

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 certifications described herein, (i) interest on the Series A 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 Series A 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. Interest on the Series B Notes is included in gross income for Federal income tax purposes pursuant to the Code. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Notes is exempt from State of California personal income tax. See "TAX MATTERS – TAX-EXEMPT NOTES" and "TAX MATTERS – TAXABLE NOTES" herein.

\$158,220,000

CITY OF OAKLAND, CALIFORNIA

2015-2016 TAX AND REVENUE ANTICIPATION NOTES

\$49,245,000 Series A

Interest Rate: 2.00%

Yield: 0.29%

CUSIP No.†: 672240TD0

\$108,975,000 Series B (Federally Taxable)

Interest Rate: 1.00%

Yield: 0.42%

CUSIP No.†: 672240TE8

Dated: Date of Delivery

Maturity Date: June 30, 2016

The City of Oakland, California (the "City") 2015-2016 Tax and Revenue Anticipation Notes, Series A (the "Series A Notes") and 2015-2016 Tax and Revenue Anticipation Notes, Series B (Federally Taxable) (the "Series B Notes" and, together with the Series A Notes, the "Notes") are being issued pursuant to Ordinance No. 13308 C.M.S. of the City adopted on May 19, 2015 (the "Ordinance") 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 as set forth above 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 2015-16 and which are available for the payment of current expenses and other obligations of the City. Pursuant to the Ordinance, as security for the payment of the principal of and interest on the Notes, the City has pledged and will deposit into the Special Account held by the Fiscal Agent the following amounts (the "Pledged Moneys"): (i) an amount equal to fifty percent (50%) of the principal amount of the Series A Notes, from unrestricted moneys on deposit with the City during the period commencing March 1, 2016 and ending March 31, 2016; (ii) an amount equal to fifty percent (50%) of the principal amount of, and all of the interest on, the Series A Notes, from unrestricted moneys on deposit with the City during the period commencing May 2, 2016 and ending May 31, 2016; (iii) on or before the last day of each month commencing July 31, 2015 through and including April 30, 2016, an amount equal to 1/11 of the principal amount of the Series B Notes, from unrestricted moneys on deposit with the City during the period commencing on the first day of each such month to the last day of each such month, as applicable; and (iv) on or before May 31, 2016, an amount equal to 1/11 of the principal amount of the Series B Notes and all of the interest on the Series B Notes, from unrestricted moneys on deposit with the City during the period commencing May 2, 2016 and ending May 31, 2016.

Pursuant to the Ordinance and the Fiscal Agent Agreement, dated as of July 1, 2015 (the "Fiscal Agent Agreement"), between the City and Wilmington Trust, National Association, a national banking association organized and existing under the laws of the United States of America (the "Fiscal Agent"), the City shall pay such Pledged Moneys to the Fiscal Agent by the last day of the respective periods set forth above for deposit in the Special Account (as defined herein). Amounts in the Special Account are pledged to, and will be applied by the Fiscal Agent to, pay principal of, and interest on, the Notes as such Notes mature. See "SECURITY FOR THE NOTES."

The Notes were sold through competitive sales in accordance with the Official Notices of Sale.

The Notes are offered when, as and if issued by the City and received by the successful bidders, 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 Stradling Yocca Carlson & Rauth, a Professional Corporation, 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 1, 2015.

Dated: June 10, 2015

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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

CITY COUNCIL

Lynette Gibson McElhaney (District 3)
President of the City Council

Rebecca Kaplan (At-Large)
Councilmember and Vice Mayor

Larry Reid (District 7)
President Pro Tem of the City Council

Dan Kalb (District 1)
Councilmember

Abel J. Guillen (District 2)
Councilmember

Anne Campbell Washington (District 4)
Councilmember

Noel Gallo (District 5)
Councilmember

Desley Brooks (District 6)
Councilmember

CITY OFFICIALS

Libby Schaaf, *Mayor*
John A. Flores, *Interim City Administrator*
Brenda D. Roberts, *City Auditor*
Barbara Parker, *City Attorney*
LaTonda Simmons, *City Clerk*
Katano Kasaine, *Treasurer*

Bond Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional
Corporation
San Francisco, California

Financial Advisor

Public Financial Management , Inc.
San Francisco, California

Fiscal Agent

Wilmington Trust, National Association
Costa Mesa, California

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\$158,220,000
CITY OF OAKLAND, CALIFORNIA
2015-2016 TAX AND REVENUE ANTICIPATION NOTES

\$49,245,000 Series A
Interest Rate: 2.00%
Yield: 0.29%

\$108,975,000 Series B (Federally Taxable)
Interest Rate: 1.00%
Yield: 0.42%

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover and Appendices hereto, provides information in connection with the sale of the City of Oakland, California (the “City”) \$49,245,000 2015-2016 Tax and Revenue Anticipation Notes, Series A (the “Series A Notes”) and \$108,975,000 2015-2016 Tax and Revenue Anticipation Notes, Series B (Federally Taxable) (the “Series B Notes” and, together with the Series A 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 I, 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 2015-16 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. 13308 C.M.S. of the City adopted on May 19, 2015 (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 City intends to prepay its CalPERS pension payments for Fiscal Year 2015-16 with the proceeds of the Series B Notes.

THE NOTES

Description of the Notes

The Notes will be issued in the aggregate principal amount of \$158,220,000 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.

In connection with the issuance of the Notes, the City will enter into the Fiscal Agent Agreement, dated as of July 1, 2015 (the “Fiscal Agent Agreement”), between the City and Wilmington Trust, National Association, a national banking association organized and existing under the laws of the United States of America (the “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 2015-16 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 and will deposit into the Special Account held by the Fiscal Agent the following amounts (the "Pledged Moneys"):

(i) an amount equal to fifty percent (50%) of the principal amount of the Series A Notes (\$24,622,500.00), from unrestricted moneys on deposit with the City during the period commencing March 1, 2016 and ending March 31, 2016;

(ii) an amount equal to fifty percent (50%) of the principal amount of, and all of the interest on, the Series A Notes (\$25,604,664.17), from unrestricted moneys on deposit with the City during the period commencing May 2, 2016 and ending May 31, 2016;

(iii) on or before the last day of each month commencing July 31, 2015 through and including April 30, 2016, an amount equal to 1/11 of the principal amount of the Series B Notes (\$9,906,818.18), from unrestricted moneys on deposit with the City during the period commencing on the first day of each such month to the last day of each such month, as applicable; and

(iv) on or before May 31, 2016, an amount equal to 1/11 of the principal amount of the Series B Notes and all of the interest on the Series B Notes (\$10,993,541.12), from unrestricted moneys on deposit with the City during the period commencing May 2, 2016 and ending May 31, 2016.

The Ordinance provides that, in the event there are insufficient unrestricted moneys received by the City to permit the deposit into the Special Account of the full amount of the Pledged Moneys to be deposited in the applicable month, by the next to last business day of such month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the City lawfully available for the repayment of the Notes and interest thereon. See "Special Account" below.

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, 2015-2016 Tax and Revenue Anticipation Notes Special Account” (the “Special Account”) and applied as directed under the Ordinance and Fiscal agent Agreement. 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 and the Fiscal Agent Agreement, 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 2015-16 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 2015-16.

Cash Flow Projections

The table below sets forth the sources and amounts of estimated Unrestricted Moneys for Fiscal Year 2015-16. The estimates in the table, along with the accompanying General Fund cash flow analysis for Fiscal Year 2014-15 and a projected cash flow for Fiscal Year 2015-16, have been prepared by the City. The projected cash flow for Fiscal Year 2015-16 was prepared by the City 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
2015-2016 ESTIMATED UNRESTRICTED MONEYS*
(Thousands of Dollars)

Revenue Source	Amount
Cash Balance as of July 1, 2015	\$159,282
General Property Tax	239,850
Sales & Use	55,425
Business License Tax	68,718
Utility Users Tax	50,000
Real Estate Transfer Tax	60,926
Bedroom Occupancy Tax	17,036
Parking Tax	10,211
Franchise Fees	15,636
License & Permits	2,220
Fees, Fines & Penalties	24,743
Interest & Rentals	5,051
Service Charges	82,643
Other Grants & Subsidies	8,499
Miscellaneous	5,490
Interfund Transfers	13,498
Lighting/Landscape Assessment	19,524
Internal Service Funds	<u>75,508</u>
 Total Unrestricted Moneys	 \$914,258

**Projected*
Source: City of Oakland Treasury Bureau.

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

	July	August	September	October	November	December	January	February	March	April	May ⁽²⁾	June ⁽²⁾	Total
BEGINNING BALANCE	\$161,508	\$171,032	\$95,641	\$87,347	\$48,653	\$39,000	\$108,459	\$95,370	\$101,452	\$107,152	\$171,065	\$117,453	
RECEIPTS													
General Property Tax	-	3,587	10,499	-	3,101	82,816	1,196	-	28,362	63,794	1,366	27,909	222,631
Sales & Use	-	280	3,849	2,916	3,588	10,149	2,543	3,984	3,146	8,316	3,201	10,337	52,310
Business License Tax	-	549	436	917	918	956	8,276	20,397	23,802	3,045	1,203	4,502	65,000
Utility Users Tax	-	3,989	4,130	4,302	4,232	3,866	4,316	4,544	4,796	3,741	3,828	8,256	50,000
Real Estate Transfer Tax	157	5,422	4,580	3,647	5,375	6,793	6,819	3,132	3,999	5,195	4,542	11,201	60,863
Bedroom/Occupancy Tax	313	1,264	1,650	1,776	1,629	1,209	1,186	1,234	1,195	1,485	1,152	2,231	16,323
Parking Tax	264	528	870	854	798	681	690	15	17	415	1,531	2,710	9,372
Franchise Fees	-	523	1,374	1,224	1,103	1,396	431	1,993	1,320	3,615	414	2,053	15,446
License & Permits	148	131	147	188	108	82	32	57	50	110	619	272	1,945
Fines & Penalties	35	1,902	1,838	1,871	1,671	1,788	1,590	1,414	2,746	2,444	1,855	5,080	24,235
Interest & Rentals ⁽¹⁾	332	329	617	317	235	295	409	252	598	753	156	447	4,740
Service Charges	2,545	4,380	4,997	5,463	8,433	4,476	4,907	4,451	6,087	7,473	3,575	8,440	65,227
Other Grants & Subsidies	-	72	280	2,292	-	1,910	612	943	1,207	1	1,061	2,838	11,215
Miscellaneous	181	11	311	48	336	26	2,216	849	907	214	-	-	5,099
Interfund Transfers	-	-	831	277	277	277	277	277	277	277	377	377	3,524
Note Proceeds	55,459	-	-	-	-	-	-	-	-	-	-	-	55,459
Lighting/Landscape Assess	42	481	27	14	270	8,986	300	3	2,340	5,488	681	1,981	20,612
Internal Service Funds	3,938	1,854	7,677	4,126	5,634	4,316	4,324	5,485	4,099	5,351	3,616	3,882	54,302
Total Receipts	\$63,415	\$25,300	\$44,115	\$30,233	\$37,708	\$130,021	\$40,126	\$49,030	\$84,947	\$111,717	\$29,176	\$92,516	\$738,303
DISBURSEMENTS													
Gen Fund Salaries & Benefits	37,944	33,686	31,770	33,539	31,332	34,034	34,924	30,670	31,261	31,854	30,600	31,652	393,268
Gen Fund Oper & Maint	12,316	4,684	9,663	10,013	8,398	10,825	9,346	5,975	13,359	8,299	12,773	7,231	112,883
Note Principal	-	-	-	-	-	-	-	-	27,500	-	27,500	-	55,000
Note Interest	-	-	-	-	-	-	-	-	-	-	515	-	515
Interfund Transfers	-	7,056	4,236	17,754	1,412	10,345	3,414	1,412	1,412	1,412	2,818	1,861	53,133
POB Debt Service	-	50,971	-	-	-	-	-	-	-	-	-	-	50,971
Lighting/Landscape Assess	1,059	1,057	2,094	1,628	1,756	1,710	1,475	1,470	1,645	1,879	2,713	1,590	20,076
Internal Service Funds	2,572	3,238	4,645	5,992	4,462	3,648	4,055	3,421	4,069	4,359	5,870	8,352	54,683
Total Disbursements	\$53,891	\$100,691	\$52,409	\$68,927	\$47,360	\$60,562	\$53,215	\$42,948	\$79,247	\$47,804	\$82,789	\$50,687	\$740,528
SURPLUS/(DEFICIT)	\$9,524	\$(75,391)	\$(8,294)	\$(38,694)	\$(9,653)	\$69,460	\$(13,089)	\$6,082	\$5,700	\$63,913	\$(53,613)	\$41,830	\$(2,226)
ENDING BALANCE	\$171,032	\$95,641	\$87,347	\$48,653	\$39,000	\$108,459	\$95,370	\$101,452	\$107,152	\$171,065	\$117,453	\$159,282	

⁽¹⁾ Includes interest earnings on Note proceeds

⁽²⁾ Projected

CITY OF OAKLAND
PROJECTED GENERAL FUND CASH FLOWS FOR FISCAL YEAR 2015-2016
(Thousands of Dollars)

	July	August	September	October	November	December	January	February	March	April	May	June	Total
BEGINNING BALANCE	\$159,282	\$159,800	\$84,021	\$69,280	\$42,548	\$24,070	\$98,996	\$89,337	\$91,037	\$96,085	\$159,218	\$105,859	
RECEIPTS													
General Property Tax	-	-	11,694	-	2,622	90,709	3,311	-	29,009	68,675	1,579	32,251	239,850
Sales & Use	-	513	3,804	3,002	3,568	10,297	2,776	3,861	3,755	9,264	3,448	11,137	55,425
Business License Tax	-	1,558	739	727	675	608	7,613	21,203	21,944	7,022	1,398	5,230	68,718
Utility Users Tax	-	4,165	4,743	3,459	4,252	3,985	4,417	3,943	4,910	2,742	4,239	9,143	50,000
Real Estate Transfer Tax	117	4,948	1	12,435	4,166	6,462	4,622	3,167	4,667	7	5,867	14,467	60,926
Bedroom/Occupancy Tax	374	1,483	1,458	1,783	1,547	1,386	1,040	1,138	1,208	1,331	1,460	2,829	17,036
Parking Tax	161	764	715	1,024	634	988	892	680	721	1,043	935	1,655	10,211
Franchise Fees	-	404	853	1,540	964	404	1,663	1,006	798	4,395	606	3,005	15,636
License & Permits	102	295	128	296	175	73	118	61	206	138	436	192	2,220
Fines & Penalties	-	1,730	1,709	2,044	1,836	1,764	1,817	1,807	2,851	2,218	1,864	5,104	24,743
Interest & Rentals ⁽¹⁾	315	337	288	376	315	310	354	276	445	962	278	796	5,051
Service Charges	4,916	6,088	5,504	7,149	6,131	5,973	9,206	6,215	6,155	6,191	6,187	12,928	82,643
Other Grants & Subsidies	9	42	194	33	2	2,851	-	26	2,361	-	811	2,170	8,499
Miscellaneous	-	1,355	569	588	73	405	914	211	613	-	762	-	5,490
Interfund Transfers	-	2,385	1,125	1,125	1,125	1,125	1,491	1,125	1,125	1,125	874	874	13,498
Note Proceeds	159,605	-	-	-	-	-	-	-	-	-	-	-	159,605
Lighting/Landscape Assess	-	7	41	160	536	8,944	877	19	2,177	5,057	436	1,270	19,524
Internal Service Funds	5,149	6,474	5,525	7,043	6,334	6,483	6,546	6,157	6,173	7,164	6,009	6,451	75,508
Total Receipts	\$170,750	\$32,546	\$39,090	\$42,784	\$34,954	\$142,765	\$47,655	\$50,894	\$89,116	\$117,334	\$37,190	\$109,503	\$914,581
DISBURSEMENTS													
Gen Fund Salaries & Benefits	32,412	28,881	24,265	27,641	24,864	26,217	27,307	25,376	26,918	27,107	28,177	29,413	328,578
Gen Fund Oper & Maint	13,736	5,224	10,778	11,168	9,366	12,074	10,424	6,664	14,900	9,256	14,246	8,065	125,900
Note Principal	9,907	9,907	9,907	9,907	9,907	9,907	9,907	9,907	34,529	9,907	34,529	-	158,220
Note Interest	-	-	-	-	-	-	-	-	-	-	2,069	-	2,069
Interfund Transfers	1,141	5,686	2,601	12,805	1,071	12,866	2,760	1,071	1,071	1,377	1,071	707	44,226
POB Debt Service	-	51,943	-	-	-	-	-	-	-	-	-	-	51,943
Pre-Funding of CalPERS	109,359	-	-	-	-	-	-	-	-	-	-	-	109,359
Lighting/Landscape Assess	1,031	1,668	1,382	1,646	1,589	1,709	1,349	1,344	1,326	1,331	3,246	1,903	19,524
Internal Service Funds	2,646	5,017	4,898	6,350	6,635	5,066	5,568	4,832	5,324	5,224	7,210	10,259	69,028
Total Disbursements	170,233	108,325	53,830	69,517	53,431	67,839	57,315	49,194	84,068	54,201	90,549	50,347	908,848
SURPLUS/(DEFICIT)	\$517	\$(75,779)	\$(14,741)	\$(26,733)	\$(18,477)	\$74,926	\$(9,659)	\$1,700	\$5,048	\$63,133	\$(53,359)	\$59,157	\$5,733
ENDING BALANCE	\$159,800	\$84,021	\$69,280	\$42,548	\$24,070	\$98,996	\$89,337	\$91,037	\$96,085	\$159,218	\$105,859	\$165,015	

⁽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 executive 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, 2014.”

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. Prior to 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. There can be no assurance that the Owners could successfully so "trace" the Pledged Moneys. Bankruptcy proceedings might also impair rights of the Owners in other ways that are difficult to predict. See "Lien in Bankruptcy" above.

Federal Income Tax Consequences

Certain federal income tax consequences of an investment in the Series A Notes are discussed under "TAX MATTERS – TAX-EXEMPT NOTES" herein. Each prospective purchaser of the Series A Notes should consult with his or her own tax advisor to determine the specific effects of an investment in the Series A 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 Series A 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 Series A Notes could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Series A 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 Series A 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 Series A Notes are nonetheless not subject to redemption and will remain outstanding until maturity. See “TAX MATTERS - TAX-EXEMPT NOTES” 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. 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 2014-15 is \$518,284,273, an increase of 1.27% over Fiscal Year 2013-14.

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 - TAX-EXEMPT NOTES

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 certifications described herein, (i) interest on the Series A 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 Series A 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. The Tax Certificate of the City (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Series A Notes will contain provisions and procedures

relating to compliance with applicable requirements of the Code. 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 Series A Notes, and Bond Counsel has assumed compliance by the City with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Series A Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Notes is exempt from State of California personal income tax.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series A 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 after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on 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 Series A Notes, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series A Notes in order that interest on the Series A 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 Series A 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 Series A 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, in executing the Tax Certificate, will certify to the effect that the City 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 the exclusion of interest on the Series A 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 Series A Notes. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 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 Series A Notes.

Prospective owners of the Series A 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 Series A 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 Series 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 Series A 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 Series A Note (a “Series A Premium Note”). In general, under Section 171 of the Code, an owner of a Series A Premium Note must amortize the bond premium over the remaining term of the Series A Premium Note, based on the owner’s yield over the remaining term of the Series A Premium Note, determined based on constant yield principles (in certain cases involving a Series A Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Series A Note). An owner of a Series 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 Series A 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 Series A Premium Note may realize a taxable gain upon disposition of the Series A 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 Series A Premium Note 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 Series A Premium Notes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Series A 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 Series 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 Series A 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 Series A Notes under Federal or state law or otherwise prevent beneficial owners of the Series A 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 Series A Notes. For example, the Fiscal Year 2016 Budget proposed 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 obligation 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 obligation, regardless of issue date.

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

TAX MATTERS - TAXABLE NOTES

Taxable Notes

In the opinion of Bond Counsel to the City, interest on the Series B Notes (the “Taxable Notes”) (i) is included in gross income for Federal income tax purposes pursuant to the Code and (ii) is exempt, under existing statutes, from State of California personal income tax.

The following discussion is a brief summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of Taxable Notes by original purchasers of the Taxable Notes who are “U.S. Holders”, as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Taxable Notes will be held as “capital assets”; and (iii) does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Taxable Notes as a position in a “hedge” or “straddle”, holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Taxable Notes in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of Taxable Notes should consult with their own tax advisors concerning the United States Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Taxable Notes as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Acquisition Discount on Short-Term Taxable Notes

Each holder of a Taxable Bond with a maturity not longer than one year (a “Short-Term Taxable Note”) is subject to rules of Sections 1281 through 1283 of the Code, if such holder is an accrual method taxpayer, bank, regulated investment company, common trust fund or among certain types of pass-through entities, or if the Short-Term Taxable Note is held primarily for sale to customers, is identified under Section 1256(e)(2) of the Code as part of a hedging transaction, or is a stripped bond or coupon held by the person responsible for the underlying stripping transaction. In any such instance, interest on, and “acquisition discount” with respect to, the Short-Term Taxable Note accrue on a ratable (straight-line) basis, subject to an election to accrue such interest and acquisition discount on a constant interest rate basis using daily compounding. “Acquisition discount” means the excess of the stated redemption price of a Short-Term Taxable Note at maturity over the holder’s tax basis therefor.

A holder of a Short-Term Taxable Note not described in the preceding paragraph, including a cash-method taxpayer, must report interest income in accordance with the holder’s regular method of tax accounting, unless such holder irrevocably elects to accrue acquisition discount currently.

Note Premium

In general, if a Taxable Note is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the Taxable Note other than “qualified stated interest” (a “Taxable Premium Note”), the holder of a Taxable Premium Note will be subject to Section 171 of the Code, relating to note premium. In general, if the holder of a Taxable Premium Note elects to amortize that premium as “amortizable note premium” over the remaining term of the Taxable Premium Note, determined based on constant yield principles (in certain cases involving a Taxable Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such note), the amortizable premium is treated as an offset to interest income; the holder will make a corresponding adjustment to the holder’s basis in the Taxable Premium Note. Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Taxable Premium Note may realize a taxable gain upon disposition of the Taxable Premium Note even though it is sold or redeemed for an amount less than or equal to the holder’s original acquisition cost.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Taxable Note, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder’s adjusted tax basis in the Taxable Note.

The City may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Notes to be deemed to be no longer outstanding under the indenture of the Taxable Notes (a “defeasance”). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Taxable Notes subsequent to any such defeasance could also be affected.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to non-corporate holders of the Taxable Notes with respect to payments of principal, payments of interest, and the accrual of OID on a Taxable Note and the proceeds of the sale of a Taxable Note before maturity within the United States. Backup withholding may apply to holders of Taxable Notes under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner’s United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders

The term “U.S. Holder” means a beneficial owner of a Taxable Note that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, could affect the market price or marketability of the Taxable Notes.

Prospective purchasers of the Taxable 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.” Stradling Yocca Carlson & Rauth, a Professional Corporation, 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”).

On limited occasions during the last five years, certain event notices of ratings changes were not made in a timely manner. The City has adopted additional practices to enhance timely filing and to review and monitor compliance with all of its continuing disclosure undertakings.

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 Series A Notes will be purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Series A Underwriter”) as winner of a competitive bid conducted on June 10, 2015. The Series A Underwriter has agreed to purchase the Series A Notes from the City, at a purchase price of \$50,077,969.33 (representing the par amount of the Series A Notes, plus bid premium in the amount of \$837,165.00, less an underwriter’s discount of \$4,195.67).

The Series B Notes will be purchased by J.P. Morgan Securities LLC (the “Series B Underwriter”) and, together with the Series A Underwriter, the “Underwriters”) as winner of a competitive bid conducted on June 10, 2015. The Series B Underwriter has agreed to purchase the Series B Notes from the City, at a purchase price of \$109,527,503.25 (representing the par amount of the Series B Notes, plus bid premium in the amount of \$626,606.25, less an underwriter’s discount of \$74,103.00).

Under the terms of their bids, the Underwriters will be obligated to purchase all of the respective Series A Notes and Series B Notes if any are purchased, subject to the approval of certain legal matters by Bond Counsel and certain other terms and conditions.

The Underwriters 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 Underwriters.

FINANCIAL ADVISOR

Public Financial Management, Inc. 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, 2014, is included in “APPENDIX B - COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2014.” 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/John A. Flores
Interim City Administrator

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APPENDIX A

CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

Certain statements included or incorporated by reference in this Appendix A constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

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 to 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 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, Pandora, Sungevity, Ask.com, and Dreyer’s Grand Ice Cream.

Culturally, the City is home to the regionally and nationally recognized Oakland Museum of California, many up-and-coming artistic and cultural institutions, an award-winning zoo, the Paramount Theatre and the renovated Fox Theater. 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. At other times, these venues are used for other purposes, such as concerts and other events.

Oakland is buzzing with energy from a thriving restaurant scene, diverse entertainment and arts offerings and a vibrant nightlife. A wide range of dining options is available in the City, ranging from street eats like the “Art Murmur” to fine dining restaurants, like Michelin-starred avant-garde Commis and many others. Over the years, Oakland has attracted many artists and high profile chefs, who have created a wave of new restaurants with creative menus that contribute to the City’s burgeoning restaurant scene in areas like Temescal, Uptown, Downtown, Rockridge, Grand Lake, Piedmont and Jack London Square.

The City has been recognized by numerous publications and groups throughout the years. A few of the most recent accolades are listed below:

- In February 2015, *Popular Mechanics* ranked Oakland as #3 among “The 14 Best Startup Cities in America”
- On December 10, 2014, #8 on “Best in the US 2015” list of top 10 destinations to visit by *lonely planet*
- On November 19, 2014, *Business Insider* listed Oakland among “The 15 Hottest American Cities For 2015”
- On September 11, 2014, *National Real Estate Investor* rated Oakland #8 among “Top 10 Retail Markets”

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 Charter of the City (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, Libby Schaaf, is serving her first term, which expires in January 2019. 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 2019.

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, John A. Flores, was appointed on January 21, 2015. Sabrina Landreth, currently Emeryville City Manager and formerly City of Oakland Deputy City Manager/Budget Director, has been appointed by the Mayor to be the City Administrator, and is expected to begin by July.

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

With new developments in Oakland, the City has welcomed thousands of new residents and hundreds of new businesses to be part of an exciting transformation. Easy transit options, available housing and new opportunities for shopping and dining have helped attract residents and businesses to the City. Accessibility to the Oakland International Airport, Port of Oakland and rail connections make shipping and receiving goods quick, easy and affordable. The City also has a well-trained workforce, being located near many colleges and universities. All these factors help stimulate development in Oakland, making the City a desirable center for business, development and investment regionally, nationally and internationally.

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

Major Announcements:

- The Brooklyn Basin Project broke ground in March 2014. The projected \$1.5 billion project is the largest approved, mixed-use master plan in the City. The project consists of approximately 3,100 housing units, 200,000 square feet of offices and retail space, as well as 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.
- The Oakland Global Trade and Logistics Center 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 backbone public infrastructure and extensive site improvements. Public funding is being used to leverage approximately \$270 million in private investment to construct approximately 1.5 million square feet of new industrial facilities emphasizing warehousing, port/trade logistics, trucking operations and recycling facilities. This state-of-the-art trade and logistics hub will bolster the Port of Oakland's ability to compete globally, allow higher volumes of cargo and create additional jobs. The project will take place in multiple phases with an expected project completion date of April 2019.
- The City Council approved a resolution in March 2015 authorizing the City Administrator to negotiate and execute a three-party Exclusive Negotiating Agreement ("ENA") for a development project at the Oakland-Alameda County Coliseum Complex and adjacent City property with the County and New City Development LLC ("Developer"). The ENA period would be for six months, with a six-month option to extend on the part of the City and County. The ENA will allow for the Developer to conduct further market analysis and propose a series of equity public/private finance deal structures, as well as continue on-going negotiations over possible development of the Coliseum Complex and the City-owned property adjacent to the Coliseum Complex with a new Oakland Raiders stadium and a new Oakland Athletics ballpark, related parking facilities, and other commercial and residential development. The ENA does not constitute a binding commitment on the part of the City or County to the Developer, or to any proposed project.

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.
- The Fox Theater, a national historic landmark, completed one of the nation's largest historic theater renovations in 2009 becoming a 3,000-person live performance venue and home to the Oakland School for the Arts. The Fox Theater is now one of the most active theaters of its size for live music in the nation. The theater hosted 98 concerts in 2014 attracting over 245,000 visitors to Downtown Oakland. The theater has been instrumental in attracting bars, restaurants and cafes to the area and expanding the nightlife.
- The Oakland Museum of California completed a \$58 million, multi-year, multi-level renovation and expansion in 2013 with the reopening of the Gallery of California Natural Sciences. The Galleries of California Art and California History reopened to the public in 2010. The museum welcomed back visitors with a dramatically different presentation of its renowned collections,

reviving its founding vision by introducing innovative exhibitions and setting a new paradigm for the way a museum engages the public.

Major Projects Recently Completed in 2014

- In December 2014, construction of a new 45,000 square foot, \$35 million Safeway Store complex in the Rockridge neighborhood was completed. The store will employ 160 individuals, of which 65 are newly created jobs.
- The Coliseum–Oakland International Airport line, a \$484 million automated guideway transit system operated by Bay Area Rapid Transit (BART) between BART’s Coliseum Station and Oakland International Airport, opened for public service in November 2014. This direct service makes it possible to get to downtown San Francisco faster by flying into Oakland.

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

Oakland has seen many recent positive trends in economic indicators and major development projects. There are several development projects underway or in the works that will add new jobs and new economic activity. Throughout the City, significant projects ranging from senior housing to hospital rebuilds and education, transportation, residential and mixed-use developments are moving forward to redefine Oakland. The table below lists some of Oakland’s largest construction projects:

Project Name	Construction Cost (\$ In Millions)	Projected Completion Date
Brooklyn Basin	\$1,500	Sept 2019
Highland Hospital	\$439	Sept 2017
Oakland Army Base Redevelopment	\$247	Feb 2018
Oakland International Airport, Terminal 1	\$110	Feb 2016
I-880 North Safety and Operational Improvements	\$100	2018
I-880 High Occupancy Vehicle (HOV) Lane	\$83	2016
The Hive	\$70	April 2016
Children’s Hospital Oakland Phase I	\$63	2017
MacArthur Transit Village, Phase I & II	\$51	Sept 2015

Source: City of Oakland.

Housing

- Today, approximately 11,000 housing units throughout the City are in the development pipeline. Development interest and activity in the City’s central core continues.
- 250 housing units in Oakland’s City Center on City-owned parcels are in the planning stages. Additional phases are also being planned.
- Since the adoption of the Broadway Valdez Specific Plan in July 2014, almost 1,200 housing units in the Uptown Plan Area have been either submitted for permits or approved for construction. In addition, about 150,000 square feet of retail have been similarly submitted for permits or approved for construction.

Mixed-Use Developments

- Four transit-oriented mixed use developments are in the planning, entitlement or construction phase. The MacArthur Transit Village project is expected to include up to 675 mixed income 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, was completed in July 2014. The next phase, 90 units of affordable housing, began construction in September 2013 and is expected to be completed in August 2015.
- The City is moving ahead with the rehabilitation and adaptive reuse of the Henry J. Kaiser Auditorium/Convention Center, a city-owned historic landmark on the southern edge of Lake Merritt, adjacent to the Oakland Museum of California.
- The City recently issued a request for proposals and received proposals for a mixed use residential, retail and hotel project on a city-owned site at 1911 Telegraph in Oakland's thriving Uptown District.
- The historic Sears building in downtown Oakland was recently purchased and is being restored to create 400,000 square feet of creative office space and ground floor retail.

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 1.05% 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 of each year.

Source: California State Department of Finance, Demographic Research Unit (April 2010 Benchmark) as shown on February 23, 2015. Reflects population estimates as of January 1 of each year.

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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 January 2015 at 7.3% for the State and 6.7% 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	205,100	170,500	34,600	16.9
State	18,336,300	16,068,400	2,267,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
2011				
City	204,800	173,000	31,800	15.5
State	18,417,900	16,249,600	2,168,300	11.8
United States	153,617,000	139,869,000	13,747,000	8.9
2012				
City	206,600	178,500	28,100	13.6
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⁾	209,800	194,600	15,200	7.3
State ⁽²⁾	18,683,300	17,277,900	1,405,400	7.5
United States ⁽³⁾	155,922,000	146,305,000	9,617,000	6.2

⁽¹⁾ Data for the City of Oakland reflect December 2014 preliminary numbers dated January 23, 2015 (March 2013 Benchmark), as shown on the State Employment Development Department, Labor Market Information Division on February 23, 2015.

⁽²⁾ Data for the State dated January 23, 2015 (March 2013 Benchmark), as shown on the State Employment Development Department, Labor Market Information Division on February 23, 2015.

⁽³⁾ Data for the United States as shown on the U.S. Bureau of Labor Statistics website on February 23, 2015.

Commercial Activity

The following Table 3 sets forth a history of taxable sales for the City for Fiscal Years 2009-10 through 2013-14.

Table 3
City of Oakland
Trade Outlets and Taxable Sales
for Fiscal Years 2009-10 through 2013-14
(\$ In Thousands)

Taxable Retail Sales	2009-10	2010-11	2011-12	2012-13	2013-14
Auto & Transportation	\$ 580,398	\$ 651,555	\$ 674,154	\$ 743,329	\$ 838,029
Business & Industry	490,566	512,453	642,399	655,454	653,875
General Customer Goods	480,781	496,571	548,072	559,941	574,519
Restaurants & Hotels	525,068	566,973	606,936	681,562	751,108
Building & Construction	344,171	325,085	378,922	374,421	434,677
Food & Drugs	366,461	359,148	386,236	402,383	417,291
Fuel & Service Stations	433,207	620,279	888,349	733,489	704,208
TOTAL ALL OUTLETS	<u>\$3,220,652</u>	<u>\$3,532,064</u>	<u>\$4,125,068</u>	<u>\$4,150,579</u>	<u>\$4,373,707</u>

Source: HdL Companies, as shown in the City of Oakland, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014.

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 2009 through 2013.

Table 4
County of Alameda
Employment by Industry Group
Annual Averages 2009 through 2013

Industry Employment ⁽¹⁾	2009	2010	2011	2012	2013 ⁽⁴⁾
Total Farm	700	700	700	700	500
Manufacturing	61,800	59,100	60,900	60,900	62,800
Other Goods Producing ⁽²⁾	33,600	30,400	31,000	33,400	35,700
Trade, Transportation and Utilities	121,700	117,600	118,900	122,800	127,300
Information	14,900	14,000	13,600	13,600	13,000
Financial Activities	22,400	22,900	23,000	23,500	24,200
Professional and Business Services	105,200	108,300	111,400	118,100	121,000
Education and Health Services	99,700	100,400	99,700	104,400	112,200
Leisure and Hospitality	53,900	54,500	56,000	58,700	62,300
Other Services	22,900	23,200	23,300	23,900	24,900
Government	<u>121,300</u>	<u>116,100</u>	<u>116,100</u>	<u>114,900</u>	<u>115,300</u>
TOTAL ⁽³⁾	658,100	647,200	654,600	674,900	699,200

⁽¹⁾ Based on place of work.

⁽²⁾ Also called Mining, Logging and Construction.

⁽³⁾ Total may not be precise due to rounding.

⁽⁴⁾ Most recent data available.

Source: State of California, Employment Development Department, Labor Market Information Division, dated October 17, 2014 (March 2013 benchmark), as shown on February 23, 2015.

The following Table 5 sets forth the top ten major employers in the City, the employees of which represent approximately 26.24% of the labor force, as of November 30, 2014.

Table 5
City of Oakland
Principal Employers
as of November 30, 2014

<u>Rank</u>	<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>	<u>Percent of Total Employment⁽¹⁾</u>
1	Kaiser Permanente Medical Group	Health Care	10,914	5.77%
2	Oakland Unified School District	School District	7,664	4.06
3	State of California	State Government	7,480	3.76
4	County of Alameda	County Government	6,218	3.29
5	City of Oakland	City Government	5,082	2.69
6	Alta Bates Summit Medical Center	Health Care	3,623	1.92
7	Children's Hospital & Research Center	Pediatric Hospital	2,600	1.38
8	Internal Revenue Service	Federal Government	2,500	1.32
9	Southwest Airlines	Transportation	2,100	1.11
10	Peralta Community College	Education	<u>1,420</u>	<u>0.75</u>
	TOTAL		49,601	26.24%

⁽¹⁾ Total employment of 189,000 from the State of California Employment Development Department (December 2014) is used to calculate the percentage of employment.

Source: City of Oakland, Economic Workforce Development.

Construction Activity

The following Table 6 sets forth a summary of residential and commercial building permit valuations in the City for Fiscal Years 2009-10 through 2013-14.

Table 6
City of Oakland
Building Permit Valuation
2009-10 through 2013-14

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Building Permits Issued	12,951	13,648	13,696	13,513	14,680
Authorized New Dwelling Units	555	528	237	486	420
Commercial Value (in thousands)	\$ 95,851	\$108,767	\$150,613	\$ 65,152	\$100,239
Residential Value (in thousands)	\$168,872	\$179,374	\$159,723	\$253,516	\$181,087

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Year Ended June 30, 2010 through June 30, 2014.

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 adopted for a two-year period, 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

The City continues to experience growth in its tax revenues, including revenues from its Property Tax, Sales Tax, Business License Tax and Transient Occupancy Tax. In particular, the City's property-related revenues, are growing at a steady rate with a thriving real estate market and noticeable increases in assessed valuations. Also, over 11,000 housing units are planned for development over the next fifteen years or are already under development; and the Army Base project is projected to enhance Oakland's revenue base significantly starting Fiscal Year 2018-19. Additionally, the City is benefiting from a strong regional economy driven in part by the technology sector.

The Mayor and City Council have invested these revenues in key areas including: improvements to public safety, efforts to encourage economic development, and deferred maintenance of infrastructure. These investments are designed to provide needed services to residents while continuing to grow Oakland's economic base.

The City maintains a General Purpose Fund reserve at approximately \$38.57 million for 7.5 percent General Purpose Fund Emergency Reserve and other set-asides. Additionally, the vital services stabilization fund is set at \$2.02 million bringing the total to approximately \$40.6 million.

City's Fiscal Year 2014-15 Year End Forecast

The City's Fiscal Year 2014-15 year-end projections based on third quarter results (the "2014-15 Year End Forecast") project General Purpose Fund revenues (net of any unspent carryforward funds) to total \$528.34 million. This overall increase primarily reflects significant increases in Property Tax revenues, as the real estate market continues to recover; Business License Tax revenues, as the business climate continues to recover and the City benefits from increased rental values; and Transient Occupancy Tax revenues, as more people are traveling as general economic conditions continue to improve. The City's 2014-15 Year End Forecast projects total General Purpose Fund expenditures of \$529.06 million.

The City currently projects an operating surplus of \$22.26 million for Fiscal Year 2014-15, the majority of which has been allocated in the FY2015-17 Proposed Policy Budget.

