and Fire)

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
6/30/2010	$ 1,262,845,446	$ 951,508,815	$ 311,336,631	75.3%	$ 145,619,032	213.8%
6/30/2011	1,357,816,142	1,023,866,075	333,950,067	75.4%	130,530,316	255.8%
6/30/2012	1,398,098,675	1,080,138,724	317,959,951	77.3%	118,924,175	267.4%

Miscellaneous Retirement Plan

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
6/30/2010	$ 1,914,725,522	$ 1,565,521,601	$ 349,203,921	81.8%	$ 195,788,222	178.4%
6/30/2011	2,025,140,791	1,615,939,765	409,201,026	79.8%	194,123,413	210.8%
6/30/2012	2,080,205,749	1,655,997,001	424,208,748	79.6%	184,568,347	229.8%

City Other Postemployment Benefits (OPEB)

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
7/1/2008	$ 591,575,250	$ -	$ 591,575,250	0.0%	$ 304,875,561	194.0%
7/1/2010	520,882,498	-	520,882,498	0.0%	310,154,816	167.9%
7/1/2012	553,530,074	-	553,530,074	0.0%	304,373,447	181.9%

Port of Oakland PostEmployment Benefits (OPEB)

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
1/1/2011	$ 131,327,000	$ 13,373,000.00	$ 117,954,000	10.2%	$ 45,248,000	261%
6/30/2011	128,906,000	19,145,000.00	109,761,000	14.9%	44,627,000	246%
6/30/2013	136,616,000	30,715,000.00	105,901,000	22.5%	47,823,000	221%

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Year Ended June 30, 2013

PFRS AND OMERS ACTUARIAL VALUATIONS
SCHEDULES OF FUNDING PROGRESS

Oakland Police and Fire Retirement System - Pension

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
7/1/2010	$ 792,200,000	$ 297,800,000	$ 494,400,000	37.6%	$ 100,000	494400%
7/1/2011	683,200,000	256,400,000	426,800,000	37.5%	100,000	426800%
7/1/2012 [1]	658,300,000	257,200,000	401,100,000	39.1%	100,000	401100%

[1] Actuarial valuation does not include the City's pension contribution of $210 million of Pension Obligation Bond proceeds on July 30, 2012.

Oakland Municipal Employees' Retirement System - Pension

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
7/1/2009 [1]	$ 5,499,000	$ 4,981,000	$ 518,000	90.6%	$ -	N/A
7/1/2010 [1]	5,471,000	4,728,000	743,000	86.4%	-	N/A
7/1/2012 [2]	3,630,000	4,448,000	(818,000)	122.5%	-	N/A

[1] The decline in the funded ratio was primarily due to explicit recognition of future administrative expenses in the Plan's actuarial accrued liability, investment performance in FY 2008-09, and strengthening of the interest and mortality assumptions. The entry age normal cost method was used for disclosure and annual required contribution rates with the July 1, 2009 valuation.

[2] There is no employer contribution requirement for this plan in FY 2014.

CITY OF OAKLAND
Budgetary Comparison Schedule - General Fund (unaudited)
For the Year Ended June 30, 2013
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 186,529	$ 211,804	$ 214,495	$ 2,691
Sales and use tax	41,036	48,818	48,818	-
Local taxes:				
Business license	51,800	60,754	60,371	(383)
Utility consumption	50,500	50,752	50,752	-
Real estate transfer	28,490	47,297	47,406	109
Transient occupancy	10,925	12,455	12,454	(1)
Parking	8,104	7,946	7,947	1
Franchise	15,105	15,606	15,829	223
Licenses and permits	935	1,382	1,373	(9)
Fines and penalties	26,137	21,875	22,971	1,096
Interest and investment income	775	335	54	(281)
Charges for services	58,073	71,488	69,442	(2,046)
Federal and state grants and subventions	1,281	1,431	1,391	(40)
Annuity income	9,624	9,624	-	(9,624)
Other	11,425	8,106	6,329	(1,777)
TOTAL REVENUES	500,739	569,673	559,632	(10,041)
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	1,467	1,672	1,696	(24)
Council	3,419	3,743	3,509	234
City Administrator	35,601	36,817	36,325	492
City Attorney	10,182	17,168	9,712	7,456
City Auditor	901	1,399	1,369	30
City Clerk	2,109	2,538	2,069	469
Administrative Service Department:				
Human Resource Management	4,923	5,502	5,107	395
Information Technology	7,067	10,119	7,130	2,989
Financial Services	7,826	9,315	9,079	236
Public Safety Department:				
Police Serv	177,064	190,422	186,971	3,451
Fire Services	97,655	96,219	94,904	1,315
Community Service Department:				
Parks and Recreation	16,463	17,320	16,690	630
Aging & Health and Human Services	4,913	5,609	4,945	664
Cultural and community services	236	236	306	(70)
Library	9,060	9,066	8,957	109
Planning, Building & Neighborhood Preservation	32	33	76	(43)
Housing & Community Development	1,699	1,786	1,581	205
Public Works	31,072	33,322	29,564	3,758
Other	8,872	1,789	8,011	(6,222)
Capital outlay	502	38,928	38,362	566
Debt service:				
Principal repayment	2,586	2,074	2,047	27
Bond issuance costs		-	225	(225)
Interest charges	446	474	500	(26)
TOTAL EXPENDITURES	424,095	485,551	469,135	16,416
EXCESS OF REVENUES OVER EXPENDITURES	76,644	84,122	90,497	6,375
OTHER FINANCING SOURCES (USES)				
Property sale proceeds	67	67	67	-
Insurance claims and settlements	3	2,383	3,726	1,343
Transfers in	51,619	30,341	3,293	(27,048)
Transfers out	(123,821)	(131,410)	(106,960)	24,450
TOTAL OTHER FINANCING USES, NET	(72,132)	(98,619)	(99,874)	(1,255)
Extraordinary Item:				
State Controller's asset transfer review	-	-	(1,313)	(1,313)
NET CHANGE IN FUND BALANCE	4,512	(14,497)	(10,690)	3,807
Fund balances - beginning	260,089	260,089	260,089	-
FUND BALANCES - ENDING	$ 264,601	$ 245,592	$ 249,399	$ 3,807

The notes to the required supplementary information are an integral part of this schedule.

(1) BUDGETARY DATA

In accordance with the provisions of the City Charter, the City prepares and adopts a budget on or before June 30 for each fiscal year. The City Charter prohibits expending funds for which there is no legal appropriation. Therefore, the City is required to adopt budgets for all City funds.

Prior to July 1, the original adopted budget is finalized through the passage of a resolution by the City Council. The level of legal budgetary control by the City Council is established at the fund level. For management purposes, the budget is controlled at the departmental level of expenditure within funds.

In June 2011, the City Council approved the City's two-year budget for fiscal years 2012 and 2013. Although appropriations are adopted for a 24-month period, they are divided into two one-year spending plans. Agencies/departments ending the first year with budgetary non-project surplus, according to Council policy, will be allowed to carry-forward 1/3 for their operating budget, 1/3 for their capital spending, and 1/3 for reverting to the General Fund balance.

The final budgetary data presented in the required supplementary information reflects approved changes to the original 2012-13 budget. Certain projects are appropriated on a multiyear rather than annual basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations are carried forward to the following year with the approval of the City Administrator.

Transfers of appropriations between funds and supplemental appropriations financed by unanticipated revenues must be approved by the City Council.

Transfers of appropriations between projects within the same fund must be approved by the City Administrator. Final budget amounts reported in the required supplementary information reflect both the appropriation changes approved by the City Council and the transfers approved by the City Administrator.

Budgetary Basis of Accounting

The City adopts budgets each fiscal year on a basis of accounting which is substantially the same as GAAP except for certain investment earnings.

Certain funds of the City contain capital projects, grant projects, loan programs or other programs that are budgeted on a multiyear basis. The amounts of the projects and programs budgeted on a multiyear basis are significant compared to the items budgeted on an annual basis; therefore, a comparison of budget to actual for the fund would not be meaningful. As a result, such funds that are excluded from budgetary reporting are:

Major Funds

Federal/State Grants
Low and Moderate Housing Asset Fund
Municipal Capital Improvement

While the City adopts budgets for all funds, the budget to actual comparisons for proprietary and fiduciary funds are not presented because some projects and programs are adopted on a multiyear basis.

(2) RECONCILIATION OF OPERATIONS ON MODIFIED ACCRUAL BASIS TO BUDGETARY BASIS

The governmental fund financial statements have been prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The “Budgetary Comparison Schedule – General Fund” has been prepared on a budgetary basis, which is different from GAAP.

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP. The results of operations are presented in the budget to actual comparison schedule in accordance with the budgetary process (Budgetary Basis) to provide a meaningful comparison with the budget.

The main difference between Budgetary Basis “actual” and GAAP basis is a timing difference:

In October 2001, the City entered into a debt service deposit agreement with a third party whereby the City received approximately $9.6 million in exchange for forgoing its right to receive investment earnings on the amounts deposited with the trustee in advance of the date that the related debt was due to the bondholders. The compensation to the City was recorded as revenue in fiscal year 2002 when received on a budgetary basis. On a GAAP basis, the revenue was deferred and is being recognized over the 21-year life of the agreement. Amortization for the year ended June 30, 2013, was $403,630.

The following schedule is a reconciliation of the GAAP and budgetary results of operations (in thousands):

	General Fund
Net change in fund balance - GAAP basis	$ (10,286)
Amortization of debt service deposit agreement	(404)
Net change in fund balance - Budgetary basis	$ (10,690)

The General Fund’s fund balance on a GAAP Basis is reconciled to a Budgetary Basis as of June 30, 2013, which is as follows (in thousands):

	General Fund
Fund balance as of June 30, 2013 - GAAP basis	$ 245,643
Unamortized debt service deposit agreement	3,756
Fund balance as of June 30, 2013 - Budgetary basis	$ 249,399

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COMBINING NONMAJOR GOVERNMENTAL FUNDS

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Total
ASSETS			
Cash and investments	$ 57,251	$ 16,840	$ 74,091
Receivables, net:			
Accrued interest and dividends	48	16	64
Property taxes	6,861	1,160	8,021
Accounts receivable	8,208	-	8,208
Grants receivable	2,319	-	2,319
Notes and loans receivable, net	32,858	-	32,858
Restricted cash and investments	16,188	74,659	90,847
Other Assets	16	-	16
TOTAL ASSETS	$ 123,749	$ 92,675	$ 216,424
LIABILITIES			
Accounts payable and accrued liabilities	$ 8,328	$ 47	$ 8,375
Due to other funds	1,086	-	1,086
Due to other governments	24	-	24
Other	5,087	-	5,087
TOTAL LIABILITIES	14,525	47	14,572
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	5,469	547	6,016
Unavailable revenue - notes and loans	32,858	-	32,858
Unavailable revenue - grants	2,151	-	2,151
TOTAL DEFERRED INFLOWS	40,478	547	41,025
FUND BALANCES			
Restricted	44,973	92,081	137,054
Committed	16,075	-	16,075
Assigned	10,213	-	10,213
Unassigned	(2,515)	-	(2,515)
TOTAL FUND BALANCES	68,746	92,081	160,827
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 123,749	$ 92,675	$ 216,424

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Total
REVENUES			
Taxes:			
Property	$ 14,723	$ 25,270	$ 39,993
Sales and use	11,676	-	11,676
Gas	10,004	-	10,004
Transient occupancy	3,377	-	3,377
Parking	7,618	-	7,618
Voter approved special tax	38,247	-	38,247
Licenses and permits	11,958	-	11,958
Fines and penalties	3,458	72	3,530
Interest and investment income	313	4,000	4,313
Charges for services	14,906	-	14,906
Federal and state grants and subventions	3,035	-	3,035
Other	3,332	846	4,178
TOTAL REVENUES	122,647	30,188	152,835
EXPENDITURES			
Current:			
Elected and Appointed Officials:			
Mayor	134	-	134
City Administrator	1,900	-	1,900
City Attorney	1,138	-	1,138
Departments:			
Administratvie Service Department:			
Information Technology	606	-	606
Financial Services	509	56	565
Public Safety:			
Police Services	13,058	-	13,058
Fire Services	9,852	-	9,852
Community Service Department:			
Parks and Recreation	4,466	-	4,466
Aging & Health and Human Services	18,252	-	18,252
Cultural and community services	125	-	125
Library	13,543	-	13,543
Planning, Building & Neighborhood Preservation	22,070	-	22,070
Public Works	32,744	-	32,744
Housing & Community Development	1,275	-	1,275
Other	3,224	742	3,966
Capital outlay	5,757	-	5,757
Debt service:			
Principal repayment	-	33,916	33,916
Bond issuance cost	150	213	363
Payment to refund bond escrow agent	-	1,217	1,217
Interest charges	-	24,770	24,770
TOTAL EXPENDITURES	128,803	60,914	189,717
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,156)	(30,726)	(36,882)
OTHER FINANCING SOURCES (USES)			
Issuance of refunding bonds	-	3,545	3,545
Premiums (discount) on issuance of bonds	-	41	41
Payment to refund bond escrow agent	-	(3,018)	(3,018)
Capital leases	16,150	-	16,150
Transfers in	11,105	23,178	34,283
Transfers out	(1,148)	(9,365)	(10,513)
TOTAL OTHER FINANCING SOURCES (USES)	26,107	14,381	40,488
NET CHANGE IN FUND BALANCES	19,951	(16,345)	3,606
Fund balances - beginning	48,795	108,426	157,221
FUND BALANCES - ENDING	$ 68,746	$ 92,081	$ 160,827

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds account for certain revenue sources that are legally restricted or committed to be spent for specified purposes. Other restricted sources are accounted for in fiduciary, debt service, and capital projects funds.

Traffic Safety and Control Fund accounts for monies received from 3-5% parking meter collections and from fines and forfeitures for misdemeanor violations of vehicle codes which are expended or disbursed for purposes immediately connected with traffic safety and control.

State Gas Tax Fund accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code. State gas taxes are restricted to uses related to local streets and highways and would include acquisitions of real property, construction and improvements, and repairs and maintenance of streets and highways.

The **Landscape and Lighting Assessment District Fund** is an assessment district fund that is used to account for monies restricted to installing, maintaining and servicing public lighting, landscaping and park facilities.

Assessment Districts Fund accounts for monies restricted to specific improvements that beneficially affect a well defined and limited area of land.

Other Special Revenue Funds account for other restricted monies that are classified as Special Revenue Funds.

Parks, Recreation, and Cultural Fund accounts for monies held for the general betterment and beautification of city parks, recreation centers, the Oakland Public Museum, and the Oakland Public Library.

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds-Special Revenue Funds
June 30, 2013
(In Thousands)

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessment District	Assessment Districts	Other Special Revenue	Parks, Recreation, and Cultural	Total
ASSETS							
Cash and Investments	$ 12,934	$ 9,255	$ -	$ 3,248	$ 27,669	$ 4,145	$ 57,251
Receivable, net:							
Accrued interest and dividends	11	8	-	3	23	3	48
Property taxes	-	-	2,599	147	3,821	294	6,861
Accounts receivable	3,892	191	776	125	3,224	-	8,208
Grants receivable	355	-	-	-	1,964	-	2,319
Notes and loans receivable, net	-	-	-	-	32,858	-	32,858
Restricted cash and investments	-	-	16,008	-	-	180	16,188
Other Assets	16	-	-	-	-	-	16
TOTAL ASSETS	$ 17,208	$ 9,454	$ 19,383	$ 3,523	$ 69,559	$ 4,622	$ 123,749
LIABILITIES							
Accounts payable and accrued liabilities	$ 635	$ 204	$ 2,559	$ 135	$ 4,774	$ 21	$ 8,328
Due to other funds	-	-	1,086	-	-	-	1,086
Due to other governments	-	-	-	-	24	-	24
Other	-	-	-	-	4,060	1,027	5,087
TOTAL LIABILITIES	635	204	3,645	135	8,858	1,048	14,525
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property tax	-	-	2,245	124	3,100	-	5,469
Unavailable revenue - notes and loans	-	-	-	-	32,858	-	32,858
Unavailable revenue - grants	301	-	-	1	1,617	232	2,151
TOTAL DEFERRED INFLOWS	301	-	2,245	125	37,575	232	40,478
FUND BALANCES							
Restricted	16,272	9,250	16,008	3,263	-	180	44,973
Committed	-	-	-	-	13,915	2,160	16,075
Assigned	-	-	-	-	9,211	1,002	10,213
Unassigned	-	-	(2,515)	-	-	-	(2,515)
TOTAL FUND BALANCES (DEFICIT)	16,272	9,250	13,493	3,263	23,126	3,342	68,746
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 17,208	$ 9,454	$ 19,383	$ 3,523	$ 69,559	$ 4,622	$ 123,749

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds-Special Revenue Funds
For the Year Ended June 30, 2013
(In Thousands)

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessment District	Assessment Districts	Other Special Revenue	Parks, Recreation, and Cultural	Total
REVENUES							
Taxes:							
Property	$ -	$ -	$ -	$ -	$ 14,723	$ -	$ 14,723
Sales and use	11,676	-	-	-	-	-	11,676
Gas	-	10,004	-	-	-	-	10,004
Transient occupancy	-	-	-	-	3,377	-	3,377
Parking	-	-	-	-	7,618	-	7,618
Voter approved special tax	-	-	19,293	1,796	17,158	-	38,247
Licenses and permits	-	-	21	-	11,937	-	11,958
Fines and penalities	2,568	-	-	-	890	-	3,458
Interest and investment income	-	-	6	-	307	-	313
Charges for services	170	-	198	-	14,538	-	14,906
Federal and state grants and subventions	247	138	-	-	2,532	118	3,035
Other	2,126	-	218	102	765	121	3,332
TOTAL REVENUES	16,787	10,142	19,736	1,898	73,845	239	122,647
EXPENDITURES							
Current:							
Elected and Appointed Officials:							
Mayor	-	-	-	-	38	96	134
City Administrator	2	-	50	3	1,845	-	1,900
City Attorney	30	110	-	-	998	-	1,138
Departments:							
Administrative Service Department:							
Information Technology	-	-	-	-	606	-	606
Financial Services	-	-	155	2	352	-	509
Public Safety:							
Police Services	2,006	-	-	-	11,052	-	13,058
Fire Services	-	-	-	1,784	8,068	-	9,852
Community Service Department:							
Parks and Recreation	-	-	4,065	-	401	-	4,466
Aging & Health and Human Services	1,218	-	-	-	17,034	-	18,252
Cultural and community services	-	-	-	-	125	-	125
Library	-	-	-	-	13,310	233	13,543
Planning, Building & Neighborhood Preservation	-	-	-	-	22,070	-	22,070
Public Works	7,003	8,268	16,407	9	1,050	7	32,744
Housing & Community Development					1,275		1,275
Other	-	11	1	-	3,212	-	3,224
Capital outlay	3,376	1,000	-	-	1,017	364	5,757
Debt Service:							
Bond issuance cost	-	-	150	-	-	-	150
TOTAL EXPENDITURES	13,635	9,389	20,828	1,798	82,453	700	128,803
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,152	753	(1,092)	100	(8,608)	(461)	(6,156)
OTHER FINANCING SOURCES (USES)							
Proceeds from issuance of debt	-	-	16,150	-	-	-	16,150
Transfers in	-	-	-	151	10,954	-	11,105
Transfers out	-	-	(149)	-	(999)	-	(1,148)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	16,001	151	9,955	-	26,107
NET CHANGE IN FUND BALANCES	3,152	753	14,909	251	1,347	(461)	19,951
Fund balances (deficit) - beginning	13,120	8,497	(1,416)	3,012	21,779	3,803	48,795
FUND BALANCES (DEFICIT) - ENDING	$ 16,272	$ 9,250	$ 13,493	$ 3,263	$ 23,126	$ 3,342	$ 68,746

CITY OF OAKLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Funds
For the Year Ended June 30, 2013
(In Thousands)