Mayor's Fiscal Year 2015-17 Proposed Budget

The Mayor's Proposed Budget for Fiscal Year 2015-17 includes an appropriation of approximately \$533 million in Fiscal Year 2015-16 and \$523.8 million in Fiscal Year 2016-17, with Fiscal Year 2015-16 being higher due to the use of one-term funds identified from savings to address one-time costs such as paying down long-term liabilities. The Fiscal Year 2015-17 Proposed Budget is structurally balanced and reflects no reduction in services and staffing levels. The revenues are projected based on current Fiscal Year 2014-15 third quarter year-end forecast. The City continues to see an economic resurgence and growth in its permanent revenue base through major development projects such as Brooklyn Basin, Oak Knoll, Oakland Army Base and Coliseum City. The Fiscal Year 2015-17 Proposed Budget responsibly allocates resources to make key strategic investments for long-term financial sustainability, such as growing the emergency reserve and paying down long-term liabilities. Under the Charter, the City Council must approve a balanced budget by June 30, 2015.

The following Table 7 presents information regarding the City's Fiscal Years 2013-14 and 2014-15, and the Mayor's Proposed Fiscal Year 2015-16, General Purpose Fund revenues and expenditures.

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Table 7
City of Oakland
General Purpose Fund Revenues and Expenditures

	FY 2013-14 Year-End (Audited)	FY 2014-15 Year End Forecast⁽¹⁾	FY 2015-16 Proposed Budget⁽⁵⁾
REVENUES			
Property Tax ⁽²⁾	\$142,823,340	\$160,578,500	\$164,907,424
Sales Tax ⁽³⁾	49,761,088	52,310,000	55,425,093
Vehicle License Fees	-	-	-
Business License Tax	62,905,126	65,000,000	68,717,500
Utility Consumption Tax	50,422,336	50,000,000	50,000,000
Real Estate Transfer Tax	59,059,973	60,862,860	60,926,000
Transient Occupancy Tax	14,577,882	16,323,000	16,900,000
Parking Tax	8,443,638	9,372,000	10,211,274
Licenses & Permits	1,388,448	1,665,000	2,210,747
Fines & Penalties	21,749,854	23,268,000	23,833,497
Interest Income	1,106,784	740,482	740,482
Service Charges	43,322,339	45,353,000	47,680,068
Grants & Subsidies	1,007,508	119,435	119,435
Miscellaneous	3,621,364	1,872,600	5,149,320
Subtotal Revenues	<u>\$460,189,679</u>	<u>\$487,464,877</u>	<u>\$506,820,840</u>
Transfers from Fund Balance ⁽⁴⁾	<u>62,040</u>	<u>40,879,458</u>	<u>26,986,461</u>
TOTAL REVENUES	<u>\$460,251,719</u>	<u>\$528,344,355</u>	<u>\$533,807,301</u>
EXPENDITURES			
Mayor	\$ 1,903,648	\$ 2,004,304	\$ 2,548,963
City Council	3,599,300	3,848,610	4,169,762
City Administrator	8,836,993	16,122,285	16,264,445
City Attorney	7,962,648	5,233,273	5,046,146
City Auditor	1,653,631	1,608,006	1,913,715
City Clerk	1,728,194	3,466,704	1,915,603
Finance Department	15,273,354	22,911,957	25,664,628
Human Resource Management	3,577,193	4,670,482	4,771,299
Information Technology	8,129,546	11,384,389	6,395,828
Police Services	188,343,793	219,262,009	213,362,800
Fire Services	96,257,350	112,341,026	124,747,497
Human Services	6,926,163	6,730,703	5,380,404
Oakland Public Library	9,075,365	9,332,427	11,282,757
Oakland Parks & Recreation	13,428,065	14,684,780	15,662,025
Oakland Public Works	4,662,593	6,043,246	1,881,905
Economic & Workforce Development	2,457,999	3,764,240	5,291,444
Planning & Building	97,030	1,007,691	45,421
Housing and Community Development	612	-	-
Non-Departmental	<u>68,663,906</u>	<u>79,782,471</u>	<u>84,660,659</u>
Subtotal Expenditures	<u>\$442,577,383</u>	<u>\$524,198,601</u>	<u>\$531,005,301</u>
Capital Improvement Projects	<u>2,103,680</u>	<u>4,858,312</u>	<u>2,802,000</u>
TOTAL EXPENDITURES	<u>\$444,681,063</u>	<u>\$529,056,913</u>	<u>\$533,807,301</u>

(1) Forecast as of close of third quarter of Fiscal Year 2014-15.

(2) 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.

(3) Refers to Sales & Use Tax.

(4) Transfers from Fund Balance and any unspent carryforward funds.

(5) Proposed budget as presented on April 30, 2015 by the City Administration for the City Council's consideration and further revised on May 22, 2015.

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.

The State Budget Process. 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.

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.

2015-16 Budget and Future State Budgets. No prediction can be made by the City as to whether the State will encounter budgetary problems in Fiscal Year 2015-16 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.

Dissolution of Redevelopment Agencies

The Redevelopment Agency of the City of Oakland was created by the City Council on October 11, 1956. On February 1, 2012, all California redevelopment agencies were dissolved pursuant to Assembly Bill No. 26 ("AB 1X 26"). Successor agencies were designated as successor entities to the former redevelopment agencies to wind down the affairs of the former redevelopment agencies. On July 17, 2012, the City Council created the Oakland Redevelopment Successor Agency ("ORSA") to serve as successor agency to the former Redevelopment Agency. ORSA is a public entity separate from the City. Pursuant to Health and Safety Code, Section 34176(a), the City Council elected for the City to retain the housing assets and functions of the former Redevelopment Agency. Except for the housing assets retained by the City, the assets and liabilities of ORSA are separate from the assets and liabilities of the City.

ORSA completed the due diligence reviews required by State law, made required payments to the taxing entities, and received a Finding of Completion from the California Department of Finance on May 29, 2013. Under a Bond Expenditure Agreement between ORSA and the City entered into on November 8, 2013 (approved by the Oversight Board and the California Department of Finance), ORSA remits all excess bond proceeds to the City to use for redevelopment purposes consistent with the bond covenants and a bond spending plan adopted by the City. Said agreement provides for ORSA to transfer excess bond funds totaling \$91.4 million to the City for eligible redevelopment projects, as well as future excess bond funds as they become available.

ORSA has adopted Long Range Property Management Plans (“LRPMPs”) for the disposition and use of former Redevelopment Agency properties. Both LRPMPs have been approved by the Oversight Board and the California Department of Finance.

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 and is expected to adopt the Investment Policy for Fiscal Year 2015-16 in June 2015. The Investment Policy is consistent with California Assembly Bill 279, which expanded 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, the Tobacco Divestiture Resolution, Linked Banking Ordinance, and the Fossil Fuel Divestiture Resolution.

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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

<u>Permitted Investment Types</u>	<u>Maximum Investment</u>	<u>Maximum Maturity</u>
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	\$50 Million	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.

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Current Investment Portfolio

The Pooled Operating Portfolio is composed of different types of investment securities and is invested in accordance with the Investment Policy. The following Table 9 summarizes the composition of the Pooled Operating Portfolio as of March 31, 2015.

Table 9
City of Oakland
Pooled Operating Portfolio
as of March 31, 2015

Investments	Market Value	Book Value	Percent of Portfolio	Days to Maturity	360 Day Equivalent
Federal Agency Issues–Coupon	\$206,287,508.62	\$206,067,921.19	38.82%	793	0.882
Federal Agency Issues–Discount	175,644,346.80	175,584,742.62	33.07	101	0.128
Medium Term Notes	4,027,030.00	3,992,496.52	0.75	1,238	1.703
Money Market	85,110,000.00	85,110,000.00	16.03	1	0.083
Local Agency Investment Funds	49,948,209.23	49,948,209.23	9.41	1	0.262
Negotiable CDs	5,000,285.00	5,000,000.00	0.94	208	0.266
California State–GOB	4,425,400.00	4,414,438.69	0.83	1,106	1.070
State of California Revenue Bonds	774,858.00	770,166.90	0.15	945	1.016
TOTAL/AVERAGE	\$531,217,637.65	\$530,887,975.15	100.00%	363	0.448

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 2010 through 2014 and sets forth the major General Fund revenues as of June 30, 2014 as a percentage of total General Fund revenues for Fiscal Year 2013-14.

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

<u>Revenue Type</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014 Percent of Total General Fund Revenues⁽³⁾</u>
Property ⁽¹⁾	\$194,591	\$189,237	\$198,192	\$214,495	\$205,895	36%
Sales & Use	35,877	41,235	44,741	48,818	46,956	8
Business License	54,138	53,138	58,712	60,371	62,905	11
Utility Consumption	51,107	53,440	51,434	50,752	50,422	9
Real Estate Transfer	36,971	31,608	30,653	47,406	59,060	10
Transient Occupancy	8,578	9,634	10,830	12,454	14,578	3
Parking	7,523	8,513	8,617	7,947	8,444	1
Fines and Penalties	27,218	24,397	23,924	22,971	22,809	4
Charges for Services	60,578	96,052 ⁽²⁾	93,256	69,442	77,978	14
Subtotal	\$476,581	\$507,254	\$520,359	\$534,656	\$549,047	95%
Other	42,662	38,753	42,951	25,380	26,141	5
TOTAL	\$519,243	\$546,007	\$563,310	\$560,036	\$575,188	100%

⁽¹⁾ Includes General Purpose Fund property tax revenues, as well as property tax override collections for pension obligations and tax revenues for general obligation debt service. Fiscal Year 2012-13 includes \$12 million in one-time revenue from redevelopment residual balances.

⁽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, 2010 through June 30, 2014.

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 2014-15 Year End Forecast projects the City’s General Purpose Fund property tax revenues at \$160.6 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 XIII A 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.

Property taxes associated with future assessed valuation growth allowed under Article XIII A—for new construction, certain changes of ownership, and annual increases in value, if any, subject to a maximum of 2% each year—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” above.

The following Table 11 sets forth a five-year history of assessed valuations in the City for Fiscal Years 2010-11 through 2014-15:

Table 11
City of Oakland
Assessed Valuations
Fiscal Years 2010-11 through 2014-15
(\$ In Thousands)

Fiscal Year	Total Assessed Value	<i>Less:</i>		<i>Less:</i>	
		Tax-Exemptions	Total Taxable Assessed Value	Redevelopment Tax Increments ⁽¹⁾	Net Taxable Assessed Value
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
2014-15	47,676,125	(4,288,050)	43,388,075	(10,353,808)	33,034,267

⁽¹⁾ Beginning with Fiscal Year 2012-13, following the dissolution of redevelopment agencies, the amounts shown here reflect deposits by the County Auditor-Controller into the City’s Redevelopment Property Tax Trust Fund.

Source: Alameda County Auditor-Controller’s annual report of fiscal year assessed value.

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 the City's secured tax levy and uncollected amounts for Fiscal Years 2009-10 through 2013-14. 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 2009-10 through 2013-14
(\$ In Thousands)

Fiscal Year	City's Share of 1%	Levy Voter- Approved Debt	Total	Total Collected ⁽¹⁾	Percent Collected
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
2013-14	87,270	80,745	168,015	164,632	97.99

⁽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, 2014.

Assessment Appeals. The following Table 13 sets forth resolved and unresolved pending assessment appeals in the City as of January 12, 2015.

**Table 13
City of Oakland
Pending Assessment Appeals
as of January 12, 2015**

Pending Appeals (2010-11 through 2014-15)

Number of Pending Appeals	1,478
Total Assessed Value Under Appeal	\$ 9,171,567,758
Owner's Opinion of Value	5,111,432,682
Maximum Potential Loss ⁽¹⁾	4,060,135,076
Maximum Potential Loss as Percent of Value under Appeal	44.27%

Resolved Appeals (Fiscal Year 2013-14)

Number of Resolved Appeals	206
Total Appealed Value of Resolved Appeals	\$ 415,768,189

Appeals Denied	75
Assessed Value of Denied Appeals	\$ 201,965,147

Appeals Allowed with Change of Value	131
Original Assessed Value of Allowed Appeals	\$ 213,803,042
Value Determined by Appeals Board	151,434,189
Board Approved Reduction in Value	62,368,853
Percent of Original Assessed Value of Allowed Appeals Reduced	29.17%

City of Oakland 2014-15 Taxable Value	\$43,388,074,772 ⁽²⁾
Maximum Appeals Loss ⁽¹⁾	4,060,135,076
Percent of Taxable Value	9.36%

⁽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, less homeowners' and other exemptions. Data as reported in the Alameda County Auditor-Controller Report of 2014-15 Assessed Values, dated August 1, 2014.

Source: Alameda County Assessment Appeals Board.

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Tax Rates. The City consists of 47 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 for Fiscal Years 2010-11 through 2014-15.

Table 14
City of Oakland
Property Tax Rates⁽¹⁾
Fiscal Years 2010-11 through 2014-15

Fiscal Year	Countywide Tax	City of Oakland [*]	Others ⁽²⁾	Total
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
2014-15	1.00	0.2042	0.2334	1.4376

⁽¹⁾ The Tax Rates shown are the highest tax rates among the City's tax rate areas. The City's other tax rate areas have lower tax rates, the lowest total tax rate being 1.2916%, 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.

^{*} Tax rates for pension tax override and debt service on general obligation bonds.

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 2014-15.

Table 15
City of Oakland
Top Twenty Taxpayers
Fiscal Year 2014-15⁽¹⁾

Property Taxpayer	Primary Land Use	Assessed Valuation	Percentage of Total Secured Assessed Valuation ⁽¹⁾
CIM Oakland	Office Building	\$ 467,364,853	1.16%
Kaiser Foundation Health Plan Inc	Office Building	165,173,683	0.41
1111 Broadway Property LLC	Office Building	149,889,300	0.37
DWF IV 1999 Harrison LLC	Office Building	141,418,080	0.35
555 Oakland City Center LLC	Office Building	133,150,000	0.33
1800 Harrison Foundation	Office Building	128,087,229	0.32
Digial 720 2 nd LLC	Industrial	126,832,842	0.32
Westcore City Center LLC	Office Building	110,499,400	0.27
Domain Residence LLC	Apartments	103,242,749	0.26
Eastmont Oakland Associates LLC	Commercial	85,286,129	0.21
Owens Brockway Glas Container Inc.	Industrial	74,084,718	0.18
LV Oak Knoll LLC	Commercial	72,126,778	0.18
WM Allegro LLC	Apartments	71,908,504	0.18
BEX FMC LLC	Apartments	68,359,537	0.17
LBA Riv Co. LLC	Office Building	66,366,939	0.16
Essex Portfolio LP	Apartments	66,280,682	0.16
STG City Square LLC	Office Building	60,375,000	0.15
Brandywine Operating Ptp	Office Building	60,111,832	0.15
Claremont Hotel Properties LP	Hotel/Resort	56,319,870	0.14
Schnitzer Steel Products of California I	Industrial	52,399,756	0.13
TOTAL		<u>\$2,259,277,881</u>	<u>5.62%</u>

⁽¹⁾ Based on the Assessed Value of \$40,225,963,094. This number is the total local secured assessed valuations minus all exemptions, plus the homeowners' exemption.
Source: California Municipal Statistics, Inc.

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 2014-15 year-end estimates.

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" put 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 State has announced plans to retire the bonds in FY 2015-16, effectively ending the triple flip.

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 2014-15 Year-End Forecast projects the City's sales tax revenue for Fiscal Year 2014-15 to be approximately \$52.3 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%.

In 2008, the City revised the Utility Consumption tax ordinance. The revisions included delinking the tax from the Federal Excise Tax on Telephones and subjecting text messaging and cell phone use to the UCT. The 2014-15 Year-End Forecast projects the City's UCT tax revenue for Fiscal Year 2014-15 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 2014-15 Year-End Forecast projects the City's BT revenue for Fiscal Year 2014-15 to be approximately \$65.0 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. The 2014-15 Year-End Forecast projects the City's RETT revenue for Fiscal Year 2014-15 to be approximately \$60.9 million. In accordance with Ordinance No. 13279 C.M.S adopted on December 9, 2014, all of the projected RETT revenue will be recognized as operating revenue.

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 2014-15 Year-End Forecast projects the City's TOT revenue for Fiscal Year 2014-15 to be approximately \$16.3 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% restricted to funding the Violence Prevention and Public Safety Act of 2014 ("Measure Z"). The 2014-15 Year-End Forecast projects the City's PT revenue for Fiscal Year 2014-15 to be approximately \$9.37 million.

Fines and Penalties. Fines and Penalties consist primarily of parking enforcement fines and penalties and interest for late tax payments. The 2014-15 Year-End Forecast projects the City's fines and penalties revenue for Fiscal Year 2014-15 to be approximately \$23.27 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 2013-14 was Macias, Gini & O'Connell LLP, who will also perform the Fiscal Year 2014-15 audit.

Within a reasonable period following the fiscal year end, the accountant submits the final audited financial statements 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 2009-10 through 2013-14.

Table 16
City of Oakland
Revenues and Expenditures
General Fund
(\$ In Thousands)
Fiscal Years 2009-10 through 2013-14

Revenues	2010	2011	2012	2013	2014
Taxes					
Property ⁽¹⁾	\$194,591	\$189,237	\$198,192	\$214,495	\$205,895
State ⁽²⁾	37,128	43,403	44,962	48,818	46,956
Local ⁽³⁾	172,736	171,057	175,818	194,759	211,810
Licenses and Permits	724	888	1,160	1,373	1,388
Fines and Penalties	27,218	24,397	23,924	22,971	22,809
Interest Income	2,197	1,295	1,016	458	1,401
Charges for Services ⁽⁴⁾	60,578	96,052	93,256	69,442	77,978
Grant Revenue	1,927	1,370	1,357	1,391	4,911
Other Revenue, Including Transfers	8,912	10,661	9,560	6,329	0
Annuity Income	13,232	7,647	14,065	0 ⁽⁵⁾	2,040
TOTAL REVENUES	\$519,243	\$546,007	\$563,310	\$560,036	\$ 575,188
Expenditures					
General Government ⁽⁶⁾	\$63,335	\$70,057	\$74,211	\$75,996	\$ 65,160
Public Safety ⁽⁷⁾	290,387	285,255	307,163	281,875	297,224
Public Works	32,144	35,312	30,526	29,564	40,539
Life Enrichment ⁽⁸⁾	35,211	36,836	30,299	32,555	41,462
Economic and Community Development ⁽⁴⁾	4,847	17,266	10,010	0 ⁽⁹⁾	2,309
Other ⁽¹⁰⁾	11,192	10,721	12,589	49,145	16,331
TOTAL EXPENDITURES	\$437,116	\$455,447	\$464,798	\$469,135	\$463,025
 Other Financing Sources and Uses ⁽¹¹⁾	 \$ (86,026)	 \$ (93,003)	 \$ (67,944)	 \$(99,874)	 \$(106,130)
 Net Change in Fund Balance	 \$ (3,899)	 \$ (7,689) ⁽¹³⁾	 \$ 30,568	 \$(10,286) ⁽¹²⁾	 \$ 8,208
 Fund Balance (deficit) - Ending	 \$ 233,050	 \$ 225,361	 \$ 255,929	 \$ 245,643	 \$ 253,851

⁽¹⁾ Includes General Purpose Fund property tax revenues, as well as property tax override collections for pension obligations and tax revenues for general obligation debt service. Fiscal Year 2012-13 includes \$12 million in one-time revenue from redevelopment residual balances.

⁽²⁾ Includes Sales and Use, Motor Vehicle in-lieu.

⁽³⁾ Includes Business License, Utility Consumption, Real Estate Transfer, Transient Occupancy, Parking, Voter Approved Special Tax, and Franchise.

⁽⁴⁾ Due to the adoption of GASB Statement No. 54, Oakland Redevelopment Agency Project Funds have been included in the General Fund since Fiscal Year 2010-11.

⁽⁵⁾ Reflects an overall market loss which is absorbed as an expenditure.

⁽⁶⁾ Includes elected and appointed officials, general governmental agencies and administrative services.

⁽⁷⁾ Includes police and fire services.

⁽⁸⁾ Includes Community Service Department, Library, Housing and Community Development, and Planning, Building and Neighborhood Preservation.

⁽⁹⁾ Restructure due to AB1x26, the dissolution of redevelopment agency.

Footnotes continue on the following page.

- (10) Includes capital outlays and certain debt service charges not paid from a general obligation bond tax levy.
- (11) Includes transfers in and transfers out.
- (12) Reflects an extraordinary loss of \$1.3 million from the State Controller's Office asset transfer review and California Department of Finance disallowances.
- (13) Reflects the impact of restated fund balance (\$5.2M) due to the adoption of GASB No. 54.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2010 through June 30, 2014.

The following Table 17 summarizes the balance sheet for the City's General Fund for the Fiscal Years 2009-10 through 2013-14.

Table 17
City of Oakland
Balance Sheet
General Fund
(\$ In Thousands)
Fiscal Years 2009-10 through 2013-14

ASSETS	2009-10	2010-11	2011-12	2012-13	2013-14
Cash and investments	\$114,060	\$135,066	\$161,352	\$186,526	\$179,918
Receivables					
Accrued interest	165	172	153	162	172
Property taxes	10,241	9,719	5,053	7,496	7,299
Accounts receivable	43,016	33,972	43,270	36,074	36,292
Due from component unit	15,766	17,093	7,507	6,044	5,153
Due from other funds ⁽¹⁾	66,048	54,565	38,325	41,597	56,664
Notes and loans receivable	8,399	8,599	47,493	53	327
Restricted cash and investments	121,565	106,692	110,708	97,723	90,975
Other	35	35	35	513	90
TOTAL ASSETS	\$379,295	\$365,913	\$413,896	\$376,188	\$376,890
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other accrued liabilities	\$119,206	\$111,058	\$ 94,319	\$ 95,960	\$ 93,291
Due to other funds ⁽¹⁾	8,784	8,992	819	18,753	2,312
Due to other governments	290	3,220	4,380	873	1,304
Unearned/Deferred revenue	17,411	16,187	56,372	10,315	21,980
Other	554	1,095	2,077	4,644	4,152
TOTAL LIABILITIES	\$146,245	\$140,552	\$157,967	\$130,545	\$123,039
Fund Balances:					
Reserved:					
Encumbrances	\$ 1,195	—	—	—	—
Long term receivables	—	—	—	—	—
Debt service	2,177	—	—	—	—
Pension obligations	100,000	—	—	—	—
Unreserved	129,678	—	—	—	—
Restricted ⁽²⁾	—	106,692	110,708	165,400	156,462
Committed ⁽²⁾	—	3,890	70,284	—	—
Assigned ⁽²⁾	—	65,985	6,256	58,452	73,843
Unassigned ⁽²⁾	—	48,794	68,681	21,791	23,546
TOTAL FUND BALANCES	\$233,050	\$225,361	\$255,929	\$245,643	\$253,851
TOTAL LIABILITIES AND FUND BALANCES	\$379,295	\$365,913	\$413,896	\$376,188	\$376,890

(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, 2010 through June 30, 2014.

DEBT OBLIGATIONS

General Obligation Debt

As of June 2, 2015, the City had outstanding a total of \$206,530,000 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 June 2, 2015.

Table 18
City of Oakland
General Obligation Bonds
as of June 2, 2015
(\$ In Thousands)

Issue Name	Purpose	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
General Obligation Refunding Bonds, Series 2012	Refunded Series 2002A (Measure G) and Series 2003A (Measure DD)	1/10/2012	2031	83,775	77,635
General Obligation Refunding Bonds, Series 2015	Refunded Series 2005, Series 2006 (Measure G) and Series 2009B (Measure DD)	6/2/2015	2039	128,895	<u>128,895</u>
TOTAL					<u>\$206,530</u>

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 June 2, 2015.

Table 19
City of Oakland
General Obligation Bond Remaining Authorization
as of June 2, 2015
(\$ In Thousands)

<u>Authorization</u>	<u>Date Passed</u>	<u>Use</u>	<u>Bond Total</u>	<u>Authorization Remaining</u>
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 2010-11 through 2014-15. The City expects to issue additional tax and revenue anticipation notes early in Fiscal Year 2015-16.

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

<u>Fiscal Year</u>	<u>Principal Amount</u>
2010-11	\$100,000
2011-12	81,200
2012-13	83,125
2013-14	78,230
2014-15	55,000

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 June 2, 2015.

Table 21
City of Oakland
Lease Obligations
as of June 2, 2015
(\$ In Thousands)

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding	Leased Asset
Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, 2008 Series A-1 ⁽²⁾	4/16/2008	2017	107,630	28,065	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	81,890	Oakland Administration Buildings
Oakland – Alameda County Coliseum Authority Lease Revenue Bonds, 2012 Refunding Series A ⁽¹⁾	5/31/2012	2025	\$61,408	\$49,445	Coliseum Stadium
Oakland – Alameda County Coliseum Authority Lease Revenue Bonds, (Arena Project) 2015 Refunding Series A ⁽¹⁾	4/29/2015	2026	39,868	<u>39,868</u>	Coliseum Arena
TOTAL				<u>\$199,268</u>	

⁽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⁾ 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 revenues from an annuity contract issued June 17, 1986, by New York Life Insurance Company. 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 29, 2015.

Table 22
Summary of Series 1998 Bonds
Interest Rate Swap Agreement
(as of May 29, 2015)

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	\$46,400,000	Goldman Sachs Mitsui Marine Derivative Products	Aa2 ⁽¹⁾ /AAA	5.6775%	(\$7,656,010) ⁽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.

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" herein. 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 \$68.3 million of tax override revenues to pay debt service on the 2001 Pension Obligation Bonds and 2012 Pension Obligation Bonds in Fiscal Year 2014-15.

The following Table 23 summarizes the 2001 Pension Obligation Bonds and 2012 Pension Obligation Bonds as of June 2, 2015.

Table 23
City of Oakland
Pension Obligation Bonds
as of June 2, 2015
(\$ 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	\$117,893
City of Oakland Taxable Pension Obligation Bonds, Series 2012	7/12/2012	2025	\$212,540	<u>\$212,540</u>
TOTAL				<u>\$330,433</u>

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 2015-16 through 2019-20

Fiscal Year	Series 2001	Series 2012
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
2019-20	48,700,000	18,326,222

Source: City of Oakland.

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

Master Lease Obligation

The City has entered into various long-term, master lease-purchase agreements to finance the acquisition of essential-use assets. As of June 2, 2015, the City's master lease-purchase agreements, which generally are backed by the City's General Fund, were outstanding in the principal amount of \$65.7 million. The financings are fixed rate with interest rates ranging from 0%-5.46% and maturities between 2014 and 2025. As of June 2, 2015, the aggregate maximum annual debt service payment is \$15.3 million.

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.

On February 1, 2012, all California redevelopment agencies were dissolved. On July 17, 2012, the City Council created 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 June 2, 2015.

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Table 25
Tax Allocation Bonds
as of June 2, 2015
(\$ In Thousands)

Central District Redevelopment Project Area				
<u>Issue Name</u>	<u>Dated Date</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding</u>
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T	11/21/2006	2022	\$ 33,135	\$ 12,385
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable)	5/20/2009	2020	38,755	32,250
Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013	10/3/2013	2022	\$102,960	97,560
TOTAL CENTRAL BUSINESS DISTRICT			\$334,510	\$142,195
Broadway/MacArthur/San Pablo Redevelopment Project Area				
<u>Issue Name</u>	<u>Dated Date</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding</u>
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds Series 2006C-TE and 2006C-T ⁽¹⁾	10/12/2006	2037	\$ 17,270	\$ 14,855
Broadway/MacArthur/San Pablo Redevelopment Project Tax Second Lien Allocation Bonds Series 2010-T (RZEDB)	12/12/2010	2040	7,390	7,240
TOTAL BROADWAY/MACARTHUR/SAN PABLO DISTRICT			\$ 24,660	\$ 22,095
Central City East Redevelopment Project Area				
<u>Issue Name</u>	<u>Dated Date</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding</u>
Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE and 2006A-T ⁽¹⁾	10/12/2006	2037	\$ 76,300	\$ 65,575
Coliseum Area Redevelopment Project Area				
<u>Issue Name</u>	<u>Dated Date</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding</u>
Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE and 2006B-T ⁽¹⁾	10/12/2006	2037	\$102,590	\$ 87,710
City-wide Housing				
<u>Issue Name</u>	<u>Dated Date</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding</u>
Subordinated Housing Set-Aside Revenue Bonds, Series 2006A and 2006A-T ⁽¹⁾	4/4/2006	2037	\$ 84,840	\$ 69,375
Subordinated Housing Set-Aside Revenue Bonds, Series 2011A-T	3/8/2011	2041	46,980	43,240
TOTAL HOUSING SET-ASIDE REVENUE BONDS			\$131,820	\$112,615

⁽¹⁾ORSA expects to issue fixed rate subordinate tax allocation bonds in Summer 2015 to refund all or a portion of these outstanding bonds.
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 June 2, 2015.

Table 26
City of Oakland
Special Assessment Bonds
as of June 2, 2015
(\$ 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	\$ 120
Oakland Utility Underground Assessment District, Piedmont Pines Phase 1, Series 2010	3/9/2010	2039	3,148	2,885
City of Oakland 2012 Limited Obligation Refunding Improvement Bonds, Reassessment District No. 99-1	8/1/2012	2024	3,545	<u>3,015</u>
TOTAL				<u>\$6,020</u>

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 \$38,555,000, as of June 2, 2015 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 March 1, 2015, 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 March 1, 2015

2014-15 Assessed Valuation: \$43,763,821,970⁽¹⁾

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 3/1/15</u>
Bay Area Rapid Transit District	7.805%	\$ 49,233,550
East Bay Municipal Utility District, Special District No. 1	52.104	7,377,926
East Bay Regional Park District	11.981	21,275,261
Chabot-Las Positas Community College District	0.874	3,725,216
Peralta Community College District	54.822	208,891,008
Berkeley and Castro Valley Unified School Districts	0.004 & 0.119	86,953
Oakland Unified School District	99.999	810,996,890
San Leandro Unified School District	8.457	15,676,958
City of Oakland	100.	219,798,558⁽²⁾
City of Oakland 1915 Act Bonds	100.	6,020,000
City of Emeryville 1915 Act Bonds	4.183	216,470
City of Piedmont 1915 Act Bonds	4.792	143,520
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,343,442,310
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Alameda County and Coliseum Authority General Fund Obligations	19.849%	\$172,769,567
Alameda County Pension Obligation Bonds	19.849	13,331,427
Alameda-Contra Costa Transit District Certificates of Participation	23.534	5,834,079
Peralta Community College District Pension Obligation Bonds	54.822	90,211,843
Oakland Unified School District Certificates of Participation	99.999	39,774,602
Castro Valley Unified School District Certificates of Participation	0.119	6,759
San Leandro Unified School District General Fund Obligations	8.457	433,844
City of Oakland and Coliseum Authority General Fund Obligations	100.	200,017,500⁽³⁾
City of Oakland Pension Obligations	100.	330,433,375
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$852,812,996
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100. %	\$430,190,000
COMBINED TOTAL DEBT		\$2,626,445,306⁽⁴⁾

Ratios to 2014-15 Assessed Valuation:

Direct Debt (\$219,798,558)	0.50%
Total Direct and Overlapping Tax and Assessment Debt.....	3.07%
Total Direct Debt (\$750,249,433)	1.71%
Combined Total Debt.....	6.00%

Ratio to Redevelopment Incremental Valuation (\$10,347,854,639):

Total Overlapping Tax Increment Debt.....	4.16%
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⁽¹⁾ Amount represents full taxable value for the City less all exemptions, except homeowners' exemption.

⁽²⁾ Excludes issue to be sold.

⁽³⁾ Excludes Oakland – Alameda County Coliseum Authority Lease Revenue Bonds (Oakland Coliseum Arena Project) 2015 Refunding Series A (Federally Taxable) issued on April 29, 2015.

⁽⁴⁾ 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 \$10,000 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, 2014, the amount of all self-insured general liability exposure is valued at approximately \$32.3 million. Of this amount, approximately \$12.8 million is estimated to be due within one year. Payment of workers’ compensation claims is provided through annual appropriations. As of June 30, 2014, the amount of workers’ compensation liability determined to be payable is approximately \$83.5 million. Of this amount, \$21.1 million 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, 2014). The largest employee organization is the Service Employees International Union Local 1021, which represents approximately 55% of City employees. Approximately 95% of City employees are covered by negotiated agreements, as detailed below. The Memoranda of Understanding (“MOUs”) between the City of Oakland and exclusive bargaining representatives for miscellaneous employees expire June 30, 2015. The MOU for the International Association of Firefighters, Local 55, is set to expire on October 31, 2017.

The MOU for represented employees covered by the miscellaneous MOUs as well as the MOU for the Oakland Police Officers’ Association (OPOA) and Oakland Police Management Association (OPMA) are set to expire on June 30, 2015, and negotiations relating to the MOUs began in January 2015. All represented employees have agreed to share in the cost of retirement. Currently, miscellaneous employees are contributing eight percent (8%), police employees at nine percent (9%), and fire employees at thirteen percent (13%) of employees’ wages to the retirement cost.

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Table 28
City of Oakland
Labor Relations
as of June 30, 2014

<u>Employee Organization / Representation Unit</u>	<u>Number of Represented Employees</u>	<u>Contract Expiration</u>
Confidential Management Employees' Association, Unit U31	23	June 30, 2015*
International Association of Fire Fighters Local 55, Unit FQ1	392	October 31, 2017
International Brotherhood of Electrical Workers Local 1245, Units IE1, TV1	18	June 30, 2015*
International Federation of Professional and Technical Engineers (IFPTE)		
IFPTE Local 21, Units TA1, TF1, TL1, TM2, TW1	435	June 30, 2015*
IFPTE Local 21, Units UH1 (Supervisors), UM1 and UM2 (Managers)	351	June 30, 2015*
IFPTE Local 21, Unit TM1 (Deputy City Attorney I-IV)	24	June 30, 2015*
IFPTE Local 21, Unit U41 (Deputy Attorney V & Special Counsel)	9	June 30, 2015*
Service Employees International Union (SEIU) Local 1021		
SEIU Local 1021, Units SB1, SC1, SD1	1,157	June 30, 2015*
SEIU Local 1021, Unit SI1 (Part Time)	1,391	June 30, 2015*
Oakland Police Officers' Association, Unit PP1, PT1	631	June 30, 2015*
Oakland Police Management Association, Unit UN2	15	June 30, 2015*
TOTAL	4,446	

* Currently under negotiation.

Source: City of Oakland, Department of Human Resources Management, Employee Relations Unit.

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 D – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2014 – 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 June 30, 2014, PFRS covered no active employees and 1,006 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 (the "2012 Funding Agreement"), 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.

The City is expected to resume its payments to PFRS during the fiscal year beginning July 1, 2017, in accordance with the 2012 Funding Agreement.

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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	658.3	257.2	268.5	401.1	39.1	40.1	1
2013 ⁽³⁾	655.4	440.4	455.6	215.0	67.2	69.5	1
2014	651.1	420.9	463.8	230.2	64.6	71.2	0

⁽¹⁾ Because this is a closed system with no more than one active employee during the periods shown, 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⁾ 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.

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.

Sources: Oakland Police and Fire Retirement System, Actuarial Report as of July 1, 2014 and Oakland Police and Fire Retirement System, Annual Report for Fiscal Year ended June 30, 2014.

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, 2014 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, 2014

	Valuation Assumptions
Investment Return	6.54%
Wage Growth	3.25%
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, 2014.

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. On November 4, 2014, City of Oakland voters passed Oakland Measure EE, which grants the City Council the authority to terminate OMERS by purchasing a group annuity contract to guarantee pension payments to the remaining OMERS’ retirees and beneficiaries. On January 3, 2015, the City Council passed corresponding ordinances that terminate the OMERS Plan upon the successful purchase of annuities and disbursement of all OMERS funds. On February 10, 2014, the City successfully purchased a group annuity contract with Pacific Life Insurance Company to guarantee pension payments to the remaining OMERS retirees and beneficiaries.

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 and 35.145% for Safety employees (police and 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 to reduce the City’s CalPERS retirement cost over time. The two-tiered pension plans were subsequently 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 safety employees effective February 8, 2012 and for miscellaneous employees effective June 8, 2012.

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.

Tier Pension Plans	Employee Organization	
	Safety	Miscellaneous
Tier One (Classic Member)	Receive 3% at age 50. Final compensation is based on the highest paid twelve (12) consecutive months.	Receive 2.7% at age 55. Final compensation is based on the highest paid twelve (12) consecutive months.
Tier Two (Miscellaneous new hires after June 8, 2012, Safety new hires after February 8, 2012)	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 paid three (3) consecutive years' average.
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.

Source: City Oakland

The following Table 31 sets forth the City's employer contribution rates as determined by CalPERS for Fiscal Years 2011-12 through 2015-16, and CalPERS' projections for Fiscal Years 2016-17 and 2020-21.

Table 31
City of Oakland
Public Employees Retirement System Contribution Rates
Fiscal Years 2011-12 through 2015-16 and Projected Fiscal Years 2016-17 and 2020-21
(Percentage of Payroll)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (Projected) ⁽¹⁾	2020-21 (Projected) ⁽¹⁾
Miscellaneous Plan	23.60%	25.12%	27.30%	30.16%	32.94%	35.4%	41.4%
Safety Plan	30.37%	30.90%	33.35%	35.15%	37.69%	40.4%	46.0%

⁽¹⁾ These projections do not include the effects of PEPRA, Tier 3, for employees hired 1/1/2013 and later, prior to 2015-16 or demographic assumption changes approved by CalPERS February 18, 2014.

Source: CalPERS Annual Valuation Report as of June 30, 2013.

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").

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies seen in CalPERS's membership and expected continued improvements. The new actuarial assumptions will be used to set the Fiscal Year 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

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The following Tables 32 and 33 set forth the schedules of funding progress from Fiscal Years ended 2009 to 2013 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 or Market Value of Assets ⁽¹⁾	Unfunded Actuarial Accrued Liability	Funded Status (AVA Basis)	Funded Status (MVA Basis)	Annual Covered Payroll	UAAL as % of Payroll
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 ⁽²⁾	1,398.0	1,080.1	317.9	77.3	64.8	118.9	267.4
2013 ⁽³⁾	1,487.6	1,009.5	478.1	N.A. ⁽⁴⁾	67.9	116.9	409.0

⁽¹⁾ Actuarial Value of Assets are shown for valuations prior to 2013. Beginning with the June 30, 2013 valuation, Market Value of Assets are shown.

⁽²⁾ 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.

⁽³⁾ Based on Market Value of Assets.

⁽⁴⁾ Effective with the June 30, 2013 valuations, CalPERS no longer uses an actuarial value of assets.

Source: CalPERS Actuarial Valuation Report as of June 30, 2013.

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 or Market Value of Assets ⁽¹⁾	Unfunded Actuarial Accrued Liability	Funded Status (AVA Basis)	Funded Status (MVA Basis)	Annual Covered Payroll	UAAL as % of Payroll
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 ⁽²⁾	2,080.2	1,655.9	424.2	79.6	66.4	184.6	229.8
2013 ⁽³⁾	2,153.4	1,496.7	656.7	N.A. ⁽⁴⁾	69.5	183.4	358.1

⁽¹⁾ Actuarial Value of Assets are shown for valuations prior to 2013. Beginning with the June 30, 2013 valuation, Market Value of Assets are shown.

⁽²⁾ 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.

⁽³⁾ Based on Market Value of Assets.

⁽⁴⁾ Effective with the June 30, 2013 valuations, CalPERS no longer uses an actuarial value of assets.

Source: CalPERS Actuarial Valuation Report as of June 30, 2013.

For Fiscal Year 2013-14, the City's annual CalPERS pension cost was \$48.8 million for the Safety plan and \$49.8 million for the Miscellaneous plan.

The following Table 34 represents the City's annual contribution to CalPERS for Fiscal Years 2009-10 through 2013-14.

Table 34
City of Oakland
Public Employees Retirement System
Annual Pension Cost
Fiscal Years 2009-10 through 2013-14
(\$ In Millions)

Fiscal Year Ended June 30	Annual Cost ⁽¹⁾
2010	\$94.3
2011	84.2
2012	89.0
2013	89.4
2014	98.6

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, 2010 through June 30, 2014.

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* to improve financial reporting by state and local governmental pension plans. The PFRS and OMERS Pension Plans implemented the provisions of GASB Statement No. 67 for the year ended June 30, 2014. The new standard enhances the note disclosures and required supplementary information and requires disclosure of the components of the employer liability in the notes and the presentation of multi-year trend information on the pension liability, plan net position and the employer's net pension liability in the required supplementary information.

In June 2012, GASB also issued Statement No. 68, *Accounting and Financial Reporting for Pensions by State and Local Governmental Employers - an amendment of GASB Statement No. 27*. The significant changes in this statement address (1) the measurement of pension obligations that derive liabilities (or assets); and (2) the calculations behind pension expense. This statement is for employers and is effective for the City's fiscal year ending June 30, 2015.

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 \$20.6 million was paid on behalf of retirees under these programs for Fiscal Year 2013-14, 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, 2013, 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 \$463.9 million. As of June 30, 2014, 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 \$235.1 million after a pay-as-you-go amount of \$20.6 million for Fiscal Year 2013-14. For Fiscal Year 2014-15, 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 has begun investing into the California Employer’s Retiree Benefit Trust (CERBT) Fund. To date, the City has deposited approximately \$2.9 million into CERBT for its OPEB obligations. The City will continue to contribute approximately \$665,000 annually 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, 2010 through June 30, 2014.

Table 35
City of Oakland
Post-Employment Benefits Other than Pensions
Fiscal Years 2009-10 through 2013-14

Fiscal Year Ended June 30	Accrued Liability	Unfunded Liability	Annual OPEB Cost	Employer Contribution	Net OPEB Obligation
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
2014 ⁽²⁾	463,850,944	463,850,944	40,476,000	20,633,000	235,095,000

⁽¹⁾ Assumed amount, based on prior year’s valuation.

⁽²⁾ The City began to partially pre-fund the annual required contribution in the year ended June 30, 2014 by participating in the CERBT sponsored by CalPERS, which increased the discount rate to 5.59%.

Sources: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2010 through June 30, 2014.

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 2009-10 through 2013-14
(\$ In Thousands)

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$10,019	51%	\$10,389
2011	11,193	99	10,461
2012	10,983	99	10,510
2013	10,984	100	10,453
2014	12,789	100	10,414

Sources: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2010 through June 30, 2014.

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

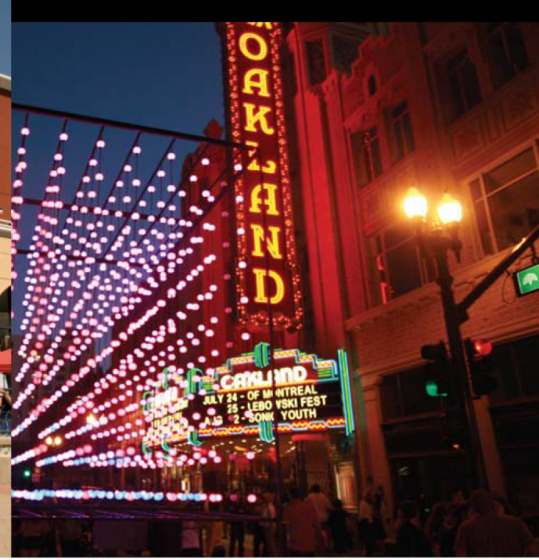
The City is involved in certain litigation and disputes relating to its operation. Upon the basis of information presently available, the City Attorney believes that (1) there are substantial defenses to such litigation and disputes and (2) in any event, any ultimate liability in the aggregate in excess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

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APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE
FISCAL YEAR ENDED JUNE 30, 2014**

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CITY OF OAKLAND, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014



CITY OF OAKLAND

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

PREPARED BY THE FINANCE DEPARTMENT

OSBORN K. SOLITEI, DIRECTOR OF FINANCE/CONTROLLER

PRINTED ON RECYCLED PAPER

CITY OF OAKLAND

Comprehensive Annual Financial Report Year Ended June 30, 2014

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Comprehensive Annual Financial Report Year Ended June 30, 2014

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INTRODUCTORY SECTION



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Henry L. Gardner
Interim City Administrator

(510) 238-3301
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December 12, 2014

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 position for the fiscal year ended June 30, 2014, 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 U.S. 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 Bureau.

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 2013-14, fortunately experiencing modest economic growth that is expected to accelerate in the future. Growth has been noteworthy in a number of revenue categories including Property Tax, Real Estate Transfer Tax, Sales Tax, Business License, and Transient Occupancy Tax.

The good news is that the economy is showing steady signs of modest recovery, the housing market is red hot and key economic indicators are trending in a positive direction: unemployment is down and revenues are up in most categories (e.g., property tax, sales tax, business tax, real estate tax).

The financial markets are taking notice of Oakland’s judicious approach to address both short-term and long-term financial challenges: just recently, the credit-rating agency Standard & Poor’s reaffirmed our AA- credit rating and noted our stable fiscal outlook.

Looking forward, we must continue to grow our revenues to restore and enhance services to the community. We have actively supported long-dormant projects which have recently sprung to life, and are working to spur progress on other projects to draw investment to Oakland, creating more jobs and more economic development. Recent progress includes:

- Starting construction at the Oakland Army Base, which includes constructing a new marine terminal and 1 million square feet of trade and logistics space that will generate approximately 2,000 jobs;
- Supporting efforts to break ground in spring 2014 at the Brooklyn Basin Project, which includes 3,100 units of housing, 30 acres of open space, and 200,000 square feet of commercial space, with an approximate job count of 8,000 over the 6 to 8 year build-out of the project;
- Completing the “10K” housing project started a decade ago and strategically positioning Oakland for “10K 2.0,” which would build housing across all of Oakland’s transit corridors;
- Continuing to negotiate exciting opportunities for our sports facilities and the world-class potential of the Coliseum City development project; and

- Aggressively pursuing retail projects. Since 2011, more than 1 million square feet of new or improved leasable retail space have been completed or are in the pipeline.

As the result of the improved financial circumstances, the City Council adopted a two-year balanced FY 2013-15 policy budget includes no layoffs, for the first time in more than four (4) years and provided for limited services enhancement and infrastructure improvements, and allowed for small increases in employee compensation. 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, smart parking meters, upgrading to energy-efficient LED streetlights, and enhancing Information Technology infrastructure.

In July 2014, the City Council adopted a balanced fiscal year 2014-2015 mid-cycle amended budget. The mid-cycle budget focused on the following goals:

- **Public safety;** keeping our community safe by accelerating funding for the 171st and 172nd academies, increase funding for the cease fire program, and add four staff positions to support Citizen's Police Review Board.
- **Investing in our future;** setting aside \$2.0 million for vital services stabilization fund; increased the 7.5% reserve by \$1.6 million; provide \$0.5 million reserve for library services.
- **Invest in and stabilize our workforce & operations;** increase the workforce back to 4010.16 FTEs, up from a low of 3,680.69 FTEs in FY 2012-13 when the former redevelopment agency was dissolved.
- **Economic growth, job creation and training education;** continue West Oakland Job Resource Center and expand the youth internship program to a year-around program and provide gap funding for the Head Start Program.
- **Investment in Technology and Equipment;** provide \$3.9 million funding for software and hardware upgrades equipment throughout the City and a payment card security system audit, funding for replacement of 269 vehicles throughout the City including, Police, Fire, Public Works, Library etc.

While the City continues to experience steady economic growth and increase in revenues, we still face substantial financial challenges where our revenues are outpaced by our expenditures due to a variety of factors. This includes: rising health care costs, rapidly growing costs of employee pensions and frequent CalPERS pension formula changes, years of deferred equipment purchases and facility maintenance that can no longer be delayed, the sun setting of local tax measures and the expiration of public safety grants worth millions of dollars.

The City is also committed to securing the City's long-term financial health by taking direct actions to address unfunded liabilities. These actions include: establishing a Vital Services Stabilization Fund, the funding of Police/Fire CalPERS pensions at funding ratio of 67.9% and at 69.5% for the civilian employees at market value of assets; the City began to partially pre-fund by \$2.2 million, the annual required contribution (ARC) to the California Employer's Retiree Benefit Trust (CERBT) for Other Post-Employment Benefit ("OPEB; negotiating two-tier pension reform to significantly reduce long-term costs; and implementing the State's third-tier reform after that. Even with these measures, we cannot ignore the fact that rising pension costs are continuing to reduce funding for other General Purpose Fund priorities.

The employment forecast for the remainder of 2014 continues to improve from the previous year. The City's average unemployment (not seasonally adjusted) rate decreased to 9.0 percent in June 2014 compared to 11.3 percent in June 2013. 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. 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, 2014, include the following:

- On November 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.
- In December 2013, Oakland was selected to join the Rockefeller Foundation's 100 Resilient Cities Network. Oakland was one of nearly 400 cities across six continents to apply for the 100 Resilient Cities Challenge. The selection was based on how cities planned to approach and build greater resilience, incorporate a range of constituents (e.g., civil society, local businesses, and academia) in its resilience planning and implementation and how the needs of the poor or vulnerable would be addressed.
- In May 2014, The New York Times dubbed Oakland "Brooklyn by the Bay." Oakland is viewed as a top-flight creative capital. For many residents priced out of San Francisco, Oakland has come to be seen as a welcoming oasis. What keeps Oakland from being merely a cheaper option than San Francisco is the way the city's deep cultural roots entwine working-class African-American and ethnic communities, progressive politics, arts, food and more recently technology entrepreneurship. http://www.nytimes.com/2014/05/04/fashion/oakland-california-brooklyn-by-the-bay.html?_r=0
- In June 2014, the monthly issue of San Francisco magazine was dubbed "The Oakland Issue" and provided 176 pages of compelling photography and uniquely insightful copy dedicated to the fantastic City of Oakland. <http://digital.modernluxury.com/publication/?i=210266>
- In July 2014, The City worked with the Oakland Athletics and signed a ten year lease extension to stay in Oakland and keep the team playing at the Oakland Coliseum.
- In August 2014, Oakland was ranked Number 10 among California Cities on the Solar Ease Index. A solar rank is a combined statistic of both permit times and permit fees. The cities friendliest to solar have fast permitting times and low or non-existent fees. The goal of solar ranking reports is to help cities understand how they're helping, or hurting the efforts of homeowners to switch to clean, safe, and affordable solar energy. With permitting time less than

99% of the rest of the state, Oakland residents can receive a solar permit in a single day. No. 10 among California Cities on the Solar Ease Index.

- In October 2014, Oakland's Uptown neighborhood was named "Among the Nation's Best Neighborhoods" by the American Planning Association. Uptown incubates the home-grown, artistic, and entrepreneurial spirit unique to Oakland. The neighborhood has experienced significant revitalization over the last 15 years, transforming an area dominated by underutilized parking lots into the Bay Area's premier arts and entertainment district. <https://www.planning.org/greatplaces/neighborhoods/2014/uptown.htm>.
- In October 2014, seven more Oakland companies made Fortune's 2014 list of the fastest growing "inner city" companies in the country including: Fathom, Revolution Foods, Oaklandish, Arcsine, Premier Organics, Blaisdell's and Veronica's Foods. <https://fortune.com/inner-city-100/>
- In November 2014, the City entered into an agreement to receive the last \$27 Million dollars needed to complete the Bus Rapid Transportation project on the length of International Boulevard from the Federal Transportation Administration. This corridor will be a national model of Development with Diversity with affordable housing, cultural centers and plazas in addition to better neighborhood services.

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

The City of Oakland's primary economic indicators are highlighted on 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. Since that time the City has experienced a significant recovery in revenues and rebounding local economy. This economic growth has been reflected in subsequent reports on City revenues and expenditures.

In February of 2015 the City will release a new Five-Year Financial Forecast in preparation for the FY 2015-17 Biennial Budget. This new forecast will address the projected future growth rates of expenditures and revenues based upon information available through December of 2014.

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 July 2014, the City Council, during its mid-cycle review, approved the City's revised budget for fiscal year 2014-15.

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, 2013. 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.

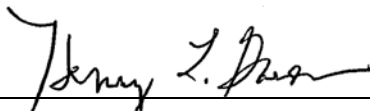
The Certificate of Achievement is valid for a period of one year only. The City of Oakland has received a Certificate of Achievement the last 25 years. The City's Fiscal Year 2013-14 CAFR will be submitted to GFOA for consideration for the Certificate of Achievement for Excellence in Financial Reporting.

Acknowledgements

The preparation of this CAFR represents the culmination of a concerted team effort by the entire staff of the Finance Department, most particularly the Controller's Bureau, Treasury Bureau, 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.

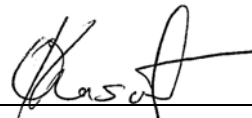
Finally, we wish to express our sincere appreciation to the Mayor, and the members of the City Council for providing policy direction and their interest and continuing support in planning and conducting the City's financial operations in a fiscally responsible and progressive manner.

Respectfully submitted,



HENRY L. GARDNER

Interim City Administrator



OSBORN K. SOLITEI

Director of Finance / Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

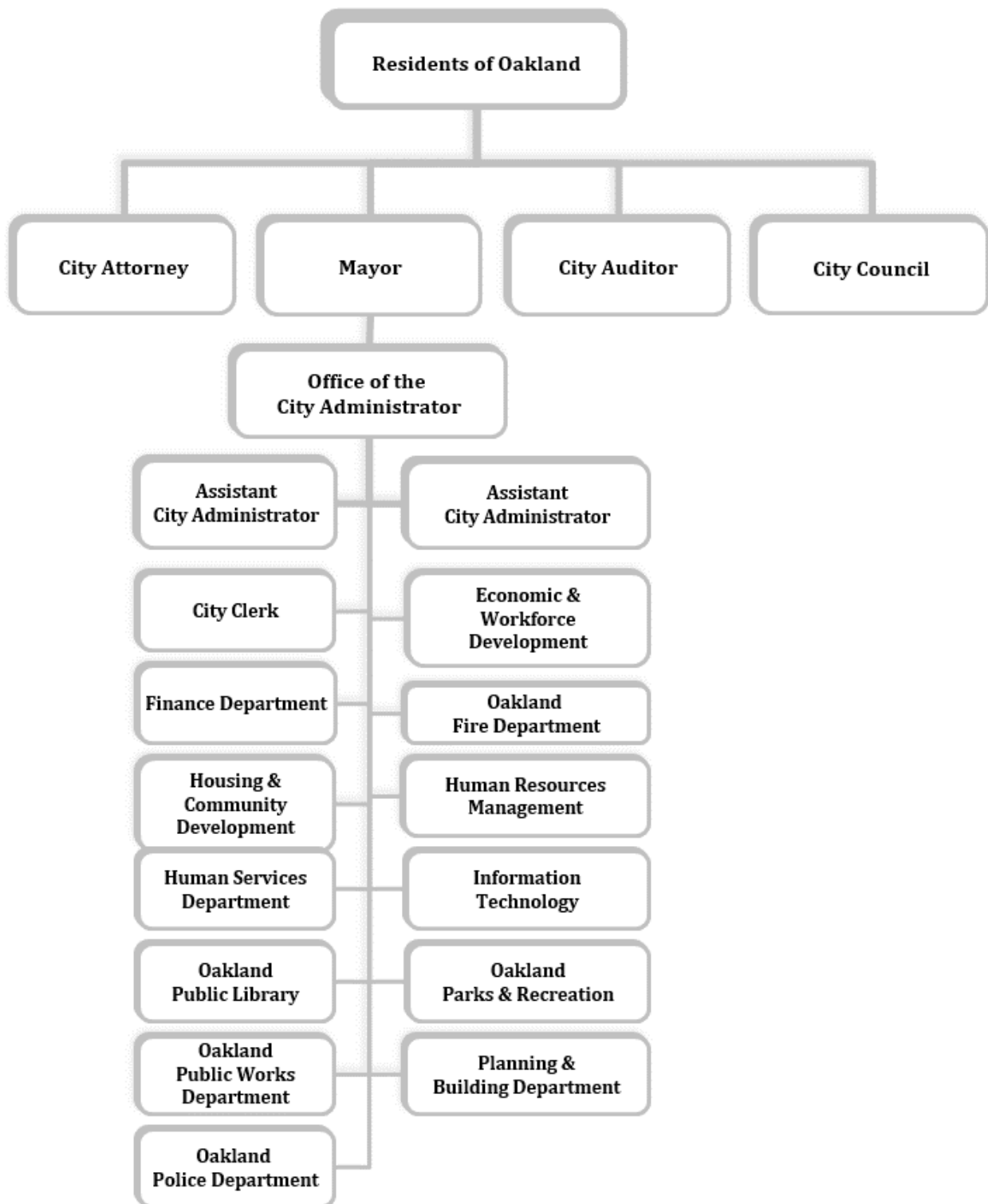
**City of Oakland
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

CITY OF OAKLAND ORGANIZATION CHART



LIST OF ELECTED AND APPOINTED OFFICIALS MAYOR/COUNCIL FORM OF GOVERNMENT

June 30, 2014

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 McElhaney
District 3

Libby Schaaf
District 4

Noel Gallo
District 5

Desley Brooks
District 6

MAYOR APPOINTED OFFICERS

Henry L. Gardner, *Interim City Administrator*

Donna Hom, *Interim Assistant City Administrator*

Arturo Sanchez, *Interim Assistant City Administrator*

La Tonda Simmons, *City Clerk*

ELECTED OFFICERS

Barbara Parker, *City Attorney*

Courtney A. Ruby, *City Auditor*

DEPARTMENT DIRECTORS

Brooke Levin
Public Works

Teresa Deloach Reed
(Chief)
Fire Department

Rachel O'Dwyer-Flynn
(Acting)
*Economic & Workforce
Development*

Gerald Garzon
Oakland Public Library

Vacant
Finance Department

Sean Whent
(Chief)
Police Department

Rachel O'Dwyer-Flynn
Planning & Building

Michele Byrd
*Housing & Community
Development*

Anil Comelo
*Human Resources
Management*

Bryan Sastokas
Information Technology

Sara Bedford
Human Services Department

Audree Jones-Taylor
*Oakland Parks &
Recreation*

CITY OF OAKLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

PROJECT TEAM

AUDIT/FINANCIAL STATEMENT COORDINATOR

Osborn K. Solitei, *Director of Finance/Controller*

FINANCIAL STATEMENT PREPARATION

Financial Statement Leaders

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Financial Analyst

Connie L. Chu
Accountant III

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Pat Lee

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Felipe Kiocho
Young Shin

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

Finance Department - Treasury Bureau

Human Resources Department

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FINANCIAL SECTION

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 the City of Oakland, California (City), as of and for the year ended June 30, 2014, 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 57%, 128%, and 23%, respectively of the assets and deferred outflows of resources, net position, and additions of the aggregate remaining fund information as of and for the year ended June 30, 2014. Those 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 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, 2014, 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 a Matter

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, the City adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements effective for the year ended June 30, 2014:

- No. 66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*;
- No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*;
- No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

Our opinions are 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 and the other special revenue 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 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 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 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 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 12, 2014, 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 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 City's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Oakland, California
December 12, 2014

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited)
Year Ended June 30, 2014

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, 2014. 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, 2014, the total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources by \$1.2 billion compared to \$986.8 million at June 30, 2013:

- \$1.0 billion represents the City's investment in capital assets, less any related outstanding debt used to acquire those assets (*net investment in capital assets*). These capital assets are used to provide services to citizens and are not available for future spending.
- \$433.1 million represents resources that are subject to restrictions on their use and are available to meet the City's ongoing obligations for programs of which \$91.0 million are subject to external restrictions (*restricted net position*).
- \$274.9 million represents a deficit in unrestricted net position that has primarily resulted from the underfunding of the annual other postemployment benefits cost, issuance of pension obligation bonds used to contribute to the Police and Fire Employees' Retirement System, and other unfunded long-term liabilities (*unrestricted net position*).

The City's total net position increased \$191.3 million to \$1.2 billion over the year. The positive change in City's net position indicates that the financial position of the City is improving.

- \$177.9 million increase in net position was derived from governmental activities predominantly from increases in real estate transfer tax, transient occupancy tax, business license, and program revenues.
- \$88.3 million increase is due transfer of excess tax allocation bonds from Oakland Redevelopment Successor Agency ("ORSA") to the City. California Department of Finance ("DOF") approved the bond expenditure agreement between ORSA and the City to transfer excess tax allocation bond proceeds to the City. The bond transfer was recorded as a special item in Oakland Redevelopment Successor Agency's ("ORSA") financial statements. Accordingly, the bond transfer of ORSA to the City was recorded as a special item in the City's governmental funds and governmental activities. The components of the special item recorded in the financial statements are discussed in Note 2.
- \$13.5 million increase in net position was derived from the Business-type activities, mainly the Sewer related activities.

The City's governmental cumulative fund balances increased by 10.9 percent or \$61.5 million to \$623.2 million compared to \$561.8 million for the prior fiscal year. This increase is primarily attributed to \$88.3 million of excess bond transfer from ORSA to the City as approved by DOF recorded in the General Fund and the Municipal Capital Improvement Fund, which was partially offset by decreases of \$11.4 million in the Municipal Capital Improvement Fund (before special item) and \$21.4 million in Other Governmental Fund Funds.

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 2014 (See note 12).

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014

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 three components:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

In addition, this report also contains required and 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, deferred outflows and inflows of resources, 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 does not include the fiduciary funds, which comprise of the private purpose trust funds and pension trust funds. Resources in the fiduciary funds are not available to support the City's own programs.

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.

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014

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.

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014

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 the Other Special Revenue Fund and schedules of funding progress for pension and other postemployment benefits that show the City's and the Port'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 and schedules referred to earlier in connection with nonmajor governmental funds, internal service funds and fiduciary funds that immediately follow the required supplementary information.

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of the City's financial condition. The City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources as of June 30, 2014 by \$1.2 billion compared to \$986.8 million as of June 30, 2013, which represents an increase of \$191.3 million. The largest portion of the City's net position reflects City's net investment in capital assets of \$1.0 billion for governmental and business-type activities. Of the remaining balance, \$433.1 million are subject to external restrictions on how they may be used. \$274.9 million represent unrestricted net position, which is comprised of a deficit balance of \$328.0 million for governmental activities, and a positive balance of \$53.0 million for business-type activities.

Statement of Net Position

June 30, 2014 and 2013

(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 1,433,877	\$ 1,417,618	\$ 58,497	\$ 60,226	\$ 1,492,374	\$ 1,477,844
Capital assets	1,180,519	1,098,752	186,962	175,932	1,367,481	1,274,684
TOTAL ASSETS	2,614,396	2,516,370	245,459	236,158	2,859,855	2,752,528
Deferred Outflows	15,630	17,088	-	-	15,630	17,088
Liabilities:						
Long-term liabilities	1,488,226	1,528,387	43,699	50,886	1,531,925	1,579,273
Other liabilities	159,982	201,130	4,834	2,389	164,816	203,519
TOTAL LIABILITIES	1,648,208	1,729,517	48,533	53,275	1,696,741	1,782,792
Deferred Inflows	-	-	592	-	592	-
Net Position:						
Net Investment in capital assets,	876,703	712,606	143,295	129,542	1,019,998	842,148
Restricted	433,080	434,923	-	-	433,080	434,923
Unrestricted (deficit)	(327,965)	(343,588)	53,039	53,341	(274,926)	(290,247)
TOTAL NET POSITION	\$ 981,818	\$ 803,941	\$ 196,334	\$ 182,883	\$ 1,178,152	\$ 986,824

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014

Governmental activities. The City's net position in governmental activities increased by \$177.9 million.

Total assets increased \$98.0 million, or 3.9%, to \$2.6 billion. The significant changes in assets occurred in the following areas:

- *Capital assets* increased by \$81.8 million. The increase was due largely to various facilities, infrastructure and equipment improvements and acquisitions.
- *Restricted cash and investments* increased by \$13.4 million (net) mainly due to \$88.3 from ORSA transfer of excess bond proceeds to the City.

Total liabilities decreased \$81.3 million, or 4.7% to \$1.6 billion. The significant changes in liabilities occurred in the following areas:

- *Long-term liabilities* decrease is primarily as a result of the \$80.6 million scheduled debt service payment of governmental bonds. The decrease is partially off-set by \$19.8 million issuance in capital leases which include: Master Lease – IBM Phase I & II for \$15.1 million; Master Lease – Oracle Phase I&II for \$2.2 million and Master Lease - Parking Meters for \$2.5 million.
- *Other liabilities* decrease mainly due to the California Department of Finance (“DOF”) approved the bond expenditure agreement between ORSA and the City to transfer excess tax allocation bond proceeds to the City. The City did not have to submit payments to ORSA.

The net position increased by \$177.9 million, or 22.1%, to \$981.8 million as of June 30, 2014. The City net position can be divided into three categories: net investment in capital assets, restricted, and unrestricted.

- \$876.7 million of the net position reflects its *investment in capital assets* (e.g., land, buildings infrastructure, facilities and equipment), net of any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. These assets, therefore, are *not* available for future spending.
- \$433.1 million of the net position represents resources that are subject to restrictions on how they may be used and therefore restricted of which \$91.0 million is subject to external restriction.
- \$328.0 million represents a deficit in unrestricted net position that has primarily resulted from the underfunding of the annual other postemployment benefits cost, issuance of pension obligation bonds used to contribute to the Police and Fire Employees' Retirement System, and other unfunded long-term liabilities.

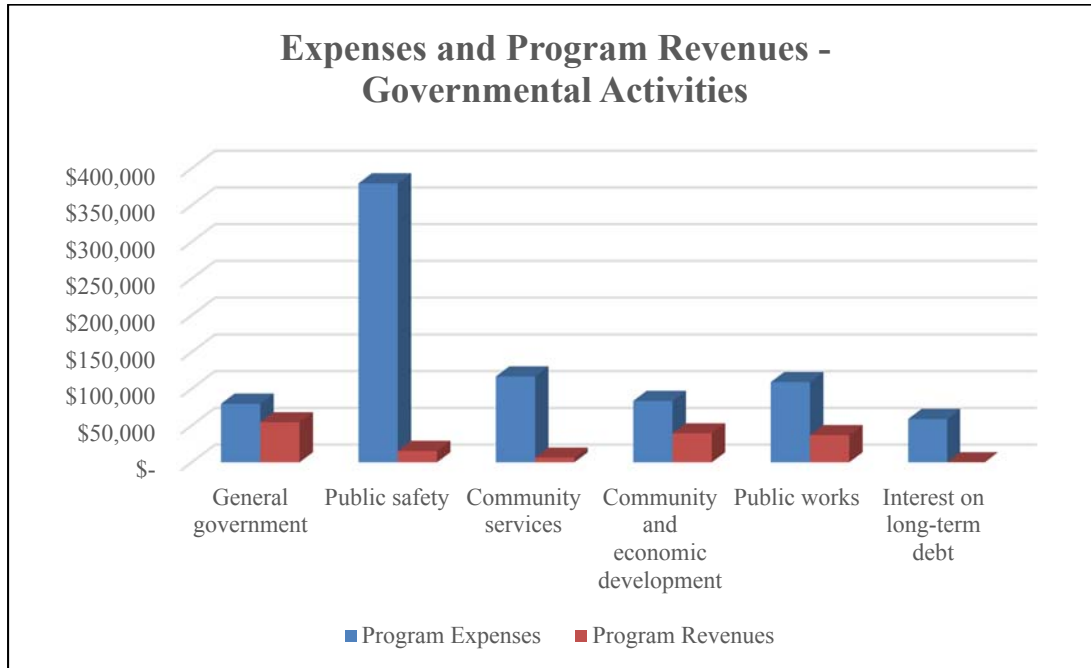
CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014

The following table indicates the changes in net position for governmental and business-type activities:

Statement of Activities
For the Years Ended June 30, 2014 and 2013
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 152,674	\$ 126,831	\$ 53,449	\$ 53,291	\$ 206,123	\$ 180,122
Operating grants and contributions	119,063	89,424	-	-	119,063	89,424
Capital grants and contributions	42,148	26,179	-	-	42,148	26,179
General revenues:						
Property taxes	240,779	256,333	-	-	240,779	256,333
State taxes:						
Sales and use taxes	58,912	60,494	-	-	58,912	60,494
Gas tax	13,085	10,004	-	-	13,085	10,004
Local taxes:						
Business license	62,905	60,371	-	-	62,905	60,371
Utility consumption	50,422	50,752	-	-	50,422	50,752
Real estate transfer	59,060	47,406	-	-	59,060	47,406
Transient occupancy	18,468	15,831	-	-	18,468	15,831
Parking	16,661	15,565	-	-	16,661	15,565
Voter approved special tax	38,835	38,247	-	-	38,835	38,247
Franchise	16,666	16,035	-	-	16,666	16,035
Interest and investment income	6,653	6,358	165	(24)	6,818	6,334
Other	19,671	7,076	-	-	19,671	7,076
Total revenues	<u>916,002</u>	<u>826,906</u>	<u>53,614</u>	<u>53,267</u>	<u>969,616</u>	<u>880,173</u>
Expenses:						
General government	79,806	93,942	-	-	79,806	93,942
Public safety	379,809	363,597	-	-	379,809	363,597
Community Services	116,961	107,779	-	-	116,961	107,779
Community & economic development	83,657	81,182	-	-	83,657	81,182
Public works	109,177	75,158	-	-	109,177	75,158
Interest on long-term debt	59,026	62,744	-	-	59,026	62,744
Sewer	-	-	37,306	34,504	37,306	34,504
Parks and recreation	-	-	855	643	855	643
Total expenses	<u>828,436</u>	<u>784,402</u>	<u>38,161</u>	<u>35,147</u>	<u>866,597</u>	<u>819,549</u>
Change in net assets before transfers, special item, and extraordinary item	87,566	42,504	15,453	18,120	103,019	60,624
Transfers	2,002	1,911	(2,002)	(1,911)	-	-
Special Item - Transfer of excess tax allocation bond	88,309	-	-	-	88,309	-
Extraordinary loss on SCO asset transfer review and DOF disallowances	-	(156,902)	-	-	-	(156,902)
Change in net assets	<u>177,877</u>	<u>(112,487)</u>	<u>13,451</u>	<u>16,209</u>	<u>191,328</u>	<u>(96,278)</u>
Net position at beginning of year	<u>803,941</u>	<u>916,428</u>	<u>182,883</u>	<u>166,674</u>	<u>986,824</u>	<u>1,083,102</u>
Net position at end of year	<u>\$ 981,818</u>	<u>\$ 803,941</u>	<u>\$ 196,334</u>	<u>\$ 182,883</u>	<u>\$ 1,178,152</u>	<u>\$ 986,824</u>

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014



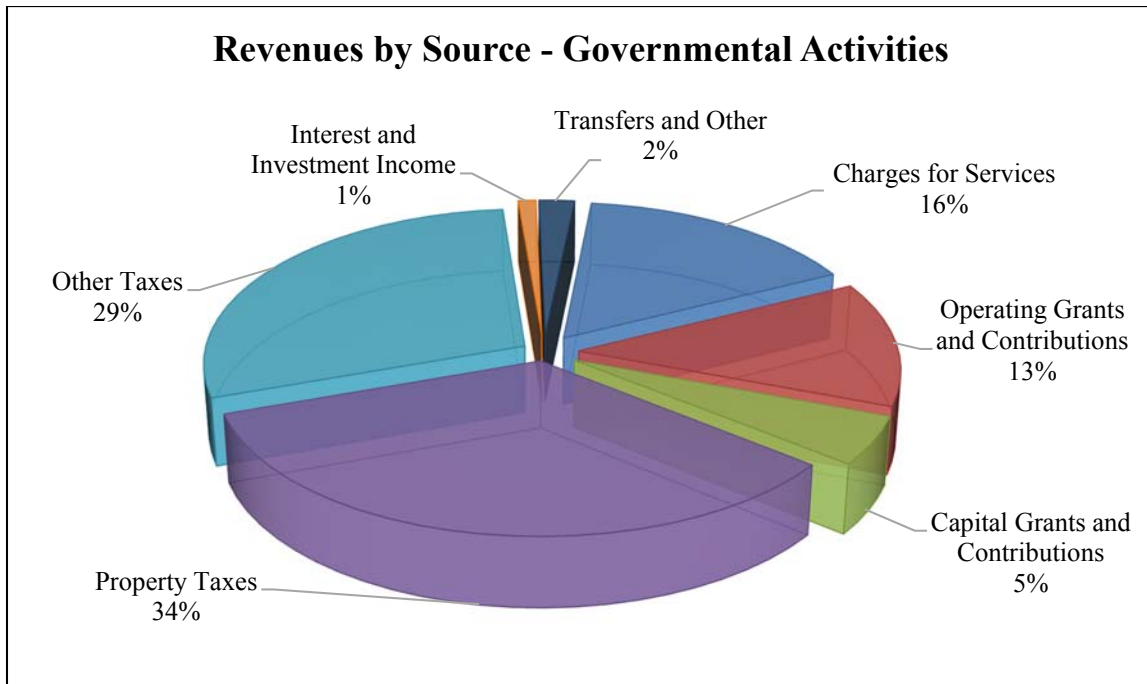
Governmental activities: Net position for governmental activities, excluding the special item of \$88.3 million from ORSA transfer of excess bond proceeds to the City and last year's extraordinary loss of \$156.9 million due to SCO asset transfer review of the former Agency, increased by \$89.6 million or 11.1 percent during fiscal year 2013-14. Total revenue increased by 10.8 percent and expenses increased by 5.6 percent. During FY 2012-13, revenues decreased at a rate of 10.6 percent and expenses decreased at rates of 9.2 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 \$11.6 million or 24.6 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 as a result of the sale of high value properties. Business license taxes increased by \$2.5 million due to increases in gross receipts from businesses in the City. Transient occupancy taxes increased by \$2.6 million or 16.7 percent due to thriving local hotel demand.
- Other factors contributing to revenue increase include: charges for services by \$25.8 million or 20.4 percent mainly due to Low and Moderate Income Housing Asset Fund's increase in ROPS reimbursement as a result of California Department of Finance approval of project cost for LMIHF, Port of Oakland reimbursement reclassified as charges for services, and an increase on license and permits fees. Operating grants and contributions by \$29.6 million or 33.1 percent mainly due to Local Agency Mandate claims or SB 90 approved by the State of California. Capital grants and contributions increased by \$16.0 million or 61.0 percent mainly due to the new Trade Corridor Improvement Fund ("TCIF) for the construction of infrastructure and other site preparation with East and Central Gateway Areas of the former Oakland Army Base. Other revenues increased by \$19.7 million mainly due to the State Controller's Office asset review in the prior year.

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014

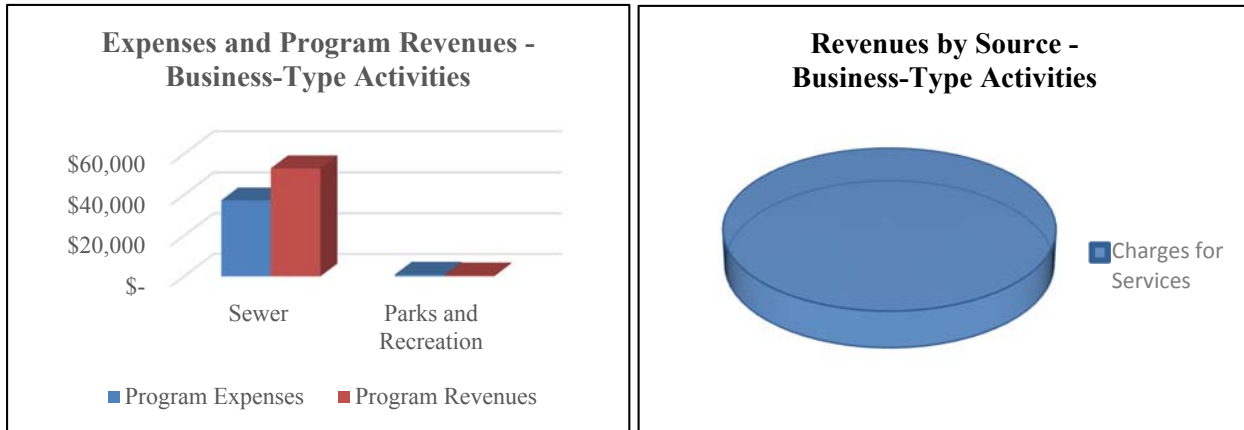
- Contributing factors resulting to decrease in certain revenue categories are as follows: property taxes decreased by \$15.6 million or 6.1 percent mainly due to \$12.0 million of one-time property tax distribution in FY 2012-13 as a result of the former redevelopment agency due diligence review (“DDR”) by DOF for Low and Moderate Income Asset Fund and Other Former Redevelopment Agency Funds.



- General government* expenses decreased by \$14.1 million or 15.0 percent when compared to the previous year primarily due to the City amendment of Ordinance 2.29 which establishes the City organizational structure. In the ordinance, the City created a new department for Economic and Workforce which was formerly formed as divisions and offices under the City Administrator.
- Public safety* expenses increased by \$16.2 million or 4.5 percent when compared to the previous year due primarily to four (4) new Police academies, a two (2) percent cost of living adjustment (“COLA”) for non-sworn and overtime on sworn employees. The increase is partially offset by vacancy savings.
- Community services* expenses increased by 9.2 million or 8.5 percent primarily due to multi-year funding expenditure in the *Measure Y – Violence Prevention and Public Safety Act of 2004* and Kids First projects. Several contract expenditure for violence prevention services with an emphasis on youth and children, and COLA.
- Community and economic development* expenses increased by \$2.5 million or 3.0 percent primarily due to the creation of the new department for Economic and Workforce which was formerly formed as divisions and offices under the City Administrator and a two (2) percent COLA.
- Public works* expenses increased by \$34.0 million or 45.3 percent from the prior year primarily due to the LED streetlight project, overtime and a two (2) percent COLA.
- Interest on long-term debt decreased by \$3.7 million or 5.9 percent primarily due to decrease in bond issuance cost and payment to refund bond escrow agent.