	Traffic Safety and Control				State Gas Tax				Landscape and Lighting District			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES												
Taxes:												
Sales and use	$ 10,060	$ 10,222	$ 11,676	$ 1,454	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Gas	-	-	-	-	10,822	10,822	10,004	(818)	-	-	-	-
Voter approved special tax	-	-	-	-	-	-	-	-	18,527	18,527	19,293	766
Licenses and permits	-	-	-	-	-	-	-	-	13	13	21	8
Fines and penalties	2,727	2,727	2,568	(159)	-	-	-	-	-		-	-
Interest and investment income	50	50	-	(50)	-	-	-	-	-	-	6	6
Charges for services	114	114	170	56	20	20	-	(20)	172	172	198	26
Federal and state grants and subventions	-	-	247	247	141	141	138	(3)	-	-	-	-
Other	-	2,903	2,126	(777)	-	-	-	-	-	175	218	43
TOTAL REVENUES	12,951	16,016	16,787	771	10,983	10,983	10,142	(841)	18,712	18,887	19,736	849
EXPENDITURES												
Current:												
Elected and Appointed Officials:												
City Administrator	-	15	2	13	-	-	-	-	62	82	50	32
City Attorney	29	29	30	(1)	111	111	110	1	-	-	-	-
Departments:												
Administrative Service Departments:												
Financial Services	35	35	-	35	-	-	-	-	-	5	155	(150)
Public Safety:												
Police Services	2,267	2,269	2,006	263	-	-	-	-	-	-	-	-
Community Service Department:												
Parks and Recreation	-	-	-	-	-	-	-	-	4,092	4,092	4,065	27
Aging & Health and Human Services	930	1,506	1,218	288	-	-	-	-	-	-	-	-
Public Works	5,551	7,637	7,003	634	8,049	9,329	8,268	1,061	14,653	29,588	16,407	13,181
Other	-	-	-	-	-	-	11	(11)	-	-	1	(1)
Capital outlay	4,500	20,778	3,376	17,402	2,550	8,367	1,000	7,367	-	128	-	128
Debt service:												
Bond issuance cost	-	-	-	-	-	-	-	-	-	150	150	-
TOTAL EXPENDITURES	13,312	32,269	13,635	18,634	10,710	17,807	9,389	8,418	18,807	34,045	20,828	13,217
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(361)	(16,253)	3,152	19,405	273	(6,824)	753	7,577	(95)	(15,158)	(1,092)	14,066
OTHER FINANCING SOURCES (USES)												
Issuance of bonds	-	-	-	-	-	-	-	-	-	16,150	16,150	-
Transfers in	875	875	-	(875)	-	-	-	-	-	-	-	-
Transfers out	(150)	(150)	-	(150)	-	-	-	-	(149)	(149)	(149)	-
TOTAL OTHER FINANCING SOURCES (USES)	725	725	-	(1,025)	-	-	-	-	(149)	16,001	16,001	-
NET CHANGE IN FUND BALANCES	364	(15,528)	3,152	18,380	273	(6,824)	753	7,577	(244)	843	14,909	14,066
Fund balances (deficit) - beginning	13,120	13,120	13,120	-	8,497	8,497	8,497	-	(1,416)	(1,416)	(1,416)	-
FUND BALANCES (DEFICIT) - ENDING	$ 13,484	$ (2,408)	$ 16,272	$ 18,380	$ 8,770	$ 1,673	$ 9,250	$ 7,577	$ (1,660)	$ (573)	$ 13,493	$ 14,066

CITY OF OAKLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Funds
For the Year Ended June 30, 2013
(In Thousands)

(Continued)

	Assessment Districts				Other Special Revenue				Parks, Recreation, and cultural			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES												
Taxes:												
Property	$ -	$ -	$ -	$ -	$ 13,956	$ 13,956	$ 14,723	$ 767	$ -	$ -	$ -	$ -
Local taxes:												
Voter approved special tax	1,837	1,691	1,796	105	16,321	16,321	17,158	837	-	-	-	-
Parking	-	-	-	-	6,888	6,888	7,618	730	-	-	-	-
Transient occupancy	-	-	-	-	2,963	3,377	3,377	-	-	-	-	-
Licenses and permits	-	-	-	-	11,751	11,889	11,937	48	-	-	-	-
Fines and penalties	-	-	-	-	1,015	1,120	890	(230)	-	-	-	-
Interest and investment income	-	-	-	-	-	57	307	250	33	33	-	(33)
Charges for services	-	-	-	-	14,569	14,731	14,538	(193)	-	-	-	-
Federal and state grants and subventions	-	-	-	-	1,428	2,178	2,532	354	-	592	118	(474)
Other	3	3	102	99	59	635	765	130	180	569	121	(448)
TOTAL REVENUES	1,840	1,694	1,898	204	68,950	71,152	73,845	2,693	213	1,194	239	(955)
EXPENDITURES												
Current:												
Elected and Appointed Officials:												
Mayor	-	-	-	-	79	95	38	57	-	176	96	80
City Administrator	3	4	3	1	2,041	2,809	1,845	964	33	520	-	520
City Attorney	-	-	-	-	950	994	998	(4)	-	-	-	-
Agencies/Departments:												
Information Technology					776	750	606	144	-	-	-	-
Financial Services	-	-	2	(2)	132	36	352	(316)	-	-	-	-
Police Services	-	-	-	-	12,966	12,390	11,052	1,338	-	-	-	-
Fire Services	1,857	2,618	1,784	834	8,298	10,791	8,068	2,723	-	-	-	-
Life Enrichment:												
Parks and Recreation	-	-	-	-	110	440	401	39	69	269	-	269
Library	-	-	-	-	15,045	15,745	13,310	2,435	111	602	233	369
Planning, Building & Neighborhood Preservation	-	-	-	-	-	24,692	22,070	2,622	-	-	-	-
Aging, Health and Human Services	-	-	-	-	17,594	22,473	17,034	5,439	-	-	-	-
Cultural and community services	-	-	-	-	20,379	189	125	64	-	-	-	-
Public Works	-	9	9	-	215	2,460	1,050	1,410	-	124	7	117
Housing & Community Development	-	-	-	-	1,255	3,107	1,275	1,832	-	-	-	
Other	-	-	-	-	2,593	2,718	3,212	(494)	-	-	-	-
Capital outlay	-	6	-	6	304	9,659	1,017	8,642	-	1,058	364	694
TOTAL EXPENDITURES	1,860	2,637	1,798	839	82,737	109,348	82,453	26,895	213	2,749	700	2,049
EXCESS (DEFICIENCY) OF REVENUES	(20)	(943)	100	1,043	(13,787)	(38,196)	(8,608)	29,588	-	(1,555)	(461)	1,094
OVER (UNDER) EXPENDITURES												
OTHER FINANCING SOURCES (USES)												
Transfers in	151	151	151	-	17,012	17,219	10,954	(6,265)	-	-	-	-
Transfers out	-	-	-	-	(1,000)	(1,346)	(999)	347	-	-	-	-
TOTAL OTHER FINANCING SOURCES	151	151	151	-	16,012	15,873	9,955	(5,918)	-	-	-	-
NET CHANGE IN FUND BALANCES	131	(792)	251	1,043	2,225	(22,323)	1,347	23,670	-	(1,555)	(461)	1,094
Fund balance - beginning	3,012	3,012	3,012	-	21,779	21,779	21,779	-	3,884	3,884	3,803	-
FUND BALANCES - ENDING	$ 3,143	$ 2,220	$ 3,263	$ 1,043	$ 24,004	$ (544)	$ 23,126	$ 23,670	$ 3,884	$ 2,329	$ 3,423	$ 1,094

NONMAJOR DEBT SERVICE FUNDS

Debt service funds account for the accumulation of resources to be used for the payment of general long-term debt principal and interest.

The **General Obligation Bonds Fund** accounts for monies received in connection with the General Obligation Bonds and the related payments on such debt. Proceeds from the General Obligation Bonds are to be used by the City to expand and develop park and recreation facilities, and to enhance the City's emergency response capabilities and for seismic reinforcement of essential public facilities and infrastructure.

The **Lease Financing Fund** accounts for monies received in connection with leases between the City and the Agency, and the City and the California Statewide Communities Development Authority. It also accounts for payments on bonds and other debt issued for the Oakland Museum, for capital improvements to certain City properties, and for the Scotlan and Kaiser Convention Centers.

The **JPFA Fund** accounts for monies received in connection with leases between the City and the JPFA.

The **Other Assessment Bonds Fund** accounts for special assessment monies received from property owners within the various special assessment districts to liquidate the improvement bonds. These districts include Rockridge Area Water Improvement, and the Fire Area Utility Underground.

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds-Debt Service Funds
June 30, 2013
(In Thousands)

	General Obligation Bonds	Lease Financing	JPFA Fund	Other Assessment Bonds	Total
ASSETS					
Cash and investments	$ 14,353	$ 79	$ 1,229	$ 1,179	$ 16,840
Receivables, net:					
Accrued interest and dividends	14	-	1	1	16
Property taxes	1,086	-	-	74	1,160
Restricted cash and investments	14	-	74,038	607	74,659
TOTAL ASSETS	$ 15,467	$ 79	$ 75,268	$ 1,861	$ 92,675
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	$ 46	$ -	$ 1	$ -	$ 47
TOTAL LIABILITIES	46	-	1	-	47
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property tax	480	-	-	67	547
TOTAL DEFERRED INFLOWS	480	-	-	67	547
FUND BALANCES					
Restricted	14,941	79	75,267	1,794	92,081
TOTAL FUND BALANCES	14,941	79	75,267	1,794	92,081
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 15,467	$ 79	$ 75,268	$ 1,861	$ 92,675

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds-Debt Service Funds
For the Year Ended June 30, 2013
(In Thousands)

	General Obligation Bonds	Lease Financing	JPFA Fund	Other Assessment Bonds	Total
REVENUES					
Property taxes	$ 25,270	$ -	$ -	$ -	$ 25,270
Fines and penalties	72	-	-	-	72
Interest and investment income	-	-	3,971	29	4,000
Other	13	-	-	833	846
TOTAL REVENUES	25,355	-	3,971	862	30,188
				o	
EXPENDITURES					
Departments:					
Financial services	-	-	-	56	56
Other	73	4	482	183	742
Debt Service:					
Principal repayment	9,666	12,320	11,835	95	33,916
Bond issuance cost	-	-	-	213	213
Payment to refund bond escrow agent	-	-	-	1,217	1,217
Interest charges	14,221	1,800	8,381	368	24,770
TOTAL EXPENDITURES	23,960	14,124	20,698	2,132	60,914
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,395	(14,124)	(16,727)	(1,270)	(30,726)
OTHER FINANCING SOURCES					
Issuance of refunding bonds	-	-	-	3,545	3,545
Premiums (discount) on issuance of bonds	-	-	-	41	41
Payment to refund bond escrow agent	-			(3,018)	(3,018)
Transfers in	-	14,120	9,058	-	23,178
Transfers out	-	-	(8,630)	(735)	(9,365)
TOTAL OTHER FINANCING SOURCES	-	14,120	428	(167)	14,381
NET CHANGE IN FUND BALANCES	1,395	(4)	(16,299)	(1,437)	(16,345)
Fund balances - beginning	13,546	83	91,566	3,231	108,426
FUND BALANCES - ENDING	$ 14,941	$ 79	$ 75,267	$ 1,794	$ 92,081

CITY OF OAKLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service Funds
For the Year Ended June 30, 2013
(In Thousands)

(Continued)

	General Obligation Bonds				Lease Financing			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES								
Taxes:								
Property	$ 24,092	$ 24,092	$ 25,270	$ 1,178	$ -	$ -	$ -	$ -
Fines and penalties	-	-	72	72	-	-	-	-
Interest and investment income	-	-	-	-	7	7	-	(7)
Other	-	-	13	13	21,500	21,500	-	(21,500)
TOTAL REVENUES	24,092	24,092	25,355	1,263	21,507	21,507	-	(21,507)
EXPENDITURES								
Current:								
Agencies/Departments:								
Other	39	51	73	(22)	7	7	4	3
Debt service:								
Principal repayment	11,421	12,306	9,666	2,640	33,827	33,820	12,320	21,500
Interest charges	12,629	16,788	14,221	2,567	1,800	1,800	1,800	-
TOTAL EXPENDITURES	24,089	29,145	23,960	5,185	35,634	35,627	14,124	21,503
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3	(5,053)	1,395	6,448	(14,127)	(14,120)	(14,124)	(4)
OTHER FINANCING SOURCES								
Transfers in	-	-	-	-	17,127	14,127	14,120	(7)
NET CHANGE IN FUND BALANCES	3	(5,053)	1,395	6,448	3,000	7	(4)	(11)
Fund balances - beginning	13,546	13,546	13,546	-	83	83	83	-
FUND BALANCES - ENDING	$ 13,549	$ 8,493	$ 14,941	$ 6,448	$ 3,083	$ 90	$ 79	$ (11)

CITY OF OAKLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service Funds
For the Year Ended June 30, 2013
(In Thousands)

(Continued)

	JPFA Fund				Other Assessment Bonds				Special Revenue Bonds			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES												
Interest and investment income	$ 4,593	$ 4,593	$ 3,971	$ (622)	$ -	$ -	$ 29	$ 29	$ -	$ -	$ 39	$ 39
Other	-	-	-	-	898	898	833	(65)	-	-	4	4
TOTAL REVENUES	4,593	4,593	3,971	(622)	898	898	862	(36)	-	-	43	43
EXPENDITURES												
Current:												
Agencies/Departments:												
Financial Services	-	-	-	-	50	50	56	(6)	-	-	-	-
Police Services	-	-	-	-	-	-	-	-	-	120,403	120,403	-
Fire Services	-	-	-	-	-	-	-	-	-	89,597	89,597	-
Other	16	16	482	(466)	26	182	183	(1)	25	31	8	23
Debt service:												
Principal repayment	11,835	11,835	11,835	-	260	345	95	250	36,598	36,598	36,598	-
Bond issuance cost	-	-	-	-		213	213		-	1,370	1,370	-
Payment to refund bond escrow agent	-	-	-	-	-	1,352	1,217	-	-	-	-	-
Interest charges	8,381	8,381	8,381	-	246	470	368	102	28,187	36,028	34,623	1,405
Intergovernmental Payment- pension contribution	-	-	-	-	-	-	-	-	-	210,000	210,000	-
TOTAL EXPENDITURES	20,232	20,232	20,698	(466)	582	2,612	2,132	345	64,810	494,027	492,599	1,428
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(15,639)	(15,639)	(16,727)	(1,088)	316	(1,714)	(1,270)	309	(64,810)	(494,027)	(492,556)	1,471
OTHER FINANCING SOURCES (USES)												
Issuance of bonds	-	-	-	-	-	3,545	3,545	-	-	212,540	212,540	-
Premiums (discounts) on issuance of bonds	-	-	-	-	-	41	41	-	-	(1,170)	(1,170)	-
Payment to refund bond escrow agent	-	-	-	-	-	(3,018)	(3,018)	-	-	-	-	-
Transfers in	15,639	15,639	9,058	(6,581)	735	2,087	-	(2,087)	64,810	72,657	72,677	20
Transfers out	-	(8,630)	(8,630)	-	(734)	(2,593)	(735)	1,858	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	15,639	7,009	428	(6,581)	1	62	(167)	(229)	64,810	284,027	284,047	20
NET CHANGE IN FUND BALANCES	-	(8,630)	(16,299)	(7,669)	317	(1,652)	(1,437)	80	-	(210,000)	(208,509)	1,491
Fund balances - beginning	91,566	91,566	91,566	-	3,231	3,231	3,231	-	14,766	14,766	14,766	-
FUND BALANCES - ENDING	$ 91,566	$ 82,936	$ 75,267	$ (7,669)	$ 3,548	$ 1,579	$ 1,794	$ 80	$ 14,766	$ (195,234)	$ (193,743)	$ 1,491

INTERNAL SERVICE FUNDS

Internal service funds account for operations that provide goods or services to other City departments and agencies, or to other governments, on a cost-reimbursement basis.

The **Equipment Fund** accounts for the purchase of automotive and rolling equipment, and the related maintenance service charges and related billings for various City departments.

The **Radio Fund** accounts for the purchase, maintenance and operation of radio and other communication equipment being used by various City departments.

The **Facilities Fund** accounts for the repair and maintenance of City facilities, and for provision of custodial and maintenance services related thereto.

The **Reproduction Fund** accounts for the acquisition, maintenance and provision of reproduction equipment and services related to normal governmental operations.

The **Central Stores Fund** accounts for inventory provided to various City departments on a cost reimbursement basis.

The **Purchasing Fund** accounts for procurement of materials, equipments and services essential to providing governmental services for the City.

Combining Statement of Fund Net Position
Internal Service Funds
June 30, 2013
(In Thousands)

	Equipment	Radio	Facilities	Reproduction	Central Stores	Purchasing	Total
ASSETS							
Current assets:							
Cash and Investments	$ -	$ 5,155	$ -	$ -	$ -	$ -	$ 5,155
Accounts receivable	38	9	44	1	-	-	92
Inventories	193	-	-	-	-	-	193
Restricted cash and investments	12,270	-	-	-	-	-	12,270
Total Current assets	12,501	5,164	44	1	-	-	17,710
Non-current assets:							
Capital assets:							
Land and other assets not being depreciated	-	-	380	-	-	-	380
Facilities and equipment, net of depreciation	7,392	1,122	1,007	-	-	-	9,521
Total Non-current Assets	7,392	1,122	1,387	-	-	-	9,901
TOTAL ASSETS	19,893	6,286	1,431	1	-	-	27,611
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	1,385	892	1,008	49	7	2	3,343
Accrued interest payable	24	-	34	-	-	-	58
Due to other funds	4,259	-	19,083	1,219	3,915	300	28,776
Other liabilities	-	-	7	-	-	-	7
Notes payable and capital leases	3,246	-	233	-	-	-	3,479
Total Current Liabilities	8,914	892	20,365	1,268	3,922	302	35,663
Non-current liabilities:							
Notes payable and capital leases	8,604	-	1,621	-	-	-	10,225
Total Non-current Liabilities	8,604	-	1,621	-	-	-	10,225
TOTAL LIABILITIES	17,518	892	21,986	1,268	3,922	302	45,888
NET POSITION							
Net investment in capital assets	7,812	1,122	1,387	-	-	-	10,321
Unrestricted	(5,437)	4,272	(21,942)	(1,267)	(3,922)	(302)	(28,598)
TOTAL NET POSITION	$ 2,375	$ 5,394	$ (20,555)	$ (1,267)	$ (3,922)	$ (302)	$ (18,277)

CITY OF OAKLAND
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2013
(In Thousands)

	Equipment	Radio	Facilities	Reproduction	Central Stores	Purchasing	Total
OPERATING REVENUES							
Charges for services	$ 16,993	$ 4,057	$ 23,072	$ 1,004	$ 614	$ 839	$ 46,579
Other	143	-	330	-	-	2	475
TOTAL OPERATING REVENUES	17,136	4,057	23,402	1,004	614	841	47,054
OPERATING EXPENSES							
Personnel	5,009	1,256	8,236	380	337	679	15,897
Supplies	5,102	167	1,309	108	3	10	6,699
Depreciation and amortization	2,067	97	81	29	-	-	2,274
Contractual services and supplies	39	289	901	-	-	-	1,229
Repairs and maintenance	1,103	205	2,482	10	-	-	3,800
General and administrative	1,641	199	2,719	464	19	3	5,045
Rental	623	150	367	480	30	3	1,653
Other	-	160	4,721	7	2	7	4,897
TOTAL OPERATING EXPENSES	15,584	2,523	20,816	1,478	391	702	41,494
OPERATING INCOME (LOSS)	1,552	1,534	2,586	(474)	223	139	5,560
NON-OPERATING REVENUES (EXPENSES)							
Interest and investment income	5	(5)	22	1	5	-	28
Interest expense	(24)	-	(82)	-	-	-	(106)
Rental	-	-	44	-	-	-	44
Insurance claims and settlements	-	-	72	-	-	-	72
Other, net (Property sale proceeds)	770	-	-	-	-	85	855
TOTAL NON-OPERATING REVENUES (EXPENSES)	751	(5)	56	1	5	85	893
INCOME (LOSS) BEFORE TRANSFERS	2,303	1,529	2,642	(473)	228	224	6,453
Transfers out	(218)	-	(15)	-	-	-	(233)
TOTAL TRANSFERS	(218)	-	(15)	-	-	-	(233)
Change in net position	2,085	1,529	2,627	(473)	228	224	6,220
Total net Position - beginning	290	3,865	(23,182)	(794)	(4,150)	(526)	(24,497)
TOTAL NET POSITION - ENDING	$ 2,375	$ 5,394	$ (20,555)	$ (1,267)	$ (3,922)	$ (302)	$ (18,277)

CITY OF OAKLAND
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013
(In Thousands)

	Equipment	Radio	Facilities	Reproduction	Stores	Purchasing	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers and users	$ 17,013	$ 4,058	$ 23,089	$ 1,004	$ 614	$ 839	$ 46,617
Cash from other sources	913	-	446	-	-	87	1,446
Cash paid to employees	(5,009)	(1,256)	(8,236)	(380)	(337)	(679)	(15,897)
Cash paid to suppliers	(7,511)	(308)	(12,313)	(1,028)	(47)	(21)	(21,228)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	5,406	2,494	2,986	(404)	230	226	10,938
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Proceeds of interfund loans	-	-	-	403	-	-	403
Repayment of interfund loans	(3,502)	-	(2,119)	-	(235)	(226)	(6,082)
Transfers out	(218)	-	(15)	-	-	-	(233)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(3,720)	-	(2,134)	403	(235)	(226)	(5,912)
CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES							
Acquisition of capital assets	(1,755)	(1,049)	(569)	-	-	-	(3,373)
Disposal of capital assets	88	-	-	-	-	-	88
Lease proceeds	11,850	-	-	-	-	-	11,850
Repayment of long-term debt	-	-	(223)	-	-	-	(223)
Interest paid on long-term debt	(24)	-	(82)	-	-	-	(106)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	10,159	(1,049)	(874)	-	-	-	8,236
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest income (loss)	5	(5)	22	1	5	-	28
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	5	(5)	22	1	5	-	28
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,850	1,440	-	-	-	-	13,290
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	420	3,715	-	-	-	-	4,135
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 12,270	$ 5,155	$ -	$ -	$ -	$ -	$ 17,425
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Operating income (loss)	$ 1,552	$ 1,534	$ 2,586	$ (474)	$ 223	$ 139	$ 5,560
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Other receipts	770	-	116	-	-	85	971
Depreciation	2,067	97	81	29	-	-	2,274
Changes in assets and liabilities:							
Receivables	(7)	1	17	-	-	-	11
Inventories	27	-	-	-	-	-	27
Accounts payable and accrued liabilities	997	862	186	41	7	2	2,095
Total Adjustments	3,854	960	400	70	7	87	5,378
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 5,406	$ 2,494	$ 2,986	$ (404)	$ 230	$ 226	$ 10,938
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS							
Cash and investments	$ -	$ 5,155	$ -	$ -	$ -	$ -	$ 5,155
Restricted cash and investment	12,270	-	-	-	-	-	12,270
TOTAL CASH AND CASH EQUIVALENTS	$ 12,270	$ 5,155	$ -	$ -	$ -	$ -	17,425

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FIDUCIARY FUNDS

Fiduciary funds, including pension and private purpose trusts, account for resources held by the City which must be spent as provided in legal trust agreements and related state laws. Agency funds account for assets held for other funds, governments, private organizations or individuals. Agency funds do not measure the results of operations and generally serve as clearing accounts.

PENSION TRUST FUNDS

The **Oakland Municipal Employees Retirement System (OMERS) Fund** is a closed benefit plan that covers non-uniformed employees hired prior to September 1970 who have not elected to transfer to the California Public Employees Retirement System.

The **Police and Fire Retirement System (PFRS) Fund** is a closed benefit plan administered by a Board of Trustees which covers uniformed police and fire employees. Membership in the plan is limited to uniformed employees hired prior to July 1, 1976. All subsequent hires are covered under the California Public Employees Retirement System.

PRIVATE PURPOSE TRUST FUNDS

Private Purpose Trust Fund include (a) *the Oakland Redevelopment Successor Agency Trust Fund*, which accounts for the custodial responsibilities that are assigned to the Oakland Redevelopment Successor Agency with the passage of AB X1 26, (b) *the Private Purpose Trust Fund*, which accounts for the operations of certain trust funds, such as the Major Gifts Funds or the Youth Opportunity Program Fund, and retiree medical payments; that are not related to the former Oakland Redevelopment Agency projects or parks, recreation or cultural activities and (c) the *Private Pension Trust Fund* accounts for employee deferred compensation fund.

CITY OF OAKLAND
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2013
(In Thousands)

	OMERS	PFRS	TOTAL
ASSETS			
Cash and investments	$ -	$ 8,621	$ 8,621
Receivables:			
Accrued interest and dividends	-	1,189	1,189
Investments and other	7	12,983	12,990
Restricted cash and investments:			
Short-term investments	47	11,231	11,278
U.S. government bonds	-	66,722	66,722
U.S. corporate bonds and mutual funds	1,281	118,312	119,593
Domestic equities and mutual funds	3,219	201,060	204,279
International equities and mutual funds	-	56,868	56,868
Total restricted cash and investments	4,547	454,193	458,740
Securities lending collateral	-	8,876	8,876
TOTAL ASSETS	4,554	485,862	490,416
LIABILITIES			
Due to primary government	62	-	62
Accounts payable and accrued liabilities	47	21,390	21,437
Securities lending liabilities	-	8,876	8,876
TOTAL LIABILITIES	109	30,266	30,375
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 4,445	$ 455,596	$ 460,041

CITY OF OAKLAND
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended June 30, 2013
(In Thousands)

	OMERS	PFRS	TOTAL
ADDITIONS:			
Contributions:			
Members	$ -	$ 7	$ 7
City	-	210,000	210,000
Total contributions	-	210,007	210,007
Investment Income:			
Net appreciation in fair value of investments	536	28,905	29,441
Interest	12	5,460	5,472
Dividends	56	4,382	4,438
Securities lending income	-	130	130
Total investment income, net	604	38,877	39,481
Investment expense	(24)	(1,542)	(1,566)
Borrowers' rebates and other agent fees and securities lending transactions	-	(32)	(32)
Net investment income	580	37,303	37,883
Other income	-	43	43
TOTAL ADDITIONS	580	247,353	247,933
DEDUCTIONS:			
Disbursements to members and beneficiaries:			
Retirement	310	36,008	36,318
Disability	62	21,735	21,797
Death	2	1,804	1,806
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	374	59,547	59,921
Administrative expenses	209	684	893
TOTAL DEDUCTIONS	583	60,231	60,814
Change in net position	(3)	187,122	187,119
Net position - beginning	4,448	268,474	272,922
NET POSITION - ENDING	$ 4,445	$ 455,596	$ 460,041

CITY OF OAKLAND
Combining Statement of Fiduciary Net Position
Other Private Purpose Trust Funds
June 30, 2013
(In Thousands)

	Private Purpose Trust Fund	Private Pension Trust Fund	Total
ASSETS			
Cash and investments	$ 7,140	$ 118	$ 7,258
Receivables:			
Accrued interest and dividends	3	-	3
Accounts receivable	2	-	2
TOTAL ASSETS	7,145	118	7,263
LIABILITIES			
Accounts payable and accrued liabilities	186	-	186
NET POSITION			
Net position held in trust	$ 6,959	$ 118	$ 7,077

CITY OF OAKLAND
Combining Statement of Changes in Fiduciary Net Position
Other Private Purpose Trust Funds
For the Year Ended June 30, 2013
(In Thousands)

	Private Purpose Trust Fund	Private Pension Trust Fund	Total
ADDITIONS:			
Trust receipts	$ 308	$ -	$ 308
Interest	(11)	-	(11)
Other income	286	-	286
TOTAL ADDITIONS	583	-	583
DEDUCTIONS:			
Administrative expenses	3	89	92
Police services	237	-	237
Aging & Health and Human Services	133	-	133
Housing & Community Development	205	-	205
Other	25	-	25
Capital outlay	6	-	6
TOTAL DEDUCTIONS	609	89	698
Change in net position	(26)	(89)	(115)
NET POSITION - BEGINNING	6,985	207	7,192
NET POSITION - ENDING	$ 6,959	$ 118	$ 7,077

STATISTICAL SECTION

CITY OF OAKLAND
STATISTICS

This part of the City of Oakland's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplemental information says about the City's overall financial health.

Financial Trends

Schedules one through five contain trend information to assist in understanding how the City's financial performance and well-being have changed over times.

Revenue Capacity

Schedules six through twelve report tax revenues by sources which include: property taxes, state taxes and local taxes.

Debt Capacity

Schedules thirteen through sixteen present information that helps in understanding the City's current level of outstanding debt, the legal debt margin, and the ability to issue additional debt in the future.

Pledged Revenue Coverage

Schedule seventeen contains pledge revenue coverage for the City and the Port of Oakland, a component unit of the City. This schedule assists in understanding the revenues pledged for repayment of debt service.

Demographic and Economic Information

Schedules eighteen and nineteen provide the demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

Schedules twenty through twenty-two contain service and infrastructure data to assist in understanding how the City's financial reports relate to the services the City provides and the activities it performs.

Sources: The City's Comprehensive Annual Financial Report for the relevant year.

SCHEDULE 1

NET POSITION BY COMPONENT

(in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	$ 389,345	$ 310,633	$ 319,932	$ 353,715	$ 401,881	$ 442,793	$ 478,689	$ 538,815	$ 663,785	$ 712,606
Restricted	316,026	292,415	267,824	317,558	336,908	338,514	372,439	382,563	274,004	142,506
Unrestricted	(260,074)	(55,983)	(8,522)	37,704	(117,971)	(156,331)	(301,692)	(334,771)	(18,621)	(51,171)
Total net position - governmental activities	$ 445,297	$ 547,065	$ 579,234	$ 708,977	$ 620,818	$ 624,976	$ 549,436	$ 586,607	$ 919,168	$ 803,941
Business-type activities										
Net investment in capital assets	$ 113,610	$ 107,396	$ 110,279	$ 109,886	$ 111,881	$ 113,961	$ 113,718	$ 114,297	$ 122,911	$ 129,542
Unrestricted	(6,185)	3,114	989	2,173	7,731	15,037	26,126	37,429	44,061	53,341
Total net position - business-type activities	$ 107,425	$ 110,510	$ 111,268	$ 112,059	$ 119,612	$ 128,998	$ 139,844	$ 151,726	$ 166,972	$ 182,883
Primary government										
Net investment in capital assets	$ 502,955	$ 418,029	$ 430,211	$ 463,601	$ 513,762	$ 556,754	$ 592,407	$ 653,112	$ 786,696	$ 842,148
Restricted	316,026	292,415	267,824	317,558	336,908	338,514	372,439	382,563	274,004	142,506
Unrestricted	(266,259)	(52,869)	(7,533)	39,877	(110,240)	(141,294)	(275,566)	(297,342)	25,440	2,170
Total net position - primary government	$ 552,722	$ 657,575	$ 690,502	$ 821,036	$ 740,430	$ 753,974	$ 689,280	$ 738,333	$ 1,086,140	$ 986,824

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Statement of Net Position

CITY OF OAKLAND
STATISTICS

SCHEDULE 2

CHANGES IN NET POSITION

(in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
General government	$ 67,069	$ 65,865	$ 71,471	$ 91,119	$ 102,218	$ 94,957	$ 83,295	$ 75,381	$ 83,131	$ 93,942
Public safety	297,869	319,908	335,171	348,436	412,050	424,435	411,333	372,587	351,566	363,597
Life enrichment	102,314	96,649	101,902	105,728	115,315	119,659	119,254	123,538	-	-
Community services	-	-	-	-	-	-	-	-	122,829	107,779
Community and economic development	121,160	117,689	140,351	183,968	203,406	182,327	222,226	158,209	138,596	81,182
Public works	70,369	107,457	100,448	101,075	79,348	74,081	70,757	88,321	101,892	75,158
Interest on long-term debt	58,820	62,238	73,224	79,864	74,545	71,552	73,735	93,618	68,948	62,744
Total governmental activities expenses	$ 717,601	$ 769,806	$ 822,567	$ 910,190	$ 986,882	$ 967,011	$ 980,600	$ 911,654	$ 866,962	$ 784,402
Business-type activities:										
Sewer	$ 20,597	$ 21,337	$ 24,841	$ 29,365	$ 30,502	$ 25,530	$ 26,899	$ 27,971	$ 31,227	$ 34,504
Parks and recreation	159	160	734	1,087	384	652	520	740	492	643
Total business-type activities	$ 20,756	$ 21,497	$ 25,575	$ 30,452	$ 30,886	$ 26,182	$ 27,419	$ 28,711	$ 31,719	$ 35,147
Total primary government expenses	$ 738,357	$ 791,303	$ 848,142	$ 940,642	$ 1,017,768	$ 993,193	$ 1,008,019	$ 940,365	$ 898,681	$ 819,549
Program Revenues (see schedule 3)										
Governmental activities:										
Charges for services:										
General government	$ 14,913	$ 25,641	$ 16,266	$ 13,741	$ 22,276	$ 21,128	$ 24,382	$ 20,360	$ 19,924	$ 17,756
Public safety	38,959	66,983	42,492	9,803	10,331	15,733	14,900	13,573	13,283	7,610
Life enrichment	73	125	79	3,992	5,110	11,084	8,128	8,483	-	
Community services	-	-	-	-	-	-	-	-	8,302	6,342
Community and economic development	7,287	12,528	7,947	16,437	45,466	47,223	48,765	42,418	41,507	19,025
Public works	3,600	6,190	3,927	31,269	27,113	30,887	39,283	84,834	83,017	76,098
Operating grants and contributions	78,965	74,694	77,154	106,903	91,278	94,353	97,177	123,149	89,620	89,424
Capital grants and contributions	10,366	-	-	-	-	-	-	-	30,607	26,179
Total governmental activities program revenues	$ 154,163	$ 186,161	$ 147,865	$ 182,145	$ 201,574	$ 220,408	$ 232,635	$ 292,817	$ 286,260	$ 242,434
Business-type activities:										
Charges for services:										
Sewer	$ 22,590	$ 24,252	$ 24,678	$ 29,838	$ 33,264	$ 35,382	$ 39,329	$ 41,832	$ 48,200	$ 52,919
Parks and recreation	58	244	197	237	487	796	286	118	575	372
Operating grants and contributions	-	-	-	21	-	-	-	-	-	-
Total business-type activities program revenues	$ 22,648	$ 24,496	$ 24,875	$ 30,096	$ 33,751	$ 36,178	$ 39,615	$ 41,950	$ 48,775	$ 53,291
Total primary government program revenues	$ 176,811	$ 210,657	$ 172,740	$ 212,241	$ 235,325	$ 256,586	$ 272,250	$ 334,767	$ 335,035	$ 295,725
Net (Expense)/Revenue										
Governmental activities	$ (563,438)	$ (583,645)	$ (674,702)	$ (735,868)	$ (785,308)	$ (746,603)	$ (747,965)	$ (618,837)	$ (580,702)	$ (541,968)
Business-type activities	1,892	2,999	(700)	(356)	2,865	9,996	12,196	13,239	17,056	18,144
Total primary government net expense	$ (561,546)	$ (580,646)	$ (675,402)	$ (736,224)	$ (782,443)	$ (736,607)	$ (735,769)	$ (605,598)	$ (563,646)	$ (523,824)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 200,731	$ 234,127	$ 268,693	$ 317,666	$ 358,338	$ 359,851	$ 346,859	$ 324,516	$ 288,923	$ 256,333
Other taxes	72,906	68,451	67,304	67,723	73,928	67,642	57,745	65,068	66,940	70,498
Local taxes	197,873	251,301	261,815	256,658	235,470	214,266	216,072	220,684	222,237	244,207
Other	117,238	84,850	30,406	108,048	50,153	81,885	58,374	35,672	53,172	7,076
Interest and investment income	5,566	46,063	78,053	48,073	47,852	25,917	10,894	8,592	7,078	6,358
Transfers	600	621	600	600	600	1,200	1,463	1,476	1,893	1,911
Special Items	-	-	-	59,020	-	-	-	-	-	-
Extraordinary loss due to State Controller's Office asset transfer review and California Department of Finance disallowances	-	-	-	-	-	-	-	-	-	(156,902)
Extraordinary gain from dissolution of former Redevelopment Agency	-	-	-	-	-	-	-	-	273,020	-
Total governmental activities	$ 594,914	$ 685,413	$ 706,871	$ 857,788	$ 766,341	$ 750,761	$ 691,407	$ 656,008	$ 913,263	$ 429,481
Business-type activities:										
Interest and investment income	$ 94	$ 707	$ 1,996	$ 1,745	$ 1,434	$ 590	$ 113	$ 119	$ 83	$ (24)
Other	-	-	62	2	-	-	-	-	-	-
Transfers	(600)	(621)	(600)	(600)	(600)	(1,200)	(1,463)	(1,476)	(1,893)	(1,911)
Total business-type activities	$ (506)	$ 86	$ 1,458	$ 1,147	$ 834	$ (610)	$ (1,350)	$ (1,357)	$ (1,810)	$ (1,935)
Total primary government	$ 594,408	$ 685,499	$ 708,329	$ 858,935	$ 767,175	$ 750,151	$ 690,057	$ 654,651	$ 911,453	$ 427,546
Change in Net Position										
Governmental activities	$ 31,476	$ 101,768	$ 32,169	$ 129,743	$ (18,967)	$ 4,158	$ (56,558)	$ 37,171	$ 332,561	$ (112,487)
Business-type activities	1,386	3,085	758	791	3,699	9,386	10,846	11,882	15,246	16,209
Total primary government	$ 32,862	$ 104,853	$ 32,927	$ 130,534	$ (15,268)	$ 13,544	$ (45,712)	$ 49,053	$ 347,807	$ (96,278)

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Statement of Activities

SCHEDULE 3

PROGRAM REVENUES BY FUNCTION/PROGRAM

(in thousands)

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Charges for services:										
General government	$ 14,913	$ 25,641	$ 16,266	$ 13,741	$ 22,276	$ 21,128	$ 24,382	$ 20,360	$ 19,924	$ 17,756
Public safety	38,959	66,983	42,492	9,803	10,331	15,733	14,900	13,573	13,283	7,610
Life enrichment	73	125	79	3,992	5,110	11,084	8,128	8,483	-	-
Community services	-	-	-	-	-	-	-	-	8,302	6,342
Community and economic development	7,287	12,528	7,947	16,437	45,466	47,223	48,765	42,418	41,507	19,025
Public works	3,600	6,190	3,927	31,269	27,113	30,887	39,283	84,834	83,017	76,098
Operating grants and contributions	78,965	74,694	77,154	106,903	91,278	94,353	97,177	123,149	89,620	89,424
Capital grants and contributions	10,366	-	-	-	-	-	-	-	30,607	26,179
Subtotal governmental activities	$ 154,163	$ 186,161	$ 147,865	$ 182,145	$ 201,574	$ 220,408	$ 232,635	$ 292,817	$ 286,260	$ 242,434
Business-type activities:										
Charges for services:										
Sewer	$ 22,590	$ 24,252	$ 24,678	$ 29,838	$ 33,264	$ 35,382	$ 39,329	$ 41,832	$ 48,200	$ 52,919
Parks and recreation	58	244	197	237	487	796	286	118	575	372
Operating grants and contributions	-	-	-	21	-	-	-	-	-	-
Subtotal business-type activities	$ 22,648	$ 24,496	$ 24,875	$ 30,096	$ 33,751	$ 36,178	$ 39,615	$ 41,950	$ 48,775	$ 53,291
Total primary government	$ 176,811	$ 210,657	$ 172,740	$ 212,241	$ 235,325	$ 256,586	$ 272,250	$ 334,767	$ 335,035	$ 295,725

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Statement of Activities

SCHEDULE 4

FUND BALANCES, GOVERNMENTAL FUNDS

(in thousands)

	2004	2005	2006	2007	2008	2009	2010
General Fund (1)							
Reserved	$ 10,779	$ 151,494	$ 134,151	$ 138,891	$ 126,575	$ 116,543	$ 103,372
Unreserved	222,529	140,343	152,368	143,016	121,109	120,406	129,678
Total general fund	$ 233,308	$ 291,837	$ 286,519	$ 281,907	$ 247,684	$ 236,949	$ 233,050

	2011	2012	2013
General Fund (2)			
Restricted	$ 106,692	$ 110,708	$ 165,400
Committed	3,890	70,284	-
Assigned	65,985	6,256	58,452
Unassigned	48,794	68,681	21,791
Total general fund	$ 225,361	$ 255,929	$ 245,643

	2004	2005	2006	2007	2008	2009	2010
All Other Governmental Funds (1)							
Reserved	$ 284,475	$ 445,531	$ 496,474	$ 797,702	$ 828,314	$ 788,476	$ 761,679
Unreserved, reported in:							
Special revenue funds	4,704	19,785	42,102	32,444	8,129	9,553	(16,486)
Capital projects funds	164,788	143,456	130,221	98,912	73,147	41,322	66,136
Total all other governmental funds	$ 453,967	$ 608,772	$ 668,797	$ 929,058	$ 909,590	$ 839,351	$ 811,329

	2011	2012	2013
All Other Governmental Funds (2)			
Restricted	$ 481,124	$ 264,460	$ 248,517
Committed	139,178	13,420	16,075
Assigned	188,722	179,063	61,373
Unassigned	(2,669)	(1,416)	(9,849)
	$ 806,355	$ 455,527	$ 316,116

Note:

(1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

(2) The City implemented GASB Statement No. 54 under which governmental fund balances are reported as restricted, committed, assigned,and unassigend compared to reserved and unreserved.