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014

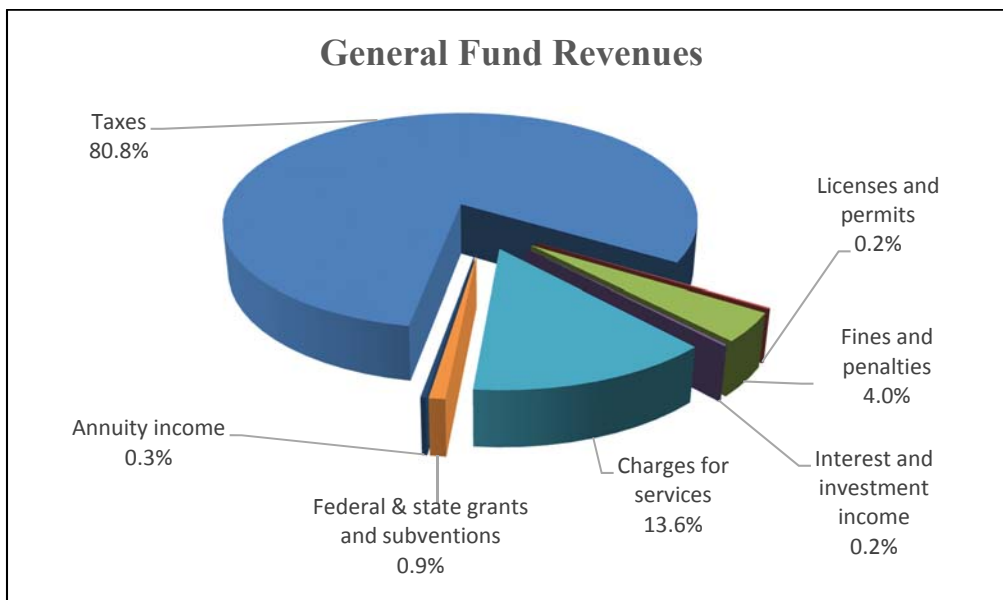
Business-type activities: Business-type activities ended the fiscal year with a positive change in its net position of \$13.5 million compared to \$15.9 million the previous fiscal year. The net increase in is mainly due the City issued Sewer Revenue Refunding Bond Series 2014 A and retirement of the Sewer Revenue Bond 2004 Series A. The increase is offset by \$8.0 million or 23.8 percent increase in sewer project. The increase is offset by \$8.0 million or 23.8 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, 2014, its unassigned fund balance is \$23.5 million or 9.3 percent of the \$253.9 million total General Fund balance.



CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014

For the fiscal year ended June 30, 2014 and 2013, revenues for the General Fund by revenue source are distributed as follows (in thousands):

	General Fund		Increase/(Decrease)	
	2014	2013	Amount	%
Revenues:				
Property taxes	\$ 205,895	\$ 214,495	\$ (8,600)	-4.0%
Sales and use taxes	46,956	46,143	813	1.8%
Local taxes:				
Business license	62,905	60,371	2,534	4.2%
Utility consumption	50,422	50,752	(330)	-0.7%
Real estate transfer	59,060	47,406	11,654	24.6%
Transient occupancy	14,578	12,454	2,124	17.1%
Parking	8,444	7,947	497	6.3%
Franchise	16,401	15,829	572	3.6%
Licenses and permits	1,388	1,373	15	1.1%
Fines and penalties	22,809	22,971	(162)	-0.7%
Interest and investment income	1,401	458	943	205.9%
Charges for services	77,978	69,442	8,536	12.3%
Federal & state grants and subventions	4,911	4,066	845	20.8%
Annuity income	2,040	-	2,040	n/a
Other	-	6,329	(6,329)	-100.0%
Total revenues	\$ 575,188	\$ 560,036	\$ 15,152	2.7%

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

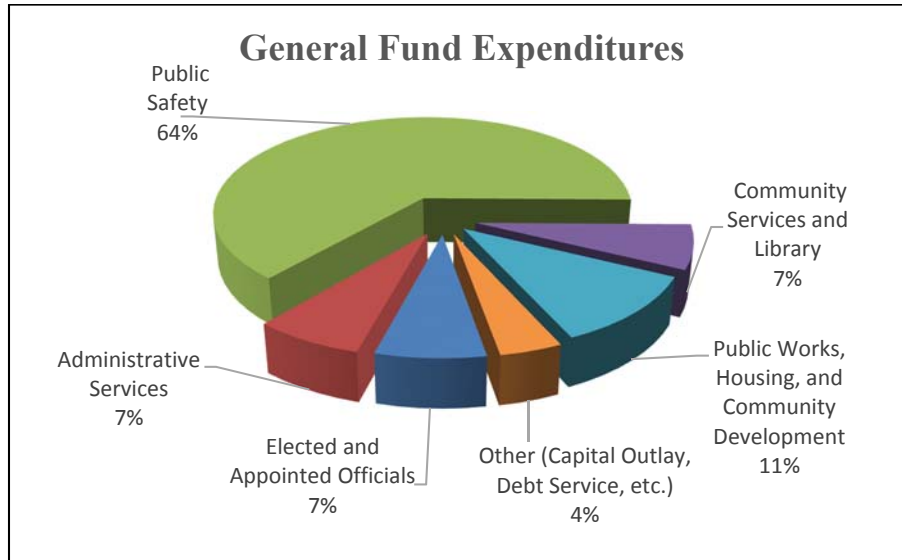
- *Property taxes* decreased by \$8.6 million or 4.0 percent. The decrease is mainly due to one-time \$12.0 million received by the City in FY 2012-13, as a share of the residual balances or “residual payment” from the Redevelopment Property Tax Trust Funds (RPTTF) distribution as a result of the California Department of Finance (“DOF”) due diligence review (“DDR”) for LMIHF and Other Funds and Accounts (“OFA”) DDR.
- *Real estate transfer tax* increased by \$11.7 million or 24.6 percent primarily due to stronger high volume real estate sales.
- *Business license* increased by \$2.5 million mainly due to additional cannabis dispensary open in FY 2013-14; and also, the top 25 businesses remitted a 17% increase in business taxes over FY 2012-13.
- *Transient occupancy* increased by \$2.1 million mainly due to thriving local hotel demand.
- *Annuity income* increased by \$2.0 million mainly due to increased interest and investment earnings of the New York Life annuity contract investment.

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014

For the fiscal years ended June 30, 2014 and 2013, expenditures for the General Fund by function are distributed as follows (in thousands):

	General Fund		Increase / (Decrease)	
	2014	2013	Amount	%
Expenditures:				
Current:				
Elected and Appointed Officials:				
Mayor	\$ 1,984	\$ 1,696	\$ 288	17.0%
Council	3,623	3,509	114	3.2%
City Administrator	11,328	36,325	(24,997)	-68.8%
City Attorney	13,822	9,712	4,110	42.3%
City Auditor	1,650	1,369	281	20.5%
City Clerk	1,777	2,069	(292)	-14.1%
Departments:				
Administrative Service Department:				
Human Resource Management	4,902	5,107	(205)	-4.0%
Information Technology	8,293	7,130	1,163	16.3%
Financial	17,781	9,079	8,702	95.8%
Public Safety:				
Police Services	200,273	186,971	13,302	7.1%
Fire Services	96,951	94,904	2,047	2.2%
Community Service Department:				
Parks and Recreation	18,372	16,690	1,682	10.1%
Human Services	6,881	4,945	1,936	39.2%
Library	8,995	8,957	38	0.4%
Cultural and community services	-	306	(306)	-100.0%
Community and Economic Development:				
Planning and Building	80	76	4	5.3%
Economic and Workforce Development	7,134	-	7,134	n/a
Housing and Community Development	2,309	1,581	728	46.0%
Oakland Public Works	40,539	29,564	10,975	37.1%
Others	10,419	8,011	2,408	30.1%
Capital outlay	2,243	38,362	(36,119)	-94.2%
Debt service:				
Principal repayment	2,923	2,047	876	42.8%
Bond issuance costs	209	225	(16)	-7.1%
Interest charges	537	500	37	7.4%
Total expenditures	\$ 463,025	\$ 469,135	\$ (6,110)	-1.3%

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014



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

- *Public safety* increased by \$15.3 million or 5.4 percent due to four (4) new Police academies, the two (2) percent cost of living adjustment (“COLA”) for non-sworn and overtime on sworn employees. The increase is partially offset by vacancy savings
- *City elected offices, agencies and departments*, excluding public safety, are reporting a total increased by \$12.4 million in expenditures mainly due to negotiated COLA increase of 2 percent for FY 2013-14, the settlement payment between the City and the International Federation of Professional and Technical Employees (Local 21) for \$3.0 million, and LMIHF increased expenditure through the ROPS reimbursement.
- *Capital outlay* decreased \$36.1 million in expenditures mainly due to prior year State Controller’s Office asset transfer review.

Federal and State Grant Fund: The Federal and State Grant Fund had a deficit fund balance of \$4.2 million as of June 30, 2014 that represents a decrease of \$0.5 million from the prior fiscal year. The 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 \$4.0 million as of June 30, 2014.

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 and 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, 2014 was \$10.8 million and the fund’s net loan receivable balance was \$182.6 million.

Municipal Capital Improvement Fund: The Municipal Capital Improvement Fund had a fund balance of \$206.3 million as of June 30, 2014 that represents an increase of \$74.8 million or 56.9 percent from the prior fiscal year. Pursuant to Health and Safety Code (HSC) section 34179(h), California Department of Finance (“DOF”) has completed its review of the Oversight Bond action on Bond Spending Plan and on November 6, 2013, it approved the Bond Spending Plan for Oakland Redevelopment Successor Agency (“ORSA”). 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. DOF approved the bond

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014

expenditure agreement between ORSA and the City to transfer excess tax allocation bond proceeds to the City. Therefore, an increase of \$86.1 million is due to the DOF approval of the bond transfer to the City.

The Other Special Revenue Funds accounts for activities of several Special Revenue Funds, which include mainly the following local measures; Measure Y – Violence Prevention and Public Safety Act of 2004; Measure C – Oakland Hotel Tax; Measure Q – Library Services Retention and Enhancement; Measure WW – East Bay Regional Park District local grant program; Measure N – Paramedics Services Act; Oakland Kid's First Fund; Development Service Fund and Other miscellaneous special revenue funds. The ending fund balance as of June 30, 2014 was \$23.9 million.

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 \$143.3 million as of June 30, 2014, compared to \$129.5 million for the previous fiscal year. The \$13.8 million or 10.6 percent increase is related to proceeds spent from debt issued to finance sewer projects. During the fiscal year, the City capitalized \$11.2 million in sewer system completed projects, net of depreciation.

General Fund Budgetary Highlights

During the fiscal year ended June 30, 2014, General Fund had a \$26.8 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, and real estate transfer tax. Actual budgetary basis revenues of \$574.0 million were \$2.3 million lower than the final amended budget. The variance is due primarily to negative variances in sales and use tax, fines and penalties, and annuity income, which were partially offset by positive variances in property tax revenue, business license, utility consumption, real estate transfer taxes, and federal and state grants and subventions.

In addition, there was a \$42.3 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 \$463.0 million were \$48.6 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 \$1.4 billion as of June 30, 2014 compared to \$1.3 billion as of June 30, 2013, an increase of \$92.8 million or 7.3 percent. Governmental activities additions of \$138.7 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.

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014

These additions were offset by retirements and depreciation, the net effect of which was an increase of \$81.8 million in additions of capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by \$11.2 million, net of retirements and depreciation. See Note (7) to the financial statements for more details in capital assets.

Construction Commitments

The City has committed to funding in the amount of \$314.5 million to a number of capital improvement projects for fiscal year 2015 through fiscal year 2016. 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, 2014 were as follows:

Type of Bond	Ratings		
	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	A3 ¹ :Ba1 ²	A+:A:A-/Stable	N/A

¹ Rating as of May 21, 2014, based on Insured Rating

² Rating as of September 5, 2013

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.

On July 28, 2014, Fitch affirmed the City’s general obligations bonds (GOBs) at A+ and the pension obligation bonds at A. The outlook for all these bonds is “Stable”.

On August 13, 2014, S&P affirmed its “AA-” long-term ratings and underlying rating (SPUR) on the City’s general obligation bonds (GOBs). In addition, S&P affirmed its “A+” long-term rating and SPUR on pension obligations bonds (POBs) and lease revenue bonds. The outlook for all these bonds is “Stable”.

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014

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 \$1.2 billion. The total amount of debt applicable to the debt limit was \$290.4 million. The resulting legal debt margin was \$878.5 million.

Outstanding Debt

As of June 30, 2014, the City had total long-term obligations outstanding of \$1.5 billion compared to \$1.58 billion outstanding for the prior fiscal year, a decrease of 3.0 percent. Of this amount, \$290.4 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	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 290,449	\$ 309,793	\$ -	\$ -	\$ 290,449	\$ 309,793
Lease revenue bonds	141,555	176,850	-	-	141,555	176,850
Pension obligation bonds	348,512	367,394	-	-	348,512	367,394
Special assessment debt						
with government commitments	6,365	6,690	-	-	6,365	6,690
Accreted interest on						
appreciation bonds	169,923	162,874	-	-	169,923	162,874
Sewer-bonds and notes payable	-	-	38,555	49,001	38,555	49,001
Unamortized premiums and						
discounts	18,390	20,219	5,144	1,885	23,534	22,104
Total Bonds Payable	975,194	1,043,820	43,699	50,886	1,018,893	1,094,706
Notes and leases payable	56,679	47,043	-	-	56,679	47,043
Other long-term liabilities	456,353	437,524	-	-	456,353	437,524
Total Outstanding Debt	<u>\$ 1,488,226</u>	<u>\$ 1,528,387</u>	<u>\$ 43,699</u>	<u>\$ 50,886</u>	<u>\$ 1,531,925</u>	<u>\$ 1,579,273</u>

The City's overall total long-term obligations decreased by \$47.3 million compared to the prior fiscal year. The net decrease is primarily attributable to \$80.6 million scheduled debt service payments of governmental bonds and the Sewer Revenue Refunding Bond Series 2014 A for \$40.6 million, the bond generated approximately \$6.2 million in net present value savings in debt service savings. The decrease is off-set by \$19.8 million issuance in capital leases which include; Master lease – IBM Phase I & II for \$15.1 million; Master Lease – Oracle Phase I & II for \$2.2 million and Master lease - Parking Meters for \$2.5 million.

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014

Current Year Long-Term Debt Financing:

- On March 20, 2014, the City issued \$40.6 million for Sewer Revenue Refunding Bonds, 2014 Series A to refund all of the old Sewer Revenue Bonds, 2004 Series A.
- On September 4, 2013 and August 30, 2013, the City entered into a Master Lease - Installment Purchase Financing Contracts (IBM Phase I for \$10.7 million for the upgrades and enhancements to computer hardware and software for a new technology platform.
- On June 30, 2014, the City entered into a Master Lease – Installment Purchase Financing Contracts (IBM Phase II) for \$4.5 million to enhance City's information system.
- On March 1, 2014, the City entered into Municipal Payment Plan Agreements with Oracle Credit Corporation in the principal amounts of \$1.3 million and \$0.3 million a Master Lease - Oracle Municipal Payment Plan Agreements (Phase I) for Oracle Business Intelligence Foundation Suite.
- On May 21, 2014, the City entered into a Municipal Payment Plan Agreement with Oracle Credit Corporation in the principal amount of \$581,162 Master Lease - Oracle Municipal Payment Plan Agreement (Phase II) to finance the acquisition of computer hardware and software for the storage and backup systems.
- On April 30, 2014, the City entered into a Master Lease – Parking Meter Lease 2014 for \$2.5 million to finance the acquisition of a parking meter replacement system.

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 2013-14.

The City's economy continues to grow, which is resulting in a steady growth of General Purpose Fund revenues. While revenues are approaching pre-recession levels, the growth is not enough to restore pre-recession service levels due to rising costs. There is also pressure on the budget to fund long-term deferred maintenance and capital equipment, and long-term unfunded liabilities. The City adopted a balanced budget for fiscal year 2013-14 without layoffs, for the first time in more than four years and continues to invest in public safety, stabilize our workforce, economic growth, job creation and training, education, equipment and technology, and quality of life.

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. Since that time the City has experienced a significant recovery in revenues and rebounding local economy. This economic growth has been reflected in subsequent reports on City revenues and expenditures.

In February of 2015 the City will release a new Five-Year Financial Forecast in preparation for the FY 2015-17 Biennial Budget. This new forecast will address the projected future growth rates of expenditures and revenues based upon information available through December of 2014.

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2014

The City of Oakland's unemployment rate decreased to 9.0 percent in June 2014 compared to an average unemployment rate of 11.3 percent for June 2013.

The Bay Area's consumer price index for all urban consumers in June 2014 was 253.317 compared to 245.935 in June 2013 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, 2014 is 404,355 with an estimated total number of households of 154,799, an average household size of 2.6 persons, and a per capita personal income of \$32,245.

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 Finance Department, Controller's Bureau, 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, 2014
(In thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Port of Oakland
ASSETS				
Cash and investments	\$ 282,216	\$ 39,820	\$ 322,036	\$ 202,546
Receivables (net of allowance for uncollectibles of \$16,171 for City and \$1,036 for Port):				
Accrued interest	256	-	256	-
Property taxes	14,868	-	14,868	-
Accounts receivable	45,646	17,754	63,400	44,655
Grants receivable	35,008	-	35,008	-
Due from Port	5,153	-	5,153	-
Due from Oakland Redevelopment Successor Agency	1,614	-	1,614	-
Due from Pension Fund Trust	51	-	51	-
Due from other government	12,812	-	12,812	-
Inventories	202	-	202	-
Restricted assets:				
Cash and investments	311,380	895	312,275	70,926
Receivables	-	-	-	2,793
Property held for resale	76,966	-	76,966	-
Notes and loans receivable (net of allowance for uncollectibles of \$130,652 for the City)	343,454	-	343,454	-
Prepaid expenses	1,670	28	1,698	-
Other	403	-	403	59,145
Net pension asset	302,178	-	302,178	-
Capital assets:				
Land and other capital assets not being depreciated	314,586	37,292	351,878	749,844
Facilities, infrastructures, and equipments, net of depreciation	865,933	149,670	1,015,603	1,446,930
TOTAL ASSETS	<u>2,614,396</u>	<u>245,459</u>	<u>2,859,855</u>	<u>2,576,839</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt	15,630	-	15,630	13,431
LIABILITIES				
Accounts payable and other current liabilities	129,348	4,758	134,106	38,245
Accrued interest payable	9,671	70	9,741	9,416
Due to other governments	1,312	-	1,312	-
Due to primary government	-	-	-	5,153
Due to Oakland Redevelopment Successor Agency	2,312	-	2,312	-
Unearned revenue	3,687	-	3,687	100,080
Other	13,652	6	13,658	25,472
Non-current liabilities:				
Due within one year	176,670	2,268	178,938	59,633
Due in more than one year	1,311,556	41,431	1,352,987	1,242,080
TOTAL LIABILITIES	<u>1,648,208</u>	<u>48,533</u>	<u>1,696,741</u>	<u>1,480,079</u>
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt	-	592	592	-
NET POSITION				
Net investment in capital assets	876,703	143,295	1,019,998	986,959
Restricted for:				
Debt service	13,865	-	13,865	-
Pension	90,975	-	90,975	-
Low and moderate income housing	194,922	-	194,922	-
Housing and community development	130,538	-	130,538	-
Other purposes	2,780	-	2,780	10,072
Unrestricted	(327,965)	53,039	(274,926)	113,160
TOTAL NET POSITION	<u>\$ 981,818</u>	<u>\$ 196,334</u>	<u>\$ 1,178,152</u>	<u>\$ 1,110,191</u>

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, 2014
(In thousands)

Functions/Programs	Net (Expense) Revenue and							Component Unit Port of Oakland
	Program Revenue				Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 79,806	\$ 54,509	\$ 13,540	\$ -	\$ (11,757)	\$ -	\$ (11,757)	
Public safety	379,809	15,472	20,668	-	(343,669)	-	(343,669)	
Community services	116,961	6,326	38,131	81	(72,423)	-	(72,423)	
Community and economic development	83,657	39,413	30,066	40,759	26,581	-	26,581	
Public works	109,177	36,954	16,658	1,308	(54,257)	-	(54,257)	
Interest on long-term debt	59,026	-	-	-	(59,026)	-	(59,026)	
TOTAL GOVERNMENTAL ACTIVITIES	828,436	152,674	119,063	42,148	(514,551)	-	(514,551)	
Business-type activities:								
Sewer	37,306	52,946	-	-	-	15,640	15,640	
Parks and recreation	855	503	-	-	-	(352)	(352)	
TOTAL BUSINESS-TYPE ACTIVITIES	38,161	53,449	-	-	-	15,288	15,288	
TOTAL PRIMARY GOVERNMENT	\$ 866,597	\$ 206,123	\$ 119,063	\$ 42,148	(514,551)	15,288	(499,263)	
Component unit:								
Port of Oakland	\$ 328,299	\$ 323,040	\$ -	\$ 60,335				\$ 55,076
General revenues:								
Property taxes					240,779	-	240,779	-
Sales and use taxes					58,912	-	58,912	-
Gas tax					13,085	-	13,085	-
Local taxes:								
Business license					62,905	-	62,905	-
Utility consumption					50,422	-	50,422	-
Real estate transfer					59,060	-	59,060	-
Transient occupancy					18,468	-	18,468	-
Parking					16,661	-	16,661	-
Voter approved special tax					38,835	-	38,835	-
Franchise					16,666	-	16,666	-
Interest and investment income					6,653	165	6,818	1,373
Other					19,671	-	19,671	25,323
Transfers					2,002	(2,002)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					604,119	(1,837)	602,282	26,696
SPECIAL ITEM:								
Transfer of excess tax allocation bond proceeds approved by California Department of Finance					88,309	-	88,309	-
Changes in net position					177,877	13,451	191,328	81,772
Net position, beginning					803,941	182,883	986,824	1,028,419
NET POSITION, END OF YEAR					\$ 981,818	\$ 196,334	\$ 1,178,152	\$ 1,110,191

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

City of Oakland
Balance Sheet
Governmental Funds
June 30, 2014
(In thousands)

	General	Federal/State Grant Fund	Low and Moderate Income Housing Asset Fund	Municipal Capital Improvement	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 179,918	\$ 47	\$ 1,812	\$ 16,737	\$ 28,611	\$ 49,922	\$ 277,047
Receivables (net of allowance for uncollectibles of \$14,829):							
Accrued interest	172	-	-	13	27	44	256
Property taxes	7,299	-	-	-	3,858	3,711	14,868
Accounts receivable	36,292	250	-	977	4,388	3,606	45,513
Grants receivable	-	34,532	-	-	100	376	35,008
Due from component unit	5,153	-	-	-	-	-	5,153
Due from Oakland Redevelopment Successor Agency Trust Fund	-	-	1,437	177	-	-	1,614
Due from Pension Trust Funds	51	-	-	-	-	-	51
Due from other funds	43,801	-	-	9	-	-	43,810
Due from other government	12,812	-	-	-	-	-	12,812
Notes and loans receivable (net of allowance for uncollectibles of \$130,652)	327	130,538	182,592	527	29,470	-	343,454
Restricted cash and investments	90,975	1,195	1,500	128,760	-	81,882	304,312
Property held for resale	-	-	9,137	67,829	-	-	76,966
Other	90	29	-	-	277	7	403
TOTAL ASSETS	\$ 376,890	\$ 166,591	\$ 196,478	\$ 215,029	\$ 66,731	\$ 139,548	\$ 1,161,267
LIABILITIES							
Accounts payable and accrued liabilities	\$ 93,291	\$ 13,638	\$ 1,473	\$ 6,461	\$ 6,290	\$ 2,514	\$ 123,667
Due to Oakland Redevelopment Successor Agency Trust Fund	2,312	-	-	-	-	-	2,312
Due to other funds	-	20,251	9	81	-	169	20,510
Due to other governments	1,304	-	-	-	8	-	1,312
Unearned revenue	3,581	96	-	-	10	-	3,687
Other	4,152	2,265	4	1,656	4,042	1,526	13,645
TOTAL LIABILITIES	104,640	36,250	1,486	8,198	10,350	4,209	165,133
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property tax	3,034	-	-	-	2,794	2,790	8,618
Unavailable revenue - notes and loans	327	130,538	182,592	527	29,470	-	343,454
Unavailable revenue - mandated claims (State)	12,348	-	-	-	-	-	12,348
Unavailable revenue - grants and others	2,690	3,997	133	-	238	-	7,058
Unavailable revenue - loans to ORSA	-	-	1,437	-	-	-	1,437
TOTAL DEFERRED INFLOWS OF RESOURCES	18,399	134,535	184,162	527	32,502	2,790	372,915
FUND BALANCES (DEFICITS)							
Restricted	156,462	1,195	10,830	128,760	-	129,270	426,517
Committed	-	-	-	-	11,672	2,230	13,902
Assigned	73,843	-	-	77,544	12,207	1,049	164,643
Unassigned	23,546	(5,389)	-	-	-	-	18,157
TOTAL FUND BALANCES (DEFICITS)	253,851	(4,194)	10,830	206,304	23,879	132,549	623,219
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 376,890	\$ 166,591	\$ 196,478	\$ 215,029	\$ 66,731	\$ 139,548	\$ 1,161,267

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, 2014
(In thousands)

Fund balances - total governmental funds	\$	623,219
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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	\$	1,180,519	
Less: internal service funds' capital assets, net of depreciation		(17,588)	1,162,931

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.

302,178

Prepaid insurance premiums on long-term debt are not financial resources and, therefore, are not reported in the governmental funds.

1,670

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	\$	(9,671)	
Less: Interest payable on long-term debt for internal service fund		50	(9,621)

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.

372,915

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	\$	(1,488,226)	
Less: long-term liabilities for internal service funds		10,225	(1,478,001)

Deferred outflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

15,630

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.

(9,103)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	981,818
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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
Year Ended June 30, 2014
(In thousands)

	General	Federal/State Grant Fund	Low and Moderate Income Housing Asset Fund	Municipal Capital Improvement	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property	\$ 205,895	\$ -	\$ -	\$ -	\$ 15,094	\$ 20,741	\$ 241,730
Sales and use tax	46,956	-	-	-	-	11,956	58,912
Gas tax	-	-	-	-	-	13,085	13,085
Local taxes:							
Business license	62,905	-	-	-	-	-	62,905
Utility consumption	50,422	-	-	-	-	-	50,422
Real estate transfer	59,060	-	-	-	-	-	59,060
Transient occupancy	14,578	-	-	-	3,890	-	18,468
Parking	8,444	-	-	-	8,217	-	16,661
Voter approved special tax	-	-	-	-	17,723	21,112	38,835
Franchise	16,401	265	-	-	-	-	16,666
Licenses and permits	1,388	-	-	-	15,253	53	16,694
Fines and penalties	22,809	390	-	-	707	3,052	26,958
Interest and investment income	1,401	479	388	80	465	3,925	6,738
Charges for services	77,978	571	7,323	5,056	17,850	244	109,022
Federal and state grants and subventions	4,911	139,277	-	3,322	3,201	1,351	152,062
Annuity income	2,040	-	-	-	-	-	2,040
Other	-	3,236	3,755	2,190	3,035	5,385	17,601
TOTAL REVENUES	575,188	144,218	11,466	10,648	85,435	80,904	907,859
EXPENDITURES							
Current:							
Elected and Appointed Officials:							
Mayor	1,984	-	-	-	45	97	2,126
Council	3,623	-	-	-	-	-	3,623
City Administrator	11,328	-	-	123	1,115	31	12,597
City Attorney	13,822	23	-	-	961	154	14,960
City Auditor	1,650	-	-	-	-	-	1,650
City Clerk	1,777	-	-	-	-	-	1,777
Departments:							
Administrative Services Department:							
Human Resource Management	4,902	-	-	-	-	-	4,902
Information Technology	8,293	224	-	-	563	-	9,080
Finance	17,781	292	-	2,321	693	148	21,235
Public Safety:							
Oakland Police Department	200,273	8,529	-	-	15,407	1,750	225,959
Oakland Fire Department	96,951	5,917	-	-	10,999	694	114,561
Community Service Department:							
Parks and Recreation	18,372	176	-	5	410	4,131	23,094
Library	8,995	158	-	-	16,260	199	25,612
Human Services Department	6,881	39,909	208	-	18,635	1,250	66,883
Community and Economic Development:							
Planning and Building	80	203	-	1,500	23,099	-	24,882
Economic & Workforce Development	7,134	8,052	-	5,054	532	418	21,190
Housing & Community Development	2,309	17,579	11,572	-	2,190	-	33,650
Oakland Public Works	40,539	3,351	-	3,482	3,339	45,497	96,208
Other	10,419	-	-	2,162	3,403	59	16,043
Capital outlay	2,243	59,530	63	24,943	460	11,077	98,316
Debt service:							
Principal repayment	2,923	2,485	-	-	-	75,151	80,559
Bond issuance costs	209	-	-	-	-	-	209
Interest charges	537	179	-	-	-	58,598	59,314
TOTAL EXPENDITURES	463,025	146,607	11,843	39,590	98,111	199,254	958,430
EXCESS (DEFICIENCY) OF REVENUES							
OVER (UNDER) EXPENDITURES	112,163	(2,389)	(377)	(28,942)	(12,676)	(118,350)	(50,571)
OTHER FINANCING SOURCES (USES)							
Capital leases	2,500	-	-	12,401	-	-	14,901
Property sale proceeds	89	-	-	5,248	105	-	5,442
Insurance claims and settlements	864	-	-	-	-	1	865
Transfers in	2,907	1,898	-	-	13,324	97,268	115,397
Transfers out	(112,490)	-	-	(65)	-	(328)	(112,883)
TOTAL OTHER FINANCING SOURCES (USES)	(106,130)	1,898	-	17,584	13,429	96,941	23,722
SPECIAL ITEM:							
Transfer of excess tax allocation bond proceeds approved by California Department of Finance	2,175	-	-	86,134	-	-	88,309
NET CHANGE IN FUND BALANCES	8,208	(491)	(377)	74,776	753	(21,409)	61,460
Fund balances - beginning	245,643	(3,703)	11,207	131,528	23,126	153,958	561,759
FUND BALANCES (DEFICIT) - ENDING	\$ 253,851	\$ (4,194)	\$ 10,830	\$ 206,304	\$ 23,879	\$ 132,549	\$ 623,219

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
Year Ended June 30, 2014
(In thousands)

Net change in fund balances - total governmental funds	\$	61,460
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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	\$ 138,719		
Disposal of properties	(31)		
Depreciation	(56,921)		
Less: net changes of capital assets within internal service funds	(7,686)		74,080

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 outflows during the current period.	23,272
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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	(6,421)
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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.	(25,684)
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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 exceeded bond proceeds in the current period.

Debt and capital lease principal and accreted interest payments	\$ 97,420		
Capital leases	(19,831)		77,589

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	\$ 1,829		
Amortization of deferred outflows of refunding loss	(1,458)		
Amortization of prepaid bond insurance premium on long-term debt	(254)		
Accreted interest on appreciation bonds	(23,907)		
Changes in accrued interest on bonds and notes payable	605		
Changes in Coliseum Authority pledged obligation	3,670		
Changes in mandated environmental remediation obligations	1,300		
Changes on postemployment benefits other than pension benefits (OPEB)	(19,843)		
Changes on fair value of the interest swap agreement	2,465		(35,593)

The net income of activities of internal service funds is reported with governmental activities	9,174
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	177,877
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The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Fund Net Position
Proprietary Funds
Year Ended June 30, 2014
(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	\$ 39,255	\$ 565	\$ 39,820	\$ 5,169
Accounts receivables (net of uncollectibles of \$1,342 for the enterprise funds)	17,752	2	17,754	133
Inventories	-	-	-	202
Restricted cash and investments	32	863	895	7,068
Total Current Assets	<u>57,039</u>	<u>1,430</u>	<u>58,469</u>	<u>12,572</u>
Non-current Assets:				
Capital assets:				
Land and other assets not being depreciated	36,987	305	37,292	1,738
Facilities, equipment and infrastructure, net of depreciation	147,469	2,201	149,670	15,850
Total capital assets	<u>184,456</u>	<u>2,506</u>	<u>186,962</u>	<u>17,588</u>
Prepaid expenses	28	-	28	-
Total Non-current Assets	<u>184,484</u>	<u>2,506</u>	<u>186,990</u>	<u>17,588</u>
TOTAL ASSETS	<u>241,523</u>	<u>3,936</u>	<u>245,459</u>	<u>30,160</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	4,481	277	4,758	5,681
Accrued interest payable	70	-	70	50
Due to other funds	-	-	-	23,300
Other liabilities	6	-	6	7
Bonds, notes payable, and capital leases	<u>2,268</u>	<u>-</u>	<u>2,268</u>	<u>3,532</u>
Total Current Liabilities	<u>6,825</u>	<u>277</u>	<u>7,102</u>	<u>32,570</u>
Non-current Liabilities:				
Bonds, notes payable, and capital leases	<u>41,431</u>	<u>-</u>	<u>41,431</u>	<u>6,693</u>
TOTAL LIABILITIES	<u>48,256</u>	<u>277</u>	<u>48,533</u>	<u>39,263</u>
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt	<u>592</u>	<u>-</u>	<u>592</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	140,789	2,506	143,295	16,052
Unrestricted	<u>51,886</u>	<u>1,153</u>	<u>53,039</u>	<u>(25,155)</u>
TOTAL NET POSITION	<u>\$ 192,675</u>	<u>\$ 3,659</u>	<u>\$ 196,334</u>	<u>\$ (9,103)</u>

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
Year Ended June 30, 2014
(In thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
OPERATING REVENUES				
Rental	\$ -	\$ 503	\$ 503	\$ -
Sewer services	52,946	-	52,946	-
Charges for services	-	-	-	54,454
Other	-	-	-	602
TOTAL OPERATING REVENUES	52,946	503	53,449	55,056
OPERATING EXPENSES				
Personnel	15,188	91	15,279	17,889
Supplies	594	174	768	7,368
Depreciation and amortization	5,610	309	5,919	1,433
Contractual services and supplies	2,896	14	2,910	1,157
Repairs and maintenance	118	62	180	4,681
General and administrative	4,468	19	4,487	5,157
Rental	1,925	15	1,940	1,813
Other	5,131	171	5,302	6,605
TOTAL OPERATING EXPENSES	35,930	855	36,785	46,103
OPERATING INCOME (LOSS)	17,016	(352)	16,664	8,953
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment income (loss)	163	2	165	(85)
Interest expense	(997)	-	(997)	(225)
Bond issuance costs	(379)	-	(379)	-
Federal and State grants	-	-	-	29
Other (settlements, rental), net	-	-	-	1,014
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,213)	2	(1,211)	733
INCOME/(LOSS) BEFORE TRANSFERS	15,803	(350)	15,453	9,686
Transfers out	(2,002)	-	(2,002)	(512)
Change in net position	13,801	(350)	13,451	9,174
Net position - beginning	178,874	4,009	182,883	(18,277)
NET POSITION - ENDING	\$ 192,675	\$ 3,659	\$ 196,334	\$ (9,103)

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

City of Oakland
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014
(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	\$ 51,537	\$ -	\$ 51,537	\$ 54,404
Cash received from tenants for rents	-	502	502	-
Cash from other sources	-	-	-	602
Cash paid to employees	(15,188)	(91)	(15,279)	(17,889)
Cash paid to suppliers	(12,330)	(184)	(12,514)	(24,451)
NET CASH PROVIDED BY OPERATING ACTIVITIES	24,019	227	24,246	12,666
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from interfund loans	-	-	-	312
Repayment of interfund loans	-	-	-	(5,788)
Other (grants, claims and settlements, proceeds from sale of assets), net	-	-	-	1,043
Transfers out	(2,002)	-	(2,002)	(512)
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(2,002)	-	(2,002)	(4,945)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(16,833)	(116)	(16,949)	(9,120)
Long-term debt:				
Proceeds from issuance of debt	40,590	-	-	-
Repayment of long-term debt	(53,007)	-	(53,007)	(3,479)
Premium on bond issues	5,230	-	5,230	-
Bond issuance costs	(379)	-	(379)	-
Interest paid on long-term debt	(799)	-	(799)	(225)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(25,198)	(116)	(65,904)	(12,824)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	163	2	165	(85)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,018)	113	(2,905)	(5,188)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	42,305	1,315	43,620	17,425
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 39,287	\$ 1,428	\$ 40,715	\$ 12,237
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 17,016	\$ (352)	\$ 16,664	\$ 8,953
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Depreciation and amortization	5,610	309	5,919	2,908
Retirement of capital assets	-	-	-	(1,475)
Changes in assets and liabilities:				
Receivables	(1,409)	(1)	(1,410)	(41)
Inventories	-	-	-	(9)
Other assets	36	-	36	-
Accounts payable and accrued liabilities	2,766	271	3,037	2,330
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 24,019	\$ 227	\$ 24,246	\$ 12,666
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and investments	\$ 39,255	\$ 565	\$ 39,820	\$ 5,169
Restricted cash and investments	32	863	895	7,068
TOTAL CASH AND CASH EQUIVALENTS	\$ 39,287	\$ 1,428	\$ 40,715	\$ 12,237
NON CASH ITEMS:				
Amortization of bond premiums	\$ (1,971)	\$ -	\$ (1,971)	\$ -
Amortization of bond insurance premium	198	-	198	-
	\$ (1,773)	\$ -	\$ (1,773)	\$ -

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, 2014
(In thousands)

	Pension Trust Funds	Private Purpose Trust Funds
ASSETS		
Current assets:		
Cash and investments	\$ 4,249	\$ 63,892
Receivables:		
Accrued interest and dividends	827	361
Accounts receivable	-	1,331
Investments and others	7,910	-
Due from primary government	-	2,312
Prepaid expenses	-	2,375
Restricted:		
Cash and investments:		
Short-term investments	4,679	50,276
U.S. corporate bonds and mutual funds	83,383	8,503
Domestic equities and mutual funds	336,245	-
International equities and mutual funds	42,389	-
Securities lending collateral	74,579	-
Loans receivable, net	-	14,019
Property held for resale	-	100,271
TOTAL ASSETS	<u>554,261</u>	<u>243,340</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized bond insurance premium	-	-
Unamortized loss on refunding of debt	-	2,335
TOTAL DEFERRED OUTFLOWS	<u>-</u>	<u>2,335</u>
LIABILITIES		
Current liabilities:		
Due to primary government	51	1,614
Accounts payable and accrued liabilities	11,061	13,749
Securities lending liabilities	74,579	-
Other	-	201
Non-current liabilities		
Due within one year	-	20,709
Due in more than one year	-	437,875
TOTAL LIABILITIES	<u>85,691</u>	<u>474,148</u>
NET POSITION		
Net position held in trust	<u>\$ 468,570</u>	<u>\$ (228,473)</u>

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
Year Ended June 30, 2014
(In thousands)

	Pension Trust Funds	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Member	\$ 4	\$ -
Trust receipts	-	74,262
Investment income:		
Net appreciation in fair value of investments	60,135	-
Interest	2,898	351
Dividends	5,601	-
Securities lending	172	-
TOTAL INVESTMENT INCOME	68,806	351
Less investment expenses:		
Investment expenses	(1,793)	-
NET INVESTMENT INCOME	67,013	351
Federal and state grants	-	15,529
Other income	220	965
TOTAL ADDITIONS	67,237	91,107
DEDUCTIONS:		
Benefits to members and beneficiaries:		
Retirement	34,992	-
Disability	20,922	-
Death	1,805	-
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	57,719	-
Administrative expenses	989	2,911
Oakland Police Department	-	62
Human Services	-	213
Housing & Community Development	-	13,728
Economic & Workforce Development	-	26,984
Public works	-	535
Other	-	162
Capital outlay	-	9
Bond issuance cost	-	743
Interest on debt	-	27,240
TOTAL DEDUCTIONS	58,708	72,587
SPECIAL ITEM		
Transfer of excess tax allocation bond proceeds approved by California Department of Finance	-	(88,309)
Change in net position	8,529	(69,789)
Net position - beginning	460,041	(158,684)
NET POSITION - ENDING	\$ 468,570	\$ (228,473)

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

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NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF OAKLAND
Notes to the Basic Financial Statements
Year Ended June 30, 2014

(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, in 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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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 assumed the 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 unit may be obtained from:

City of Oakland,
Finance Department, Controller's Bureau
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*.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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 inflows of resources.