SCHEDULE 5

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

(in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes (see Schedule 6)	$ 457,949	$ 535,706	$ 578,474	$ 616,754	$ 648,153	$ 641,086	$ 622,901	$ 612,328	$ 578,100	$ 569,193
Licenses and permits	13,476	15,676	19,006	20,390	19,319	14,467	12,124	13,297	12,079	13,331
Fines and penalties	28,189	26,325	25,467	26,859	23,497	29,348	31,220	29,440	27,204	26,657
Interest/investment net income	7,672	38,495	30,721	49,141	49,894	27,520	11,495	9,147	7,558	6,330
Charges for services	67,176	73,133	70,711	75,242	76,735	77,285	82,289	124,707	126,750	86,842
Other intergovernmental revenues	-	-	-	-	33,561	35,588	45,116		-	-
Federal and State grants and subventions	79,918	97,009	73,778	97,382	94,428	87,971	98,850	121,184	115,046	102,802
Other revenues	48,608	53,711	47,558	74,758	24,200	40,587	32,116	32,290	34,427	39,278
Total revenues	$ 702,988	$ 840,055	$ 845,715	$ 960,526	$ 969,787	$ 953,852	$ 936,111	$ 942,393	$ 901,164	$ 844,433
Expenditures										
General government	$ 42,225	$ 45,466	$ 49,411	$ 67,194	$ 45,600	$ 40,838	$ 35,710	$ 33,781	$ 50,992	$ 71,990
Financial and Personnel Services	22,339	22,197	24,181	26,018	35,761	34,863	30,943	28,756	27,371	15,337
Information Technology	-	-	-	-	13,666	12,975	9,137	8,276	7,746	7,753
Contracting and Purchasing	-	-	-	-	2,280	1,959	2,100	2,082	-	-
Police services	166,175	178,813	187,968	206,561	225,893	231,789	218,129	205,292	220,115	331,382
Fire services	91,542	98,029	111,162	112,699	118,429	119,711	111,583	111,339	125,585	200,054
Life enrichment										
Administration	1	7	-	-	-	-				
Parks & Recreation	29,445	16,740	17,296	19,148	20,872	20,308	20,259	20,914	20,465	21,260
Library	18,460	20,547	22,942	24,631	23,833	21,824	20,927	21,633	22,704	22,623
Museum	8,327	7,383	267	6,976	6,883	6,584	6,146	6,749	-	-
Marketing	2,367	-	-	-	-	-	-	-	-	-
Aging, Health & Human Services	33,238	35,609	46,581	53,228	56,239	62,382	59,441	63,031	61,851	60,978
Cultural Arts	41	-	6,832	-	-	-	-			
Community & Economic Development	92,788	101,031	135,561	169,233	206,908	197,285	227,505	175,750	96,407	-
Planning, Building & Neighborhood Preservation	-	-	-	-	-	-	-	-	11,170	22,616
Cultural and community services										431
Housing & Community Development									19,132	43,420
Public Works	60,328	73,338	79,816	91,490	71,971	64,288	57,133	71,099	69,763	72,497
Other	30,372	38,327	23,048	10,641	10,597	20,099	8,328	27,062	18,460	13,243
Capital outlay	24,779	36,219	25,014	49,895	46,312	44,418	61,233	63,532	71,703	103,905
Debt service										
Bond issuance costs	12,874	4,478	2,496	4,467	4,210	864	1,558	828	359	1,958
Other refunding cost	-	-	-	-	5,674	-	-	-	-	3,110
Principal	61,831	88,506	72,583	79,964	92,940	138,854	105,742	86,965	125,570	74,886
Interest	62,897	60,656	69,027	69,682	71,528	65,157	69,097	89,514	67,175	58,208
Total expenditures	$ 760,029	$ 827,346	$ 874,185	$ 991,827	$ 1,059,596	$ 1,084,198	$ 1,044,971	$ 1,016,603	$ 1,016,568	$ 1,125,651
Excess of revenues over(under) expenditures	$ (57,041)	$ 12,709	$ (28,470)	$ (31,301)	$ (89,809)	$ (130,346)	$ (108,860)	$ (74,210)	$ (115,404)	$ (281,218)
Other Financing Sources (Uses)										
Issuance of debt	$ 3,927	$ 433,956	$ 105,840	$ 143,988	$ -	$ 40,228	$ 67,693	$ 56,870	$ 83,775	$ -
Issuance of refunding bonds	188,650	-	-	102,590	241,410	-	-	-	-	216,085
Capital leases	-	-	-	-	-	-	-	-	-	16,150
Premiums/discounts on issuance of bonds	587	13,535	328	1,963	11,313	(779)	908	(2,052)	8,538	(1,129)
Payment to refund bond escrow agent	(96,395)	(247,860)	(27,853)	(22,729)	(221,250)	-			(57,998)	(3,018)
Property sale proceeds	1,497	394	4,262	618	4,045	8,723	5,013	4,481	32,213	67
Insurance claims and settlements	-	-	-	-	-	-	1,641	548	1,627	3,726
Transfers in	95,404	109,911	101,643	97,397	98,691	130,095	106,409	103,786	344,831	119,617
Transfers out	(94,804)	(109,311)	(101,043)	(95,897)	(98,091)	(128,895)	(104,725)	(102,086)	(342,843)	(117,473)
Total other financing sources (uses)	$ 98,866	$ 200,625	$ 83,177	$ 227,930	$ 36,118	$ 49,372	$ 76,939	$ 61,547	$ 70,143	$ 234,025
Special item	$ -	$ -	$ -	$ 59,020	$ -	$ -	$ -	$ -	$ -	$ -
Extraordinary loss from dissolution of former Redevelopment Agency	-	-	-	-	-	-	-	-	(274,999)	-
Extraordinary loss due to State Controller's Office asset transfer review and California Department of Finance disallowances	-	-	-	-	-	-	-	-	-	(102,504)
Net change in fund balances	$ 41,825	$ 213,334	$ 54,707	$ 255,649	$ (53,691)	$ (80,974)	$ (31,921)	$ (12,663)	$ (320,260)	$ (149,697)
Total fund balance - beginning	645,450	687,275	900,609	955,316	1,210,965	1,157,274	1,076,300	1,044,379	1,031,716	711,456
Total fund balance - ending	$ 687,275	$ 900,609	$ 955,316	$ 1,210,965	$ 1,157,274	$ 1,076,300	$ 1,044,379	$ 1,031,716	$ 711,456	$ 561,759
Debt service as a percentage of noncapital expenditures	16.96%	18.85%	16.68%	15.89%	17.00%	20.33%	18.13%	18.85%	20.97%	13.74%

Note: Debt ratio was calculated by dividing principal and interest by total government expenditures excluding capital outlay $156,715 for fiscal year 2013.
General government include Mayor, Council, City Administrator, City Attorney, City Auditor and City Clerk

Source: City of Oakland Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

SCHEDULE 6

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

(in thousands)

Fiscal Year	Property	Sales & Use	Motor Vehicle in-lieu	Gas	Business License	Utility Consumption	Real Estate Transfer	Transient Occupancy	Parking	Voter Approved	Franchise	Total
2004	200,646	47,760	18,178	6,968	44,223	48,056	55,665	9,857	9,799	5,205	11,592	457,949
2005	232,061	51,148	9,656	7,647	43,902	49,781	77,722	10,926	11,580	30,155	11,128	535,706
2006	268,361	56,844	2,984	7,476	43,790	48,770	79,483	11,690	15,196	31,728	12,152	578,474
2007	314,468	58,006	2,268	7,449	50,339	51,426	61,505	12,303	16,202	29,778	13,010	616,754
2008	358,074	64,812	1,811	7,305	52,542	52,524	36,205	12,400	15,747	32,942	13,791	648,153
2009	359,699	56,090	1,282	9,749	54,291	52,701	34,267	10,599	14,196	33,772	14,440	641,086
2010	349,084	45,503	1,251	10,991	54,141	51,107	36,971	10,085	13,885	35,228	14,655	622,901
2011	326,576	51,910	2,168	10,990	53,138	53,440	31,608	12,484	13,460	41,700	14,854	612,328
2012	288,923	55,659	221	11,060	58,712	51,434	30,653	13,822	15,975	35,812	15,829	578,100
2013	254,488	60,494	-	10,004	60,371	50,752	47,406	15,831	15,565	38,247	16,035	569,193
Change												
2004-2013	26.8%	26.7%	-100.0%	43.6%	36.5%	5.6%	-14.8%	60.6%	58.8%	634.8%	38.3%	24.3%

Note: Reflects revenues of the General, Special Revenue, Debt Service, Capital Projects Funds, and Oakland Redevelopment Agency in FY2004 - FY2011, General, Special Revenue, Debt Service, Capital Projects Funds, Oakland Redevelopment Agency, and Housing Successor Agency in FY2012, General, Special Revenue, Debt Service, Capital Projects Funds, and Low and Moderate Income Housing Asset Fund in FY2013.

Source: City of Oakland Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

SCHEDULE 7

ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY

(in thousands)

Fiscal Year	Land	Improvements	Personal Property	Total Assessed Value	Less: Tax-Exempt Property	Less: Redevelopment Tax Increments	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Taxable Assessed Value	Taxable Assessed Value as a Percentage of Estimated Taxable Value
2004	8,374,188	18,571,148	1,964,460	28,909,796	1,863,890	4,090,609	22,955,297	5.811	133,393,231	17.21%
2005	9,157,808	20,308,258	1,878,079	31,344,145	2,067,228	5,186,441	24,090,476	5.534	133,316,694	18.07%
2006	10,206,973	22,383,882	1,962,917	34,553,772	2,310,189	7,750,010	24,493,573	5.519	135,180,029	18.12%
2007	11,410,672	24,862,440	1,894,048	38,167,160	2,347,281	9,552,758	26,267,121	5.667	148,855,775	17.65%
2008	12,472,317	27,192,312	2,132,949	41,797,578	2,478,761	9,552,758	29,766,059	5.508	163,951,453	18.16%
2009	13,222,782	28,429,996	2,205,480	43,858,258	2,584,624	10,425,138	30,848,496	5.414	167,013,757	18.47%
2010	12,708,080	27,749,554	2,110,456	42,568,090	2,691,489	9,753,604	30,122,997	5.674	170,917,885	17.62%
2011	12,479,365	26,787,417	1,985,401	41,252,183	2,768,044	9,030,570	29,453,569	5.692	167,649,715	17.57%
2012	12,560,758	27,225,464	2,154,330	41,940,552	3,084,118	9,247,268	29,609,166	5.677	168,091,235	17.61%
2013	12,723,234	27,848,261	2,266,536	42,838,031	3,322,453	9,496,227	30,019,351	5.562	166,967,630	17.98%

Note: Total Direct Tax Rate is "per $10,000 assessed value".

Source: County of Alameda

SCHEDULE 8

DIRECT AND OVERLAPPING PROPERTY TAX RATES

	City Direct Rates				Overlapping Rates								
Fiscal Year	Basic Rate	Debt Service Fund	1981 Pension Liability	Total Direct Rate	Alameda County	Education	Education Debt	BART and AC Transit	BART Debt	Other	East Bay Municipal Utility Debt	East Bay Regional Parks District	East Bay Reg. Parks District Debt
2004	0.3485	0.0751	0.1575	0.5811	0.3086	0.2165	0.0923	0.0517	-	0.0505	0.0079	0.0242	0.0057
2005	0.3485	0.0474	0.1575	0.5534	0.3086	0.2165	0.0875	0.0517	-	0.0505	0.0076	0.0242	0.0057
2006	0.3485	0.0459	0.1575	0.5519	0.3086	0.2165	0.1018	0.0517	-	0.0505	0.0072	0.0242	0.0057
2007	0.3485	0.0607	0.1575	0.5667	0.3086	0.2165	0.1074	0.0517	-	0.0505	0.0068	0.0242	0.0085
2008	0.3485	0.0448	0.1575	0.5508	0.3086	0.2165	0.1030	0.0517	-	0.0505	0.0065	0.0242	0.0080
2009	0.3485	0.0354	0.1575	0.5414	0.3086	0.2165	0.1197	0.0517		0.0505	0.0064	0.0242	0.0100
2010	0.3485	0.0614	0.1575	0.5674	0.3086	0.2165	0.1689	0.0517	0.0057	0.0505	0.0065	0.0242	0.0108
2011	0.3485	0.0632	0.1575	0.5692	0.3086	0.2165	0.1697	0.0517	0.0031	0.0505	0.0067	0.0242	0.0084
2012	0.3485	0.0617	0.1575	0.5677	0.3086	0.2165	0.1741	0.0517	0.0041	0.0505	0.0067	0.0242	0.0071
2013	0.3485	0.0502	0.1575	0.5562	0.3086	0.2165	0.1818	0.0517	0.0043	0.0505	0.0068	0.0242	0.0051

Note: Rates per $1,000 assessed value

Source: County of Alameda

SCHEDULE 9

PRINCIPAL PROPERTY TAX PAYERS

	2004 (1)			2013 (2)		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Rank	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Rank
Kaiser Foundation Hospitals				1,110,688,767	2.811%	1
Oakland City Center Venture LLC	$ 198,793,989	0.735%	1	240,601,320	0.609%	2
SIC Lakeside Drive LLC				212,718,150	0.538%	3
CIM Oakland Center 21 LP				176,683,175	0.447%	4
Kaiser Foundation Health Plan Inc	110,137,298	0.407%	5	157,967,889	0.400%	5
CIM Oakland 1 Kaiser Plaza LP				130,206,394	0.330%	6
Digital 720 2ND LLC				128,264,362	0.325%	7
1800 Harrison Foundation	108,415,864	0.401%	6	125,009,321	0.316%	8
Oakland Property LLC				125,000,000	0.316%	9
555 Twelfth Street Venture LLC	91,810,447	0.340%	8	118,911,753	0.301%	10
Kaiser Center, Inc.	135,450,568	0.501%	2	N/A		
KSL Claremont Resort, Inc.	126,056,775	0.466%	3	N/A		
Prentiss Properties Acquisition Partners LP	122,546,253	0.453%	4	N/A		
Lake Merritt Plaza	99,774,190	0.369%	7	N/A		
Clorox Company	89,724,898	0.332%	9	N/A		
Webster Street Partners, Ltd.	73,959,334	0.274%	10	N/A		
Total	$ 1,156,669,616	4.278%		$ 2,526,051,131	6.393%	

Notes:
(1) 2004 based on total assessed value of $27,045,905,613
(2) 2013 based on total assessed value of $39,515,578,256

Source: County of Alameda

SCHEDULE 10

PROPERTY TAX LEVIES AND COLLECTIONS

(in thousands)

1% TAX ROLL

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Year	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2004	65,248	63,546	97.39%	0	63,546	97.39%
2005	68,095	66,301	97.37%	0	66,301	97.37%
2006	73,331	71,198	97.09%	0	71,198	97.09%
2007	79,357	75,654	95.33%	0	75,654	95.33%
2008	86,220	81,048	94.00%	0	81,048	94.00%
2009	89,482	84,063	93.94%	0	84,063	93.94%
2010	85,706	82,015	95.69%	0	82,015	95.69%
2011	83,960	81,013	96.49%	0	81,013	96.49%
2012	84,590	81,823	96.73%	0	81,823	96.73%
2013	85,791	83,756	97.63%	0	83,756	97.63%

Voter-Approved Debt Tax Roll

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Year	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2004	61,760	59,602	96.51%	0	59,602	96.51%
2005	59,673	57,558	96.46%	0	57,558	96.46%
2006	63,369	60,887	96.08%	0	60,887	96.08%
2007	75,071	70,586	94.03%	0	70,586	94.03%
2008	76,453	70,621	92.37%	0	70,621	92.37%
2009	75,753	70,494	93.06%	0	70,494	93.06%
2010	83,581	79,172	94.72%	0	79,172	94.72%
2011	85,262	81,506	95.59%	0	81,506	95.59%
2012	85,076	82,413	96.87%	0	82,413	96.87%
2013	82,312	80,328	97.59%	0	80,328	97.59%

Note: Collections in subsequent year data not available

Source: County of Alameda

CITY OF OAKLAND
STATISTICS

SCHEDULE 11

TAXABLE SALES BY CATEGORY

(in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Auto & Transportation	$ 871,710	$ 817,924	$ 860,194	$ 912,876	$ 840,330	$ 695,919	$ 580,398	$ 651,555	$ 674,154	$ 743,329
Business & Industry	700,079	622,816	667,630	613,457	691,322	574,628	490,566	512,453	642,399	655,454
General Consumer Goods	453,363	461,085	554,136	549,394	536,955	505,460	480,781	496,571	548,072	559,941
Restaurants and Hotels	406,565	441,158	496,814	483,765	527,276	515,602	525,068	566,973	606,936	681,562
Building & Construction	369,886	491,196	488,972	495,607	465,797	416,701	344,171	325,085	378,922	374,421
Food & Drugs	308,529	316,990	321,467	330,643	341,677	342,922	366,461	359,148	386,236	402,383
Fuel & Service Stations	593,926	869,866	1,058,122	1,186,535	1,236,876	638,147	433,207	620,279	888,349	733,489
Total	$ 3,704,058	$ 4,021,035	$ 4,447,335	$ 4,572,277	$ 4,640,233	$ 3,689,379	$ 3,220,652	$ 3,532,064	$ 4,125,068	$ 4,150,579
City direct sales tax rate			1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

Source: HdL Companies

SCHEDULE 12

DIRECT AND OVERLAPPING SALES TAX RATES

Fiscal Year	City Direct Rate	State of California
2004	n/a	n/a
2005	n/a	n/a
2006	1.50%	7.25%
2007	1.50%	7.25%
2008	1.50%	7.25%
2009	1.50%	8.25%
2010	1.50%	8.25%
2011	1.50%	8.25%
2012	1.50%	7.25%
2013	1.50%	7.50%

Source: California State Board of Equalization

SCHEDULE 13

RATIOS OF OUTSTANDING DEBT BY TYPE

(in thousands)

	Governmental Activities											Business-type Activities				
Fiscal Year	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Lease Revenue Bonds	Pension Obligation Bonds	Accreted Interest	Special Assessment Bonds	Notes Payable	Capital Leases	Premiums Discounts Refunding Loss	Pledge Oblig. For Authority Debt	Sewer Fund Notes Payable	Sewer Fund Bonds	Total Primary Government	Percentage of Personal Income (1)	Per Capita
2004	232,045	235,555	59,594	386,200	436,873	-	7,940	46,153	-	(8,503)	93,950	6,362	-	1,496,169	12.79%	4
2005	227,010	270,085	50,195	488,721	366,405	70,811	7,370	18,440	26,769	1,393	91,150	5,655	62,330	1,686,334	14.42%	4
2006	358,124	319,115	49,154	346,110	341,475	85,884	7,085	17,940	20,218	518	88,100	4,925	60,840	1,699,488	14.53%	4
2007	345,214	514,475	45,795	325,105	313,625	104,356	6,800	17,090	31,809	2,852	85,350	4,126	59,305	1,855,902	20.36%	4
2008	331,528	496,630	40,495	323,340	282,705	125,743	6,200	19,045	26,968	(2,454)	82,450	3,346	57,720	1,793,716	17.00%	4
2009	317,188	505,765	10,375	296,985	248,455	148,580	5,645	17,610	23,235	(2,167)	79,350	2,540	56,090	1,709,651	15.29%	4
2010	366,248	488,900	7,210	270,670	210,595	172,971	8,298	14,295	18,483	450	76,000	1,708	54,380	1,690,208	14.46%	4
2011	349,431	523,905	3,895	242,800	195,637	172,121	7,963	12,295	17,068	(1,278)	72,450	848	52,580	1,649,715	14.83%	4
2012	326,609	-	-	210,530	174,777	157,211	7,475	10,140	13,498	4,630	68,700	574	50,695	1,024,839	9.07%	3
2013	309,793	-	-	176,850	367,394	162,874	6,690	7,815	39,228	20,219	56,895	291	48,710	1,196,759	9.66%	3

(1) Per capita income $31,030 multiplied by population 399,326 gives personal income $12,391,085,780

Source: Notes to Basic Financial Statements, Note (12) - Long-term Obligations

SCHEDULE 14

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

(in thousands)

General Bonded Debt Outstanding

Fiscal Year	Net Bonded Debt (1)	Assessed Value (2)	Percentage of Actual Taxable Value of Property (%)	Per Capita (3) *(in dollars)*
2004	1,489,807	27,046,000	5.5084	563.76
2005	1,618,349	29,277,000	5.5277	550.59
2006	1,633,723	32,244,000	5.0668	869.75
2007	1,792,471	35,820,000	5.0041	4,314.09
2008	1,732,650	39,319,000	4.4066	4,123.56
2009	1,651,021	41,274,000	4.0001	3,884.13
2010	1,634,120	39,877,000	4.0979	3,794.40
2011	1,596,287	38,484,140	4.1479	4,062.50
2012	973,570	38,856,435	2.5056	2,462.61
2013	1,147,758	39,515,578	2.9046	2,874.24

(1) Source: City of Oakland Annual Debt Service Roll Forward, General Obligation Debt Total as of June 30, 2013
(2) Source: County of Alameda.
(3) Population 399,326 as of 1/1/13 per State of California Demographic Information by City.

CITY OF OAKLAND
STATISTICS

SCHEDULE 15

DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT

Governmental Unit	Estimated Percentage Applicable		City Share of Debt
Direct Bonded Debt			
City of Oakland General Obligation Bonds	100	$	309,793,000
City of Oakland Lease Revenue Bonds	100		176,850,000
City of Oakland Pension Obligations	100		367,394,000
City of Oakland 1915 Act Bond Obligations	100		6,690,000
City of Oakland Accreted Interest on Appreciation Bonds	100		162,874,000
City of Oakland Unamortized Premium and Discount	100		20,219,000
City of Oakland Notes and Capital Leases	100		47,043,000
City of Oakland and Coliseum Authority General Fund Obligations	100		56,895,000
Total Direct Bonded Debt:		$	1,147,758,000
Overlapping Bonded Debt			
Alameda-Contra Costa Transit District Certificates of Participation	23.570	$	7,396,266
Alameda County and Coliseum Authority General Fund Obligation	20.180		128,942,128
Alameda County Pension Obligations	20.180		22,052,220
Bay Area Rapid Transit District	7.937		32,596,465
East Bay Municipal Utility District, Special District #1	52.379		9,718,923
East Bay Regional Park District	12.266		16,628,403
Chabot-Las Positas Community College District	0.828		3,629,587
Chabot-Las Positas Community College District General Fund Obligations	0.000		-
Peralta Community College District	55.019		228,592,941
Peralta Community College District Pension Obligation	55.019		88,112,428
Berkeley & Castro Valley Unified School District	0.004 & 0.121		123,434
Oakland Unified School District	99.999		740,417,596
Oakland Unified School District Certificates of Participation	99.999		46,814,532
San Leandro Unified School District	7.469		12,132,374
Castro Valley Unified School District Certificates of Participation	0.121		7,435
City of Emeryville 1915 Act Bonds	4.183		273,568
City of Piedmont 1915 Act Bonds	4.792		151,427
Total Overlapping Bonded Debt:		$	1,337,589,727
Total Direct and Overlapping Debt		$	2,485,347,727
Less: East Bay M.U.D. Special District #1 (100% self-supporting)			9,718,923
Total Net Direct and Overlapping Bonded Debt		$	2,475,628,804

Source: City of Oakland Treasury Division

SCHEDULE 16

LEGAL DEBT MARGIN INFORMATION

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	$ 860,823,608	$ 903,392,821	$ 918,508,985	$ 985,017,038	$ 1,116,227,253	$ 1,156,818,628	$ 1,129,612,382	$ 1,104,508,857	$ 1,110,343,736	$ 1,125,725,668
Total net debt applicable to limit	232,045,000	227,010,000	358,124,189	345,214,363	331,528,315	317,188,697	366,247,851	349,430,620	326,608,202	309,791,916
Legal debt margin	$ 628,778,608	$ 676,382,821	$ 560,384,796	$ 639,802,675	$ 784,698,938	$ 839,629,931	$ 763,364,531	$ 755,078,237	$ 783,735,534	$ 815,933,752
Total net debt applicable to the limit as a percentage of debt limit (%)	26.96%	25.13%	38.99%	35.05%	29.70%	27.42%	32.42%	31.64%	29.42%	27.52%

Source: County of Alameda and City of Oakland Annual Debt Service Roll Forward (General Obligation Debt Total as of June 30, 2013).

SCHEDULE 17

PLEDGED-REVENUE COVERAGE, PORT OF OAKLAND, OAKLAND REDEVELOPMENT AGENCY AND OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

(thousands of dollars)

Fiscal Year	Net Revenue Available for Debt Services	Principal	Interest	Total	Coverage
PORT OF OAKLAND					
2004	110,797	9,241	50,124	59,365	186.64%
2005	126,636	8,155	53,633	61,788	204.95%
2006	136,566	14,968	56,806	71,774	190.27%
2007	138,458	19,892	62,756	82,648	167.53%
2008	144,931	19,800	70,474	90,274	160.55%
2009	130,173	19,724	75,578	95,302	136.59%
2010	147,860	35,593	78,018	113,611	141.96% (1)
2011	155,502	36,500	69,378	105,878	146.87%
2012	161,254	48,763	59,571	108,334	149.68% (2)
2013	170,128	45,812	61,612	107,424	158.37%
OAKLAND REDEVELOPMENT AGENCY					
2009	3,456,253	505,595	343,747	849,342	406.93%
2010	3,100,961	488,900	316,344	805,244	385.10%
2011	3,041,760	523,905	378,570	902,475	337.05%
OAKLAND REDEVELOPMENT SUCCESSOR AGENCY					
2012	2,949,755	503,540	348,207	851,747	346.32%
2013	2,856,580	480,995	318,894	799,889	357.12%

Notes: (from Port of Oakland)
(1) Revised from 130.15% to reflect the application of $9.5 million bond reserve funds from Series F, Series K, Series L and Series N to debt service.
(2) Revised from 148.85% to reflect the application of unspent Series M bond proceeds to debt service.

Source: Port of Oakland and Oakland Redevelopment Successor Agency

SCHEDULE 18

DEMOGRAPHIC AND ECONOMIC STATISTICS

Calendar Year	Population		Personal Income *(thousands of dollars)*	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate (%)
2004	411,600		18,163,496	44,129	33.3	49,334	6.1
2005	412,300		9,044,213	21,936	33.3	49,334	5.3
2006	411,755		11,697,548	28,409	33.3	41,467	7.1
2007	415,492		9,114,233	21,936	33.3	39,802	7.4
2008	420,183		10,554,157	25,118	36.1	39,705	9.6
2009	425,068		11,182,689	26,308	36.7	38,826	17.1
2010	390,757		10,607,099	27,145	37.1	38,450	17.2
2011	392,333		11,107,340	28,311	36.3	38,540	16.3
2012	394,832	(1)	11,281,140	28,572	36.2	37,742	14.3
2013	399,326		12,391,086	31,030	36.6	36,180	11.3

Note: In FY 2003 - 2004 median family income was used as per capital personal income

Source: Population - State of California Department of Finance, Per Capita Income and Median Age - DemographicsNow.com, School Enrollment - Oakland Unified School District, Unemployment Rate - State of California Employment Development Department

(1) 2012 is updated with newly available data from the California Department of Finance, Personal Income is also updated accordingly.

SCHEDULE 19

PRINCIPAL EMPLOYERS

	2013			2006		
Employer	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Kaiser Permanente Medical Group	10,914	1	6.01%	5,450	3	3.00%
Oakland Unified School District	7,664	2	4.22%	8,000	2	4.41%
State of California	7,480	3	4.12%	N/A		
County of Alameda	6,218	4	3.43%	9,740	1	5.37%
City of Oakland	5,082	5	2.80%	4,290	5	2.36%
Alta-Bates Summit Medical Center	3,623	6	2.00%	N/A		
Children's Hospital & Research Center	2,600	7	1.43%	N/A		
Internal Revenue Service	2,500	8	1.38%	N/A		
Southwest Airlines	2,100	9	1.16%	N/A		
Peralta Community College District	1,420	10	0.78%	N/A		
Kaiser Foundation Hospitals	N/A			4,340	4	2.39%
Bay Area Rapid Transit	N/A			2,800	6	1.54%
Federal Express	N/A			2,790	7	1.54%
Alta-Bates Medical Center	N/A			2,620	8	1.44%
Kaiser Foundation Health Plan	N/A			2,590	9	1.43%
Summit Medical Center	N/A			2,230	10	1.23%
Total	49,601			44,850		

Note: Data pertaining to principal employers for the past 10 years is not readily available. As such, we used 2006 data as our base year which is the earliest information available.

Source: Fiscal Year 2006 - Economic Development Alliance for Business, Alameda County Largest Employers.
Fiscal Year 2013 - City of Oakland, Department of Economic and Workforce Development
Total employment of 181,499 (2013 estimate) from DemographicsNow.com is used to calculate the percentage of employment

SCHEDULE 20

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Aging, Health & Human Services	224	219	210	213	208	204	217	231	218	219
Community & Economic Development Agency	285	266	258	262	419	380	364	241	N/A	N/A
Fire										
Firefighters and officers	481	464	445	456	462	448	434	427	411	410
Civilians	78	72	77	81	82	77	78	69	64	68
General Government										
Management services	214	207	199	222	211	204	184	169	280	280
Finance	184	175	201	210	209	196	176	172	63	55
Retirement Services	8	6	7	7	5	5	5	5	N/A	N/A
Personnel Resources Management	36	35	38	41	53	47	35	35	33	29
Contracts and Purchasing	N/A	N/A	N/A	N/A	22	22	22	23	N/A	N/A
Neighborhood Services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4
Information Technology	73	72	76	76	92	88	67	62	60	55
Library	181	172	173	160	150	140	133	135	134	138
Cultural Arts/KTOP	22	22	22	22	21	20	12	12	8	8
Museum	67	61	56	58	55	51	42	38	N/A	N/A
Parks and Recreation	216	81	88	81	76	92	82	87	83	84
Planning, Building & Neighborhood Preservation	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	119	111
Police										
Officers	759	714	701	725	746	791	763	627	634	621
Civilians	385	370	354	335	432	303	305	279	311	350
Public Works	609	698	709	727	561	546	482	593	593	588
Housing & Community Development	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	44	43
Total	**3,822**	**3,634**	**3,614**	**3,676**	**3,804**	**3,614**	**3,401**	**3,205**	**3,055**	**3,063**

Source: City of Oakland Payroll Division

CITY OF OAKLAND
STATISTICS

SCHEDULE 21

OPERATING INDICATORS BY FUNCTION/PROGRAM

Function/Program	2007	2008	2009	2010	2011	2012	2013
General Government							
Building permits issued	16,488	14,957	13,055	12,951	13,648	13,696	13,513
Building inspections conducted	89,388	95,064	77,845	71,931	70,016	48,500	55,951
Authorized new dwelling units	2,035	704	395	555	528	237	486
Commercial value (in thousands)	171,157	213,696	117,876	95,851	108,767	150,613	65,152
Residential value (in thousands)	611,036	258,617	196,362	168,872	179,374	159,723	253,516
Police							
Dispatched calls	299,283	289,032	315,522	265,277	236,517	221,775	249,050
Field Contacts	7,221	9,641	8,393	20,220	23,391	16,638	21,280
Physical arrests	14,908	16,866	18,183	15,056	15,029	10,617	7,908
Parking violations	470,008	459,459	496,655	450,656	386,494	368,641	326,030
Traffic violations	39,098	44,897	51,019	33,484	20,731	N/A	N/A
Fire							
Emergency responses	61,470	49,784	51,255	49,887	51,041	46,672	55,334
Fires extinguished	2,021	3,800	2,601	1,143	1,073	1,207	1,108
Inspections	2,631	3,062	3,258	2,087	2,211	2,390	3,292
Port of Oakland							
Imports (in tonnage)	16,081,289	16,203,404	14,664,473	13,014,470	14,868,310	14,709,453	14,609,772
Exports (in tonnage)	14,710,407	16,191,383	16,258,547	17,357,582	17,647,626	18,429,153	18,370,822
Total tonnage	30,791,696	32,394,787	30,923,020	30,372,052	32,515,936	33,138,606	32,980,594
Containers	1,369,123	1,363,367	1,273,805	1,161,082	1,316,473	1,318,925	1,328,379
Other public works							
Street resurfacing (miles)	14.58	13.83	18.63	18.50	11.50	21.21	3.95
Potholes repaired	12,574	11,758	8,515	10,062	8,262	11,614	12,005
Parks and recreation							
Athletic field permits issued	543	330	340	346	378	409	409
Community center admissions	1,436,682	1,423,577	1,342,657	1,454,124	1,653,451	1,790,720	1,144,097
Library							
Volumes in collection	1,956,249	1,242,415	1,316,849	1,452,930	1,535,451	1,268,857	1,259,091
Total volumes borrowed	2,270,755	2,328,712	2,436,806	2,469,588	2,585,613	2,619,930	2,576,157
Water							
New connections	389	474	297	192	111	127	167
Water main breaks	261	251	410	242	263	260	278
Average daily consumption (gallons/family)	203	N/A	N/A	N/A	N/A	N/A	N/A
Peak daily consumption (thousands of gallons)	385,000	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater							
Average daily sewage treatment (thousands of gallons)	75,500	75,000	66,000	68,000	70,000	63,000	61,000

Source: City of Oakland, Port of Oakland, and East Bay Municipal Utility District
Note: Port of Oakland data based on prior calendar year; fiscal year data unavailable.

CITY OF OAKLAND
STATISTICS

SCHEDULE 22

CAPITAL ASSET STATISTICS
BY FUNCTION/PROGRAM

Function/Program	2007	2008	2009	2010	2011	2012	2013
Aviation facilities							
Airports operated	1	1	1	1	1	1	1
Paved airport runways	4	4	4	4	4	4	4
Total length of runways (in feet)	25,038	25,038	25,038	25,038	25,038	25,038	25,038
Area of airport (in acres)	2,600	2,600	2,600	2,600	2,600	2,600	2,600
Police							
Stations	7	8	8	7	7	7	7
Patrol units	630	622	633	602	592	634	610
Fire stations	25	25	25	25	25	25	25
Harbor facilities							
Miles at waterfront	19	19	19	19	19	19	19
Berthing length at wharves (in feet)	23,063	23,063	23,233	23,233	23,233	23,233	23,233
Harbor area (in acres)	786	786	786	786	779	779	779
Hospitals	2	4	4	4	4	4	4
Library branches	16	15	15	15	16	16	16
Museums	2	1	1	1	1	1	1
Other public works							
Streets (in lane miles)	2,287	2,288	2,323	1,963	1,965	1,965	1,965
Streetlights	33,952	36,219	36,219	36,219	37,000	37,000	37,000
Traffic signals	680	671	688	688	688	720	632
Parks and recreation							
Acreage	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Swimming pools	5	7	5	5	4	4	4
Tennis courts	36	44	44	44	44	44	44
Playgrounds	89	106	106	106	106	106	106
Baseball/softball diamonds	46	40	40	40	40	40	40
Soccer/football fields	15	15	15	15	15	15	15
Community centers	29	34	34	34	33	33	33
Water							
Water mains (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire hydrants	6,705	6,719	6,733	6,738	6,759	6,697	6,812
Storage capacity (thousands of gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater							
Sanitary sewers (miles)	29	29	29	29	29	29	29
Treatment capacity (million gallons per day)	120	320	320	320	320	320	320

Source: City of Oakland, Port of Oakland, and East Bay Municipal Utility District
Note: Harbor Facilities data based on prior calendar year; fiscal year data unavailable.

CITY OF OAKLAND
STATISTICS

GENERAL INFORMATION

The City of Oakland is located on the eastern side of the Oakland/San Francisco Bay in the County of Alameda. Its western border offers 19 miles of coastline, while the rolling hills to the east present views of the Bay and the Pacific Ocean. In between are traditional, well-kept neighborhoods, a progressive downtown and superior cultural and recreational amenities. It is the administrative site for the County of Alameda, the regional seat for the federal government, the district location of primary state offices, and the *transportation hub and center of commerce* for the Bay Area.

With an estimated population of over 399,326, ranking the eighth largest city in the State of California, Oakland is a city of contrasts. It has a thriving industrial port located near restored historic buildings. Major corporate headquarters are in close proximity to traditional businesses and small shops. Historic structures continue to be preserved and revitalized while new buildings are built.

Oakland has grown rapidly since World War II. It has striven to balance this growth by preserving its abundant natural beauty and resources. The City has 106 parks within its borders and several recreational areas along its perimeter. The downtown area includes Lake Merritt, the largest saltwater lake within a U.S. city. Its shoreline is a favorite retreat for joggers, office workers and picnickers. At dusk, the area sparkles as the lake is lit with the "Necklace of Lights." Lake Merritt is the oldest officially declared wildlife sanctuary in the United States, dating back to 1870.

ALL-AMERICAN CITY

According to U.S. Census figures, Oakland is the most culturally and ethnically diverse city in America. This diversity is reflected in a dynamic, multicultural arts, culture and dining scene. Less obvious to people passing through Oakland is the extraordinary number of individuals and groups of all ethnic backgrounds who work quietly, often voluntarily, usually with little public notice, to improve living conditions for everyone. There are about 150 neighborhood, community, and merchant organizations in Oakland, an unusually large number for any city.

In recognition of these activities, the City and its residents were awarded the National Civic League's prestigious All-American City designation. Ten cities out of 151 applicants were selected. Each had to demonstrate broad-based citizen involvement reflecting the community's demographics, the shared decision-making among its public and private sectors, the creative mobilization of community resources, and the willingness to confront critical local issues and results that have a lasting impact.

GOVERNMENT

In November 1998, the citizens of Oakland passed Measure X to change the form of government from Council/Manager to Mayor/Council through a charter amendment. The legislative authority is vested in the City Council. The executive authority is vested in the Mayor with administrative authority resting with the City Manager under the direction of the Mayor. The City Auditor and the City Attorney are both elected officials and serve four-year terms.