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% 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

The ***Municipal Capital Improvement Fund*** accounts primarily for monies pertaining to capital improvement funds, which includes mainly capital financing projects funds:

- *Oakland Redevelopment Successor Agency* - Unspent bond proceeds transferred to the City. The California Department of Finance approved the bond expenditure agreement between ORSA and the City to transfer excess tax allocation bond proceeds to the City. The Bond Spending Plan allows for ORSA to utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants.
- *Measure DD* – Capital improvement bond financing funds for clean water, safe parks & open space trust for the City Of Oakland
- *Measure G* – Capital improvement bond financing funds for Oakland Zoo, Museum and Chabot & Space Center improvements.
- *Master Lease Agreement Financing* – Capital improvement for parking access and control system.
- *Other miscellaneous capital improvement funds* - The fund also comprise of other municipal capital improvement funds which may be used for the lease, acquisition, construction or other improvements of public facilities.

The ***Other Special Revenue Funds*** accounts for activities of several Special Revenue Funds, which include mainly the following local measures and funds;

- *Measure Y – Violence Prevention and Public Safety Act of 2004*. The measure provides for the following services; community and neighborhood policing; violence prevention services with an emphasis on youth and children; fire services and evaluation.
- *Measure C – Oakland Hotel Tax*. This additional transient occupancy tax was approved to fund the following entities; Oakland Convention and Visitors Bureau 50%; Oakland Zoo 12.5%; Oakland Museum of California 12.5%; Chabot Space and Science Center 12.5% and the City Cultural Arts Programs and Festivals 12.5%.
- *Measure Q – Library Services Retention and Enhancement*. In March 2004, the electorate of Oakland approved, by more than a two-thirds majority, the extension of the Library Services and Retention Act, Measure Q (formerly known as Measure O). The act re-authorized and increased a special parcel tax on residential and non-residential parcels for the purpose of raising revenue to retain and enhance library services. The term of the tax is 20 years, commencing July 1, 2004 and ending June 30, 2024.
- *Measure WW – East Bay Regional Park District local grant program*. The funds are for various Oakland parks and open space renovation projects.
- *Measure N – Paramedics Services Act*. The revenue from the measure are to provide for increase, enhance and support paramedic services in the City.
- *Oakland Kids’ First Fund*. The charter requires 3.0% of the City’s unrestricted general purpose fund revenues for the fund. The funds provide additional funding for programs and services benefiting children and youth.
- *Development Service Fund*. The revenue sources for the development service fund will be the fees and penalties for development and enforcement activities, such as land use, permit, inspection, and abatement services for both direct and indirect costs.
- *Other miscellaneous special revenue funds*. Account for several other restricted monies that are classified as special revenue funds.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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 Other 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 whose funds are held by outside custodians. Investments are generally carried at fair value. The fair value represents the amount the City could reasonably expect to receive for an investment in a current sale between a willing buyer and seller. The fair value of investments is obtained by using quotations from independent published sources. 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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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. 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.

Proceeds from debt and other cash and investments held by fiscal agents by agreement are classified as restricted assets.

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, 2014.

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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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. Bond premiums and discounts are 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 and 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 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for *deferred outflows of resources*. 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. 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. The City also has deferred inflows of resources related to the unamortized gains on refunding of debt.

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

The City has 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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, 2014, 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 through City Council budgetary action, which includes of appropriations and revenue sources pertaining to the next fiscal year's budget. The City Council adopted a resolution establishing the City's policy budget, which states that assigned fund balances are intended to be used for specific purposes through City Council budgetary actions. Intent is expressed by (a) the City Council or (b) the City Administrator to which the City Council has delegated the authority to assign amounts to be used for specific purposes. 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Fund balances for all the major and nonmajor governmental funds as of June 30, 2014, were distributed as follows (in thousands):

	General	Federal/ State Grant Fund	LMIHF ¹	Municipal Capital Improvement	Other Special Revenue	Other Governmental Funds	Total
Restricted for:							
Capital projects	\$ -	\$ 1,195	\$ -	\$ 128,760	\$ -	\$ 30,197	\$ 160,152
Pension obligations							
Annuity	90,975	-	-	-	-	-	90,975
Pension obligations							
PFRS	65,487	-	-	-	-	-	65,487
Debt service	-	-	-	-	-	99,073	99,073
Property held							
for resale	-	-	9,137	-	-	-	9,137
Housing projects	-	-	1,693	-	-	-	1,693
Subtotal	156,462	1,195	10,830	128,760	-	129,270	426,517
Committed for:							
Library, Kids First and museum trust	-	-	-	-	11,672	2,230	13,902
Assigned for:							
Redevelopment							
Projects	-	-	-	67,829	-	-	67,829
Capital projects	73,843	-	-	9,715	12,207	1,049	96,814
Subtotal	73,843	-	-	77,544	12,207	1,049	164,643
Unassigned	23,546	(5,389)	-	-	-	-	18,157
Total	\$ 253,851	\$ (4,194)	\$ 10,830	\$ 206,304	\$ 23,879	\$ 132,549	\$ 623,219

¹ Low and Moderate Income Housing Asset Fund

Special Item:

Special items are either 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) or 2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates), and subject to management control. The transfer of excess bond proceeds as requested by the Oakland Redevelopment Successor Agency Oversight Board and approved by DOF pursuant to Health and Safety Code section 34179 (h) qualifies as a special item since this action is considered infrequent and requested by management of the City.

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.

Pursuant to Health and Safety Code (HSC) section 34179(h), DOF has completed its review of the Oversight Bond action on Bond Spending Plan and on November 6, 2013, it approved the Bond Spending Plan for ORSA. 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 HSC section 34191.4(c) (2) (A), ORSA has listed excess bond proceeds on the January through June 2014

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

ROPS in the total amount of \$59.9 million which has been approved by DOF. DOF approved the bond expenditure agreement between ORSA and the City to transfer excess tax allocation bond proceeds to the City. The special item was recorded in the financial statements for the excess bond transfer in the total amount of \$88.3 million.

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, 2014, restricted net position for the governmental activities was \$433.1 million as reported on the government-wide statement of net position, and approximately \$91.0 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

For the year ended June 30, 2014, The City implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*. The requirements for GASB No. 67 require changes and addition in the Notes to the Financial Statements, Required Supplemental Information, and Other Supplemental Information. Significant changes include calculation of total and net pension liability for financial reporting, comprehensive footnote disclosure regarding pension liability, sensitivity of net pension liability to the discount rate, additional investment disclosure, expected long-term discount rate, and annual money-weighted rate of return on investment. Such information can be found in the PFRS and OMERS financial reports for the fiscal year ended June 30, 2014. Complete financial statements for PFRS and OMERS can be obtained from Retirement Systems, City of Oakland, 150 Frank H Ogawa Plaza, Suite 3332, Oakland, CA 94612.

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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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. The City's adoption of this statement effective July 1, 2013 did not have a significant impact on its financial statements.

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. The City's adoption of this statement effective July 1, 2013 did not have a significant impact on its financial statements.

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 June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. The significant changes in this statement address (1) the measurement of pension obligations that derive liabilities (or assets); and (2) the calculations behind pension expense. GASB 68 also covers:

- Deferred outflows and deferred inflows of resources;
- Methods and assumptions of pension calculations, including how to calculate the discount rate to be used and how to attribute the pension liability to various periods;
- Note disclosure and required supplementary information; and
- Defined contribution pension plan reporting.

Application of this statement 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended 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 the 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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	\$ 282,216	\$ 39,820	\$ 68,141	\$ 390,177	\$ 202,546
Restricted cash and investments	311,380	895	525,475	837,750	70,926
Securities lending collateral	-	-	74,579	74,579	-
TOTAL	\$ 593,596	\$ 40,715	\$ 668,195	\$ 1,302,506	\$ 273,472
Deposits				\$ 46,426	\$ 625
Investments				1,256,080	272,847
TOTAL				\$ 1,302,506	\$ 273,472

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.

At June 30, 2014, the carrying amount of the City's deposits was \$46.4 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance of \$55.6 million, \$0.5 million was insured by the Federal Deposit Insurance Corporation (FDIC) and \$55.1 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. 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, 2014, approximately 88% of the pooled investments was invested in "AAA" and "AA" quality securities.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

The following tables show the City's credit risk for the Pool and Restricted portfolios as of June 30, 2014 (in thousands):

Pooled Investments

	Fair Value	Ratings as of June 30, 2014						Not Rated
		AAA/Aaa	AA/Aaa	A+/A1	A-/A1	A/Aa3	A1/P1	
U.S. Government Agency Securities	\$ 211,547	\$ -	\$ 211,547	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Agency Securities (Discount)	152,973	-	152,973	-	-	-	-	-
Medium Term Notes	2,018	-	-	2,018	-	-	-	-
Money Market Mutual Funds	81,110	81,110	-	-	-	-	-	-
Local Agency Investment Fund (LAIF)	49,873	-	-	-	-	-	-	49,873
Negotiable Certificates of Deposit	5,000	-	-	-	-	-	5,000	-
State of California, General Obligation Bonds	4,515	-	-	-	-	4,515	-	-
State of California, Revenue Bonds	795	-	-	-	795	-	-	-
Total Pooled Investments	\$ 507,831	\$ 81,110	\$ 364,520	\$ 2,018	\$ 795	\$ 4,515	\$ 5,000	\$ 49,873

Restricted Investments

	Fair Value	Ratings as of June 30, 2014			
		AAA/Aaa	AA/Aaa	A1/P1	Not Rated
U.S. Government Agency Securities	\$ 7,982	\$ -	\$ 7,982	\$ -	\$ -
Money Market Mutual Funds	150,889	150,889	-	-	-
Local Agency Investment Fund (LAIF)	4	-	-	-	4
Commercial Papers (Discount)	366	-	-	366	-
Local Government Bonds	66,354	-	-	-	66,354
Annuity Contract	81,000	-	-	-	81,000
Total Restricted Investments	\$ 306,595	\$ 150,889	\$ 7,982	\$ 366	\$ 147,358

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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Investments in one issuer that exceed 5% of the City's investment portfolio at June 30, 2014 are as follows (in thousands):

Investment Type / Issuer	Amount	Percent of City's Investment Portfolio
U.S. Government Agency Securities:		
Federal Farm Credit Bank	\$ 83,848	10.30%
Federal National Mortgage Association (Fannie Mae)	92,040	11.30%
Federal Home Loan Bank	94,412	11.59%
Federal Home Loan Mortgage Corporation (Freddie Mac)	102,202	12.55%
Local Government Bond:		
Oakland Joint Powers Financing Authority	66,354	8.15%
Annuity Contract:		
New York Life Insurance Company	81,000	9.95%

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	\$ 211,547	41.66%
U.S. Government Agency Securities (Discount)	152,973	30.12%
Medium Term Notes	2,018	0.40%
Money Market Mutual Funds	81,110	15.97%
Local Agency Investment Fund (LAIF)	49,873	9.82%
Negotiable Certificates of Deposit	5,000	0.98%
State of California, General Obligation Bonds	4,515	0.89%
State of California, General Obligation Bonds	795	0.16%
Total Pooled Investments	\$ 507,831	100.00%

Restricted Investments

Investment Type	Fair Value	Percent (%) of Portfolio
U.S. Government Agency Securities	\$ 7,982	2.60%
Local Agency Investment Fund (LAIF)	4	0.00%
Money Market Mutual Funds	150,889	49.22%
Commercial Papers (Discount)	366	0.12%
Local Government Bond	66,354	21.64%
Annuity Contract	81,000	26.42%
Total Restricted Investments	\$ 306,595	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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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, 2014, the City had the following investments and original maturities (in thousands):

Pooled Investments

Investment Type	Fair Value	Interest Rates (%)	Maturity		
			12 Months or Less	1 - 3 Years	3 - 5 Years
U.S. Government Agency Securities	\$ 211,547	0.18 - 2.03	\$ 6,011	\$ 153,559	\$ 51,977
U.S. Government Agency Securities (Discount)	152,973	0.03 - 0.07	152,973	-	-
Medium Term Notes	2,018	2.00	-	-	2,018
Money Market Mutual Funds *	81,110	0.01 - 0.06	81,110	-	-
Local Agency Investment Fund (LAIF) *	49,873	0.228	49,873	-	-
Negotiable Certificates of Deposit	5,000	0.17	5,000	-	-
State of California, General Obligation Bonds	4,515	0.59 - 1.07	-	1,007	3,508
State of California, Revenue Bonds	795	0.85	-	-	795
Total Pooled Investments	\$ 507,831		\$ 294,967	\$ 154,566	\$ 58,298

* weighted average maturity used.

Restricted Investments

Investment Type	Fair Value	Interest Rates (%)	Maturity			
			12 Months or Less	1 - 3 Years	3 - 5 Years	5 Years or More
U.S. Government Agency Securities	\$ 7,982	0.64 - 0.71	\$ -	\$ 7,982	\$ -	\$ -
Local Agency Investment Fund (LAIF) *	4	0.228	4	-	-	-
Money Market Mutual Funds *	150,889	0.01 - 0.02	150,889	-	-	-
Commercial Papers (Discount)	366	0.160	366	-	-	-
Local Government Bond	66,354	4.860	8,014	15,225	16,874	26,241
Annuity Contracts	81,000	2.45	-	-	-	81,000
Total Restricted Investments	\$ 306,595		\$ 159,273	\$ 23,207	\$ 16,874	\$ 107,241

* 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, 2014, the City's investment in LAIF is \$49.9 million. A total amount invested by all public agencies in LAIF at that date is approximately \$21.1 billion. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately \$64.9 billion, 98.14% is invested in non-derivative financial products and 1.86% in structured notes and asset-backed securities. As of June 30, 2014, LAIF has an average life-month end of 232 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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, 2014 (in thousands):

Cash and Investments	Amount
Cash and investments (unrestricted)	\$ 56,453
Restricted cash and investments	58,779
Total cash and investments	<u>\$ 115,232</u>

As of June 30, 2014, ORSA invested a total amount of \$25.8 million in U.S. government agency securities, which is comprised of \$17.3 million from its unrestricted accounts, \$8.5 million from the Tax Allocation Bonds and the Housing Set-Aside Bonds reserve and capitalized interest. The remaining balance is invested in money market mutual funds of \$79.8 million, \$5.5 million in negotiable certificates of deposits, and \$4.1 million in cash deposits.

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, 2014, the carrying amount of the ORSA’s deposits was \$4.2 million. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$0.50 million, and the remaining bank balance of \$3.7 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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, 2014, ORSA had the following investments and original maturities (in thousands):

Pooled Cash and Investments

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Interest Rates (%)</u>	<u>Maturities</u>
			<u>12 Months of Less</u>
U.S. Government Agency Securities (Discount)	\$ 17,299	0.03	\$ 17,299
Money Market Mutual Funds	33,000	0.01 - 0.07	33,000
Negotiable CD's	2,001	0.08	2,001
Total	52,300		\$ 52,300
Deposits	4,153		
	\$ 56,453		

Restricted Cash and Investments

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Interest Rates (%)</u>	<u>Maturities</u>
			<u>12 Months of Less</u>
U.S. Government Agency Securities	\$ 4,004	0.14	\$ 4,004
U.S. Government Agency Securities (Discount)	4,499	0.05	4,499
Money Market Mutual Funds	46,776	0.01	46,776
Negotiable CD's	3,500	0.15	3,500
Total	\$ 58,779		\$ 58,779

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, 2014 (in thousands):

Pooled Cash and Investments

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Ratings as of June 30, 2014</u>		
		<u>Aaa/AAA</u>	<u>Aaa/AA</u>	<u>A1/P1</u>
U.S. Government Agency Securities (Discount)	\$ 17,299	\$ -	\$ 17,299	\$ -
Money Market Mutual Funds	33,000	33,000	-	-
Negotiable Certificates of Deposits	2,001	-	-	2,001
Total Cash and Investments	\$ 52,300	\$ 33,000	\$ 17,299	\$ 2,001

Restricted Cash and Investments

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Ratings as of June 30, 2014</u>		
		<u>Aaa/AAA</u>	<u>Aaa/AA</u>	<u>A1/P1</u>
U.S. Government Agency Securities	\$ 4,004	\$ -	\$ 4,004	\$ -
U.S. Government Agency Securities (Discount)	4,499	-	4,499	-
Money Market Mutual Funds	46,776	46,776	-	-
Negotiable Certificates of Deposits	3,500	-	-	3,500
Total Cash and Investments	\$ 58,779	\$ 46,776	\$ 8,503	\$ 3,500

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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, 2014 (in thousands):

Pooled Cash and Investments

Type of Investment	Fair Value	Percentage of Portfolio
U.S. Government Agency Securities (Discount)	\$ 17,299	33.1%
Money Market Mutual Funds	33,000	63.1%
Negotiable Certificates of Deposits	2,001	3.8%
Total Cash and Investments	\$ 52,300	100.0%

Restricted Cash and Investments

Type of Investment	Fair Value	Percentage of Portfolio
U.S. Government Agency Securities	\$ 4,004	6.8%
U.S. Government Agency Securities (Discount)	4,499	7.6%
Money Market Mutual Funds	46,776	79.6%
Negotiable Certificates of Deposits	3,500	6.0%
Total Cash and Investments	\$ 58,779	100.0%

The following table shows ORSA's investments in one issuer that exceed 5% of ORSA's investment portfolio at June 30, 2014 (in thousands):

Investment Type / Issuer	Fair Value	Percentage of ORSA's Investment Portfolio
U.S. Government Agency Securities:		
Federal Home Loan Mortgage Corporation	\$ 7,004	6.3%
Federal Home Loan Bank	12,799	11.5%

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, 2014, the amounts held by the trustees aggregated \$58.8 million. All restricted investments held by trustees as of June 30, 2014 were invested in U.S. treasury notes, money market mutual funds, and negotiable certificates of deposits, 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, 2014, the number of external investment managers was twelve for PFRS and one for OMERS.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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, 2014, OMERS' share of the City's investment pool totaled \$26 thousand.

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, 2014, 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, 2014 (in thousands):

Investment	Fair Value	Yield	Weighted Average Maturity
Short-Term Investments	\$ 4	-	*
Equity Investments			
American Century Equity Mutual Fund	3,453	-	-
Fixed Income Investments			
HighMark Employee Benefit Flexible Bond Commingled Fund	1,345	2.2%	6.4 Years
Total Investments	<u>\$ 4,802</u>		

* 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 value. As of June 30, 2014, OMERS was invested in the HighMark Employee Benefit Flexible Bond Commingled Fund which has a credit quality rating of A.

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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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, 2014, 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, 2014, PFRS' share of the City's investment pool totaled \$4,155,557.

As of June 30, 2014, PFRS also had cash and cash deposits not held in the City's investment pool totaled \$67,448.

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, 2014, the number of external investment managers was twelve.

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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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.

The following was the Board's adopted investment policy as of June 30, 2014

Asset Class	Target Allocation
Fixed Income	20%
Real Return	10%
Covered Calls	10%
Domestic Equity	43%
International Equity	12%
Private Equity	5%
Total	100%

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 4.82 years as of June 30, 2014.

As of June 30, 2014, 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	\$4,675	n/a

Long-Term Investment Duration:

Investment Type	Fair Value	Modified Duration (Year)
Government Bonds:		
U.S. Treasuries	\$ 27,671	5.62
U.S. Government Agency Securities	24,091	4.55
Total Government Bonds	51,762	
U.S. Corporate and Other Bonds		
Corporate Bonds	31,505	4.33
Other Government Bonds	116	4.21
Total U.S. Corporate and Other Bonds	31,621	
 Total Fixed Income Investments	 \$ 83,383	 4.82
 Securities Lending Collateral	 \$ 74,579	 -

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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, 2014 concerning credit risk of fixed income securities (in thousands):

Investment Type	S&P / Moody's Rating	Fair Value
Short-Term Investment Funds	Not Rated	\$4,675

The following tables provide information as of June 30, 2014 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	\$ 53,830	64.6%
AA /Aa	6,085	7.3%
A/A	11,552	13.8%
BBB/Baa	11,756	14.1%
B/B	160	0.2%
Total Fixed Income Investments	<u>\$ 83,383</u>	<u>100.0%</u>

As of June 30, 2014, the securities lending collateral of \$74.6 million was not rated.

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, 2014, no investment in any single issuer exceeded 5% of PFRS' net position.

Rate of return: For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.4 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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, 2014 (in thousands):

Foreign Currency	Total
Australian Dollar	\$ 1,053
Brazilian Real	380
Canadian Dollar	736
Danish Krone	1,037
Euro	9,806
Hong Kong Dollar	4,691
Indonesian Rupian	546
Japanese Yen	4,032
Malaysian Ringgit	82
Mexican Peso	514
Norwegian Kroner	246
Singapore Dollar	763
Swedish Krona	499
Swiss Franc	4,331
Turkish Lira	187
United Kingdom Pound	8,365
Total Foreign Currency	\$ 37,268

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, 2014, 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

The following table summarizes investments in securities lending transactions and collateral received as of June 30, 2014 (in thousands):

Securities Lending	
Investments and Collateral Received (At Fair Value)	
Securities on loan:	
U.S. Government and agencies	\$ 15,508
U.S. Corporate Bonds	3,338
U.S. Equity	52,941
Non-U.S. Equity	1,293
Total Securities on Loan	<u>\$ 73,080</u>
Invested Cash Collateral Received:	
Repurchase Agreements	<u>\$ 74,579</u>
Total Invested Cash Collateral Received	<u>\$ 74,579</u>

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, 2014 (in thousands):

<u>Security Name</u>	<u>Weighted Average Coupon Rate</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>	<u>Percent of Total Investments</u>
Commercial Mortgage Pass-Through	<u>4.15%</u>	<u>27.8</u>	<u>\$ 4,827</u>	<u>1.04%</u>

Discretely Presented Component Unit – Port of Oakland

The Port's cash, investments and deposits consisted of the following at June 30, 2014 (in thousands):

Cash on hand	\$ 625
Bank Deposits and Deposits in Escrow	5,549
City Investment Pool	209,200
Government Securities Money Market Mutual Funds	58,098
Total Cash and Investments	<u>\$ 273,472</u>

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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).

Senior Lien Bonds reserves are on deposit with the Senior Lien Bonds trustee. The investment of funds held by the Senior Lien Bonds trustee is governed by the Senior Trust Indenture and is currently invested in either 1) U.S. Treasury Notes or 2) Government Securities Money Market Mutual Funds. There were no investments pertaining to the Intermediate Lien Debt.

At June 30, 2014 the Port had the following investments (in thousands):

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturities Less than 1 Year</u>
Government Securities Money Market			
Mutual Funds	\$ 58,098	Aaa	\$ 58,098
City Investment Pool	209,200	Not Rated	209,200
Total Investments	\$ 267,298		\$ 267,298

Investments Authorized by Debt Agreements: The following are the types of investments generally allowed under the Senior Trust Indenture and the Intermediate Trust Indenture dated as of October 1, 2007 (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 acceptances, money market mutual funds, long or medium-term corporate debt, repurchase agreements, 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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 \$58,098,000 at June 30, 2014. The carrying amount of Port deposits in escrow was \$5,549,000 at June 30, 2014. Bank balances and escrow deposits of \$250,000 at June 30, 2014 are insured or collateralized with securities held by the pledging financial institution's trust department in the Port's name. The remaining balance of \$5,218,000 as of June 30, 2014, 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, 2014, is as follows (in thousands):

Due From/Due To Other Funds

<u>Receivables</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 169
	Federal/State Grant Fund	20,251
	Municipal Capital Improvement	81
	Low and Moderate Income Housing	
	Asset Fund (LMIHF)	9
	Internal Service Funds	23,291
	Subtotal General Fund	<u>43,801</u>
Municipal Capital Improvement	Internal Service Funds	<u>9</u>
	Total	<u>\$ 43,810</u>

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Interfund Transfers:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other Special Revenue Fund	\$ 13,324 ⁽¹⁾
	Other Governmental Funds	97,268 ⁽²⁾
	Federal/State Grant Fund	1,898 ⁽³⁾
Other Governmental Funds	General Fund	328 ⁽⁴⁾
Municipal Capital Improvement	General Fund	65 ⁽⁵⁾
Sewer Service Fund	General Fund	2,002 ⁽⁴⁾
Internal Service Funds	General Fund	512 ⁽⁴⁾
Total		\$ 115,397

- ⁽¹⁾ The \$13.3 million transferred from the General Fund to the Other Special Revenue Fund is for the Kids' First Children's Program.
- ⁽²⁾ The \$97.3 million transferred from the General Fund to Other Governmental Funds consists of transfers made to provide funding for the following:
- \$97.1 million for debt service payments.
 - \$0.2 million for City-owned parcels of land in the Wildfire Prevention Assessment District.
- ⁽³⁾ The \$1.9 million transferred from the General Fund to Federal/State Grant fund to provide funds to cover the Central Service Overhead cost for certain federal funds.
- ⁽⁴⁾ The transfers to General Fund is to provide funding for City's claims and liability payments.
- ⁽⁵⁾ The \$0.1 million transfer from the Municipal Capital Improvement Fund to the General Fund for City capital improvement projects in the Coliseum project area.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

(5) MEMORANDUMS OF UNDERSTANDING

The City has entered into agreements with the Port for provisions of various services such as aircraft rescue and firefighting (“ARFF”), Special Services, General Services, and Lake Merritt Trust Services. The City provides these services to the Port.

Special Services include designated police services, personnel, city clerk, legislative programming, and treasury services. General Services includes fire, rescue, police, street maintenance, and similar services. Lake Merritt Trust Services includes items such as recreation services, grounds maintenance, security, and lighting.

Payments to the City for these services are made upon execution of appropriate agreements and/or 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 \$5,475,000 and are included in Operating Expenses. At June 30, 2014, \$2,954,000 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, 2014, the Port accrued approximately \$773,000 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 \$1,425,000 to reimburse the City for General Services for net City expenditures for Lake Merritt Tideland Trust properties in 2014. 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

(6) NOTES AND LOANS RECEIVABLE

Primary Government

The composition of the City's notes and loans receivable as of June 30, 2014, 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	\$ -	\$ 1,300	\$ -	\$ -	\$ -	\$ 1,300
HUD Loans	-	98,125	-	-	-	98,125
Economic Development Loans and Other	327	62,103	278,919	527	32,805	374,681
Less: Allowance for Uncollectible Accounts	-	(30,990)	(96,327)	-	(3,335)	(130,652)
Total Notes and Loans Receivable, Net	<u>\$ 327</u>	<u>\$ 130,538</u>	<u>\$ 182,592</u>	<u>\$ 527</u>	<u>\$ 29,470</u>	<u>\$ 343,454</u>

¹ Low and Moderate Income Housing Asset Fund

As of June 30, 2014, the City has a total of \$343.5 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 did not occur 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, 2014, loans receivable relating to the LMIHF program totaled approximately \$182.6 million, net of allowance for uncollectible accounts.

Notes and Loans Receivables Held by ORSA

Composition of loans receivable as of June 30, 2014 is as follows (in thousands):

Type of Loan	Amount
Housing developments project loans	\$ 1,462
Economic development loans	60,677
Gross notes and loans receivable	62,139
Allowance for uncollectable accounts	(48,120)
Total notes and loans receivable, net	<u>\$ 14,019</u>

As of June 30, 2014, ORSA has a total of \$14.0 million net notes and loans receivable, which is not expected to be received in the next twelve months.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

(7) CAPITAL ASSETS AND LEASES

Primary Government

Capital assets activity of the primary government for the year ended June 30, 2014, is as follows (in thousands):

	Balance July 1, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
GOVERNMENTAL ACTIVITIES					
Capital assets, not being depreciated:					
Land	\$ 86,389	\$ -	\$ -	\$ -	\$ 86,389
Intangibles (easements)	2,607	-	-	-	2,607
Museum collections	793	-	-	-	793
Construction in progress	158,125	127,854	-	(61,182)	224,797
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	247,914	127,854	-	(61,182)	314,586
Capital assets, being depreciated:					
Facilities and improvements	776,182	7	-	6,045	782,234
Furniture, machinery, and equipment	188,262	10,858	2,200	1,580	198,500
Infrastructure	649,655	-	-	53,557	703,212
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	1,614,099	10,865	2,200	61,182	1,683,946
Less accumulated depreciation:					
Facilities and improvements	350,661	24,376	-	-	375,037
Furniture, machinery, and equipment	156,087	9,695	2,169	-	163,613
Infrastructure	256,513	22,850	-	-	279,363
TOTAL ACCUMULATED DEPRECIATION	763,261	56,921	2,169	-	818,013
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	850,838	(46,056)	31	61,182	865,933
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 1,098,752	\$ 81,798	\$ 31	\$ -	\$ 1,180,519

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
BUSINESS-TYPE ACTIVITIES:					
Sewer Service Fund:					
Capital assets, not being depreciated:					
Land	\$ 4	\$ -	\$ -	\$ -	\$ 4
Construction in progress	23,444	15,873	-	(2,334)	36,983
Total capital assets, not being depreciated	23,448	15,873	-	(2,334)	36,987
Capital assets, being depreciated:					
Facilities and improvements	311	-	-	-	311
Furniture, machinery, and equipment	3,853	960	-	-	4,813
Sewer and storm drains	243,989	-	-	2,334	246,323
Total capital assets, being depreciated	248,153	960	-	2,334	251,447
Less accumulated depreciation:					
Facilities and improvements	216	21	-	-	237
Furniture, machinery, and equipment	1,561	686	-	-	2,247
Sewer and storm drains	96,591	4,903	-	-	101,494
Total accumulated depreciation	98,368	5,610	-	-	103,978
Total capital assets, being depreciated, net	149,785	(4,650)	-	2,334	147,469
SEWER SERVICE FUND					
CAPITAL ASSETS, NET	\$ 173,233	\$ 11,223	\$ -	\$ -	\$ 184,456
Parks and Recreation Fund:					
Capital assets, not being depreciated:					
Land	\$ 218	\$ -	\$ -	\$ -	\$ 218
Construction in progress	-	87	-	-	87
Total capital assets, not being depreciated	218	87	-	-	305
Capital assets, being depreciated:					
Facilities and improvements	4,433	-	-	-	4,433
Furniture, machinery, and equipment	430	29	-	-	459
Infrastructure	85	-	-	-	85
Total capital assets, being depreciated	4,948	29	-	-	4,977
Less accumulated depreciation:					
Facilities and improvements	2,086	280	-	-	2,366
Furniture, machinery, and equipment	350	23	-	-	373
Infrastructure	31	6	-	-	37
Total accumulated depreciation	2,467	309	-	-	2,776
Total capital assets, being depreciated, net	2,481	(280)	-	-	2,201
PARKS AND RECREATION FUND					
CAPITAL ASSETS, NET	\$ 2,699	\$ (193)	\$ -	\$ -	\$ 2,506
BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET	\$ 175,932	\$ 11,030	\$ -	\$ -	\$ 186,962

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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

Governmental Activities:

General Government	\$ 10,124
Public Safety	5,242
Community Service Department:	
Parks and Recreation	5,948
Library	2,592
Human Services	584
Community and Economic Development:	
Planning and Building	2,669
Economic and Workforce Development	1,467
Housing and Community Development	75
Public Works	25,312
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets	<u>2,908</u>
Total	<u><u>\$ 56,921</u></u>

Business-Type Activities:

Sewer	\$ 5,610
Parks and Recreation	<u>309</u>
Total	<u><u>\$ 5,919</u></u>

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Discretely Presented Component Unit – Port of Oakland

Capital assets activity for the Port for the year ended June 30, 2014, is as follows (in thousands):

	Balance				Balance
	July 1, 2013	Additions	Deletions	Transfers	June 30, 2014
Capital assets, not being depreciated:					
Land	\$ 523,235	\$ -	\$ (857)	\$ 905	\$ 523,283
Intangibles (noise easements and air rights)	23,493	-	-	2,359	25,852
Construction in progress	197,125	104,856	(6,209)	(95,063)	200,709
Total capital assets, not being depreciated	743,853	104,856	(7,066)	(91,799)	749,844
Capital assets, being depreciated:					
Building and improvements	848,432	-	(558)	3,776	851,650
Container cranes	153,775	-	(358)	-	153,417
Systems and structures	1,650,965	-	(57)	79,898	1,730,806
Intangibles (software)	13,391	-	-	-	13,391
Other equipment	78,829	342	(1,257)	8,125	86,039
Total capital assets, being depreciated	2,745,392	342	(2,230)	91,799	2,835,303
Less accumulated depreciation:					
Building and improvements	496,578	26,887	394	-	523,071
Container cranes	89,071	4,823	-	-	93,894
Systems and structures	649,098	61,253	-	-	710,351
Intangibles (software)	2,763	1,339	-	-	4,102
Other equipment	52,650	4,957	652	-	56,955
Total accumulated depreciation	1,290,160	99,259	1,046	-	1,388,373
Total capital assets, being depreciated, net	1,455,232	98,917	(1,184)	91,799	1,446,930
CAPITAL ASSETS, NET	\$ 2,199,085	\$ 5,939	\$ (8,250)	\$ -	\$ 2,196,774

Capital Leased to Others

The capital assets leased to others at June 30, 2014, consist of the following (in thousands):

Land	\$ 412,265
Container cranes	153,417
Buildings and improvements	203,682
Infrastructure	1,064,953
	1,834,317
Less accumulated depreciation	(652,053)
Net capital assets, on lease	<u>\$ 1,182,264</u>

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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, 2014, is as follows (in thousands):

Minimum non-cancelable rentals, including preferential assignments	\$ 170,700
Contingent rentals in excess of minimums	<u>18,568</u>
Total	<u><u>\$ 189,268</u></u>

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, 2014, the unamortized net upfront fee is approximately \$48.9 million and the amounts are reported as unearned revenue in the statement of net position.

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
2015.....	\$ 169,189
2016.....	169,099
2017.....	153,764
2018.....	129,970
2019.....	105,400
2020 - 2024.....	453,275
2025 - 2029.....	292,172
2030 - 2034.....	297,050
2035 - 2039.....	275,092
2040 - 2044.....	260,976
2045 - 2049.....	284,627
Thereafter	709,044
Total	<u><u>\$ 3,299,658</u></u>

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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
2015.....	\$ 401
2016.....	413
2017.....	426
2018.....	438
2019.....	452
2020 - 2024.....	2,470
2025 - 2029.....	2,863
2030 - 2034.....	3,319
2035 - 2039.....	3,848
2040 - 2044.....	4,460
2045 - 2049.....	5,171
Thereafter	5,777
Total	<u>\$ 30,038</u>

(8) PROPERTY HELD FOR RESALE

Primary Government

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Property held for resale	\$ 76,966	\$ -	\$ -	\$ 76,966

On August 21, 2013, the State Controller's Office issued the asset transfer review pursuant to Health and Safety Code section 34167.5 and reversed the March 3, 2011 agreement entered between the City and the former Redevelopment Agency for the purchase and sale agreement of various former Agency properties to the City. As of June 30, 2014, the property held for resale had no changes.

Oakland Redevelopment Successor Agency

As of June 30, 2014, ORSA has a total \$100.3 million for properties booked at the lower of cost or net realizable value. On May 29, 2014, pursuant to Health and Safety Code section 34191.4, the California Department of Finance approved ORSA Long-Range Property Management Plan ("LRPMP") addressing the disposition and use of former Agency properties and authorizing the disposition of properties pursuant to the LRPMP. The table below shows a summary of the changes in the Property Held for Resale (in thousands):

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Property held for resale	\$ 100,271	\$ -	\$ -	\$ 100,271

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

(9) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2014, 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	\$ 22,672	\$ 70,619	\$ 93,291
Federal/State Grant Fund	13,638	-	13,638
Low and Moderate Income Housing Asset Fund	1,473	-	1,473
Municipal Capital Improvement Fund	6,461	-	6,461
Other Special Revenue Funds	6,290	-	6,290
Other Governmental Funds	2,514	-	2,514
Subtotal	53,048	70,619	123,667
Internal service funds	5,681	-	5,681
TOTAL	\$ 58,729	\$ 70,619	\$ 129,348
Business-type Activities:			
Sewer Service Fund	4,481	-	4,481
Nonmajor Fund - Parks and Recreation	277	-	277
TOTAL	\$ 4,758	\$ -	\$ 4,758

Accounts payable and accrued liabilities for the pension trust funds and private purpose trust funds at June 30, 2014, are as follows (in thousands):

Pension Trust Funds:

Accounts payable	\$ 6
Investments payable	6,284
Accrued investment management fees	40
Member benefits payable	4,731
Total	11,061

Private Purpose Trust Fund

Oakland Redevelopment Successor Agency Trust Fund	13,186
Other Private Purpose Trust Fund	563
	13,749

(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 1.25% to yield at 0.18% at maturity. Principal and interest were paid on June 30, 2014.

The short-term debt activity for the year ended June 30, 2014, is as follows (in thousands):

	Beginning Balance	Issued	Redeemed	Ending Balance
2013 - 2014 Tax & Revenue Anticipation Notes	\$ -	\$ 78,230	\$ (78,230)	\$ -

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

(11) LONG-TERM OBLIGATIONS

Primary Government

The following is a summary of long-term obligations as of June 30, 2014 (in thousands):

Governmental Activities			
Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
General obligation bonds (A)	2039	3.50 - 6.25%	\$ 290,449
Lease revenue bonds (C)	2027	3.00 - 5.50%	141,555
Pension obligation bonds (D)	2026	2.37 - 6.89%	348,512
Accreted interest (C) and (D)			169,923
City guaranteed special assessment district bonds (D)	2039	2.00 - 6.70%	6,365
Plus Deferred Amounts:			
Bond insurance premium			18,390
Total			975,194
Notes Payable and Capital Leases			
Notes payable (C) and (E)	2017	1.00 - 8.27%	5,330
Capital leases (C) and (E)	2025	1.46 - 5.46%	51,349
Total			56,679
Other Long-Term Liabilities			
Accrued vacation and sick leave (F)			40,310
Self-insurance liability - workers' compensation (C)			83,484
Self-insurance liability - general liability (C)			32,341
Estimated environmental cost (B) and (C)			2,155
Pledge obligation for Coliseum Authority debt (C)			53,225
Net OPEB obligation (C)			235,095
Interest rate swap agreement (C)			9,743
Total			456,353
Total Governmental Activities Long-Term Obligations, Net			\$ 1,488,226

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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Business-Type Activities			
Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Sewer fund - Bonds	2029	2.00 - 5.00%	\$ 38,555
Unamortized Bond Premium			5,144
Total Business-Type Activities Long-Term Obligations, Net			\$ 43,699

Oakland Redevelopment Successor Agency			
Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Tax Allocation Bonds	2041	3.00 - 8.50%	\$ 332,185
Housing Set-Aside Bonds	2042	3.25 - 9.25%	117,605
Plus (less) Deferred Amounts:			
Issuance premiums			11,045
Issuance discounts			(2,251)
Total ORSA Long-Term Obligations, Net			\$ 458,584

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%	\$ 1,118,890
Notes and loans	2030	0.13 - 5.00%	82,538
Plus Deferred Amounts:			
Unamortized bond discounts and premiums, net			56,837
Total bonds, notes, and loans payable			1,258,265
Self-insurance liability - workers' compensation			11,182
Accrued vacation, sick leave and compensatory time			7,072
Environmental remediation and other liabilities			14,780
Net OPEB obligation			10,414
Total other long-term obligations			43,448
Total Component Unit Long-Term Obligations, Net			\$ 1,301,713

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Revenues Pledged for the Repayment of Debt Service - ORSA

Tax Allocation Bonds

The Tax Allocation Bonds (TAB), which are comprised of Series 2006T, Series 2009T, Series 2006A TE/T, Series 2006B TE/T, Series 2006C TE/T, Series 2010T and Refunding Bond Series 2013 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, 2014, the total principal and interest remaining on these TABs was estimated at \$509.4 million and the property tax revenues are pledged until the year 2041, the final maturity date of the bonds. 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.