The Mayor and City Council is the governing body of the City and is comprised of eight elected officials. One Council member is elected "at large", while the other seven Council members represent specific districts. The Mayor and City Council are elected to serve four-year terms. The City Manager, appointed by the Mayor, is responsible for day-to-day administrative and fiscal operations of the City.

CITY OF OAKLAND
STATISTICS

On March 2, 2004, the citizens of Oakland passed Measure P: (1) to repeal the sunset provision of Measure X passed in November 1998 to retain the Mayor/Council form of government; (2) to change the term limit for Mayor from two terms to two consecutive terms; (3) to reduce the number of votes needed for the City Council to pass an ordinance on reconsideration from six to five votes; (4) to eliminate the prohibition on paying the Mayor more than the City Manager; (5) to remove the rule that the Mayor vacates his or her office by missing ten consecutive City Council meetings; (6) to require the Mayor to advise the City Council before removing the City Manager; and (7) to change the title of the City Manager to “City Administrator”.

The City provides a full range of services contemplated by statute or charter, including those functions delegated to cities under state law. These services include public safety (police and fire), sanitation and environmental health enforcement, recreational and cultural activities, public improvements, planning, zoning, and general administrative services. Oakland is also the seat of Alameda County, which is one of California’s largest counties.

COMMERCIAL SECTORS

Oakland has made significant gains in diversifying its economic base. The economy offers a healthy mix of trade, government, information technology, financial, medical, publishing, and service-oriented occupations. Industries with the largest growth in jobs in the last few years are professional and business services, education and healthcare, government, leisure and hospitality, traditional and specialty food production.

Oakland is abundant in resources that are available to its businesses and residents. State-of-the-art transportation, communications, and utility facilities keep the City running smoothly. Waterfront restaurants, shops, and a movie theater at Jack London Square, as well as the burgeoning Old Oakland and Uptown districts provide lively nighttime attractions. In addition, new office and retail buildings, public facilities, hotels, park enhancements, farmer’s markets, outdoor cinema, art galleries and scores of public art installations and the annual Art & Soul festival have created a cosmopolitan environment in the downtown. The City’s neighborhood retail area continues to grow; it now has six Business Improvement Districts. Manufacturing remains an important segment of the City’s economy, some industrial areas have been converted into live/work use.

City departments and processes are being streamlined, restructured, and customer focused to better serve the needs of the businesses and the community. A variety of incentives are available to companies located in its Enterprise, Foreign Trade, and Recycling Market Development Zones. The staff link businesses with the many services available to them throughout the area and serves as an ombudsman for companies dealing with the City. Neighborhood Commercial Specialists work with merchants in each commercial district to promote the district, obtain loans, expedite permits, and arrange for City services.

Oakland is a city of rich history, impressive growth, and a promising future. Located within the **nation’s largest metropolitan area**, California’s eighth largest city is strategically positioned as the economic heart of the East Bay. Oakland has a diverse business base and opportunities for expansion in business services, retail, and the cutting-edge advanced technology industries. Downtown Oakland has the infrastructure and the amenities for both traditional and emerging enterprises, and it offers competitively priced office space.

As the economic, transportation, and civic hub of the East Bay, Oakland offers tremendous opportunity for retailers. The City’s approximately 399,326 residents per capita income in 2013 averaged $31,030. Portions of Oakland are among the wealthiest consumer markets in California; average household income for this area was $70,004, compared to the US average which was $67,073. Estimated annual taxable sales were $4.1 billion in 2013. Compared to other East Bay cities, Oakland sees a significant number of auto-related purchases, with opportunities available in consumer goods, building materials, and office products.

CITY OF OAKLAND
STATISTICS

The City of Oakland has transformed itself into one of the most desirable communities to live and to do business in the country. Testimony to this transformation is well publicized in various media and comments by public officials. For example, the City:

- "…ranked America's most exciting city." (real estate website Movoto 2013)
- "…named among top 15 cities for tech startups." (National Venture Capital Association 2013);
- "…ranked 5th most desirable destination to visit in the world." (New York Times 2012);
- "…ranked 3rd Most Active City in the U.S." (Men's Health magazine 2011);
- "…ranked in top 10 for U.S. office, industrial and multi-housing markets." (Grubb & Ellis Company, 2011);
- "…ranked 2nd in the Top "Can-Do" Cities in America." (Newsweek, 2011);
- "…one of the 20 towns of the future." (Sunset Magazine, 2011);
- "…ranked nation's 5th coolest city according to Forbes Magazine 2010";
- "…ranked 4th Green Cities." (Mother Nature Network 2009);
- "…among the top ten in 2008 US Cities Sustainability Ranking." (Sustainlane.com 2008);

DEMOGRAPHICS

Oakland is a Mecca of culture, a community of people from all over the world working together to build a progressive City. At the same time, it has maintained a rich heritage of ethnic backgrounds and traditions.

The well-maintained four freeways (I-880, I-580, Hwy 13, and Hwy 24), mass transit systems, and ferry service make getting to and from downtown Oakland a relatively quick and easy process—travel times to San Francisco, San Jose and other area cities are surprisingly short.

Since taking office in January 2011, Mayor Quan regularly meets with neighborhood retailers, participates in meetings with regional business leaders, and co-hosted a Mega-Region Conference with the Chamber of Commerce and the Port of Oakland to encourage regional investment in the Port of Oakland. Her recent Trade Mission to China also focused on promoting the Port of Oakland as a West Coast hub for trade with China. Creating jobs in Oakland will help the City and its residents thrive as the economy rebounds.

Mayor Quan Talks with Chinese Investors

They spent six days in China leading a trade mission with the Port of Oakland to Beijing, Shenzhen and Hong Kong to encourage increased trade through the Port and investment in Oakland. President Obama has set a goal of doubling the trade with Asia at the Port of Oakland that translates to 5,000 new jobs. This trip helped promote opportunities to make that goal a reality in Oakland.

Get Connected Oakland!

The Mayor's Office has joined a city-wide initiative to make Oakland one of the most "connected" cities in the nation. Eliminating the Digital Divide plays a pivotal role in the education and career success of young people and helps seniors stay connected and avoid isolation. The Mayor has joined a coalition of public and private organizations that is working together to expand broadband connection throughout the city. Working with recreation centers, senior programs, schools, senior centers, Oakland Housing Authority, the County and others, the goal is to provide easy access to the internet for Oakland residents no matter where they live or what their economic status.

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Community & Economic Development

Oakland can flourish with more local business incentives, and jobs, equitable opportunities, smart planning for thriving local districts, affordable housing, access to services and resourced parks, libraries and arts. They can start if every Oakland resident committed to spending just 25% more right here in Oakland. If they all fulfilled that commitment, they could pour between $9 and $12 million additional dollars into the Oakland economy each year.

HISTORY

Oakland's first inhabitants, the Ohlone Indians, arrived about 1200 B.C. and lived in small tribal groups on the edge of the hills surrounding the Bay. The Ohlone Indians were a stocky hunting and gathering group who lived in such harmony with nature that they left no permanent mark on the landscape. They maintained such a peaceful attitude with each other that they had no word for war.

Spanish explorers first entered the area that is now Oakland by land in 1772. They reported the natural geography as possibly the most perfect on earth. Near the shore were magnificent oaks; on the hills stood acres of giant redwoods. In the spring, wildflowers filled the valley with golden poppies and purple iris. Deer, rabbits, bears and wildcats roamed the woods. Creeks tumbled into a Bay filled with salmons, crabs, sturgeons, smelts, lobsters, clams, and mussels. The marsh that would become Lake Merritt was alive with wildfowls.

Spain established a Presidio and a Mission on the west side of the Bay in 1776, and Mission San Jose (south of Oakland) is now Fremont. Mission San Jose had jurisdiction over Oakland, the area the Spaniards called Encinal, "grove of evergreen oaks." European diseases and settler hostility obliterated the Ohlones and most of their culture within a few years.

Development as a commercial and transportation center began with the California Gold Rush of 1849, when Oakland became the mainland staging point for passengers and cargo traveling between the Bay and the Sierra foothills.

Oakland was incorporated as a city in 1852, and construction of shipping wharfs began immediately. Ferry service between Oakland and San Francisco had existed for years, but by building large wharfs and dredging a shipping channel, Oakland became an independent destination. Oakland grew steadily through the 19th century. After the devastating earthquake in 1906, many people and businesses chose to relocate from San Francisco to Oakland. Oakland's population more than doubled between 1900 and 1910.

Oakland benefited from the general prosperity of the area through the 1920s. California farms expanded their markets, contributing to canning, processing and shipping companies based in Oakland. Automakers and steel companies led the industrial expansion throughout the East Bay. Construction businesses had plenty of work as homes went up south and east of the inner city and new high-rise office buildings were built in downtown Oakland.

World War II brought tremendous changes to Oakland. Huge numbers of workers moved to the Bay Area to work in local shipyards and many of these people, as well as large numbers of military personnel who mustered out at Treasure Island and the Oakland Army Base, chose to remain in the Bay Area. The population grew by almost one third between 1940 and 1950.

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Oakland has a rich literary and cultural heritage. Such historical notables as writers Bret Harte, Jack London, Joaquin Miller, Ina Donna Coolbrith, Jessica Mitford, Narman Jayo, Ishmael Reed, and Gertrude Stein; architect Julia Morgan; and dancer Isadora Duncan are just a few who have left their cultural mark on the City. It is also the birthplace of the West Coast Blues.

TRANSPORTATION

Located in the geographical center of the Bay Area, Oakland has been recognized as an important transportation hub for more than 100 years. The combination of train, bus, ferry, marine, aviation, freeways (I-880, I-580, Hwy 13, and Hwy 24) guarantees ease of travel for local residents and efficient channels of commerce for businesses relying on the City's easy access. Oakland is the headquarters of the Alameda-Contra Costa Transit District (AC Transit), and the Bay Area Rapid Transit (BART) system. Oakland's Port is a primary sea terminal for transporting cargo between the Western United States and the Pacific Rim, Latin America, and Europe. Air cargo service is minutes away at the Oakland International Airport.

The Port of Oakland

The Port of Oakland is located on the east (or mainland) side of San Francisco Bay, one of the most beautiful natural harbors in the world. The Port is the fifth busiest container port in the United States and among the top 30 in the world. It is served by two railroad companies: the Burlington Northern Santa Fe (BNSF) and the Union Pacific.

The Port handles over 98 percent of Northern California's container traffic, which includes service by over 30 container lines. It has technically advanced facilities available not only for containers but for break-bulk, heavy-lift, and other specialized cargo. The Port has approximately 1,000 acres of developed terminal facilities and container storage and handling areas with 35 ship-to-shore container cranes in operation at these facilities. All Vision 2000 terminal facilities are open and operating. They consist of the 120 acre Hanjin container terminal, the 150 acre Stevedoring Services of America container terminal and the 85 acre intermodal rail terminal operated by the BNSF. The Port of Oakland is the only California container port that handles more exports than imports. It is the premier seaport for exporting agricultural goods from the Central Valley and the gateway for 90 percent of California's wine exports.

Oakland International Airport

Oakland International is San Francisco Bay Area's most convenient airport and was ranked #1 for on-time arrivals in North America as measured by FlightStats.com in 2009. Strategically located at the center of the region, Oakland International handles over 9 million passengers and 1,000,000 metric tons of air cargo annually. It is the fourth largest international airport in California, and the second largest airport in the Bay Area, it offers approximately 150 commercial passenger flights daily to domestic and international destinations. The airport is comprised of two airfields: South Field (the main commercial airfield) and North Field (primarily used by general and corporate aviation and some cargo companies). Oakland offers flights to more than 40 destinations in the U.S., including services to four Hawaiian Islands as well as service to Mexico and Europe. A green-designed, state-of-the-art air traffic control tower is being constructed. The Port is also partnering with Bay Area Rapid Transit to build the $484 million Oakland Airport Connector. When it is completed in 2014, it expects to carry over 3 million riders annually.

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Air Cargo at Oakland International Airport

Oakland International handles 1,000,000 metric tons of cargo every year, and it is the largest air cargo facility in Northern California. Five all-cargo carriers currently serve Oakland International. Additionally, air cargo is on the domestic and international passenger carriers that serve the airport. About one in every four employees works in a job related to cargo. FedEx maintains their West Cost North American Asia-Pacific hub at Oakland. UPS also has a major West Coast hub at Oakland.

Mass Transit

Local bus service is provided by Alameda-Contra Costa (AC) Transit, the public bus system serving 13 cities (and adjacent unincorporated communities) in 364 square miles along the east shore of San Francisco Bay. Serving approximately 230,000 daily riders, AC Transit operates a network of 105 transbay and local East Bay bus routes, over 90% of which make transfer connections with the Bay Area Rapid Transit (BART) system. AC Transit buses also serve the Amtrak Station and ferry terminal at Jack London Square, the Oakland International Airport, and many other Bay Area attractions including downtown San Francisco.

BART is a 104-mile, automated rapid transit system serving over 3 million people in the three BART counties of Alameda, Contra Costa, and San Francisco counties, as well as northern San Mateo County. Trains traveling up to 80 mph connect 22 Bay Area cities and 44 stations. Travel time between downtown Oakland and downtown San Francisco averages only 11 minutes on BART.

Other modes of transportation include the Alameda/Oakland Ferry Service that links Oakland with San Francisco. Nine major U.S. and California highways pass through Oakland. Daily service to rail destinations throughout the U.S. is offered at the Oakland Amtrak Station. Greyhound Bus Lines offers daily bus service to cities throughout the United States.

Car-sharing is offered by City CarShare, Flexcar and Zipcar. There are over 90 miles of bike lanes, routes and paths for the public. Oakland was one of the first cities to pilot the “sharrow” lane – shared-lane pavement markings to indicate road lanes shared by cyclists and motorists.

EDUCATION

The Oakland Unified School District is governed by the Board of Education consisting of seven elected members and three mayoral appointees. The day-to-day operations are managed by the Superintendent of Schools.

The District operates 53 elementary, 15 middle, and 15 high schools. They also operate 30 child development centers. In addition, there are over 30 charter schools and several adult education schools in Oakland.

There are two community colleges and four four-year institutions inside the city limits, with the world-renowned U.C. Berkeley campus located nearby. In addition, a variety of evening extension courses is offered in Oakland by nine other Bay Area colleges, including U.C. Berkeley. A wide array of non-profit, county and City-sponsored skills enhancement training programs are provided to Oakland residents, and career development is successfully encouraged at area high school academies.

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HEALTH CARE

Oakland's medical facilities are among the best in the nation. The medical community provides the latest and most sophisticated medical technology for the diagnosis and treatment of disease. Over 1,500 physicians, 250 dentists, and four major hospitals are located within the City. Overall, the health care industry in Oakland employs approximately 14,000 people.

PUBLIC SAFETY

The Oakland Police Department is striving to use successful and innovative techniques to reduce crime in the City. The Department continues to strengthen its commitment by developing and implementing a "Total Community Policing" model in Oakland. The Mission of the Oakland Police Department is to provide the people of Oakland an environment where they can live, work, play and thrive free from crime and the fear of crime.

PARKS AND RECREATION

Sports, performing arts, boating, camping, gardens, and many other leisure activities are available at more than 140 parks, playgrounds, community centers, and other recreational facilities operated by the City. There are two public golf courses and a third driving range. Four public pools offer seasonal lap and recreational swimming, instruction and showers. The Parks and Recreation Department operates more than 40 tennis courts. Oakland's Feather River Camp, a family camp located in the Plumas National Forest, is operated by the nonprofit group Camps in Common and offers both tent and cabin sites for overnight camping. Families and groups enjoy the rustic amenities, swimming, a variety of activities, and theme weeks offered at the camp throughout the summer months. Instruction in sailing, wind surfing and kayaking are available at Lake Merritt. Boats are available for rent, including paddleboats, kayaks, rowboats, canoes, and sailboats. The City provides public boat launches at its seven-acre, waterfront park on the estuary and at Lake Merritt. The Port of Oakland owns and operates three marinas with berths.

There are over 79,000 acres of wilderness and parklands in the nearby East Bay Regional Park District, including 53 parks and 20 regional trails in Alameda and Contra Costa counties.

CULTURAL ARTS

Oakland is home to one of the most vibrant visual, performing and cultural arts communities in the West Coast. It is experiencing a dynamic cultural renaissance and economic revitalization throughout downtown, the waterfront, and neighborhoods. There are more than 5,000 professional artists living and working in Oakland; 25 dance companies; 36 music groups and organizations; 12 theater companies; 40 visual arts galleries and 15 historic and museum sites.

The Mayor and City Council have established a priority to "Celebrate Arts and Culture to express the creativity and diversity of Oakland." The Cultural Arts & Marketing Division is the City's local arts agency which provides services to the arts community and sponsors culturally enriching programs, exhibitions, and events to celebrate Oakland's creative and cultural diversity. Through its three program areas, the Cultural Funding Program, Public Art Program, and Special Projects, the Cultural Arts & Marketing Division seeks to broaden and strengthen community participation in the development, support, and promotion of Oakland's rich artistic and cultural heritage at the local, regional, and national level.

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Cultural Funding Program—The City of Oakland, through a competitive application process, awards over $1.1 million in contracts over the years to Oakland-based nonprofit organizations and individual artists that collectively provide more than 5,000 arts and cultural activities to Oakland residents and visitors.

Public Art Program—The City of Oakland Public Art Program serves Oakland residents and visitors of all ages by commissioning permanent and temporary works of art to help create a positive vision and identity for the City and its neighborhoods. The Public Art Program supports downtown and neighborhood revitalization by engaging a diverse range of artists in contributing to the quality of the visual environment while communicating Oakland's historical, social and cultural significance. Public Art Program Staff administers a variety of programs, including site-specific public art connected to City capital improvements.

Special Projects—The City collaborates with other community organizations, businesses, public institutions, and City agencies to produce programs, events, festivals, and celebrations that promote Oakland's art and culture. Current projects include: Oakland Artisan Marketplace, Art & Soul Oakland Festival, and support for 20 major festivals citywide.

Galleries—Three new exhibition spaces downtown showcase high quality art by Oakland Bay Area visual artists in a variety of expressive mediums. They include the Craft and Cultural Arts City of Oakland/State of California Gallery, established through a 'partnership in the arts' collaboration, the Oakland Art Gallery, and the Galleries of Oakland space in City Hall. The Third Thursday Oakland Art Night, through which art patrons can tour downtown galleries until 8pm on the third Thursdays, is a newly created program.

Oakland Museum of California—It brings together collections of art, history and natural science under one roof to tell the extraordinary stories of California and its people. Oakland Museum of California connects collections and programs across disciplines, advancing an integrated, multilayered understanding of this ever-evolving state. With more than 1.8 million objects, the Museum is a leading cultural institution of the Bay Area and a resource for the research and understanding of California's dynamic cultural and environmental heritage.

Paramount Theater—This 1931 movie place, authentically restored in 1973, is Oakland's premiere live performance facility. The theater hosts an impressive variety of popular attractions, including the Oakland East Bay Symphony and the Oakland Ballet, hosts classical performance, Broadway shows, R&B concerts, gospel musicals, comedy performances and many special engagements.

Malonga Casquelourd Center for the Arts —The beautifully restored turn-of-the-century Arts Center, formerly known as the Alice Arts Center, is one of the area's busiest performing arts facilities. Patrons can participate in a variety of arts programs or rent spaces for arts events and activities. This restored 1920s building is a popular multicultural, multidisciplinary performing arts complex sponsored by the city. The 350-seat theater and five performance spaces showcase drama, ballet, and African and contemporary dance.

The Oakland School for the Arts—It is a California Distinguished School and has been recognized by the national Arts Schools Network as an Exemplary School. Oakland School for the Arts (OSA) is part of the revitalization of uptown Oakland. Located in the recently restored historic Fox Theater, OSA anchors the uptown arts movement with its shows, productions and performances.

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SPORTS

Oakland is a magnet for sports fans of all types. Whatever the season, Oakland pro and amateur games frequently garner large crowds and broad national media coverage. In the last three decades, Oakland's professional sports teams have won six world championships in three major sports.