Historically, upon receipt of property tax increment, the ORSA 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 ORSA 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 2011A-T 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, 2014, the total principal and interest remaining on the Housing set-aside bonds was estimated at \$227.5 million and the property tax revenues are pledged until the year 2042, the final maturity date of the bonds. 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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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 charge (PFCs) or customer facility charge (CFCs) 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, 2014, the Port has no bonds for which PFCs or CFCs are pledged.

The Port did not capitalize any interest cost in fiscal year 2014. 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, 2014, the City's debt limit (3.75% of valuation subject to taxation) was \$1,168,926,502. The total amount of debt applicable to the debt limit was \$290,448,558. The resulting legal debt margin was \$878,477,944.

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 Offered Rates ("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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

The amortization schedule is as follows as of June 30, 2014:

Calculation period (July 31)		Notional Amount	Fixed Rate To Counterparty	65% of LIBOR¹	Net Rate
2014	\$	53,700,000	5.6775%	0.1009%	5.5766%
2015		46,400,000	5.6775%	0.1009%	5.5766%
2016		39,300,000	5.6775%	0.1009%	5.5766%
2017		32,500,000	5.6775%	0.1009%	5.5766%
2018		25,800,000	5.6775%	0.1009%	5.5766%
2019		19,300,000	5.6775%	0.1009%	5.5766%
2020		12,800,000	5.6775%	0.1009%	5.5766%
2021		6,400,000	5.6775%	0.1009%	5.5766%

¹ Rate is as of 1-month LIBOR on June 30, 2014. 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, 2014 of \$53,700,000. 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 \$9,743,283 as of June 30, 2014. 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, 2014. 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Changes in Long-term Obligations

Primary Government

The changes in long-term obligations for the year ended June 30, 2014, are as follows (in thousands):

Governmental Activities					
	Balance at July 1, 2013	Additional obligations, interest accretion and net increases (decreases)	Current maturities, retirements and net decreases (increases)	Balance at June 30, 2014	Amounts due within one year
Bonds Payable:					
General obligation bonds	\$ 309,793	\$ -	\$ 19,344	\$ 290,449	\$ 20,394
Lease revenue bonds	176,850	-	35,295	141,555	31,600
Pension obligation bonds	367,394	-	18,882	348,512	18,079
City guaranteed special assessment district bonds	6,690	-	325	6,365	345
Accreted interest on appreciation bonds	162,874	23,907	16,858	169,923	22,607
Unamortized premium and discounts, net	20,219	-	1,829	18,390	1,829
TOTAL	1,043,820	23,907	92,533	975,194	94,854
Notes Payable and Capital Leases:					
Notes payable	7,815	-	2,485	5,330	2,180
Capital Leases	39,228	19,831	7,710	51,349	10,586
TOTAL	47,043	19,831	10,195	56,679	12,766
Other Long-Term Liabilities:					
Accrued vacation and sick leave	40,564	49,803	50,057	40,310	30,037
Pledge obligation for Coliseum Authority debt	56,895	-	3,670	53,225	3,780
Estimated environmental cost	3,455	-	1,300	2,155	1,300
Self-insurance liability - workers' compensation	80,596	24,651	21,763	83,484	21,119
Self-insurance liability - general liability	28,554	28,165	24,378	32,341	12,814
Net OPEB obligation	215,252	40,476	20,633	235,095	-
Interest rate swap agreement	12,208	-	2,465	9,743	-
TOTAL	437,524	143,095	124,266	456,353	69,050
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS	\$ 1,528,387	\$ 186,833	\$ 226,994	\$ 1,488,226	\$ 176,670

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, 2014, \$10.2 million 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Business-Type Activities

	Balance at July 1, 2013	Additional obligations, interest accretion and net increases (decreases)	Current maturities, retirements and net decreases (increases)	Balance at June 30, 2014	Amounts due within one year
Sewer fund - Notes payable	\$ 291	\$ -	\$ 291	\$ -	\$ -
Sewer fund - Bonds	48,710	40,590	50,745	38,555	1,925
Unamortized bond premium	1,885	5,230	1,971	5,144	343
Total	\$ 50,886	\$ 45,820	\$ 53,007	\$ 43,699	\$ 2,268

A summary of the Oakland Redevelopment Successor Agency changes in long-term debt for June 30, 2014 are as follows (in thousands):

Oakland Redevelopment Successor Agency

	Balance at July 1, 2013	Additional obligations, interest accretion and net increases (decreases)	Current maturities, retirements and net decreases (increases)	Balance at June 30, 2014	Amounts due within one year
Tax Allocation Bonds	\$ 358,980	\$ 102,960	\$ 129,755	\$ 332,185	\$ 14,610
Housing Set-Aside Bonds	122,015	-	4,410	117,605	4,990
Plus (less) Deferred Amounts:					
Issuance premiums	5,695	10,519	5,169	11,045	1,245
Issuance discounts	(2,387)	-	(136)	(2,251)	(136)
Total	\$ 484,303	\$ 113,479	\$ 139,198	\$ 458,584	\$ 20,709

Component Unit - Port of Oakland

	Balance at July 1, 2013	Additional obligations, interest accretion and net increases	Current maturities, retirements and net decreases	Balance at June 30, 2014	Amounts due within one year
Senior and intermediate lien bonds	\$ 1,160,615	\$ -	\$ 41,725	\$ 1,118,890	\$ 43,245
Notes and loans	83,755	-	1,217	82,538	228
Plus Unamortized bond discount and premium, net	62,091	-	5,254	56,837	6,446
TOTAL	1,306,461	-	48,196	1,258,265	49,919
Accrued vacation, sick leave, and compensatory time	7,481	4,814	5,223	7,072	5,223
Environmental remediation and other liabilities	19,601	474	5,295	14,780	2,991
Self-insurance liability - workers' compensation	9,630	3,025	1,473	11,182	1,500
Self-insurance liability - general liability	290	-	290	-	-
Net OPEB obligation	10,453	12,789	12,828	10,414	-
TOTAL	47,455	21,102	25,109	43,448	9,714
TOTAL COMPONENT UNIT LONG-TERM OBLIGATIONS	\$ 1,353,916	\$ 21,102	\$ 73,305	\$ 1,301,713	\$ 59,633

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Repayment Schedule:

Primary Government

The annual repayment schedules for all long-term debt as of June 30, 2014, are as follows (in thousands):

Governmental Activities ¹						
Year Ending June 30	General Obligation Bonds		Lease Revenue Bonds		Special Assessment District Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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.....	22,612	10,695	5,935	3,125	370	225
2020-2024.....	82,464	37,688	34,500	10,795	2,015	917
2025-2029.....	40,417	23,540	25,240	1,935	840	617
2030-2034.....	41,555	12,439	-	-	660	442
2035-2039.....	21,770	3,932	-	-	875	208
2040-2044.....	-	-	-	-	210	6
Total	<u>\$ 290,449</u>	<u>\$ 141,179</u>	<u>\$ 141,555</u>	<u>\$ 35,390</u>	<u>\$ 6,365</u>	<u>\$ 3,430</u>

Year Ending June 30	Notes Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2015.....	\$ 2,180	\$ 157	\$ 10,586	\$ 1,276
2016.....	1,090	121	10,342	1,057
2017.....	2,060	53	7,339	815
2018.....	-	-	7,008	637
2019.....	-	-	5,776	468
2020-2024.....	-	-	8,910	959
2025-2029.....	-	-	1,388	42
Total	<u>\$ 5,330</u>	<u>\$ 331</u>	<u>\$ 51,349</u>	<u>\$ 5,254</u>

Year Ending June 30	Pension Obligation Bonds			Total		
	Accreted		Interest	Accreted		Interest
	Principal	Interest		Principal	Interest	
2015.....	\$ 18,079	\$ 22,607	32,892	\$ 83,184	\$ 22,607	\$ 55,743
2016.....	17,210	24,688	35,036	67,172	24,688	55,464
2017.....	16,370	26,774	37,182	66,319	26,774	55,430
2018.....	25,274	28,807	39,162	59,769	28,807	55,186
2019.....	24,707	30,841	41,001	59,400	30,841	55,514
2020-2024.....	142,872	142,233	186,594	270,761	142,233	236,953
2025-2029.....	104,000	-	4,938	171,885	-	31,072
2030-2034.....	-	-	-	42,215	-	12,881
2035-2039.....	-	-	-	22,645	-	4,140
2040-2044.....	-	-	-	210	-	6
Subtotal	<u>\$ 348,512</u>	<u>\$ 275,950</u>	<u>\$ 376,805</u>	<u>\$ 843,560</u>	<u>\$ 275,950</u>	<u>\$ 562,389</u>
Less: unaccreted interest.....	<u>-</u>	<u>(106,027)</u>	<u>-</u>	<u>-</u>	<u>(106,027)</u>	<u>-</u>
	<u>\$ 348,512</u>	<u>\$ 169,923</u>	<u>\$ 376,805</u>	<u>\$ 843,560</u>	<u>\$ 169,923</u>	<u>\$ 562,389</u>

¹ The specific year for payment of other long-term liabilities is not practicable to determine.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Business-Type Activities		
Year Ending	Sewer Revenue Bonds	
June 30	Principal	Interest
2015.....	\$ 1,925	\$ 1,718
2016.....	1,965	1,680
2017.....	2,045	1,601
2018.....	2,125	1,519
2019.....	2,235	1,413
2020-2024.....	12,465	5,764
2025-2029.....	15,795	2,446
Total	<u>\$ 38,555</u>	<u>\$ 16,141</u>

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, 2014, including mandatory sinking fund payments, are as follows (in thousands):

Year Ending	Tax Allocation Bonds		Housing Set-Aside Bonds		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2015.....	\$ 14,610	\$ 18,036	\$ 4,990	\$ 7,809	\$ 19,600	\$ 25,845
2016.....	21,045	17,121	5,240	7,535	26,285	24,656
2017.....	23,295	15,878	5,505	7,226	28,800	23,104
2018.....	23,650	14,526	5,840	6,876	29,490	21,402
2019.....	25,520	13,127	6,205	6,506	31,725	19,633
2020-2024.....	95,790	45,050	31,110	26,110	126,900	71,160
2025-2029.....	37,585	30,220	12,530	19,394	50,115	49,614
2030-2034.....	49,005	18,412	13,395	15,570	62,400	33,982
2035-2039.....	38,845	4,674	17,990	10,703	56,835	15,377
2040-2042.....	2,840	212	14,800	2,134	17,640	2,346
Total	<u>\$ 332,185</u>	<u>\$ 177,256</u>	<u>\$ 117,605</u>	<u>\$ 109,863</u>	<u>\$ 449,790</u>	<u>\$ 287,119</u>

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, 2014, are as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2015.....	\$ 63,356 ⁽¹⁾	\$ 60,062	\$ 123,418
2016.....	71,321	56,773	128,094
2017.....	74,317	52,038	126,355
2018.....	60,551	47,841	108,392
2019.....	57,400	45,103	102,503
2020-2024.....	300,183	185,465	485,648
2025-2029.....	364,502	102,760	467,262
2030-2033.....	209,798	21,350	231,148
TOTAL	<u>\$ 1,201,428</u>	<u>\$ 571,392</u>	<u>\$ 1,772,820</u>

⁽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 2014-2017 pursuant to the "Term Loan" provisions of the Commercial Paper Reimbursement Agreements.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

The Port's required debt service payments on its Senior Lien Bonds and Intermediate Lien Bonds are due each May 1 and November 1 through May 1, 2033. The California Department of Boating and Waterways loan is due each August 1 through August 1, 2029. Commercial Paper has been classified as long-term debt because the Port has the intent and ability to continue to refinance this debt.

Current Year Long-Term Debt Financings

Oakland Redevelopment Successor Agency, Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013

On October 3, 2013, the Oakland Redevelopment Successor Agency issued \$102,960,000 aggregate principal amount of Oakland Redevelopment Successor Agency Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013 (the "Series 2013 Bonds") to refund all of the outstanding Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2003 and Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005, each previously issued by the Redevelopment Agency of the City of Oakland. The Series 2013 Bonds were issued with interest rates ranging from 3.00% to 5.00% producing yields ranging from 0.63% to 3.66%. The final maturity of the Series 2013 Bonds is September 1, 2022.

Issuance of the Series 2013 Bonds generated approximately \$9.3 million or 8.49% in net present value savings which is approximately \$10.0 million in debt service savings through 2022.

Sewer Revenue Refunding Bonds, 2014 Series A

On March 20, 2014, the City of Oakland issued \$40,590,000 aggregate principal amount of City of Oakland Sewer Revenue Refunding Bonds, 2014 Series A (the "2014 Series A Bonds") to refund all of the outstanding City of Oakland Sewer Revenue Bonds, 2004 Series A. The 2014 Series A Bonds were issued with interest rates ranging from 2.00% to 5.00% producing yields ranging from 0.20% to 3.52%. The final maturity of the 2014 Series A Bonds is June 15, 2029.

Issuance of the 2014 Series A Bonds generated approximately \$6.2 million or 12.74% in net present value savings which is approximately \$13.4 million in debt service savings through 2029.

Master Lease - Installment Purchase Financing Contracts (IBM Phase I)

On September 4, 2013 and August 30, 2013, the City entered into Installment Purchase Financing Contracts (2013A Financing Contract and 2013B Financing), respectively in the amount of \$ 10,683,407 for upgrades and enhancements to computer hardware and software for a new technology platform for the business and operational needs of the Oakland Police Department. The 2013A Financing in the amount of \$7,948,283 was entered into with IBM Credit LLC on a tax-exempt basis with a final maturity of May 1, 2019; the interest rate on the financing is 2.86%. The 2013B Financing in the amount of \$2,735,124 was executed with Oracle Credit Corporation on a tax-exempt basis with final maturities of October 1, 2017; the interest rate on the financings is 0.00%.

Master Lease – Installment Purchase Financing Contracts (IBM Phase II)

On June 30, 2014, the City of Oakland entered into a Master Lease-Purchase Agreement with IBM Credit LLC in the principal amount of \$4,452,981 to finance the acquisition of upgrades and enhancements for the City's information technology systems. The transaction was issued for the renewal of on-going

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

information technology operations and maintenance agreements. The financing was done on a tax-exempt basis with a final maturity of April 1, 2019; the interest rate on the financing is 2.76%.

Master Lease - Oracle Municipal Payment Plan Agreements (Phase I)

On March 1, 2014, the City of Oakland entered into Municipal Payment Plan Agreements with Oracle Credit Corporation in the principal amounts of \$1,326,143 and \$287,047 to finance the acquisition of various computer hardware and software systems including Oracle Business Intelligence Foundation Suite and Exalytics In-Memory Database. The financings were done on a tax-exempt basis with final maturities of October 1, 2017; the interest rate on the financings is 0.00%.

Master Lease - Oracle Municipal Payment Plan Agreement (Phase II)

On May 21, 2014, the City of Oakland entered into a Municipal Payment Plan Agreement with Oracle Credit Corporation in the principal amount of \$581,162 to finance the acquisition of computer hardware and software for the storage and backup systems for the existing Exadata, Exalogic, and Exalytics environments. The financing was done on a tax-exempt basis with a final maturity of October 1, 2018; the interest rate on the financings is 0.00%.

Master Lease – Parking Meter Lease 2014

On April 30, 2014, the City of Oakland entered into a Master Lease-Purchase Agreement with JPMorgan Chase Bank, N.A. in the principal amount of \$2,500,000 to finance the acquisition of a parking meter replacement system consisting of 4,300 new Smart Parking Meters and related equipment and services. The new Smart Parking Meters provide a credit card enable single-space meter mechanism which retrofits onto the current on-street parking meter poles. The financing was done on a tax-exempt basis with a final maturity of November 1, 2019; the interest rate on the financing is 1.55%.

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, 2014, 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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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, 2014 (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2014
Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	\$ 19,800	07/01/33	\$ 14,570
Redevelopment Agency of the City of Oakland, Multifamily Housing Revenue Bonds (Uptown Apartment Project), 2005 Series A ¹	160,000	10/01/50	-
TOTAL	\$ 179,800		\$ 14,570

¹ Full Redemption for the Multifamily Housing Revenue Bonds (Uptown Apartment Project), Series A

(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, 2014, the City has \$109.1 million in the GPF fund balance. Of this amount, \$36.7 million is set aside to meet the mandated 7.5% required reserve of \$33.5 million, and is reported in the assigned fund balance of the General Fund.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

(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 \$3,000,000 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 \$10,000 deductible to be paid by the City. Vehicles are insured at full replacement value after a \$20,000 deductible. Equipment valued at more than \$250,000 is insured at full replacement after a \$100,000 deductible and equipment valued at more than \$250,000 is insured at full replacement cost after \$20,000 deductible.

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 \$83.5 million in claims liabilities as of June 30, 2014, approximately \$21.1 million is estimated to be due within one year.

Changes in workers' compensation claims liabilities for the years ended June 30, 2014 and 2013 are as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Self-insurance liability -		
workers' compensation, beginning of year	\$ 80,596	\$ 85,558
Current year claims and changes in estimates	24,651	17,297
Claims payments	<u>(21,763)</u>	<u>(22,259)</u>
Self-insurance liability -		
workers' compensation, end of year	<u>\$ 83,484</u>	<u>\$ 80,596</u>

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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

General Liability

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2014, the amount of liability determined to be probable of occurrence is approximately \$32.3 million. Of this amount, claims and litigation approximating \$12.8 million 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, 2014 and 2013 are as follows (in thousands):

	2014	2013
Self-insurance liability - general liability, beginning of year	\$ 28,554	\$ 33,971
Current year claims and changes in estimates	28,165	13,652
Claims payments	(24,378)	(19,069)
Self-insurance liability - general liability, end of year	<u>\$ 32,341</u>	<u>\$ 28,554</u>

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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Discretely Presented Component Unit – Port of Oakland

Workers' Compensation

The workers' compensation liability of \$11,182,000 at June 30, 2014 is based upon an actuarial study performed as of June 30, 2014 that assumed a probability level of 70% and a discount rate of 0.0%. Changes in the reported liability, which is included as part of environmental and other, follows (in thousands):

	<u>2014</u>	<u>2013</u>
Self-insurance liability -		
workers' compensation, beginning of year	\$ 9,630	\$ 8,190
Current year claims and changes in estimates	3,025	2,632
Claims payments	<u>(1,473)</u>	<u>(1,192)</u>
Self-insurance liability -		
workers' compensation, end of year	<u>\$ 11,182</u>	<u>\$ 9,630</u>

General Liability - Insurance

The Port purchases insurance on certain risk exposures including but not limited to property, crane, rail, automobiles liability, airport liability, umbrella liability, environmental 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 self-insured for other general liability and liability/litigation-type claims, workers' compensation of the Port's employees and most first party earthquake exposures. During fiscal year 2014, the Port carried excess insurance over \$1,000,000 for the self-insured general liability and workers compensation exposures. There have been no claim payments related to these programs that exceeded insurance limits in the last three years.

As of June 30, 2014, 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. A summary of the reported liability included within the environmental remediation and other liability on the statement of net position is as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Self-insurance liability -		
general liability, beginning of year	\$ 290	\$ 5,663
Current year claims and changes in estimates	(290)	(926)
Claims payments	<u>-</u>	<u>(4,447)</u>
Self-insurance liability -		
general liability, end of year	<u>\$ -</u>	<u>\$ 290</u>

On July 18, 2013, the port settled litigation with one of the Port's long-term seaport tenants, SSA Terminals, LLC and SSA Terminals (Oakland), LLC (collectively, SSAT). The settlement involved four of the Port's then seven marine terminals, and allowed SSAT to create a 350-acre mega-terminal at the Port's middle harbor. Under the settlement, SSAT leases two terminals through 2022 at substantially similar rates and conditions, and assumes 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 forth terminal effective September 30, 2013.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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).

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 provided an actuarial forecast for this program that projects losses within the deductible/self-insured retention, which have not yet been accrued, of approximately \$507,000 through program expiration in 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 County is a participant with the City of Oakland (City) in a joint exercise of powers agreement forming the Oakland-Alameda County Coliseum Authority (Coliseum 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 Marks-Roos Local Bond Pooling Act of 1985. The Oakland-Alameda County Coliseum Financing Corporation (Financing Corporation) is reported as a blended component unit of the Coliseum Authority. The eight-member Board of Commissioners of the Coliseum 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 Financing Corporation consists of the City Manager and the County Administrator.

Stadium Bonds – Background

In August 1995, the Coliseum Authority issued \$9.2 million in Fixed Rate Refunding Lease Revenue Bonds and \$188.5 million in Variable Rate Lease Revenue Bonds (collectively known as the Stadium Bonds) to satisfy certain obligations of the Coliseum Authority, the City, the County, the Financing Corporation and Oakland-Alameda County Coliseum Inc. (Coliseum Inc.), which then managed 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 to the City.

On May 25, 2000, the Coliseum Authority issued \$201.3 million 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 \$137.4 million as of May 31, 2012 through annual principal payments and optional calls.

On May 31, 2012, the Authority issued \$122.8 million in Refunding Bonds Series 2012 A with coupons of 2 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 \$138.1 million.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

These funds coupled with \$13 million in the 2000 Series C reserve fund generated a total available funds of \$151.1 million which was used to refund the 2000 C Refunding Bonds of \$137.4 million, fund a reserve fund of \$12.8 million and to pay underwriter's discount and issuance cost of \$0.9 million. The all-in-interest cost of the 2012A refunding bonds was 3.04 percent.

There was an economic loss of \$23 million (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 \$15.3 million.

The Stadium Bonds are limited obligations of the Coliseum Authority payable solely from certain revenues of the Coliseum Authority, including revenues from the Stadium and Arena Complex and base rental payments from the City and the County. The source of the Coliseum Authority's revenues relating to football games consists primarily of a portion of the club dues, concession, and parking payments. The Coliseum Authority has pledged the base rental payments and most other revenues received under the Master Lease from the lessees, the City, and the County to the trustee to pay debt service on the bonds. In the event that 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 million annually to cover such shortfall 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 million annually in the event of default by the County. Base rental payments are projected to cover one hundred percent of the debt service requirements over the life of the bonds. The obligation of the City and the County to make such payments is reduced to the extent the Coliseum Authority receives revenues generated at the complex to pay debt service and for operations and maintenance. The Stadium Bonds are not general obligations of either the City or the County.

Arena Bonds – Background

On August 2, 1996, the Coliseum Authority issued \$70 million Series A-1 and \$70 million 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 Coliseum 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) among the Warriors and the City, the County, Coliseum Inc., and the Coliseum Authority.

Under the Warriors Agreements, the Arena Bonds are limited obligations of the Coliseum Authority, payable solely from revenues received by the Coliseum Authority on behalf of the City and the County. Revenues consist of base rental payments from the City and County, certain payments from the Warriors of up to \$7.428 million annually from premium seating revenues, the sale of personal seat licenses by the Coliseum Authority, concessionaire payments and Arena naming rights. If necessary to prevent default, additional premium revenues up to \$10 million may be pledged to service Arena debt. 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 the County are obligated to make up the shortfall in the base rental payments from their respective general funds. The County and the City each have covenanted to appropriate up to \$9.5 million annually to cover such shortfalls in revenue; however, the City and the

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

County are jointly and severally liable to cover such shortfall, which means that the City could have to pay up to \$19 million annually in the event of default by the County.

Allied Irish Bank had issued a direct-pay letter of credit for the Series A-2 Lease Revenue Bonds. Over the past several years, the bank's credit rating decreased significantly, increasing the interest rates the Coliseum Authority had to pay on the bonds. The Coliseum Authority replaced Allied Irish Bank with The Bank of New York as the letter of credit provider, so currently both bond series are backed by The Bank of New York.

Debt Compliance

Long-term debt outstanding as of June 30, 2014 is as follows:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
Stadium Bonds				
2012 Refunding Series A Lease Revenue Bonds	February 1, 2025	Fixed	\$ 122,815	\$ 106,450
Arena Bonds				
1996 Series A-1 Lease Revenue Bonds	February 1, 2026	Variable	70,000	43,205
1996 Series A-2 Lease Revenue Bonds	February 1, 2026	Variable	70,000	41,680
Subtotal			140,000	84,885
Total Long-term debt			\$ 262,815	\$ 191,335

The following is a summary of long-term debt transactions for the year ended June 30, 2014:

Outstanding lease revenue bonds, July 1, 2013	\$ 204,085
Principal repayments	(12,750)
Outstanding lease revenue bonds, June 30, 2014	191,335
Amount due within one year	(12,710)
Amount due beyond one year	<u>\$ 178,625</u>

Debt payments during the fiscal year ended June 30, 2014 were as follows:

	<u>Stadium</u>	<u>Arena</u>	<u>Total</u>
Principal	\$ 7,340	\$ 5,410	\$ 12,750
Interest	5,467	215	5,682
Total	<u>\$ 12,807</u>	<u>\$ 5,625</u>	<u>\$ 18,432</u>

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Debt service requirements for the Coliseum Authority debt:

For the Period	Stadium Bonds		Arena Bonds		Total	
Ending June 30,	Principal	Interest	Principal	Interest ⁽¹⁾	Principal	Interest
2015	\$ 7,560	\$ 5,246	\$ 5,150	\$ 141	\$ 12,710	\$ 5,387
2016	7,865	4,944	5,400	132	13,265	5,076
2017	8,255	4,552	5,800	122	14,055	4,674
2018	8,670	4,138	6,200	112	14,870	4,250
2019	9,100	3,706	6,600	102	15,700	3,808
2020-2024	52,805	11,226	40,850	316	93,655	11,542
2025-2026	12,195	610	14,885	23	27,080	633
Total	<u>\$ 106,450</u>	<u>\$ 34,422</u>	<u>\$ 84,885</u>	<u>\$ 948</u>	<u>\$ 191,335</u>	<u>\$ 35,370</u>

⁽¹⁾ As of June 30, 2014, the variable interest rates for the Arena Bonds, which includes Lease Revenue Bonds Series A-1 and Series A-2, were 0.18% and 0.17%, respectively.

Management of Coliseum Authority

The Coliseum Authority entered into an agreement with the Oakland Coliseum Joint Venture (OCJV) to manage the entire Coliseum complex beginning July 1, 1998. On January 1, 2001, the Coliseum Authority terminated its agreement with OCJV and reinstated its Operating Agreement with Coliseum Inc. Coliseum Inc. subcontracted all of the operations of the Coliseum Complex to OCJV. The Operating Agreement between the Coliseum Authority and Coliseum Inc. expired, by its terms, on July 31, 2006. The Coliseum Authority entered into a Termination Agreement whereby, in return for certain consideration, the Coliseum Authority agreed to perform the duties of Coliseum, Inc. on and after August 1, 2006. The Authority's management agreement with OCJV expired in June 2012. In July 2012, AEG Management Oakland, LLC took over management of the Coliseum Complex after signing a five year agreement.

Under the joint exercise of power agreement, which formed the Coliseum Authority, the County is responsible for funding up to 50 percent of the Coliseum Authority's operating costs and debt service requirements; to the extent such funding is necessary. During the year ended June 30, 2014, the County made contributions of \$9.925 million to fund its share of operating deficits and debt service payments of the Coliseum Authority.

The Coliseum Authority has anticipated a deficit for operating costs and repayment of its Stadium Bonds, such that the City and County will have to contribute to base rental payments. Of the \$20.5 million appropriated in the general fund as part of the above agreements, it is estimated that the County will have to contribute \$9.894 million for the year ending June 30, 2015. There are many uncertainties in the estimation of revenues for the Coliseum Authority beyond one year into the future; therefore, the County has established a contingent liability to fund the Coliseum Authority deficit in the statement of net position in an amount equal to its contingent share (50 percent) of the outstanding Stadium Bonds, in the amount of \$53.225 million. The County 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.

Complete financial statements for the Coliseum Authority can be obtained from the County Auditor-Controller's Office at 1221 Oak Street, Room 249 Oakland, CA 94612.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

(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, 2013	July 1, 2014	June 30, 2013

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, 2014 standalone 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, 2014, 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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. Using the current actuarial cost method, these contributions are based on spreading costs as a level percentage of all uniformed employees' compensation through June 30, 2026. Budgeted administrative expenses are included in the City contribution rates. The City must contribute, at a minimum, such amounts as are necessary, on an actuarial basis, to provide assets sufficient to meet benefits to be paid to plan members.

On July 30, 2012, the City issued additional Pension Obligation Bonds (Series 2012) and contributed \$210,000,000 to PFRS. 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.

As of July 1, 2013 (the date of the last PFRS actuarial valuation), the unfunded actuarial accrued liability is approximately \$215,000,000.

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, 2014, were as follows:

Annual Required Contribution (ARC)	\$ (20,300,000)
Interest on pension asset	26,228,942
Adjustment to the annual required contribution	<u>(31,613,144)</u>
Annual Pension Cost	(25,684,202)
Pension contribution	-
Net pension assets, beginning of year	<u>327,861,776</u>
Net pension assets, end of year	<u><u>\$ 302,177,574</u></u>

The following table shows the City's annual pension cost and the percentage contributed for the fiscal year 2014 and each of the two preceding years:

Fiscal Year Ended June 30	Annual Pension Cost	Pension Contribution	Percentage (%) Contributed	Net Pension Asset
2012	\$ 47,235,275	\$ 45,507,996	96%	\$ 154,373,983
2013	36,512,207	210,000,000	575%	327,861,776
2014	25,684,202	-	0%	302,177,574

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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)
7/1/2013	\$ 655.4	\$ 440.4	\$ 215.0	67.2%	\$ -	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 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, 2014 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	July 1, 2013 ¹	July 1, 2012 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	23 years closed as of July 1, 2013
Asset Valuation Method	Market value adjusted to reflect investment earnings greater than (or less than) the assumed rate over a five-year period.	Expected actuarial value plus 20% of the difference from market value, with 110% and 90% market value corridor.

¹ The July 1, 2013 valuation was used to determine the funded status

² The July 1, 2012 valuation was used to determine the annual required contribution for fiscal year 2014

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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Charter. The June 30, 2014 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, 2014, 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.

On November 4, 2014, City of Oakland voters passed Oakland Measure EE, which grants the City of Oakland Council the authority to terminate OMERS by purchasing a group annuity contract to guarantee pension payments to the remaining OMERS' retirees and beneficiaries. This Measure is effective January 2015.

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)
7/1/2014	\$ 2,824	\$ 4,774	\$ (1,950)	169.1%	\$ -	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, 2014 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	July 1, 2014 ¹	July 1, 2012 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%	6.25%
Inflation Rate	3.25%	3.25%
Cost-of-living Adjustments	3.00%; 3.375%	3.00%
Amortization Method	Closed Level Dollar	Closed Level Dollar
Amortization Period	6 Years	6 Years

¹ The July 1, 2014 valuation was used to determine the funded status

² The July 1, 2012 valuation was used to determine the annual required contribution for fiscal year 2014

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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.

Tier Pension Plans	Employee Organization	
	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 27.295% for non-safety employees and 33.346% 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 2013-14, the City's annual pension costs of \$48.8 million for the Safety Plan and \$49.8 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, 2011, 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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
2012	\$ 46.8	100%	\$ -
2013	46.5	100%	-
2014	48.8	100%	-

Miscellaneous Plan			
Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 42.2	100%	\$ -
2013	42.9	100%	-
2014	49.8	100%	-

Funded Status and Funding Progress for PERS' Retirement Plans

Safety Plan

As of June 30, 2013, the most recent actuarial valuation date, the Safety Plan was 67.9% funded. The actuarial accrued liability for benefits was \$1,487,554,559 and the actuarial value of Plan assets was \$1,009,460,115 resulting in an unfunded actuarial accrued liability (UAAL) of \$478,094,444. The annual covered payroll was \$116,889,443, and the ratio of the UAAL to the annual covered payroll was 409.0%.

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, 2014 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	June 30, 2013 ¹	June 30, 2011 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		32 years closed as of the Valuation Date
Asset Valuation Method	Market Value	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	3.30% to 14.20% depending on Age, service, and type of employment

¹ The July 1, 2013 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 2014

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Description	Method/Assumption	Method/Assumption
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
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 2.75% and an annual production growth of 0.25%

Miscellaneous Plan

As of June 30, 2013, the most recent actuarial valuation date, the Miscellaneous Plan was 69.5% funded. The actuarial accrued liability for benefits was \$2,153,399,419 and the actuarial value of plan assets was \$1,496,650,907, resulting in an unfunded actuarial accrued liability (UAAL) of \$656,748,512. The annual covered payroll was \$183,384,391 and the ratio of the UAAL to the annual covered payroll was 358.1%. 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, 2014 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	June 30, 2013 ¹	June 30, 2011 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		19 years closed as of the Valuation Date
Asset Valuation Method	Market Value	15 Years Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.50% (net of administrative expenses)	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on age, service, and type of employment	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.25%

¹ The July 1, 2013 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 2014

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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 2.75% and an annual production growth of 0.25%

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.

As of June 30, 2014, the City began to partially pre-fund the annual required contribution (ARC) 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 City's 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 \$20,632,950 for retirees under this program for the year ended June 30, 2014.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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, 2014 were as follows (in thousands):

Annual Required Contribution (ARC)	\$ 39,418
Interest on net OPEB obligation	12,033
Adjustment to ARC	(10,975)
Annual OPEB cost	40,476
Employer Contribution	(20,633)
Increase in net OPEB obligation	19,843
Net OPEB obligation, beginning of year	215,252
Net OPEB obligation, end of year	<u>\$ 235,095</u>

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		Percentage OPEB	Net OPEB
June 30,	Annual OPEB Cost	Cost Contributed	Obligation
2012	\$ 46,401	36.2%	\$ 186,583
2013	46,291	38.1%	215,252
2014	40,476	51.0%	235,095

OPEB Funded Status and Funding Progress

As summarized in the table below, as of July 1, 2013, the most recent actuarial valuation date, the City's Retiree Health Plan was zero percent funded on an actuarial basis. 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 progress and as June 30, 2014, it has begun to partially pre-fund the annual required contribution (ARC) to CERBT. As of June 30, 2014, the City has \$2.2 million set aside for future liabilities. The specific funded status for the OPEB plan is summarized in the table below, as of July 1, 2013 (in thousands):

Actuarial	Actuarial Accrued	Actuarial Value of	Unfunded AAL	Funded	Covered	UAAL as a
Valuation Date	Liability (AAL)	Assets	(UAAL)	Ratio	Payroll	Percentage of
	(a)	(b)	(a-b)	(b/a)	(c)	((a-b)/c)
7/1/2013	\$ 463,851	\$ -	\$ 463,851	0.0%	\$ 322,170	144%

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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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, 2014 and the funded status as of July 1, 2013 are as follows:

Description	Method/Assumption
Valuation Date	July 1, 2013
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	5.59%
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. For post-Medicare benefits the trend rate for health claims is 6.00% for fiscal year 2014 grading down to 5.00% for 2025 and beyond. The trend for fiscal year 2013 is based on the actual known premium rate changes. The trend rate is determined by the Plan sponsor based on historical data and anticipated experience under the Plan.

¹ The City began to partially pre-fund the ARC in June 2014 by participating in CERBT sponsored by CalPERS, and therefore the discount rate is a blend of the expected return on assets for the CERBT assets and the expected return on the City's general assets.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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 CalPERS. The CERBT is an Internal Revenue Code Section 115 trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Postemployment Benefits (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. Additionally, through the Port's Retiree Health Plan, employees hired before 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 benefits.

Prior to 2011, eligible retirees must have attained the age of fifty or over at the time of retirement, have five or more years of CalPERS service, and must be eligible to receive PERS retirement benefits. On July 21, 2011, the Port adopted resolutions that 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).

Under the adopted vesting schedule, the Port shall pay a percentage of retiree medical coverage for a retiree and his or her eligible dependents based on the provisions of Section 22893 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. 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

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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

As of June 30, 2014, there were approximately 535 employees who had retired from the Port and were participating in the Port's Retiree Health Plan. During fiscal year ended June 30, 2014, the Port contributed \$5,800,000 to the CERBT and made payments of \$7,028,398 on behalf of eligible retirees to third parties outside of the CERBT fund.

Annual OPEB Cost and Net OPEB Obligation

The Port's annual OPEB cost is equal to (a) ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45, plus (b) one year's interest on the beginning balance of the net OPEB obligation, and minus (c) an adjustment to 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, 2014 (in thousands):

Annual Required Contribution (ARC)	\$ 12,844
Interest on net OPEB obligation	732
Adjustment to ARC	<u>(787)</u>
Annual OPEB cost	12,789
Employer Contribution	<u>(12,828)</u>
Increase in net OPEB obligation	(39)
Net OPEB obligation, beginning of year	<u>10,453</u>
Net OPEB obligation, end of year	<u><u>\$ 10,414</u></u>

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
2012	\$ 10,983	99.6%	\$ 10,510
2013	10,984	100.5%	10,453
2014	12,789	100.3%	10,414

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	\$ 105,901	22.5%	\$ 47,823	221%

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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. The ARC for fiscal year 2014 was based on an actuarial valuation of the Port's plan as of June 30, 2013, which amortized the Port's UAAL 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 \$314.5 million to a number of capital improvement projects for fiscal year 2015 through fiscal year 2016. As of June 30, 2014, the City had construction commitments for the acquisition and construction of assets as follows (in thousands):

Building, facilities and infrastructure	\$	23,533
Parks and open space		15,479
Sewers and storm drains		41,636
Streets and sidewalks		201,341
Technology enhancements		17,831
Traffic improvements		14,664
Total	\$	<u>314,484</u>

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

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.

On May 29, 2014, pursuant to Health and Safety Code (“HSC”) section 34191.4, the California Department of Finance approved ORSA Long-Range Property Management Plan (“LRPMP”) addressing the disposition and use of the former Agency properties and authorizing the disposition of properties pursuant to the plan.

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, 2014, environmental remediation clean up activities has not been completed yet. The ORSA 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). In FY 2013-14, the City received the \$2.1 million from the Army.

The next \$11.0 million of environmental remediation costs are to be shared equally by the City and the Port. As of June 30, 2014, the City has recorded its remaining share of \$1.6 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

As part of the City and the former 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, 2014, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

Aviation	\$ 94,251
Maritime	51,787
Commercial real estate & Support Division	64
Total	<u>\$ 146,102</u>

The most significant projects for which the Port has contractual commitments for construction are: Runway Safety Area of \$6.6 million, Airport Terminal Renovation projects of \$84.6 million and, phase 1 of the new rail terminal project on Port-owned OAB property of \$48.3 million.

Power Purchases

The Port purchases electrical power for resale and self-consumption and 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.

<u>Counterparty</u>	<u>Contract Ending Year</u>	<u>Contract Structure</u>	<u>Estimated Output</u>	<u>Estimated Annual Cost</u>
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)
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, 2014, approximately \$3.6 million of power purchases contracts with Powerex Corporation and Shell Energy North America with expiration dates of 18 months or less.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Environmental Remediation

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 remediation liability accounts, net of the estimated recoveries, included in long-term obligations on the statement of net position at June 30, 2014, is as follows (in thousands):

Obligating Event	Liability	Estimated Recovery
Pollution poses an imminent danger to the public or environment	\$ 434	\$ -
Violated a pollution prevention-related permit or license	-	-
Identified as responsible to clean up pollution	9,532	988
Named in a lawsuit to compel to clean up	10	-
Begins or legally obligates to clean up or post-clean up activities	3,497	61
Total by Obligating Event	<u>\$ 13,473</u>	<u>\$ 1,049</u>

The environmental remediation 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 post-remediation monitoring.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

- 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 remediation 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, 2014, the following funds reported deficits in fund balance/net position (in thousands):

Special Revenue:	
Federal/State Grant Fund.....	\$ (4,194)
Internal Service Funds:	
Facilities.....	\$ (17,149)
Reproduction.....	(1,609)
Central Stores.....	(3,834)
Purchasing.....	(141)

The deficit in 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, 2014, the Other Assessment Bonds debt service fund reported expenditures in excess of budgets by \$25 thousand, which 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 9, 2014, the City issued the 2014-15 Tax and Revenue Anticipation Notes (the "Notes") in the principal amount of \$55,000,000 with final maturity on June 30, 2015. The Notes were successfully sold on a competitive basis and were priced with an interest rate of 1.00% to yield 0.11% 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2014

Master Lease - 2014 Vehicles and Equipment

On November 14, 2014, the City entered into a Master Lease-Purchase Agreement with Banc of America Public Capital Corp in the principal amount of \$15,731,000 to finance the acquisition of 269 pieces of equipment and vehicles. The financing was done on a tax-exempt basis with a final maturity of January 15, 2025; the interest rates on the financing are 1.174-2.177%.

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 of Oakland in June 2011, and seeks to stop the System from paying retirement benefits based on certain holidays and shift differential premium pay (7.25%) to many police retirees. The City also seeks an order requiring the System to collect back overpayments. After the initial judgment was issued in September 2012, it was appealed to the First District Court of Appeal. The Court of Appeal issued its ruling in February 2014, and the trial court entered an amended writ and judgment in August 2014.

The writ and judgment direct the PFRS board to cease paying excessive holidays and the shift differential premium. In September and October 2014, the PFRS Board passed resolutions #6819 and #6824 to seek 100% recovery of the combined overpayments, which total approximately \$3.9 million. The PFRS Board has not yet decided on the method and timing of recovering the overpayments.

The impact of the court decisions and PFRS Board actions thus far is a reduction in the monthly payout of retiree benefits (due to the elimination of the 7.25% shift differential premium and 17.417 excessive holidays). These actions could increase the fund by approximately \$3.9 million, depending on the recovery from retirees and beneficiaries.

Measure EE - Termination and Winding Up of OMERS Retirement System

On November 4, 2014, City of Oakland voters passed Oakland Measure EE, which grants the City of Oakland Council the authority to terminate OMERS by purchasing a group annuity contract to guarantee pension payments to the remaining OMERS' retirees and beneficiaries. This Measure is effective January 2015.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OAKLAND
Required Supplementary Information (unaudited)
For the Year Ended June 30, 2014

PFRS AND OMERS ACTUARIAL VALUATIONS
SCHEDULES OF FUNDING PROGRESS

Oakland Police and Fire Retirement System - Pension

Valuation Date	Actuarial 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)
7/1/2011	\$ 683,200,000	\$ 256,400,000	\$ 426,800,000	37.5%	\$ 100,000	426800%
7/1/2012	658,300,000	257,200,000	401,100,000	39.1%	100,000	401100%
7/1/2013	655,400,000	440,400,000 *	215,000,000	67.2%	-	N/A

* The increase in the actuarial value of assets reflects 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 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	5,471,000	4,728,000	743,000	86.4%	-	N/A
7/1/2012	3,630,000	4,448,000	(818,000)	122.5%	-	N/A
7/1/2014	2,824,000	4,774,000	(1,950,000)	169.1%	-	N/A

CITY OF OAKLAND
Required Supplementary Information (unaudited) (continued)
For the Year Ended June 30, 2014

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)
6/30/2011	\$ 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%
6/30/2013	1,487,554,559	1,009,460,115	478,094,444	67.9%	116,889,443	409.0%

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)
6/30/2011	\$ 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%
6/30/2013	2,153,399,419	1,496,650,907	656,748,512	69.5%	183,384,391	358.1%

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)
7/1/2010	\$ 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%
7/1/2013	463,850,944 *	-	463,850,944	0.0%	322,169,792	144.0%

* The City began to partially pre-fund the annual required contribution in the year ended June 30, 2014 by participating in to CERBT sponsored by CalPERS, which increased the discount rate to 5.59%.

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	\$ 117,954,000	10.2%	\$ 45,248,000	261%
6/30/2011	128,906,000	19,145,000	109,761,000	14.9%	44,627,000	246%
6/30/2013	136,616,000	30,715,000	105,901,000	22.5%	47,823,000	221%

CITY OF OAKLAND
Required Supplementary Information (unaudited) (continued)
For the Year Ended June 30, 2014

Budgetary Comparison Schedule - General Fund

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 202,130	\$ 204,556	\$ 205,895	\$ 1,339
Sales and use tax	46,051	48,893	46,956	(1,937)
Local taxes:				
Business license	59,240	59,850	62,905	3,055
Utility consumption	50,000	49,128	50,422	1,294
Real estate transfer	40,365	56,745	59,060	2,315
Transient occupancy	12,620	14,567	14,578	11
Parking	9,235	7,947	8,444	497
Franchise	15,535	15,535	16,401	866
Licenses and permits	1,436	1,924	1,388	(536)
Fines and penalties	23,090	26,247	22,809	(3,438)
Interest and investment income	715	715	1,003	288
Charges for services	69,209	70,757	77,978	7,221
Federal and state grants and subventions	1,188	1,636	4,911	3,275
Annuity income	9,624	9,624	2,040	(7,584)
Other	9,062	8,209	-	(8,209)
TOTAL REVENUES	549,500	576,333	574,790	(1,543)
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	2,109	2,136	1,984	152
Council	3,699	3,918	3,623	295
City Administrator	21,961	15,075	11,328	3,747
City Attorney	10,577	18,075	13,822	4,253
City Auditor	1,556	1,663	1,650	13
City Clerk	1,967	2,603	1,777	826
Administrative Service Department:				
Human Resource Management	5,645	5,904	4,902	1,002
Information Technology	8,396	11,533	8,293	3,240
Financial Services	20,802	25,500	17,781	7,719
Public Safety Department:				
Police	186,007	202,292	200,273	2,019
Fire	97,894	99,741	96,951	2,790
Community Service Department:				
Parks and Recreation	18,431	18,159	18,372	(213)
Library	9,061	9,192	8,995	197
Health and Human Services	7,204	8,184	6,881	1,303
Housing and Community Development Department:				
Planning and Building	1,017	1,042	80	962
Economic and Workforce Development	236	-	7,134	(7,134)
Housing & Community Development	3,555	8,180	2,309	5,871
Public Works	34,929	39,681	40,539	(858)
Other	29,738	28,594	10,419	18,175
Capital outlay	1,665	6,320	2,243	4,077
Debt service:				
Principal repayment	2,555	3,037	2,923	114
Bond issuance costs	-	230	209	21
Interest charges	361	557	537	20
TOTAL EXPENDITURES	469,365	511,616	463,025	48,591
EXCESS OF REVENUES OVER EXPENDITURES	80,135	64,717	111,765	47,048
OTHER FINANCING SOURCES (USES)				
Capital lease	-	2,500	2,500	-
Property sale proceeds	-	-	89	89
Insurance claims and settlements	-	-	864	864
Transfers in	62,759	66,543	2,907	(63,636)
Transfers out	(146,259)	(146,629)	(112,490)	34,139
TOTAL OTHER FINANCING USES, NET	(83,500)	(77,586)	(106,130)	(28,544)
SPECIAL ITEM:				
Transfer of excess tax allocation bond proceeds approved by California Department of Finance	-	-	2,175	2,175
NET CHANGE IN FUND BALANCE	(3,365)	(12,869)	7,810	20,679
Fund balances - beginning	249,399	249,399	249,399	-
FUND BALANCES - ENDING	\$ 246,034	\$ 236,530	\$ 257,209	\$ 20,679

CITY OF OAKLAND
Required Supplementary Information (unaudited) (continued)
For the Year Ended June 30, 2014

Budgetary Comparison Schedule – Other Special Revenue Fund

	<u>Original</u>	<u>Final</u>	<u>Actual Budgetary</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes:				
Property	\$ 13,956	\$ 13,956	\$ 15,094	\$ 1,138
Local taxes:				
Voter approved special tax	17,430	17,430	17,723	293
Parking	7,109	7,109	8,217	1,108
Transient occupancy	2,963	3,838	3,890	52
Licenses and permits	12,917	12,917	15,253	2,336
Fines and penalties	1,015	1,015	707	(308)
Interest and investment income	20	124	465	341
Charges for services	16,203	15,823	17,850	2,027
Federal and state grants and subventions	1,443	2,306	3,201	895
Other	292	1,225	3,035	1,810
TOTAL REVENUES	<u>73,348</u>	<u>75,743</u>	<u>85,435</u>	<u>9,692</u>
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	81	97	45	52
City Administrator	1,797	1,997	1,115	882
City Attorney	993	962	961	1
Agencies/Departments:				
Information Technology	657	594	563	31
Finance	412	445	693	(248)
Police Department	14,104	14,960	15,407	(447)
Fire	8,642	11,708	10,999	709
Life Enrichment:				
Parks and Recreation	110	472	410	62
Library	16,599	17,242	16,260	982
Human Services Department	18,807	22,237	18,635	3,602
Planning and Building Department	-	27,041	23,099	3,942
Economic & Workforce Development	20,498	-	532	(532)
Housing & Community Development	1,362	4,568	2,190	2,378
Public Works	3,944	5,635	3,339	2,296
Other	3,862	4,327	3,403	924
Capital outlay	570	7,626	460	7,166
TOTAL EXPENDITURES	<u>92,438</u>	<u>119,911</u>	<u>98,111</u>	<u>21,800</u>
EXCESS (DEFICIENCY) OF REVENUES	<u>(19,090)</u>	<u>(44,168)</u>	<u>(12,676)</u>	<u>31,492</u>
OVER (UNDER) EXPENDITURES				
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	-	-	105	-
Transfers in	18,996	19,418	13,324	(6,094)
Transfers out	(1,000)	(37)	-	37
TOTAL OTHER FINANCING SOURCES	<u>17,996</u>	<u>19,381</u>	<u>13,429</u>	<u>(6,057)</u>
NET CHANGE IN FUND BALANCES	<u>(1,094)</u>	<u>(24,787)</u>	<u>753</u>	<u>25,435</u>
Fund balance - beginning	23,126	23,126	23,126	-
FUND BALANCES - ENDING	<u>\$ 22,032</u>	<u>\$ (1,661)</u>	<u>\$ 23,879</u>	<u>\$ 25,435</u>

CITY OF OAKLAND
Notes to Required Supplementary Information (unaudited)
For the Year Ended June 30, 2014

(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 2013, the City Council approved the City's two-year budget for fiscal years 2014 and 2015. 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 2013-14 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 accounting principles generally accepted in the United States of America (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:

Federal/State Grants Fund
Low and Moderate Income Housing Asset Fund
Municipal Capital Improvement Fund

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.

CITY OF OAKLAND
Notes to Required Supplementary Information (unaudited)
For the Year Ended June 30, 2014

(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 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 actual amounts on a budgetary basis and a GAAP basis is due to timing.

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, 2014, was \$398,498.

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	\$ 8,208
Amortization of debt service deposit agreement	(398)
Net change in fund balance - Budgetary basis	<u>\$ 7,810</u>

The General Fund’s fund balance on a GAAP Basis is reconciled to a Budgetary Basis as of June 30, 2014, which is as follows (in thousands):

	General Fund
Fund balance as of June 30, 2014 - GAAP basis	\$ 253,851
Unamortized debt service deposit agreement	3,358
Fund balance as of June 30, 2014 - Budgetary basis	<u>\$ 257,209</u>

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Total
ASSETS			
Cash and investments	\$ 32,040	\$ 17,882	\$ 49,922
Receivables, net:			
Accrued interest and dividends	26	18	44
Property taxes	2,783	928	3,711
Accounts receivable	3,606	-	3,606
Grants receivable	1	375	376
Restricted cash and investments	1,585	80,297	81,882
Other Assets	7	-	7
TOTAL ASSETS	\$ 40,048	\$ 99,500	\$ 139,548
LIABILITIES			
Accounts payable and accrued liabilities	\$ 2,511	\$ 3	\$ 2,514
Due to other funds	169	-	169
Other	1,526	-	1,526
TOTAL LIABILITIES	4,206	3	4,209
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	2,366	424	2,790
FUND BALANCES			
Restricted	30,197	99,073	129,270
Committed	2,230	-	2,230
Assigned	1,049	-	1,049
TOTAL FUND BALANCES	33,476	99,073	132,549
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 40,048	\$ 99,500	\$ 139,548

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Elimination	Total Nonmajor Governmental Total
REVENUES				
Taxes:				
Property	\$ -	\$ 20,741	\$ -	\$ 20,741
Sales and use	11,956	-	-	11,956
Gas	13,085	-	-	13,085
Voter approved special tax	21,112	-	-	21,112
Licenses and permits	53	-	-	53
Fines and penalties	2,992	60	-	3,052
Interest and investment income	122	3,803	-	3,925
Charges for services	244	-	-	244
Federal and state grants and subventions	976	375	-	1,351
Other	4,659	726	-	5,385
TOTAL REVENUES	<u>55,199</u>	<u>25,705</u>	<u>-</u>	<u>80,904</u>
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	97	-	-	97
City Administrator	31	-	-	31
City Attorney	154	-	-	154
Departments:				
Administrative Services Department:				
Financial Services	83	65	-	148
Public Safety:				
Oakland Police Department	1,750	-	-	1,750
Oakland Fire Department	694	-	-	694
Community Service Department:				
Parks and Recreation	4,131	-	-	4,131
Library	199	-	-	199
Human Services Department	1,250	-	-	1,250
Community and Economic Development:				
Economic & Workforce Development	418	-	-	418
Oakland Public Works	45,497	-	-	45,497
Other	-	59	-	59
Capital outlay	11,077	-	-	11,077
Debt service:				
Principal repayment	-	75,151	-	75,151
Interest charges	-	58,598	-	58,598
TOTAL EXPENDITURES	<u>65,381</u>	<u>133,873</u>	<u>-</u>	<u>199,254</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	<u>(10,182)</u>	<u>(108,168)</u>	<u>-</u>	<u>(118,350)</u>
OTHER FINANCING SOURCES (USES)				
Insurance claims and settlements	-	1	-	1
Transfers in	156	98,902	(1,790)	97,268
Transfers out	(2,118)	-	1,790	(328)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,962)</u>	<u>98,903</u>	<u>-</u>	<u>96,941</u>
NET CHANGE IN FUND BALANCES	<u>(12,144)</u>	<u>(9,265)</u>	<u>-</u>	<u>(21,409)</u>
Fund balances - beginning	45,620	108,338	-	153,958
FUND BALANCES - ENDING	<u>\$ 33,476</u>	<u>\$ 99,073</u>	<u>\$ -</u>	<u>\$ 132,549</u>

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.

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, 2014
(In Thousands)

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessment District	Assessment Districts	Parks, Recreation, and Cultural	Total
ASSETS						
Cash and Investments	\$ 15,561	\$ 7,518	\$ -	\$ 4,560	\$ 4,401	\$ 32,040
Receivable, net:						
Accrued interest and dividends	14	5	-	4	3	26
Property taxes	-	-	2,393	147	243	2,783
Accounts receivable	2,443	292	848	23	-	3,606
Grants receivable	1	-	-	-	-	1
Restricted cash and investments	-	-	1,405	-	180	1,585
Other Assets	7	-	-	-	-	7
TOTAL ASSETS	<u>\$ 18,026</u>	<u>\$ 7,815</u>	<u>\$ 4,646</u>	<u>\$ 4,734</u>	<u>\$ 4,827</u>	<u>\$ 40,048</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 1,106	\$ 286	\$ 895	\$ 82	\$ 142	\$ 2,511
Due to other funds	-	-	169	-	-	169
Other	369	-	-	-	1,157	1,526
TOTAL LIABILITIES	<u>1,475</u>	<u>286</u>	<u>1,064</u>	<u>82</u>	<u>1,299</u>	<u>4,206</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property tax	-	-	2,024	120	222	2,366
FUND BALANCES						
Restricted	16,551	7,529	1,405	4,532	180	30,197
Committed	-	-	-	-	2,230	2,230
Assigned	-	-	153	-	896	1,049
TOTAL FUND BALANCES	<u>16,551</u>	<u>7,529</u>	<u>1,558</u>	<u>4,532</u>	<u>3,306</u>	<u>33,476</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 18,026</u>	<u>\$ 7,815</u>	<u>\$ 4,646</u>	<u>\$ 4,734</u>	<u>\$ 4,827</u>	<u>\$ 40,048</u>

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, 2014
(In Thousands)

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessment District	Assessment Districts	Parks, Recreation, and Cultural	Total
REVENUES						
Taxes:						
Sales and use	\$ 11,956	\$ -	\$ -	\$ -	\$ -	\$ 11,956
Gas	-	13,085	-	-	-	13,085
Voter approved special tax	-	-	19,298	1,814	-	21,112
Licenses and permits	-	-	53	-	-	53
Fines and penalties	2,992	-	-	-	-	2,992
Interest and investment income	56	34	-	14	18	122
Charges for services	122	-	122	-	-	244
Federal and state grants and subventions	137	138	-	-	701	976
Other	1,933	1	2,561	4	160	4,659
TOTAL REVENUES	17,196	13,258	22,034	1,832	879	55,199
EXPENDITURES						
Current:						
Elected and Appointed Officials:						
Mayor	-	-	-	-	97	97
City Administrator	-	-	27	4	-	31
City Attorney	28	126	-	-	-	154
Departments:						
Administrative Services Department:						
Finance	34	-	46	3	-	83
Public Safety:						
Oakland Police Department	1,750	-	-	-	-	1,750
Oakland Fire Department	-	-	-	694	-	694
Community Service Department:						
Parks and Recreation	-	-	4,123	-	8	4,131
Library	-	-	-	-	199	199
Human Services Department	1,250	-	-	-	-	1,250
Community and Economic Development:						
Economic & Workforce Development	-	-	-	-	418	418
Oakland Public Works	6,150	11,804	27,512	10	21	45,497
Capital outlay	7,713	3,049	143	-	172	11,077
TOTAL EXPENDITURES	16,925	14,979	31,851	711	915	65,381
EXCESS (DEFICIENCY) OF REVENUES						
OVER (UNDER) EXPENDITURES	271	(1,721)	(9,817)	1,121	(36)	(10,182)
OTHER FINANCING SOURCES (USES)						
Transfers in	8	-	-	148	-	156
Transfers out	-	-	(2,118)	-	-	(2,118)
TOTAL OTHER FINANCING SOURCES (USES)	8	-	(2,118)	148	-	(1,962)
NET CHANGE IN FUND BALANCES	279	(1,721)	(11,935)	1,269	(36)	(12,144)
Fund balances - beginning	16,272	9,250	13,493	3,263	3,342	45,620
FUND BALANCES - ENDING	\$ 16,551	\$ 7,529	\$ 1,558	\$ 4,532	\$ 3,306	\$ 33,476

CITY OF OAKLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Special Revenue Funds
For the Year Ended June 30, 2014
(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	\$ 11,473	\$ 11,473	\$ 11,956	\$ 483	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gas	-	-	-	-	10,745	10,745	13,085	2,340	-	-	-	-
Voter approved special tax	-	-	-	-	-	-	-	-	18,971	18,971	19,298	327
Licenses and permits	-	-	-	-	-	-	-	-	13	13	53	40
Fines and penalties	2,727	2,727	2,992	265	-	-	-	-	-	-	-	-
Interest and investment income	11	11	56	45	-	-	34	34	-	-	-	-
Charges for services	121	306	122	(184)	20	20	-	(20)	172	172	122	(50)
Federal and state grants and subventions	1,500	1,613	137	(1,476)	141	141	138	(3)	-	-	-	-
Other	-	-	1,933	1,933	-	-	1	1	-	1,463	2,561	1,098
TOTAL REVENUES	15,832	16,130	17,196	1,066	10,906	10,906	13,258	2,352	19,156	20,619	22,034	1,415
EXPENDITURES												
Current:												
Elected and Appointed Officials:												
City Administrator	-	-	-	-	-	-	-	-	26	62	27	35
City Attorney	28	28	28	-	117	117	126	(9)	-	-	-	-
Departments:												
Administrative Services Departments:												
Finance	40	40	34	6	-	-	-	-	42	48	46	2
Public Safety:												
Police Department	2,336	2,743	1,750	993	-	-	-	-	-	-	-	-
Community Service Department:												
Parks and Recreation	-	-	-	-	-	-	-	-	4,111	4,111	4,123	(12)
Human Services Department	1,149	1,620	1,250	370	-	-	-	-	-	-	-	-
Public Works	3,163	6,828	6,150	678	11,924	12,790	11,804	986	14,200	27,456	27,512	(56)
Other	-	-	-	-	-	-	-	-	263	27	-	27
Capital outlay	4,500	24,791	7,713	17,078	2,550	7,065	3,049	4,016	-	148	143	5
Debt service:												
Bond issuance cost	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	11,216	36,050	16,925	19,125	14,591	19,972	14,979	4,993	18,642	31,852	31,851	1
EXCESS (DEFICIENCY) OF REVENUES	4,616	(19,920)	271	20,191	(3,685)	(9,066)	(1,721)	7,345	514	(11,233)	(9,817)	1,416
OTHER FINANCING SOURCES (USES)												
Transfers in	875	1,579	8	(1,571)	-	1,048	-	(1,048)	-	-	-	-
Transfers out	(150)	-	-	-	-	-	-	-	(149)	(2,118)	(2,118)	-
TOTAL OTHER FINANCING SOURCES (USES)	725	1,579	8	(1,571)	-	1,048	-	(1,048)	(149)	(2,118)	(2,118)	-
NET CHANGE IN FUND BALANCES	5,341	(18,341)	279	18,620	(3,685)	(8,018)	(1,721)	6,297	365	(13,351)	(11,935)	1,416
Fund balances - beginning	16,272	16,272	16,272	-	9,250	9,250	9,250	-	13,493	13,493	13,493	-
FUND BALANCES (DEFICIT) - ENDING	\$ 21,613	\$ (2,069)	\$ 16,551	\$ 18,620	\$ 5,565	\$ 1,232	\$ 7,529	\$ 6,297	\$ 13,858	\$ 142	\$ 1,558	\$ 1,416

(Continued)

CITY OF OAKLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Special Revenue Funds (continued)
For the Year Ended June 30, 2014
(In Thousands)

	Assessment Districts				Parks, Recreation, and cultural			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES								
Local taxes:								
Voter approved special tax	\$ 2,114	\$ 1,728	\$ 1,814	\$ 86	\$ -	\$ -	\$ -	\$ -
Interest and investment income	-	-	14	14	33	33	18	(15)
Charges for services	-	-	-	-	-	-	-	-
Federal and state grants and subventions	-	-	-	-	-	206	701	495
Other	3	3	4	1	180	302	160	(142)
TOTAL REVENUES	2,117	1,731	1,832	101	213	541	879	338
EXPENDITURES								
Current:								
Elected and Appointed Officials:								
Mayor	-	-	-	-	-	164	97	67
City Administrator	3	5	4	1	-	1	-	1
Administrative Services Departments:								
Finance	-	-	3	(3)	-	-	-	-
Public Safety:								
Oakland Fire Department	2,134	2,368	694	1,674	-	-	-	-
Community Service Department:								
Parks and Recreation	-	-	-	-	69	317	8	309
Library	-	-	-	-	111	673	199	474
Economic and Economic Development:								
Economic & Workforce Development	-	-	-	-	-	-	418	(418)
Public Works	-	74	10	64	-	159	21	138
Other	-	-	-	-	33	33	-	33
Capital outlay	499	433	-	433	-	674	172	502
TOTAL EXPENDITURES	2,636	2,880	711	2,169	213	2,021	915	1,106
EXCESS (DEFICIENCY) OF REVENUES	(519)	(1,149)	1,121	2,270	-	(1,480)	(36)	1,444
OVER (UNDER) EXPENDITURES								
OTHER FINANCING SOURCES (USES)								
Transfers in	518	518	148	370	-	-	-	-
TOTAL OTHER FINANCING SOURCES	518	518	148	370	-	-	-	-
NET CHANGE IN FUND BALANCES	(1)	(631)	1,269	2,640	-	(1,480)	(36)	1,444
Fund balance - beginning	3,263	3,263	3,263	-	3,342	3,342	3,342	-
FUND BALANCES - ENDING	\$ 3,262	\$ 2,632	\$ 4,532	\$ 2,640	\$ 3,342	\$ 1,862	\$ 3,306	\$ 1,444

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 ORSA, 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.

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.

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds – Debt Service Funds
June 30, 2014
(In Thousands)

	General Obligation Bonds	Lease Financing	JPFA Fund	Other Assessment Bonds	Special Revenue Bonds	Total
ASSETS						
Cash and investments	\$ 11,540	\$ 71	\$ 1,231	\$ 1,161	\$ 3,879	\$ 17,882
Receivables, net:						
Accrued interest and dividends	13	-	1	1	3	18
Property taxes	854	-	-	74	-	928
Grants receivable	-	375	-	-	-	375
Restricted cash and investments	-	-	66,432	643	13,222	80,297
TOTAL ASSETS	<u>\$ 12,407</u>	<u>\$ 446</u>	<u>\$ 67,664</u>	<u>\$ 1,879</u>	<u>\$ 17,104</u>	<u>\$ 99,500</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ 3
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property tax	362	-	-	62	-	424
FUND BALANCES						
Restricted	<u>12,045</u>	<u>446</u>	<u>67,664</u>	<u>1,817</u>	<u>17,101</u>	<u>99,073</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 12,407</u>	<u>\$ 446</u>	<u>\$ 67,664</u>	<u>\$ 1,879</u>	<u>\$ 17,104</u>	<u>\$ 99,500</u>

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, 2014
(In Thousands)

	General Obligation Bonds	Lease Financing	JPFA Fund	Other Assessment Bonds	Special Revenue Bonds	Total
REVENUES						
Property taxes	\$ 20,741	\$ -	\$ -	\$ -	\$ -	\$ 20,741
Fines and penalties	60	-	-	-	-	60
Interest and investment income	54	1	3,599	40	109	3,803
Grants	-	375	-	-	-	375
Other	29	-	-	696	1	726
TOTAL REVENUES	<u>20,884</u>	<u>376</u>	<u>3,599</u>	<u>736</u>	<u>110</u>	<u>25,705</u>
EXPENDITURES						
Departments:						
Finance	-	-	-	65	-	65
Other	-	-	2	47	10	59
Debt Service:						
Principal repayment	11,793	14,297	12,375	325	36,361	75,151
Interest charges	11,987	1,603	7,884	276	36,848	58,598
TOTAL EXPENDITURES	<u>23,780</u>	<u>15,900</u>	<u>20,261</u>	<u>713</u>	<u>73,219</u>	<u>133,873</u>
EXCESS (DEFICIENCY) OF REVENUES						
OVER (UNDER) EXPENDITURES	<u>(2,896)</u>	<u>(15,524)</u>	<u>(16,662)</u>	<u>23</u>	<u>(73,109)</u>	<u>(108,168)</u>
OTHER FINANCING SOURCES						
Insurance claims and settlements	-	-	-	-	1	1
Transfers in	-	15,891	9,059	-	73,952	98,902
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>15,891</u>	<u>9,059</u>	<u>-</u>	<u>73,953</u>	<u>98,903</u>
NET CHANGE IN FUND BALANCES	<u>(2,896)</u>	<u>367</u>	<u>(7,603)</u>	<u>23</u>	<u>844</u>	<u>(9,265)</u>
Fund balances - beginning	14,941	79	75,267	1,794	16,257	108,338
FUND BALANCES - ENDING	<u>\$ 12,045</u>	<u>\$ 446</u>	<u>\$ 67,664</u>	<u>\$ 1,817</u>	<u>\$ 17,101</u>	<u>\$ 99,073</u>

CITY OF OAKLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Debt Service Funds
For the Year Ended June 30, 2014
(In Thousands)

	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	\$ -	\$ -	\$ 20,741	\$ 20,741	\$ -	\$ -	\$ -	\$ -
Fines and penalties	-	-	60	60	-	-	-	-
Interest and investment income	-	-	54	54	-	-	1	1
Federal and state grants and subventions	-	-	-	-	-	404	375	(29)
Other	-	-	29	29	21,500	21,500	-	(21,500)
TOTAL REVENUES	-	-	20,884	20,884	21,500	21,904	376	(21,528)
EXPENDITURES								
Current:								
Agencies/Departments:								
Other	25	25	-	25	7	7	-	7
Debt service:								
Principal repayment	11,793	11,793	11,793	-	34,490	35,797	14,297	21,500
Payment to refund bond escrow agent	-	-	(1,758)	1,758	-	-	-	-
Interest charges	11,987	11,987	13,745	(1,758)	1,110	1,604	1,603	1
TOTAL EXPENDITURES	23,805	23,805	23,780	25	35,607	37,408	15,900	21,508
EXCESS (DEFICIENCY) OF REVENUES								
OVER (UNDER) EXPENDITURES	(23,805)	(23,805)	(2,896)	20,909	(14,107)	(15,504)	(15,524)	(20)
OTHER FINANCING SOURCES								
Transfers in	23,804	23,804	-	(23,804)	14,107	15,897	15,891	(6)
TOTAL OTHER FINANCING SOURCES	23,804	23,804	-	(23,804)	14,107	15,897	15,891	(6)
NET CHANGE IN FUND BALANCES	(1)	(1)	(2,896)	(2,895)	-	393	367	(26)
Fund balances - beginning	14,941	14,941	14,941	-	79	79	79	-
FUND BALANCES - ENDING	\$ 14,940	\$ 14,940	\$ 12,045	\$ (2,895)	\$ 79	\$ 472	\$ 446	\$ (26)

(Continued)

CITY OF OAKLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Nonmajor Governmental Funds – Debt Service Funds (continued)
For the Year Ended June 30, 2014
(In Thousands)

	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	\$ -	\$ -	\$ 3,599	\$ 3,599	\$ -	\$ -	\$ 40	\$ 40	\$ -	\$ -	\$ 109	\$ 109
Other	-	-	-	-	33	33	696	663	-	-	1	1
TOTAL REVENUES	-	-	3,599	3,599	33	33	736	703	-	-	110	110
EXPENDITURES												
Current:												
Departments:												
Finance	-	-	-	-	56	56	65	(9)	-	-	-	-
Other	19	21	2	19	26	26	47	(21)	32	34	10	24
Debt service:												
Principal repayment	12,375	12,375	12,375	-	325	325	325	-	36,361	36,361	36,361	-
Interest charges	7,884	7,884	7,884	-	281	281	276	5	37,156	37,156	36,848	308
TOTAL EXPENDITURES	20,278	20,280	20,261	19	688	688	713	(25)	73,549	73,551	73,219	332
EXCESS (DEFICIENCY) OF REVENUES	(20,278)	(20,280)	(16,662)	3,618	(655)	(655)	23	678	(73,549)	(73,551)	(73,109)	442
OVER (UNDER) EXPENDITURES												
OTHER FINANCING SOURCES (USES)												
Insurance claims and settlements	-	-	-	-	-	-	-	-	-	-	1	1
Transfers in	26,529	26,529	9,059	(17,470)	685	685	-	(685)	73,549	73,549	73,952	403
Transfers out	-	-	-	-	(22)	(22)	-	22	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	26,529	26,529	9,059	(17,470)	663	663	-	(663)	73,549	73,549	73,953	404
NET CHANGE IN FUND BALANCES	6,251	6,249	(7,603)	(13,852)	8	8	23	15	-	(2)	844	846
Fund balances - beginning	75,267	75,267	75,267	-	1,794	1,794	1,794	-	16,257	16,257	16,257	-
FUND BALANCES - ENDING	<u>\$ 81,518</u>	<u>\$ 81,516</u>	<u>\$ 67,664</u>	<u>\$ (13,852)</u>	<u>\$ 1,802</u>	<u>\$ 1,802</u>	<u>\$ 1,817</u>	<u>\$ 15</u>	<u>\$ 16,257</u>	<u>\$ 16,255</u>	<u>\$ 17,101</u>	<u>\$ 846</u>

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.