- Golden State Warriors – The Warriors were one of the most exciting teams in basketball to-watch in the 2008-2009 season. They continue to showcase exciting basketball games all these years. The most recent season was a season of change with new ownership, coaching and players.

- Oakland Athletics – The Oakland Athletics have won six American League Championships and four baseball World Series titles.

- Oakland Raiders – From dominance in three Super Bowl victories to improbable come-from-behind victories, the Raiders have been involved in some of professional football's most incredible moments.

MEDIA

Oakland has its own daily and weekly regional newspapers, radio stations and a television station with daily award-winning newscasts. In addition to media and cable companies located in Oakland, the City is served by other major Bay Area newspapers, seven television stations (including the three major networks) and the Public Broadcasting System. Over 30 other Bay Area radio stations are easily received in Oakland.

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APPENDIX C

CITY OF OAKLAND INVESTMENT POLICY
FOR FISCAL YEAR 2014-15

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City of Oakland
Oakland Redevelopment Successor Agency
Investment Policy
For
Fiscal Year 2014-2015

Prepared by
Treasury Bureau
Adopted by the City Council
On July 15, 2014

Table of Contents

1.0 POLICY

The purpose of this Investment Policy ("Policy") is to establish overall guidelines for the management and investment of the City of Oakland (the "City") and Oakland Redevelopment Successor Agency's (the "Successor") public funds pursuant to Council Resolution Nos. 75855 C.M.S and 00-38 C.M.S and in accordance with Government Codes Section 53607. This Investment Policy is now amended and adopted as of July 15, 2014 and will serve as the City of Oakland's and Oakland Redevelopment Successor Agency's Investment Policy for Fiscal Year 2014-15 and until it's further revised. As of October 18, 2012, the Investment Policy has been certified by California Municipal Treasures Association. In 2013, the Investment Policy was also certified by Association of Public Treasurers of the United States and Canada.

2.0 SCOPE

The Investment Policy applies to the operating funds of the City of Oakland, Oakland Redevelopment Successor Agency and the Port of Oakland (the "City Operating Pool"), which includes the General Fund, Special Revenue Funds, Debt Service Funds and all other funds comprised in City Operating Pool. This investment policy applies to Successor Portfolio and or Successor Fund.

2.1 Proceeds of notes, bonds issues or similar financings including, but not limited to, reserve funds, project funds, debt service funds and capital trust funds derived from such financing, are not governed by this Investment Policy, but rather shall be invested pursuant to their respective bond indentures or the State of California Government Code 53600, as applicable.

2.2 Retirement/Pension Funds and Deferred Compensation Funds are also not governed by this Investment Policy, but rather by the policies and Federal or State statutes explicitly applicable to such funds.

3.0 PRUDENCE

All investments and evaluation of such investments shall be made with the Prudent Investor Standard as set forth by California Government Code, Section 53600.3 and 27000.3, is defined as;

> Prudent Investor Standard: Acting with care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the professional management of their business affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

4.0 OBJECTIVES

The primary objectives, in order of priority, of the City and Successor Portfolio are:

4.1 Preservation of Capital (Safety)
The first and primary goal of the Portfolio is the preservation of capital. Investment shall be undertaken in a manner to avoid losses due to market value risk, issuer default and broker default. To attain this objective; investments are diversified.

4.2 Liquidity

The Portfolio will be structured in a manner that will provide cash as needed to meet anticipated disbursements. Cash flow modeling ensures that investments mature as needed for disbursements.

4.3 Diversity

The objective is to avoid over-concentration in issuers, instruments, and maturity sectors. No more than 5 percent of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises.

4.4 Yield

The Portfolio is also managed to maximize its overall market return with consideration of the safety, liquidity, and diversity parameters discussed above.

5.0 DELEGATION OF AUTHORITY

Management responsibility for the investment program is specifically delegated by the City Administrator or designee to the Treasurer or designee who shall establish procedures for the investment programs, which are consistent with the Investment Policy. Authorization for investment decisions is limited to the Treasurer or designee. A Principal Financial Analyst may execute investment transactions in the absence of the Treasurer or designee per the Treasurer's instructions or prior authorization.

A Principal Financial Analyst, Financial Analyst, or Treasury Analyst III may make decisions only with respect to overnight investments, but may implement investment decisions received directly from the Treasurer or designee.

6.0 INTERNAL CONTROL

The Treasurer or designee shall maintain a system of internal controls designed to ensure compliance with the Investment Policy and to prevent losses due to fraud, employee error, misrepresentations by third parties or unanticipated changes in financial markets.

7.0 ETHICS AND CONFLICTS OF INTEREST

All officers and employees involved in the investment process shall not engage in any personal business activity, which could conflict with proper execution of investments subject to this Policy. Any material financial interests in financial institutions which do business with the City should be disclosed to the City Administrator. All individuals involved in the investment process are required to report all gifts and income in accordance with California State Law.

8.0 SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis pursuant to approved custodial safekeeping agreements. All securities owned by the City shall be held in safekeeping by the City's custodial bank, which acts as agent for the City under the terms of custody agreement.

9.0 <u>APPLICABLE ORDINANCES</u>

9.1 <u>Nuclear Free Zone Ordinance</u>
Under the guidelines of a voter-approved Measure, the Oakland City Council approved Ordinance No. 11062 C.M.S, which restricts the City's investments in U.S Government Treasuries. The Treasurer shall make every attempt to invest in any available short-term option that provides approximately the same level of security and return as Treasuries. In the event that no reasonable alternatives exist, or to the extent that the City may experience financial hardship as a result of investment in these alternatives, the City Council may adopt a waiver for a period not to exceed 60 days, as authorized by the Ordinance, allowing the City to invest in U.S securities.

9.2 <u>Linked Banking Ordinance</u>
Pursuant to Ordinance No. 12066 C.M.S. the City has established a Linked Banking Service Program. This reference applies to depositories for both the City of Oakland and the Port of Oakland banking needs. Depositories are defined within the Ordinance as "all banking services utilized by the City including the Port of Oakland operating fund, with the exception of investments made through investment banks and broker/dealers." Depositories providing services to the City and the Port of Oakland must provide to the City, annually, the information enumerated under Section 3 of the Ordinance.

9.3 <u>Tobacco Divestiture Resolution</u>
On February 17, 1998, Council adopted Resolution No. 74074 C.M.S., which prohibits investment in businesses deriving greater than fifteen percent of their revenues from tobacco products. Treasury Bureau maintains a list of firms excluded from permitted investments due to the tobacco divestiture requirements.

9.4 <u>Fossil Fuel Divestiture Resolution</u>
[Pending proposed Resolution of the Oakland City Council, which prohibits the investment or ownership stake in any companies that extract, produce, refine, burn or distribute fossil fuels]. The Resolution is scheduled to be adopted by Oakland City Council on July 15, 2014

10.0 <u>SOCIAL RESPONSIBILITY</u>

When possible, it is the City's policy to invest in companies that promote the use and production of renewable energy resources and any other socially responsible investments, subject to the prudent investment standard.

11.0 <u>REPORTING</u>

11.1 <u>City Council</u>
As best practice and sound financial management practice, the City Administrator or designee will submit a quarterly investment report and an annual investment policy for the City within 30 days following the period being reported to the City Council.

The quarterly report will be deemed timely pursuant to this Investment Policy and Government Code Section 53646, so long as it has been submitted to the Assistant City Administrator within 30 days following the period being reported to be scheduled for the Finance and Management Committee. The quarterly cash management report for the period ending June 30 will be filed in a timely manner, but it will not be approved until September due to the City Council summer recess.

The report will include the information required under Government Code Section 53646 including: the type of investment, issuer, date of maturity, par and dollar amount invested (this data may be in the form of a subsidiary ledger of investments); a description of any investments under management of contracted parties, if any; current market values and source of valuation; statement of compliance or manner of non-compliance with the Investment Policy; and a statement denoting the ability to meet the Fund's expenditure requirements for the next six months. In addition, the report shall summarize economic conditions, liquidity, diversity, risk characteristics and other features of the portfolio. The report will disclose the total investment return for the 3-month period. In meeting these requirements, the report shall include an appendix that discloses all transactions during each month and the holdings at the end of each month during the period being reported.

11.2 Annual Audit
Investment Portfolio is priced to market per Government Accounting Standards Board (GASB) and reported in compliance with General Accepted Accounting Principals. Annual disclosure requirements such as Custodial Credit Risk, Credit Risk, Concentration of Credit Risk, Interest Rate Risk and Foreign Currency Risk are reported in the City's Annual Comprehensive Financial Report (CAFR).

11.3 Internal Audits
Internal audits of treasury operations maybe conducted periodically to review its procedures and policies and make any recommendations for changes and improvements if needed.

12.0 TRADING POLICES

12.1 Sales Prior to Maturity

"Buy and hold" is not necessarily the strategy to be used in managing the Funds. It is expected that gains will be realized when prudent. Losses are acceptable if the proposed swap/trade clearly enhances the portfolio yield over the life of the new security on a total return basis.

Sufficient written documentation will be maintained to facilitate an audit of the transaction. Losses, if any, will be recognized and recorded based on the transaction date.

13.0 BROKER/DEALERS AND FINANCIAL INSTITUTIONS

The purchase of any authorized investment shall be made either directly from the issuer or from any of the following:

- Institutions licensed by the State of California as a broker/dealer
- Members of a federally regulated securities exchange
- National or state-chartered banks
- Federal or state savings institutions or associations as defined in Finance Code Section 5102
- Brokerage firms reporting as a primary government dealer to the Federal Reserve Bank

The Treasurer or designee will maintain a current and eligible list of reputable primary and regional dealers, brokers and financial institutions with whom securities trading and placement of funds are authorized. A strong capital base credit worthiness, and, where applicable, a broker/dealer staff experienced in transactions with California local governments are the primary criteria for inclusion on the City of Oakland's approved list.

Approved dealers and brokers shall be limited to primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) and which provide: proof of Financial Industry Regulatory Authority (FINRA) certification; proof of California State registration; and a completed City of Oakland broker/dealer questionnaire. In addition, prior to approval and annually thereafter, approved dealers and brokers must provide: an audited financial statement; certification of receipt, review of and willingness to comply with the current Investment Policy; and certification of compliance with Rule G-37 of the Municipal Securities Rulemaking Board regarding limitations on political contributions to the Mayor or any member of the City Council or to any candidate for these offices.

The Treasurer may remove a firm from the approved list at any time due to: any failure to comply with any of the above criteria; any failure to successfully execute a transaction; any change in broker/dealer staff; or any other action, event or failure to act which, in the sole discretion of the Treasurer is materially adverse to the best interests of the City.

14.0 PERMITTED INVESTMENTS

The following securities are permissible investments pursuant to Section 53601 of the Government Code as well as this Investment Policy. Any other investment not specified hereunder shall be made only upon prior approval by the City Council.

14.1 U. S. Treasury Securities

Bills, notes and bonds issued by the U.S. Treasury which are direct obligations of the federal government.

- Maximum Maturity: 5 years
- Maximum Portfolio Exposure: 20%*
- Maximum Issuer Exposure: Prudent person standard applies overall
- Credit Requirement: N.A.

*20% limit is a result of the Nuclear Free Zone Ordinance, subject also to prior adoption by Council of a waiver for a period not to exceed 60 days allowing investment in U.S. Treasury securities due to specified findings. There is no limitation under the Government Code.

14.2 Federal Agencies and Instrumentalities

Notes and bonds of federal agencies, government-sponsored enterprises and international institutions. Not all are direct obligations of the U. S. Treasury but may involve federal sponsorship and/or guarantees, in some instances.

- Maximum Maturity: 5 years
- Maximum Portfolio Exposure: None
- Maximum Issuer Exposure: Prudent person standard applies overall

- Credit Requirement: N.A.

14.3 Banker's Acceptances (BA)
Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

- Maximum Maturity: 180 days

- Maximum Portfolio Exposure: 40%

- Maximum Issuer Exposure: 30% of total surplus funds may be in BAs of one commercial bank; maximum 5% per issuer

- Credit Requirement: Al, P1, or F1 or better by two or the three nationally recognized rating services. No rating may be lower that any of the rating listed above.

14.4 Commercial Paper
A short-term, unsecured promissory note issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

- Maximum Maturity : 270 days

- Maximum Portfolio Exposure: 25%

- Maximum Issuer Exposure: No more than 10% of the total assets of the investments held by the City may be invested in any one issuer's commercial paper; and maximum 5% per issuer

- Credit Requirement: Al, P1, or F1 or better by two or the three nationally recognized rating services. No rating may be lower that any of the rating listed above.

- Eligibility Limited to general corporations organized and operating in the United States with assets in excess of $500 million, and having "A" or higher ratings for the issuer's debt, other than commercial paper, if any, as provided by NRSRO.

14.5 Asset-Backed Commercial Paper
Asset-Backed Commercial Paper ("ABCP") issued by special purpose corporations ("SPCs") that is supported by credit enhancement facilities (e.g. over-collateralization, letters of credit, surety bonds, etc.)

- Maximum Maturity: 270 days

- Maximum Portfolio Exposure: 25% (Not to exceed 25% of total secured and unsecured CP)

- Maximum Issuer Exposure : No more than 10% of the total assets of the investments held by the City or Agency may be invested in any one issuer's commercial paper; and maximum 5% per issuer

- Credit Requirement: Al, P1, or F1 or better by two or the three nationally recognized rating services. No rating may be lower that any of the rating listed above.

- Eligibility: Issued by special purpose corporations (“SPC”) organized and operating in the United States with assets exceeding $500 million. Restricted to programs sponsored by commercial banks or finance companies organized and operated in the United States.

- Program must have credit facility that provides at least 100% liquidity

- Serialized ABCP programs are not eligible

- Ratings are to be routinely monitored. The Treasurer is to perform his/her own due diligence as to creditworthiness.

14.6 <u>Local Government Investment Pools</u>

For local agencies (including counties, cities or other local agencies) that pool money in deposits or investments with other local agencies, investments may be made subject to the following:

- Maximum Maturity : N/A

- Maximum Portfolio Exposure: 20%

- NAV Requirement: $1.00

- Credit Requirement: Top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations

- Must retain an Investment Advisor

- Registered with the SEC with not less than 5 years experience in investing securities as authorized by the Code, and with assets under management in excess of $500 million

- Fund CompositionComprised of instruments in accordance with the California State Government Code

14.7 <u>Medium Term Notes</u>

Corporate Bonds, Corporate Notes and Deposit Notes. Issuers are banks and bank holding companies, thrifts, finance companies, insurance companies and industrial corporations. These are debt obligations that are generally unsecured.

- Maximum Maturity: 5 years (additional limitations based on credit, below)

- Maximum Portfolio Exposure: 30%

- Maximum Issuer Exposure: No more than 5% of the Portfolio shall be invested in any single institution.

- Credit Requirement: Must be Rated A3, A-, or A- or better by two of the three nationally recognized rating services, Moody's, S&P, or Fitch, respectively. No Rating may be lower that any of the Rating listed above.

- Eligibility: Limited to corporations organized and operating within the United States or depository institutions licensed by the United States or any state and operating within the United States

14.8 <u>Negotiable Certificates of Deposit</u>
Issued by commercial banks and thrifts, and foreign banks (Yankee CD's).

- Maximum Maturity: 5 years

- Maximum Portfolio Exposure: 30%

- Maximum Issuer Exposure :Prudent person standard applies overall; maximum 5% per issuer

- Credit Requirement : Top 3 rating categories, A, A2 or A (S&P/Moody's/Fitch) being the lowest, if rated by S&P, Moody's or Fitch.

14.9 <u>Repurchase Agreements</u>
A contractual transaction between the investor and a bank/dealer to exchange cash for temporary ownership or control of securities/collateral with an agreement by the bank/dealer to repurchase the securities on a future date. Primarily used as an overnight investment vehicle.

- Maximum Maturity: 360 days

- Maximum Portfolio : Exposure None

- Maximum Dealer Exposure: Prudent person standard applies overall; maximum 5% per issuer

- Collateral Requirements: Collateral limited to Treasury and Agency securities; must be 102% or greater

- Mark-to-market: Daily

- Eligibility: Limited to primary dealers of the Federal Reserve Bank of New York, for which a current Master Repurchase Agreement has been executed with the City.

14.10 <u>Reverse Repurchase Agreements</u>
The mirror image of a repurchase agreement. Used as a source of liquidity when there is a mismatch of cash flow requirement and scheduled maturities. A mechanism to avoid liquidating securities for immediate cash needs. Restricted to securities owned for a minimum of 30 days prior to settlement of the repurchase agreement.

This strategy should be used solely for liquidity and not for arbitrage or leverage purposes.

- Maximum Maturity: 92 days (unless a written agreement guaranteeing the earnings or spread for the entire period)

- Maximum Portfolio Exposure: 20% of the base value of the portfolio

- Eligibility: Limited to primary dealers of the Federal Reserve Bank of New York or nationally or State chartered bank with significant banking relationship with the City.

14.11 Secured Obligations and Agreements
Obligations, including notes or bonds, collateralized at all times in accordance with Sections 53651 and 53652 of the Government Code.

- Maximum Maturity: 2 years

- Maximum Portfolio Exposure 20%

- Maximum Issued/Provider Exposure: Prudent person standard applies overall; maximum 5% per issue
- Collateral Requirements: Collateral limited to Treasury and Agency securities; must be 102% or greater

- Mark-to-market: Daily

- Credit Requirement: Issuer/Provider rated in "AA" category by at least one national rating agency; or agreement guaranteed by an "AA" company

- Eligibility: Banks, insurance companies, insurance holding companies and other financial institutions

14.12 Certificates of Deposit
Time deposits, which are non-negotiable, are issued most commonly by commercial banks, savings and loans and credit unions with federal deposit insurance available for amounts up to $250,000. Deposits in banks, savings and loan associations and federal credit unions with a branch office within Oakland will be made
(to the extent permissible by State and Federal law or rulings) pursuant to the following conditions:

- Maximum Maturity: 360 days

- Maximum Portfolio Exposure: Prudent person standard applies.

- Maximum Issuer Exposure: Prudent person standard applies.

- Credit Requirement: For deposits over $250,000: Top 3 rating categories - A, A2 or A (S&P/Moody's/Fitch) being the lowest, if rated by S&P, Moody's or Fitch.

- Deposit Limit: For federally insured deposits of $250,000 or less: No minimum credit rating required. City's deposits cannot exceed the total shareholder's equity of the institution. For deposits over $250,000, it must be collateralized.

- Depository Selection: Highest available rate of interest

- Institution Requirements: Most recent Annual Report

Pursuant to Government code 53637, the City is prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body or decision-making authority serves on the board of directors or committee.

14.13 Money Market Mutual Funds

Regulated by the SEC, these funds operate under strict maturity and diversification guidelines. These funds have no federal guarantee but are viewed as a very safe short-term cash investment.

- Maximum Maturity: N/A
- Maximum Portfolio Exposure: 20%
- NAV Requirement: $1.00
- Credit Requirement: Top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations
- Investment Advisor Alternative to Ratings: Registered with the SEC with not less than 5 years experience in investing securities as authorized by the Code, and with assets under management in excess of $500 million
- Fund Composition: Comprised of instruments in accordance with the California State Government Code

14.14 State Investment Pool (Local Agency Investment Fund)

A pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. Maximum currently authorized by Local Agency Investment Fund (LAIF) is $50 million, which is subject to change. The LAIF is in trust in the custody of the State Treasurer. The City's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget. As of June 20, 2005, commercial paper of a limited liability corporation is a legal investment for LAIF, per Chapter 16, Statutes of 2005 (AB 279, Calderon).

- Maximum Maturity N/A
- Maximum Portfolio Exposure None

14.15 Local City/Agency Bonds

Bonds issued by the City of Oakland, or any department, board, agency or authority of the City.

- Maximum Maturity: 5 years

- Maximum Portfolio Exposure: None
- Maximum Issuer Exposure: Prudent person standard applies overall; maximum 5% per issuer
- Credit Requirement: Prudent person standard applies

14.16 State of California Obligations and Others

State of California and any other of the 49 United States registered state warrants, treasury notes, or bonds issued by a State.

- Maximum Maturity: 5 years
- Maximum Portfolio Exposure: None
- Maximum Issuer Exposure: Prudent person standard applies overall; maximum 5% per issuer
- Credit Requirement: Prudent person standard applies

14.17 Other Local Agency Bonds

Bonds, notes, warrants or other evidences of indebtedness of any local agency with the state.

- Maximum Maturity: 5 years
- Maximum Portfolio Exposure: None
- Maximum Issuer Exposure: Prudent person standard applies overall; maximum 5% per issuer
- Credit Requirement: Prudent person standard applies

14.18 Deposits- Private Placement

Prudent to Government Code Section 53601.8 and 53635.8, local agencies are authorized to invest their surplus funds in deposits at a commercial or saving bank, saving and loan, or credit union using a private sector deposit placement service.

- Maximum Portfolio Exposure: 30%
- Maximum Issuer Exposure: maximum 10% per private sector placement entity
- Credit Requirement: Prudent person standard applies
- Sunset on January 1, 2017

15.0 <u>MAXIMUM MATURITIES</u>

The City's Investment Policy shall be structured to provide that sufficient funds from investments are available to meet City's anticipated cash need. No investments will have a maturity of more that 5 years from its date of purchase.

16.0 <u>GLOSSARY</u>

Definitions of investment-related terms are listed in Exhibit A.

EXHIBIT A

GLOSSARY

ACCRETION: Adjustment of the difference between the price of a bond bought at an original discount and the par value of the bond.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises (GSEs), also known as U.S. Government instrumentalities. Securities issued by Government National Mortgage Association (GNMA) are considered true agency securities, backed by the full faith and credit of the U.S. Government. GSEs are financial intermediaries established by the federal government to fund loans to certain groups of borrowers, for example homeowners, farmers and students and are privately owned corporations with a public purpose. The most common GSEs are Federal Farm Credit System Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Association, and Federal National Mortgage Association.

AMORTIZATION: Accounting procedure that gradually reduces the cost value of a limited life or intangible asset through periodic charges to income. For fixed assets, the term used is "depreciation". It is common practice to amortize any premium over par value paid in the purchase of preferred stock or bond investments.

APPRECIATION: Increase in the value of an asset such as a stock bond, commodity or real estate.

ASKED PRICE: The price a broker/dealer offers to sell securities.

ASSET BACKED: A type of security that is secured by receivables, such as credit card and auto loans. These securities typically pay principal and interest monthly.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. This money market instrument is used to finance international trade.

BASIS POINT: One-hundredth of one percent (i.e., 0.01%).

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investment.

BID PRICE: The price a broker/dealer offers to purchase securities.

BOND: A financial obligation for which the issuers promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

BOOK VALUE: The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

BROKER: A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

CALLABLE SECURITIES: A security that can be redeemed by the issuer before the scheduled maturity date.

CASH FLOW: An analysis of all changes that affect the cash account during a specified period.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called trances. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

COMMERCIAL PAPER: Short-term, unsecured, negotiable promissory notes of corporations.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual financial report for the City. It includes combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles (GAAP).

CORPORATE NOTE: Debt instrument issued by a private corporation.

COUPON: The annual rate at which a bond pays interest.

CREDIT RATINGS: A grade given to a debt instrument that indicates its credit quality. Private independent rating services such as Standard & Poor's, Moody's and Fitch provide these

CREDIT RISK: The risk that an obligation will not be paid and a loss will result due to a failure of the issuer of a security.

CUSIP: Stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most securities, including: stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The CUSIP system—owned by the American Bankers Association and operated by Standard & Poor's—facilitates the clearing and settlement process of securities. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security.

CURRENT YIELD: The annual interest on an investment divided by the current market value. Since the calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his/her own risk and account or inventory.

DEBENTURES: A bond secured only by the general credit of the issuers.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE: A financial instrument that is based on, or derived from, some underlying asset, reference date, or index.

DIRECT ISSUER: Issuer markets its own paper directly to the investor without use of an intermediary.

DISCOUNT: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. Duration measures the price sensitivity of a bond to changes in interest rates.

FACE VALUE: The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

FAIR VALUE: The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

FANNIE MAE: Trade name for the Federal National Mortgage Association (FNMA), a U.S. Government sponsored enterprise.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that provides insurance on bank deposits, guaranteeing deposits to a set limit per account, currently $250,000.

FEDERAL FARM CREDIT BANK (FFCB): Government-sponsored enterprise that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. government guarantees.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

FEDERAL GOVERNMENT AGENCY SECURITIES: Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored enterprise (currently made up of 12 regional banks) that regulates and lends funds and provides correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. Although the banks operate under federal charter with government supervision, the securities are not guaranteed by the U. S. Government.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): Government sponsored enterprise that helps maintain the availability of mortgage credit for residential housing. FHLMC finances these operations by marketing guaranteed mortgage certificates and mortgage participation certificates. Its discount notes and bonds do not carry direct U.S. government guarantees.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): Government sponsored enterprise that is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee of the Federal Reserve Board, which establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

FEDERAL RESERVE SYSTEM: The central bank of the U.S. which consists of a seven member Board of Governors, 12 regional banks and about 5,700 commercial banks that are members.

FED WIRE: A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

FREDDIE MAC: Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. government sponsored enterprise.

GINNIE MAE: Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GUARANTEED INVESTMENT CONTRACTS (GICS): An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

INTEREST RATE: The annual yield earned on an investment, expressed as a percentage.

INTEREST RATE RISK: The risk of gain or loss in market values of securities due to changes in interest-rate levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

INVESTMENT AGREEMENTS: A contract providing for the lending of issuer funds to a financial institution which agrees to repay the funds with interest under predetermined specifications.

INVESTMENT GRADE (LONG TERM RATINGS): The minimum, high quality ratings for long term debt such as corporate notes. Investment Grade ratings are as follows: A3 (Moody's), A- (S&P), and A- (Fitch).

INVESTMENT PORTFOLIO: A collection of securities held by a bank, individual, institution or government agency for investment purposes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash with minimum risk of principal.

LOCAL AGENCY INVESTMENT FUND (LAIF): An investment pool sponsored by the State of California and administered/managed by the State Treasurer. Local government units, with consent of the governing body of that agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

LOCAL AGENCY INVESTMENT POOL: A pooled investment vehicle sponsored by a local agency or a group of local agencies for use by other local agencies.

MARKET RISK: The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates. Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

MARKET VALUE: The price at which a security is currently being sold in the market. See FAIR VALUE.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date that the principal or stated value of a debt instrument becomes due and payable.

MEDIUM-TERM NOTES (MTNs): Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts either on a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION: The percent change in price for a 100 basis point change in yields. This is a measure of a portfolio's or security's exposure to market risk.

MONEY MARKET: The market in which short term debt instruments (Treasury Bills, Discount Notes, Commercial Paper, Banker's Acceptances and Negotiable Certificates of Deposit) are issued and traded.

MORTGAGED BACKED SECURITIES: A type of security that is secured by a mortgage or collection of mortgages. These securities typically pay principal and interest monthly.

MUNICIPAL BONDS: Debt obligations issued by states and local governments and their agencies, including cities, counties, government retirement plans, school districts, state universities, sewer districts, municipally owned utilities and authorities running bridges, airports and other transportation facilities

MUTUAL FUND: An entity that pools money and can invest in a variety of securities which are specifically defined in the fund's prospectus.

NEGOTIABLE CERTIFICATE OF DEPOSIT: A large denomination certificate of deposit which can be sold in the open market prior to maturity.

NET PORTFOLIO YIELD: Calculation in which the 365-day basis equals the annualized percentage of the sum of all Net Earning during the period divided by the sum of all Average Daily Portfolio Balances.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit: Sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PAR VALUE: The amount of principal which must be paid at maturity. Also referred to as the face amount of a bond. See FACE VALUE.

PORTFOLIO: The collection of securities held by an individual or institution.

PREMIUM: The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. These dealers are authorized to buy and sell government securities in direct dealing with the Federal Reserve Bank of New York in its execution of market operations to carry out U.S. monetary policy. Such dealers must be qualified in terms of reputation, capacity, and adequacy of staff and facilities.

PRIME (SHORT TERM RATING): High quality ratings for short term debt such as commercial paper. Prime ratings are as follows: P1 (Moody's), A1 (S&P), and F1 (Fitch).

PRINCIPAL: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

PRIVATE PLACEMENTS: Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the Securities and Exchange Commission that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

PRUDENT INVESTOR STANDARD: A standard of conduct for fiduciaries. Investments shall be made with judgment and care--under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

PUBLIC DEPOSITS: A bank that is qualified under California law to accept a deposit of public funds.

PURCHASE DATE: The date in which a security is purchased for settlement on that or a later date. Also known as the "trade date".

RATE OF RETURN: 1) The yield which can be attained on a security based on its purchase price or its current market price. 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

REALIZED GAIN (OR LOSS): Gain or loss resulting from the sale or disposal of a security.

REGIONAL DEALER: A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT (RP or REPO): A transaction in which a counterparty or the holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the City) with a simultaneous agreement to repurchase them at a fixed date. The security "buyer" (e.g. the City) in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the "buyer" for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): The opposite of a repurchase agreement. A reverse repo is a transaction in which the City sells securities to a counterparty (e.g. investment dealer) and agrees to repurchase the securities from the counterparty at a fixed date. The counterparty in effect lends the seller (e.g. the City) money for the period of the agreement with terms of the agreement structured to compensate the buyer.

RISK: Degree of uncertainty of return on an asset.

SAFEKEEPING: A service which banks offer to clients for a fee, where physical securities are held in the bank's vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank's name for the benefit of the client. As agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or on call date, if called.

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECONDARY MARKET: A market for the repurchase and resale of outstanding issues following the initial distribution.

SECURITIES: Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness or equity.

SETTLEMENT DATE: The date on which a trade is cleared by delivery of securities against funds.

SPREAD: The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

STRUCTURED NOTE: A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include "inverse floating rate" notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising and "dual index floaters", which pay interest based on the relationship between two other interest rates, for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

TIME DEPOSIT: A deposit with a California bank or savings and loan association for a specific amount and with a specific maturity date and interest rate. Deposits of up to $250,000 are insured by FDIC. Deposits over $250,000 are collateralized above the insurance with either government securities (at 110% of par value), first trust deeds (at 150% of par value), or letters of credit (at 105% of par value).

TOTAL RATE OF RETURN: A measure of a portfolio's performance over time. It is the internal rate of return which equates the beginning value of the portfolio with the ending value, and includes interest earnings and realized and unrealized gains and losses on the portfolio. For bonds held to maturity, total return is the yield to maturity.

TRUSTEE OR TRUST COMPANY OR TRUST DEPARTMENT OF A BANK: A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

UNDERWRITER: A dealer which purchases a new issue of municipal securities for resale.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker/dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

U.S. GOVERNMENT AGENCY SECURITIES: Securities issued by U.S. government agencies, most of which are secured only by the credit worthiness of the particular agency. See AGENCIES.

U.S. TREASURY OBLIGATIONS: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are the benchmark for interest rates on all other securities in the U.S. The Treasury issues both discounted securities and fixed coupon notes and bonds. The income from Treasury securities is exempt from state and local, but not federal, taxes.

TREASURY BILLS: Securities issued at a discount with initial maturities of one year or less. The Treasury currently issues three-month and six-month Treasury bills at regular weekly auctions. It also issues very short-term "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES: Intermediate-term coupon-bearing securities with initial maturities of one year to ten years.

TREASURY BOND: Long-term coupon-bearing securities with initial maturities of ten years or longer.

UNREALIZED GAIN (OR LOSS): Gain or loss that has not become actual. It becomes a realized gain (or loss) when the security in which there is a gain or loss is actually sold. See REALIZED GAIN (OR LOSS).

VOLATILITY: Characteristic of a security, commodity or market to rise or fall sharply in price within a short-term period.

WEIGHTED AVERAGE MATURITY: The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

YIELD: The annual rate of return on an investment expressed as a percentage of the investment. See CURRENT YIELD; YIELD TO MATURITY.

YIELD CURVE: Graph showing the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

YIELD TO MATURITY: Concept used to determine the rate of return if an investment is held to maturity. It takes into account purchase price, redemption value, time to maturity, coupon yield, and the time between interest payments. It is the rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Upon delivery of the Notes, Hawkins Delafield & Wood LLP, Bond Counsel to the City, proposes to issue an approving opinion in substantially the following form:

City Council of the City of Oakland
Oakland, California

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Oakland, California (the "City") in connection with the issuance of its $55,000,000 aggregate principal amount of 2014-2015 Tax and Revenue Anticipation Notes (the "Notes") issued pursuant to and by authority of Ordinance No. 13231 C.M.S. of the City adopted on June 3, 2014 (the "Ordinance"), and under and by the authority of Article 7.6 Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (the "Act").

In such connection, we have examined the Ordinance, certain estimates, expectations and assumptions made by or on behalf of the City, originals, or copies identified to our satisfaction as being true copies, of such records and proceedings of the City and such other documents, including a certificate of the City relating to certain federal income tax matters (the "Tax Certificate"), and other matters deemed necessary to render the opinions set forth herein.

Based on the foregoing, we are of the opinion that:

(1) The Notes constitute the valid and binding obligations of the City.

(2) As provided in the Act, the Notes and the interest thereon are general obligations of the City. Pursuant to the Act and the Ordinance, the City has pledged the taxes, income, revenue, cash receipts and other moneys of the City (including moneys deposited in inactive or term deposits (but excepting certain moneys which, when received by the City, will be encumbered for a special purpose unless an equivalent amount of the proceeds from the Notes is set aside for and used for said special purpose)) received or accrued by the City for the General Fund of the City during the Fiscal Year 2014-15 that are lawfully available for payment of the Notes and the interest thereon (the "Unrestricted Revenues") as security for the Notes.

(3) Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

In rendering the opinions in this paragraph (3), we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Tax Certificate delivered on the date hereof by the City, and (ii) compliance by the City with procedures and covenants set forth in the Tax Certificate as to such matters.

(4) Interest on the Notes is exempt from State of California personal income tax.

The Code establishes certain requirements which must be met subsequent to the issuance of the Notes in order that interest on the Notes be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. On the date of issuance of the Notes, the City will execute a Tax Certificate containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the City covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest on the Notes will, for federal income tax purposes, be excluded from gross income. Noncompliance with such requirements may cause interest on the Notes to be included in gross income of the owners thereof for federal income tax purposes retroactive to their date of issue, irrespective of the date on which such noncompliance is ascertained.

The foregoing opinions are qualified to the extent that the enforceability of the Notes and the Ordinance may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

Except as stated in paragraphs (3) and (4) above, we express no opinion regarding any other Federal, state or local tax consequences with respect to the Notes or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes, or under state and local tax law.

Very truly yours,

APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered as of July 23, 2014, by the City of Oakland (the "City"), a charter city organized and existing under the laws and the Constitution of the State of California, in connection with the execution and delivery of the City's 2014-2015 Tax and Revenue Anticipation Notes (the "Notes"), dated and delivered on the date hereof.

The City covenants and agrees as follows:

Section 1. Purpose of This Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City, under the Rule (as hereinafter defined) in connection with the Notes for the benefit of the Owners and Beneficial Owners of the Notes and in order to assist the Participating Underwriter (as hereinafter defined) in complying with the Rule. The Notes are issued pursuant to Ordinance No. 13231 C.M.S. of the City adopted on June 3, 2014 (the "Ordinance").

Section 2. Definitions. The definitions set forth in the Ordinance shall apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section. The following capitalized terms shall have the following meanings:

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at *http://emma.msrb.org*.

"Note owners" or "Owners" shall mean, while the Notes are registered in the name of The Depository Trust Company, any applicable participant in its depository system, or the owner of any Note for federal income tax purposes.

"Participating Underwriter" shall mean the original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

"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.

Section 3. Reporting of Significant Events.

(a) The City shall give notice of the occurrence of any of the following events with respect to the Notes in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occurs: 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 governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give notice of the occurrence of any of the following events with respect to the Notes, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 3(a)(5), material notices or determinations by the Internal Revenue Service with respect to the tax status of the Notes or other material events affecting the tax status of the Notes;

2. Modifications to rights of Note owners;

3. Optional, unscheduled or contingent Note calls;

4. Release, substitution, or sale of property securing repayment of the Notes;

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; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The City notes that Sections 3(a)(2), (3) and (4) and 3(b)(4) are not applicable to the Notes.

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 3(b), the City shall determine if such event would be material under applicable federal securities laws.

(e) If the City learns of the occurrence of a Listed Event described in Section 3(a), or determines that knowledge of a Listed Event described in Section 3(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format and accompanied by such identifying information, all as prescribed by the MSRB.

Section 4. Termination of Reporting Obligation. The obligations of the City under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Notes. If such termination occurs prior to the final maturity date of the Notes, the City shall give notice of such termination in the same manner as for a Listed Event under Section 3.

Section 5. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of a majority in aggregate principal amount of the Notes in the same manner as provided in the Ordinance for amendments to the Ordinance with the consent of Owners, or (ii) does not, in the opinion of the City Attorney or of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Notes.

Section 6. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any annual report of the City prepared in connection with Rule 15c2-12 or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any annual report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 7. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Notes 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 Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Ordinance, and the sole remedy under this

Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 8. Prior Undertakings. The City hereby certifies that during the previous five years, it has complied in all material respects with all prior undertakings made by it pursuant to Rule 15c2-12(b)(5), except that between February 1, 2008 and June 28, 2012, the City did not file event notices relating to the downgrades by Moody's Investors Service, Standard & Poor's Ratings Services, and Fitch Ratings of the insured ratings of certain bonds for which the City entered into continuing disclosure undertakings. Such downgrades resulted from the downgrades of the ratings of the insurers of such bonds. On June 29, 2012, and July 10, 2012, the City made corrective filings setting forth information regarding the downgrade of the insured ratings of such bonds.

Section 9. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Section 10. Effective Date. This Disclosure Certificate shall be effective on and as of the date hereof.

Section 11. Notices. Any notices or communications to the City relating to this Disclosure Certificate may be given as follows:

City of Oakland
Finance Department/ Treasury Bureau
150 Frank H. Ogawa Plaza, Suite 5330
Oakland, California 94612
Telephone: (510) 238-3201
Fax: (510) 238-2137

The City may, by written notice to the other parties acting hereunder, designate a different address and/or telephone number(s) to which subsequent notices or communications should be sent.

IN WITNESS WHEREOF, this Disclosure Certificate is given by the City as of the date set forth above.

CITY OF OAKLAND, CALIFORNIA

By: ____________________________________
Authorized Officer

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry only system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. Accordingly, the Direct Participants, the Indirect Participants and the Beneficial Owners should not rely on the information in this Appendix F with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. The City cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below) (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, or that they will so do on a timely basis, or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the City nor the Fiscal Agent will have any responsibility or obligations to the DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the Notes;(3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Fiscal Agent Agreement; or (4) any consent given or other action taken by DTC as registered owner of the Notes.

DTC will act as securities depository for the Notes. The Notes 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 each Series of Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such website is not incorporated herein by reference.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners 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 the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as defaults and proposed amendments to the Fiscal Agent Agreement. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes 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 Fiscal Agent and request that copies of notices be provided directly to them.

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

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

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

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

Discontinuation of Book-Entry Only System; Payment to the Beneficial Owners

In the event that the book-entry only system described above is no longer used with respect to the Notes, the provisions of the Fiscal Agent Agreement relating to the place of payment, transfer and exchange of the Notes, regulations with respect to exchanges and transfers, note register, Notes mutilated, destroyed or stolen, and evidence of signatures of Note Owners and ownership of Notes will govern the payment, registration, transfer, exchange and replacement of the Notes. Interested persons should contact the City or the Fiscal Agent for further information regarding such provisions of the Fiscal Agent Agreement.

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CITY OF OAKLAND, CALIFORNIA • 2014-2015 TAX AND REVENUE ANTICIPATION NOTES

CITY OF OAKLAND

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