CITY OF OAKLAND
Combining Statement of Fund Net Position
Internal Service Funds
June 30, 2014
(In Thousands)

	<u>Equipment</u>	<u>Radio</u>	<u>Facilities</u>	<u>Reproduction</u>	<u>Central Stores</u>	<u>Purchasing</u>	<u>Total</u>
ASSETS							
Current assets:							
Cash and Investments	\$ -	\$ 5,169	\$ -	\$ -	\$ -	\$ -	\$ 5,169
Accounts receivable	37	11	85	-	-	-	133
Inventories	202	-	-	-	-	-	202
Restricted cash and investments	7,068	-	-	-	-	-	7,068
Total Current assets	<u>7,307</u>	<u>5,180</u>	<u>85</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,572</u>
Non-current assets:							
Capital assets:							
Land and other assets not being depreciated	-	845	893	-	-	-	1,738
Facilities and equipment, net of depreciation	13,451	1,087	1,312	-	-	-	15,850
Total Non-current Assets	<u>13,451</u>	<u>1,932</u>	<u>2,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,588</u>
TOTAL ASSETS	<u>20,758</u>	<u>7,112</u>	<u>2,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,160</u>
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	3,895	138	1,566	78	4	-	5,681
Accrued interest payable	20	-	30	-	-	-	50
Due to other funds	1,583	-	16,215	1,531	3,830	141	23,300
Other liabilities	-	-	7	-	-	-	7
Notes payable and capital leases	3,289	-	243	-	-	-	3,532
Total Current Liabilities	<u>8,787</u>	<u>138</u>	<u>18,061</u>	<u>1,609</u>	<u>3,834</u>	<u>141</u>	<u>32,570</u>
Non-current liabilities:							
Notes payable and capital leases	5,315	-	1,378	-	-	-	6,693
Total Non-current Liabilities	<u>5,315</u>	<u>-</u>	<u>1,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,693</u>
TOTAL LIABILITIES	<u>14,102</u>	<u>138</u>	<u>19,439</u>	<u>1,609</u>	<u>3,834</u>	<u>141</u>	<u>39,263</u>
NET POSITION							
Net investment in capital assets	11,915	1,932	2,205	-	-	-	16,052
Unrestricted	(5,259)	5,042	(19,354)	(1,609)	(3,834)	(141)	(25,155)
TOTAL NET POSITION (DEFICIT)	<u>\$ 6,656</u>	<u>\$ 6,974</u>	<u>\$ (17,149)</u>	<u>\$ (1,609)</u>	<u>\$ (3,834)</u>	<u>\$ (141)</u>	<u>\$ (9,103)</u>

CITY OF OAKLAND
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2014
(In Thousands)

	<u>Equipment</u>	<u>Radio</u>	<u>Facilities</u>	<u>Reproduction</u>	<u>Central Stores</u>	<u>Purchasing</u>	<u>Total</u>
OPERATING REVENUES							
Charges for services	\$ 21,291	\$ 4,234	\$ 26,559	\$ 1,148	\$ 473	\$ 749	\$ 54,454
Other	69	532	1	-	-	-	602
TOTAL OPERATING REVENUES	<u>21,360</u>	<u>4,766</u>	<u>26,560</u>	<u>1,148</u>	<u>473</u>	<u>749</u>	<u>55,056</u>
OPERATING EXPENSES							
Personnel	5,519	1,450	9,582	438	313	587	17,889
Supplies	5,330	571	1,358	92	-	17	7,368
Depreciation and amortization	2,489	307	112	-	-	-	2,908
Contractual services and supplies	38	464	655	-	-	-	1,157
Repairs and maintenance	1,477	64	3,133	7	-	-	4,681
General and administrative	1,389	173	2,876	449	17	3	4,907
Rental	662	177	437	494	40	3	1,813
Other	-	-	5,370	5	-	5	5,380
TOTAL OPERATING EXPENSES	<u>16,904</u>	<u>3,206</u>	<u>23,523</u>	<u>1,485</u>	<u>370</u>	<u>615</u>	<u>46,103</u>
OPERATING INCOME (LOSS)	4,456	1,560	3,037	(337)	103	134	8,953
NON-OPERATING REVENUES (EXPENSES)							
Interest and investment income (loss)	(12)	20	(71)	(5)	(15)	(2)	(85)
Interest expense	(153)	-	(72)	-	-	-	(225)
Rental	-	-	42	-	-	-	42
Federal and state grants	-	-	29	-	-	-	29
Insurance claims and settlements	190	-	460	-	-	-	650
Other, net (Property sale proceeds)	279	-	14	-	-	29	322
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>304</u>	<u>20</u>	<u>402</u>	<u>(5)</u>	<u>(15)</u>	<u>27</u>	<u>733</u>
INCOME (LOSS) BEFORE TRANSFERS	4,760	1,580	3,439	(342)	88	161	9,686
Transfers out	(479)	-	(33)	-	-	-	(512)
TOTAL TRANSFERS	<u>(479)</u>	<u>-</u>	<u>(33)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(512)</u>
Change in net position	4,281	1,580	3,406	(342)	88	161	9,174
Total net position (deficit) - beginning	2,375	5,394	(20,555)	(1,267)	(3,922)	(302)	(18,277)
TOTAL NET POSITION (DEFICIT) - ENDING	<u>\$ 6,656</u>	<u>\$ 6,974</u>	<u>\$ (17,149)</u>	<u>\$ (1,609)</u>	<u>\$ (3,834)</u>	<u>\$ (141)</u>	<u>\$ (9,103)</u>

CITY OF OAKLAND
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2014
(In Thousands)

	<u>Equipment</u>	<u>Radio</u>	<u>Facilities</u>	<u>Reproduction</u>	<u>Stores</u>	<u>Purchasing</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers and users	\$ 21,283	\$ 4,232	\$ 26,518	\$ 1,149	\$ 473	\$ 749	\$ 54,404
Cash from other sources	69	532	1	-	-	-	602
Cash paid to employees	(5,519)	(1,450)	(9,582)	(438)	(313)	(587)	(17,889)
Cash paid to suppliers	(7,865)	(2,203)	(13,275)	(1,018)	(60)	(30)	(24,451)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>7,968</u>	<u>1,111</u>	<u>3,662</u>	<u>(307)</u>	<u>100</u>	<u>132</u>	<u>12,666</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Proceeds of interfund loans	-	-	-	312	-	-	312
Repayment of interfund loans	(2,676)	-	(2,868)	-	(85)	(159)	(5,788)
Other (grants, settlements, rental), net	469	-	545	-	-	29	1,043
Transfers out	(479)	-	(33)	-	-	-	(512)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>(2,686)</u>	<u>-</u>	<u>(2,356)</u>	<u>312</u>	<u>(85)</u>	<u>(130)</u>	<u>(4,945)</u>
CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES							
Acquisition of capital assets	(7,073)	(1,117)	(930)	-	-	-	(9,120)
Disposal of capital assets	-	-	-	-	-	-	-
Lease proceeds	-	-	-	-	-	-	-
Repayment of long-term debt	(3,246)	-	(233)	-	-	-	(3,479)
Unamortized Premium on Bond Issues	-	-	-	-	-	-	-
Interest paid on long-term debt	(153)	-	(72)	-	-	-	(225)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(10,472)</u>	<u>(1,117)</u>	<u>(1,235)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,824)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest income (expense)	(12)	20	(71)	(5)	(15)	(2)	(85)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(5,202)</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,188)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>12,270</u>	<u>5,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,425</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,068</u>	<u>\$ 5,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,237</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Operating income (loss)	\$ 4,456	\$ 1,560	\$ 3,037	\$ (337)	\$ 103	\$ 134	\$ 8,953
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)							
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Other receipts							
Depreciation	2,489	307	112	-	-	-	2,908
Retirement of capital assets	(1,475)	-	-	-	-	-	(1,475)
Changes in assets and liabilities:							
Receivables	1	(2)	(41)	1	-	-	(41)
Inventories	(9)	-	-	-	-	-	(9)
Accounts payable and accrued liabilities	2,506	(754)	554	29	(3)	(2)	2,330
Total Adjustments	3,512	(449)	625	30	(3)	(2)	3,713
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 7,968</u>	<u>\$ 1,111</u>	<u>\$ 3,662</u>	<u>\$ (307)</u>	<u>\$ 100</u>	<u>\$ 132</u>	<u>\$ 12,666</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF FUND NET POSITION							
Cash and investments	\$ -	\$ 5,169	\$ -	\$ -	\$ -	\$ -	\$ 5,169
Restricted cash and investment	7,068	-	-	-	-	-	7,068
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 7,068</u>	<u>\$ 5,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,237</u>

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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, that are not related to the former Oakland Redevelopment Agency projects or parks, recreation or cultural activities, (b) *the Other 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; 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, 2014
(In Thousands)

	<u>OMERS</u>	<u>PFRS</u>	<u>TOTAL</u>
ASSETS			
Cash and investments	\$ 26	\$ 4,223	\$ 4,249
Receivables:			
Accrued interest and dividends	-	827	827
Investments and other	19	7,891	7,910
Restricted cash and investments:			
Short-term investments	4	4,675	4,679
U.S. corporate bonds and mutual funds	-	83,383	83,383
Domestic equities and mutual funds	4,798	331,447	336,245
International equities and mutual funds	-	42,389	42,389
Total restricted cash and investments	<u>4,802</u>	<u>461,894</u>	<u>466,696</u>
Securities lending collateral	-	74,579	74,579
TOTAL ASSETS	<u>4,847</u>	<u>549,414</u>	<u>554,261</u>
LIABILITIES			
Due to primary government	51	-	51
Accounts payable and accrued liabilities	34	11,027	11,061
Securities lending liabilities	-	74,579	74,579
TOTAL LIABILITIES	<u>85</u>	<u>85,606</u>	<u>85,691</u>
NET POSITION			
HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 4,762</u>	<u>\$ 463,808</u>	<u>\$ 468,570</u>

CITY OF OAKLAND
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended June 30, 2014
(In Thousands)

	<u>OMERS</u>	<u>PFRS</u>	<u>TOTAL</u>
ADDITIONS:			
Contributions:			
Members	\$ -	\$ 4	\$ 4
Investment Income:			
Net appreciation in fair value of investments	752	59,383	60,135
Interest	2	2,896	2,898
Dividends	48	5,553	5,601
Securities lending income	-	172	172
Total investment income, net	802	68,004	68,806
Investment expense	(23)	(1,770)	(1,793)
Net investment income	779	66,234	67,013
Other income	61	159	220
TOTAL ADDITIONS	840	66,397	67,237
DEDUCTIONS:			
Disbursements to members and beneficiaries:			
Retirement	253	34,739	34,992
Disability	56	20,866	20,922
Death	1	1,804	1,805
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	310	57,409	57,719
Administrative expenses	213	776	989
TOTAL DEDUCTIONS	523	58,185	58,708
Change in net position	317	8,212	8,529
Net position - beginning	4,445	455,596	460,041
NET POSITION - ENDING	<u>\$ 4,762</u>	<u>\$ 463,808</u>	<u>\$ 468,570</u>

CITY OF OAKLAND
Combining Statement of Fiduciary Net Position
Private Purpose Trust Funds
June 30, 2014
(In Thousands)

	Oakland Redevelopment Successor Agency Trust Fund	Other Private Purpose Trust Fund	Private Pension Trust Fund	Total
ASSETS				
Cash and investments	56,453	\$ 7,424	\$ 15	\$ 63,892
Receivables:				
Accrued interest and dividends	358	3	-	361
Accounts receivable	1,327	4	-	1,331
Due from primary government	2,312	-	-	2,312
Prepaid expenses	2,375	-	-	2,375
Restricted:				
Cash and investments:				
Short-term investments	50,276	-	-	50,276
U.S. government bonds	8,503	-	-	8,503
Notes and loans receivable (net of allowance for uncollectable of \$48,120)	14,019	-	-	14,019
Property held for resale	100,271	-	-	100,271
TOTAL ASSETS	235,894	7,431	15	243,340
 DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debts	2,335	-	-	2,335
 LIABILITIES				
Current liabilities				
Due to primary government	1,614	-	-	1,614
Accounts payable and accrued liabilities	13,186	563	-	13,749
Other	47	154	-	201
Total current liabilities	14,847	717	-	15,564
 Non-current liabilities				
Due within one year	20,709	-	-	20,709
Due in more than one year	437,875	-	-	437,875
Total noncurrent liabilities	458,584	-	-	458,584
 TOTAL LIABILITIES	473,431	717	-	474,148
 NET POSITION				
Net position held in trust	\$ (235,202)	\$ 6,714	\$ 15	\$ (228,473)

CITY OF OAKLAND
Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Year Ended June 30, 2014
(In Thousands)

	Oakland Redevelopment Successor Agency Trust Fund	Other Private Purpose Trust Fund	Private Pension Trust Fund	Total
ADDITIONS:				
Trust receipts	73,684	\$ 578	\$ -	\$ 74,262
Interest	333	18	-	351
Federal and state grants	15,529	-	-	15,529
Other income	965	-	-	965
TOTAL ADDITIONS	<u>90,511</u>	<u>596</u>	<u>-</u>	<u>91,107</u>
DEDUCTIONS:				
Administrative expenses	2,806	2	103	2,911
Oakland Police Department	-	62	-	62
Human Services	-	213	-	213
Housing & Community Development	13,708	20	-	13,728
Economic & Workforce Development	26,984	-	-	26,984
Public works	-	535	-	535
Other	162	-	-	162
Capital outlay	-	9	-	9
Bond issuance cost	743	-	-	743
Interest on debt	27,240	-	-	27,240
TOTAL DEDUCTIONS	<u>71,643</u>	<u>841</u>	<u>103</u>	<u>72,587</u>
SPECIAL ITEM				
Transfer of excess tax allocation bond proceeds approved by California Department of Finance	<u>(88,309)</u>	<u>-</u>	<u>-</u>	<u>(88,309)</u>
Change in net position	(69,441)	(245)	(103)	(69,789)
NET POSITION - BEGINNING	<u>(165,761)</u>	<u>6,959</u>	<u>118</u>	<u>(158,684)</u>
NET POSITION - ENDING	<u><u>\$ (235,202)</u></u>	<u><u>\$ 6,714</u></u>	<u><u>\$ 15</u></u>	<u><u>\$ (228,473)</u></u>

STATISTICAL SECTION

CITY OF OAKLAND STATISTICS

INDEX TO STATISTICAL SECTION

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 pledged 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 years.

CITY OF OAKLAND

STATISTICS

SCHEDULE 1

NET POSITION BY COMPONENT

(in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net investment in capital assets	\$ 310,633	\$ 319,932	\$ 353,715	\$ 401,881	\$ 442,793	\$ 478,689	\$ 538,815	\$ 663,785	\$ 712,606	\$ 876,703
Restricted *	376,896	355,721	422,523	432,630	451,087	488,251	517,454	559,393	425,786	433,080
Unrestricted *	(140,464)	(96,419)	(67,261)	(213,693)	(268,904)	(417,504)	(469,662)	(304,010)	(334,451)	(327,965)
Total net position - governmental activities	<u>\$ 547,065</u>	<u>\$ 579,234</u>	<u>\$ 708,977</u>	<u>\$ 620,818</u>	<u>\$ 624,976</u>	<u>\$ 549,436</u>	<u>\$ 586,607</u>	<u>\$ 919,168</u>	<u>\$ 803,941</u>	<u>\$ 981,818</u>
Business-type activities										
Net investment in capital assets	\$ 107,396	\$ 110,279	\$ 109,886	\$ 111,881	\$ 113,961	\$ 113,718	\$ 114,297	\$ 122,911	\$ 129,542	\$ 143,295
Unrestricted	3,114	989	2,173	7,731	15,037	26,126	37,429	44,061	53,341	53,039
Total net position - business-type activities	<u>\$ 110,510</u>	<u>\$ 111,268</u>	<u>\$ 112,059</u>	<u>\$ 119,612</u>	<u>\$ 128,998</u>	<u>\$ 139,844</u>	<u>\$ 151,726</u>	<u>\$ 166,972</u>	<u>\$ 182,883</u>	<u>\$ 196,334</u>
Primary government										
Net investment in capital assets	\$ 418,029	\$ 430,211	\$ 463,601	\$ 513,762	\$ 556,754	\$ 592,407	\$ 653,112	\$ 786,696	\$ 842,148	\$ 1,019,998
Restricted	376,896	355,721	422,523	432,630	451,087	488,251	517,454	559,393	425,786	433,080
Unrestricted	(137,350)	(95,430)	(65,088)	(205,962)	(253,867)	(391,378)	(432,233)	(259,949)	(281,110)	(274,926)
Total net position - primary government	<u>\$ 657,575</u>	<u>\$ 690,502</u>	<u>\$ 821,036</u>	<u>\$ 740,430</u>	<u>\$ 753,974</u>	<u>\$ 689,280</u>	<u>\$ 738,333</u>	<u>\$ 1,086,140</u>	<u>\$ 986,824</u>	<u>\$ 1,178,152</u>

* Prior year amounts have been reclassified to conform to current year presentation.

Source: City of Oakland Statement of Net Position

CITY OF OAKLAND STATISTICS

SCHEDULE 2

CHANGES IN NET POSITION (in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General government	\$ 65,865	\$ 71,471	\$ 91,119	\$ 102,218	\$ 94,957	\$ 83,295	\$ 75,381	\$ 83,131	\$ 93,942	\$ 79,806
Public safety	319,908	335,171	348,436	412,050	424,435	411,333	372,587	351,566	363,597	379,809
Life enrichment	96,649	101,902	105,728	115,315	119,659	119,254	123,538	-	-	-
Community services	-	-	-	-	-	-	-	122,829	107,779	116,961
Community and economic development	117,689	140,351	183,968	203,406	182,327	222,226	158,209	138,596	81,182	83,657
Public works	107,457	100,448	101,075	79,348	74,081	70,757	88,321	101,892	75,158	109,177
Interest on long-term debt	62,238	73,224	79,864	74,545	71,552	73,735	93,618	68,948	62,744	59,026
Total governmental activities expenses	\$ 769,806	\$ 822,567	\$ 910,190	\$ 986,882	\$ 967,011	\$ 980,600	\$ 911,654	\$ 866,962	\$ 784,402	\$ 828,436
Business-type activities:										
Sewer	\$ 21,337	\$ 24,841	\$ 29,365	\$ 30,502	\$ 25,530	\$ 26,899	\$ 27,971	\$ 31,227	\$ 34,504	\$ 37,306
Parks and recreation	160	734	1,087	384	652	520	740	492	643	855
Total business-type activities	\$ 21,497	\$ 25,575	\$ 30,452	\$ 30,886	\$ 26,182	\$ 27,419	\$ 28,711	\$ 31,719	\$ 35,147	\$ 38,161
Total primary government expenses	\$ 791,303	\$ 848,142	\$ 940,642	\$ 1,017,768	\$ 993,193	\$ 1,008,019	\$ 940,365	\$ 898,681	\$ 819,549	\$ 866,597
Program Revenues (see schedule 3)										
Governmental activities:										
Charges for services:										
General government	\$ 25,641	\$ 16,266	\$ 13,741	\$ 22,276	\$ 21,128	\$ 24,382	\$ 20,360	\$ 19,924	\$ 17,756	\$ 54,509
Public safety	66,983	42,492	9,803	10,331	15,733	14,900	13,573	13,283	7,610	15,472
Life enrichment	125	79	3,992	5,110	11,084	8,128	8,483	-	-	-
Community services	-	-	-	-	-	-	-	8,302	6,342	6,326
Community and economic development	12,528	7,947	16,437	45,466	47,223	48,765	42,418	41,507	19,025	39,413
Public works	6,190	3,927	31,269	27,113	30,887	39,283	84,834	83,017	76,098	36,954
Operating grants and contributions	74,694	77,154	106,903	91,278	94,353	97,177	123,149	89,620	89,424	119,063
Capital grants and contributions	-	-	-	-	-	-	-	30,607	26,179	42,148
Total governmental activities program revenues	\$ 186,161	\$ 147,865	\$ 182,145	\$ 201,574	\$ 220,408	\$ 232,635	\$ 292,817	\$ 286,260	\$ 242,434	\$ 313,885
Business-type activities:										
Charges for services:										
Sewer	\$ 24,252	\$ 24,678	\$ 29,838	\$ 33,264	\$ 35,382	\$ 39,329	\$ 41,832	\$ 48,200	\$ 52,919	\$ 52,946
Parks and recreation	244	197	237	487	796	286	118	575	372	503
Total business-type activities program revenues	\$ 24,496	\$ 24,875	\$ 30,096	\$ 33,751	\$ 36,178	\$ 39,615	\$ 41,950	\$ 48,775	\$ 53,291	\$ 53,449
Total primary government program revenues	\$ 210,657	\$ 172,740	\$ 212,241	\$ 235,325	\$ 256,586	\$ 272,250	\$ 334,767	\$ 335,035	\$ 295,725	\$ 367,334
Net (Expense)/Revenue										
Governmental activities	\$ (583,645)	\$ (674,702)	\$ (735,868)	\$ (785,308)	\$ (746,603)	\$ (747,965)	\$ (618,837)	\$ (580,702)	\$ (541,968)	\$ (514,551)
Business-type activities	2,999	(700)	(356)	2,865	9,996	12,196	13,239	17,056	18,144	15,288
Total primary government net expense	\$ (580,646)	\$ (675,402)	\$ (736,224)	\$ (782,443)	\$ (736,607)	\$ (735,769)	\$ (605,598)	\$ (563,646)	\$ (523,824)	\$ (499,263)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 234,127	\$ 268,693	\$ 317,666	\$ 358,338	\$ 359,851	\$ 346,859	\$ 324,516	\$ 288,923	\$ 256,333	\$ 240,779
State taxes	68,451	67,304	67,723	73,928	67,642	57,745	65,068	66,940	70,498	71,997
Local taxes	251,301	261,815	256,658	235,470	214,266	216,072	220,684	222,237	244,207	263,017
Other	84,850	30,406	108,048	50,153	81,885	58,374	35,672	53,172	7,076	19,671
Interest and investment income	46,063	78,053	48,073	47,852	25,917	10,894	8,592	7,078	6,358	6,653
Transfers	621	600	600	600	1,200	1,463	1,476	1,893	1,911	2,002
Special Items	-	-	59,020	-	-	-	-	-	-	88,309
Extraordinary items	-	-	-	-	-	-	-	273,020	(156,902)	-
Total governmental activities	\$ 685,413	\$ 706,871	\$ 857,788	\$ 766,341	\$ 750,761	\$ 691,407	\$ 656,008	\$ 913,263	\$ 429,481	\$ 692,428
Business-type activities:										
Interest and investment income	\$ 707	\$ 1,996	\$ 1,745	\$ 1,434	\$ 590	\$ 113	\$ 119	\$ 83	\$ (24)	\$ 165
Other	-	62	2	-	-	-	-	-	-	-
Transfers	(621)	(600)	(600)	(600)	(1,200)	(1,463)	(1,476)	(1,893)	(1,911)	(2,002)
Total business-type activities	\$ 86	\$ 1,458	\$ 1,147	\$ 834	\$ (610)	\$ (1,350)	\$ (1,357)	\$ (1,810)	\$ (1,935)	\$ (1,837)
Total primary government	\$ 685,499	\$ 708,329	\$ 858,935	\$ 767,175	\$ 750,151	\$ 690,057	\$ 654,651	\$ 911,453	\$ 427,546	\$ 690,591
Change in Net Position										
Governmental activities	\$ 101,768	\$ 32,169	\$ 129,743	\$ (18,967)	\$ 4,158	\$ (56,558)	\$ 37,171	\$ 332,561	\$ (112,487)	\$ 177,877
Business-type activities	3,085	758	791	3,699	9,386	10,846	11,882	15,246	16,209	13,451
Total primary government	\$ 104,853	\$ 32,927	\$ 130,534	\$ (15,268)	\$ 13,544	\$ (45,712)	\$ 49,053	\$ 347,807	\$ (96,278)	\$ 191,328

Source: City of Oakland Statement of Activities

CITY OF OAKLAND STATISTICS

SCHEDULE 3

PROGRAM REVENUES BY FUNCTION/PROGRAM (in thousands)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Charges for services:										
General government	\$ 25,641	\$ 16,266	\$ 13,741	\$ 22,276	\$ 21,128	\$ 24,382	\$ 20,360	\$ 19,924	\$ 17,756	\$ 54,509
Public safety	66,983	42,492	9,803	10,331	15,733	14,900	13,573	13,283	7,610	15,472
Life enrichment	125	79	3,992	5,110	11,084	8,128	8,483	-	-	-
Community services	-	-	-	-	-	-	-	8,302	6,342	6,326
Community and economic development	12,528	7,947	16,437	45,466	47,223	48,765	42,418	41,507	19,025	39,413
Public works	6,190	3,927	31,269	27,113	30,887	39,283	84,834	83,017	76,098	36,954
Operating grants and contributions	74,694	77,154	106,903	91,278	94,353	97,177	123,149	89,620	89,424	119,063
Capital grants and contributions	-	-	-	-	-	-	-	30,607	26,179	42,148
Subtotal governmental activities	\$ 186,161	\$ 147,865	\$ 182,145	\$ 201,574	\$ 220,408	\$ 232,635	\$ 292,817	\$ 286,260	\$ 242,434	\$ 313,885
Business-type activities:										
Charges for services:										
Sewer	\$ 24,252	\$ 24,678	\$ 29,838	\$ 33,264	\$ 35,382	\$ 39,329	\$ 41,832	\$ 48,200	\$ 52,919	\$ 52,946
Parks and recreation	244	197	237	487	796	286	118	575	372	503
Operating grants and contributions	-	-	21	-	-	-	-	-	-	-
Subtotal business-type activities	\$ 24,496	\$ 24,875	\$ 30,096	\$ 33,751	\$ 36,178	\$ 39,615	\$ 41,950	\$ 48,775	\$ 53,291	\$ 53,449
Total primary government	\$ 210,657	\$ 172,740	\$ 212,241	\$ 235,325	\$ 256,586	\$ 272,250	\$ 334,767	\$ 335,035	\$ 295,725	\$ 367,334

Source: City of Oakland Statement of Activities

CITY OF OAKLAND STATISTICS

SCHEDULE 4

FUND BALANCES, GOVERNMENTAL FUNDS (in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund						
Reserved	\$ 151,494	\$ 134,151	\$ 138,891	\$ 126,575	\$ 116,543	\$ 103,372
Unreserved	140,343	152,368	143,016	121,109	120,406	129,678
Total general fund	<u>\$ 291,837</u>	<u>\$ 286,519</u>	<u>\$ 281,907</u>	<u>\$ 247,684</u>	<u>\$ 236,949</u>	<u>\$ 233,050</u>

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund ⁽¹⁾				
Restricted	\$ 106,692	\$ 110,708	\$ 165,400	\$ 156,462
Committed	3,890	70,284	-	-
Assigned	65,985	6,256	58,452	73,843
Unassigned	48,794	68,681	21,791	23,546
Total general fund	<u>\$ 225,361</u>	<u>\$ 255,929</u>	<u>\$ 245,643</u>	<u>\$ 253,851</u>

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
All Other Governmental Funds						
Reserved	\$ 445,531	\$ 496,474	\$ 797,702	\$ 828,314	\$ 788,476	\$ 761,679
Unreserved, reported in:						
Special revenue funds	19,785	42,102	32,444	8,129	9,553	(16,486)
Capital projects funds	143,456	130,221	98,912	73,147	41,322	66,136
Total all other governmental funds	<u>\$ 608,772</u>	<u>\$ 668,797</u>	<u>\$ 929,058</u>	<u>\$ 909,590</u>	<u>\$ 839,351</u>	<u>\$ 811,329</u>

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
All Other Governmental Funds ⁽¹⁾				
Restricted	\$ 481,124	\$ 264,460	\$ 248,517	\$ 270,055
Committed	139,178	13,420	16,075	13,902
Assigned	188,722	179,063	61,373	90,800
Unassigned	(2,669)	(1,416)	(9,849)	(5,389)
	<u>\$ 806,355</u>	<u>\$ 455,527</u>	<u>\$ 316,116</u>	<u>\$ 369,368</u>

Note:

⁽¹⁾ The City implemented GASB Statement No. 54 under which governmental fund balances are reported as restricted, committed, assigned, and unassigned compared to reserved and unreserved.

Source: City of Oakland Balance Sheet, Governmental Funds

CITY OF OAKLAND STATISTICS

SCHEDULE 5

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes (see Schedule 6)	\$ 535,706	\$ 578,474	\$ 616,754	\$ 648,153	\$ 641,086	\$ 622,901	\$ 612,328	\$ 578,100	\$ 569,193	\$ 576,744
Licenses and permits	15,676	19,006	20,390	19,319	14,467	12,124	13,297	12,079	13,331	16,694
Fines and penalties	26,325	25,467	26,859	23,497	29,348	31,220	29,440	27,204	26,657	26,958
Interest/investment net income	38,495	30,721	49,141	49,894	27,520	11,495	9,147	7,558	6,330	6,738
Charges for services	73,133	70,711	75,242	76,735	77,285	82,289	124,707	126,750	86,842	109,022
Other intergovernmental revenues	-	-	-	33,561	35,588	45,116	-	-	-	-
Federal and State grants and subventions	97,009	73,778	97,382	94,428	87,971	98,850	121,184	115,046	102,802	152,062
Other revenues	53,711	47,558	74,758	24,200	40,587	32,116	32,290	34,427	39,278	19,641
Total revenues	\$ 840,055	\$ 845,715	\$ 960,526	\$ 969,787	\$ 953,852	\$ 936,111	\$ 942,393	\$ 901,164	\$ 844,433	\$ 907,859
Expenditures										
General government	\$ 45,466	\$ 49,411	\$ 67,194	\$ 45,600	\$ 40,838	\$ 35,710	\$ 33,781	\$ 50,992	\$ 71,990	\$ 36,733
Finance and Human Resource	22,197	24,181	26,018	35,761	34,863	30,943	28,756	27,371	15,337	26,137
Information Technology	-	-	-	13,666	12,975	9,137	8,276	7,746	7,753	9,080
Contracting and Purchasing	-	-	-	2,280	1,959	2,100	2,082	-	-	-
Police services	178,813	187,968	206,561	225,893	231,789	218,129	205,292	220,115	331,382	225,959
Fire services	98,029	111,162	112,699	118,429	119,711	111,583	111,339	125,585	200,054	114,561
Community Service Department:										
Administration	7	-	-	-	-	-	-	-	-	-
Parks & Recreation	16,740	17,296	19,148	20,872	20,308	20,259	20,914	20,465	21,260	23,094
Library	20,547	22,942	24,631	23,833	21,824	20,927	21,633	22,704	22,623	25,612
Museum	7,383	267	6,976	6,883	6,584	6,146	6,749	-	-	-
Human Services	35,609	46,581	53,228	56,239	62,382	59,441	63,031	61,851	60,978	66,883
Cultural Arts	-	6,832	-	-	-	-	-	-	-	-
Community & Economic Development	101,031	135,561	169,233	206,908	197,285	227,505	175,750	96,407	-	-
Planning and Building	-	-	-	-	-	-	-	11,170	22,616	24,882
Economic & Workforce Development	-	-	-	-	-	-	-	-	-	21,190
Cultural and community services	-	-	-	-	-	-	-	-	431	-
Housing & Community Development	-	-	-	-	-	-	-	19,132	43,420	33,650
Public Works	73,338	79,816	91,490	71,971	64,288	57,133	71,099	69,763	72,497	96,208
Other	38,327	23,048	10,641	10,597	20,099	8,328	27,062	18,460	13,243	16,043
Capital outlay	36,219	25,014	49,895	46,312	44,418	61,233	63,532	71,703	103,905	98,316
Debt service										
Bond issuance costs	4,478	2,496	4,467	4,210	864	1,558	828	359	1,958	209
Other refunding cost	-	-	-	5,674	-	-	-	-	3,110	-
Principal	88,506	72,583	79,964	92,940	138,854	105,742	86,965	125,570	74,886	80,559
Interest	60,656	69,027	69,682	71,528	65,157	69,097	89,514	67,175	58,208	59,314
Total expenditures	\$ 827,346	\$ 874,185	\$ 991,827	\$ 1,059,596	\$ 1,084,198	\$ 1,044,971	\$ 1,016,603	\$ 1,016,568	\$ 1,125,651	\$ 958,430
Excess of revenues over(under) expenditures	\$ 12,709	\$ (28,470)	\$ (31,301)	\$ (89,809)	\$ (130,346)	\$ (108,860)	\$ (74,210)	\$ (115,404)	\$ (281,218)	\$ (50,571)
Other Financing Sources (Uses)										
Issuance of debt/bond	\$ 433,956	\$ 105,840	\$ 143,988	\$ -	\$ 40,228	\$ 67,693	\$ 56,870	\$ 83,775	\$ -	\$ -
Issuance of refunding bonds	-	-	102,590	241,410	-	-	-	-	216,085	-
Capital leases	-	-	-	-	-	-	-	-	16,150	14,901
Premiums/discounts on issuance of bonds	13,535	328	1,963	11,313	(779)	908	(2,052)	8,538	(1,129)	-
Payment to refund bond escrow agent	(247,860)	(27,853)	(22,729)	(221,250)	-	-	-	(57,998)	(3,018)	-
Property sale proceeds	394	4,262	618	4,045	8,723	5,013	4,481	32,213	67	5,442
Insurance claims and settlements	-	-	-	-	-	1,641	548	1,627	3,726	865
Transfers in	109,911	101,643	97,397	98,691	130,095	106,409	103,786	344,831	119,617	115,397
Transfers out	(109,311)	(101,043)	(95,897)	(98,091)	(128,895)	(104,725)	(102,086)	(342,843)	(117,473)	(112,883)
Total other financing sources (uses)	\$ 200,625	\$ 83,177	\$ 227,930	\$ 36,118	\$ 49,372	\$ 76,939	\$ 61,547	\$ 70,143	\$ 234,025	\$ 23,722
Special items	\$ -	\$ -	\$ 59,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,309
Extraordinary items	-	-	-	-	-	-	-	(274,999)	(102,504)	-
Net change in fund balances	213,334	54,707	255,649	(53,691)	(80,974)	(31,921)	(12,663)	(320,260)	(149,697)	61,460
Total fund balance - beginning	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
Total fund balance - ending	\$ 900,609	\$ 955,316	\$ 1,210,965	\$ 1,157,274	\$ 1,076,300	\$ 1,044,379	\$ 1,031,716	\$ 711,456	\$ 561,759	\$ 623,219
Debt service as a percentage of noncapital expenditures										
	18.85%	16.68%	15.89%	17.00%	20.33%	18.13%	18.85%	20.97%	13.74%	17.06%

Note: Debt ratio was calculated by dividing principal and interest by total government expenditures excluding capital outlay \$138,719 for fiscal year 2014.

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

CITY OF OAKLAND STATISTICS

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
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
2014	241,730	58,912	-	13,085	62,905	50,422	59,060	18,468	16,661	38,835	16,666	576,744
Change 2005-2014	4.2%	15.2%	-100.0%	71.1%	43.3%	1.3%	-24.0%	69.0%	43.9%	28.8%	49.8%	7.7%

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 - FY2014

Source: City of Oakland Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

CITY OF OAKLAND STATISTICS

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
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%
2014	13,031,396	29,441,439	2,569,502	45,042,337	4,245,848	9,625,116	31,171,373	5.470	170,507,410	18.28%

Note: Total Direct Tax Rate is "per \$10,000 assessed value".

Source: County of Alameda

CITY OF OAKLAND STATISTICS

SCHEDULE 8

DIRECT AND OVERLAPPING PROPERTY TAX RATES

City Direct Rates					Overlapping Rates						East Bay Municipal Utility Debt	East Bay Regional Parks District	East Bay Reg. Parks District Debt
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			
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
2014	0.3485	0.0410	0.1575	0.5470	0.3086	0.2165	0.2199	0.0517	0.0075	0.0505	0.0066	0.0242	0.0078

Note: Rates per \$1,000 assessed value

Source: County of Alameda

CITY OF OAKLAND STATISTICS

SCHEDULE 9

PRINCIPAL PROPERTY TAX PAYERS

<u>Taxpayer</u>	<u>2005</u> ⁽¹⁾			<u>2014</u> ⁽²⁾		
	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Rank</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Rank</u>
Oakland City Center Venture LLC	\$ 202,504,611	0.692%	1	366,655,683	0.899%	1
Sutter East Bay Hospitals				271,614,836	0.666%	2
SIC Lakeside Drive LLC				216,971,631	0.532%	3
CIM Oakland Center 21 LP				180,216,025	0.442%	4
Kaiser Foundation Health Plan Inc	135,871,065	0.464%	3	157,187,324	0.385%	5
CIM Oakland 1 Kaiser Plaza LP				132,812,205	0.326%	6
Digital 720 2ND LLC				127,825,966	0.313%	7
1800 Harrison Foundation	110,439,090	0.377%	5	127,509,307	0.313%	8
Oakland Property LLC				126,409,000	0.310%	9
Westcore City Center LLC				110,000,000	0.270%	10
Kaiser Center, Inc.	137,136,571	0.468%	2			
Prentiss Properties Acquisition Partners LP	131,083,507	0.448%	4			
KSL Claremont Resort, Inc	107,560,396	0.367%	6			
Lake Merritt Plaza	101,636,154	0.347%	7			
555 Twelfth Street Venture LLC	101,276,440	0.346%	8			
Clorox Company	90,521,728	0.309%	9			
Union Pacific Railroad Company	67,766,374	0.232%	10			
Total	<u>\$ 1,185,795,936</u>	<u>4.050%</u>		<u>\$ 1,817,201,977</u>	<u>4.454%</u>	

Notes:

(1) 2005 based on total assessed value of \$29,276,916,199

(2) 2014 based on total assessed value of \$40,796,489,630

Source: County of Alameda

CITY OF OAKLAND STATISTICS

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	
2005	\$ 68,095	\$ 66,301	97.37%	\$ -	\$ 66,301	97.37%	
2006	73,331	71,198	97.09%	-	71,198	97.09%	
2007	79,357	75,654	95.33%	-	75,654	95.33%	
2008	86,220	81,048	94.00%	-	81,048	94.00%	
2009	89,482	84,063	93.94%	-	84,063	93.94%	
2010	85,706	82,015	95.69%	-	82,015	95.69%	
2011	83,960	81,013	96.49%	-	81,013	96.49%	
2012	84,590	81,823	96.73%	-	81,823	96.73%	
2013	85,791	83,756	97.63%	-	83,756	97.63%	
2014	87,270	85,643	98.14%	-	85,643	98.14%	

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	
2005	\$ 59,673	\$ 57,558	96.46%	\$ -	\$ 57,558	96.46%	
2006	63,369	60,887	96.08%	-	60,887	96.08%	
2007	75,071	70,586	94.03%	-	70,586	94.03%	
2008	76,453	70,621	92.37%	-	70,621	92.37%	
2009	75,753	70,494	93.06%	-	70,494	93.06%	
2010	83,581	79,172	94.72%	-	79,172	94.72%	
2011	85,262	81,506	95.59%	-	81,506	95.59%	
2012	85,076	82,413	96.87%	-	82,413	96.87%	
2013	82,312	80,328	97.59%	-	80,328	97.59%	
2014	80,745	78,989	97.83%	-	78,989	97.83%	

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									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Auto & Transportation	\$ 817,924	\$ 860,194	\$ 912,876	\$ 840,330	\$ 695,919	\$ 580,398	\$ 651,555	\$ 674,154	\$ 743,329	\$ 838,029
Business & Industry	622,816	667,630	613,457	691,322	574,628	490,566	512,453	642,399	655,454	653,875
General Consumer Goods	461,085	554,136	549,394	536,955	505,460	480,781	496,571	548,072	559,941	574,519
Restaurants and Hotels	441,158	496,814	483,765	527,276	515,602	525,068	566,973	606,936	681,562	751,108
Building & Construction	491,196	488,972	495,607	465,797	416,701	344,171	325,085	378,922	374,421	434,677
Food & Drugs	316,990	321,467	330,643	341,677	342,922	366,461	359,148	386,236	402,383	417,291
Fuel & Service Stations	869,866	1,058,122	1,186,535	1,236,876	638,147	433,207	620,279	888,349	733,489	704,208
Total	<u>\$4,021,035</u>	<u>\$4,447,335</u>	<u>\$4,572,277</u>	<u>\$4,640,233</u>	<u>\$3,689,379</u>	<u>\$3,220,652</u>	<u>\$3,532,064</u>	<u>\$4,125,068</u>	<u>\$4,150,579</u>	<u>\$4,373,707</u>
City direct sales tax rate		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

Source: HdL Companies

CITY OF OAKLAND STATISTICS

SCHEDULE 12

DIRECT AND OVERLAPPING SALES TAX RATES

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>State of California</u>
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%
2014	1.50%	7.50%

Source: California State Board of Equalization

CITY OF OAKLAND STATISTICS

SCHEDULE 13

RATIOS OF OUTSTANDING DEBT BY TYPE (in thousands)

<u>Governmental Activities</u>												<u>Business-type Activities</u>				
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
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
2014	290,449	-	-	141,555	348,512	169,923	6,365	5,330	51,349	18,390	53,225	-	38,555	1,123,653	8.57%	3

(1) Per capita income \$32,425 multiplied by population 404,355 gives personal income \$13,111,210,875

Source: Notes to Basic Financial Statements, Note (11) - Long-term Obligations

CITY OF OAKLAND STATISTICS

SCHEDULE 14

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

(in thousands)

General Bonded Debt Outstanding

<u>Fiscal Year</u>	<u>Net Bonded Debt (1)</u>	<u>Assessed Value (2)</u>	<u>Percentage of Actual Taxable Value of Property (%)</u>	<u>Per Capita (3) (in dollars)</u>
2005	\$ 1,618,349	\$ 29,277,000	5.5277	\$ 551
2006	1,633,723	32,244,000	5.0668	870
2007	1,792,471	35,820,000	5.0041	4,314
2008	1,732,650	39,319,000	4.4066	4,124
2009	1,651,021	41,274,000	4.0001	3,884
2010	1,634,120	39,877,000	4.0979	3,794
2011	1,596,287	38,484,140	4.1479	4,063
2012	973,570	38,856,435	2.5056	2,463
2013	1,147,758	39,515,578	2.9046	2,874
2014	1,085,098	40,796,490	2.6598	2,684

(1) Source: City of Oakland Annual Debt Service Roll Forward Schedule as of June 30, 2014

(2) Source: County of Alameda.

(3) Population 404,355 as of 1/1/14 per State of California Demographic Information by City.

CITY OF OAKLAND STATISTICS

SCHEDULE 15

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

<u>Governmental Unit</u>	<u>Estimated Percentage Applicable</u>	<u>City Share of Debt</u>
Direct Bonded Debt		
City of Oakland General Obligation Bonds	100	\$ 290,449,000
City of Oakland Lease Revenue Bonds	100	141,555,000
City of Oakland Pension Obligations	100	348,512,000
City of Oakland 1915 Act Bond Obligations	100	6,365,000
City of Oakland Accreted Interest on Appreciation Bonds	100	169,923,000
City of Oakland Unamortized Premium and Discount	100	18,390,000
City of Oakland Notes and Capital Leases	100	56,679,000
City of Oakland and Coliseum Authority General Fund Obligations	100	53,225,000
Total Direct Bonded Debt:		<u>\$ 1,085,098,000</u>
Overlapping Bonded Debt		
Alameda-Contra Costa Transit District Certificates of Participation	23.436	\$ 6,598,406
Alameda County and Coliseum Authority General Fund Obligation	19.792	176,900,797
Alameda County Pension Obligations	19.792	17,374,887
Bay Area Rapid Transit District	7.833	50,779,381
East Bay Municipal Utility District, Special District #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	218,339,973
Peralta Community College District Pension Obligation	54.398	90,958,401
Berkeley & Castro Valley Unified School District	0.004 & 0.115	113,212
Oakland Unified School District	99.999	842,671,573
Oakland Unified School District Certificates of Participation	99.999	43,364,566
San Leandro Unified School District	8.102	15,403,002
Castro Valley Unified School District Certificates of Participation	0.115	6,814
City of Emeryville 1915 Act Bonds	4.183	245,751
City of Piedmont 1915 Act Bonds	4.792	147,594
Total Overlapping Bonded Debt:		<u>\$ 1,498,579,874</u>
Total Direct and Overlapping Debt		\$ 2,583,677,874
Less: East Bay M.U.D. Special District #1 (100% self-supporting)		<u>7,337,570</u>
Total Net Direct and Overlapping Bonded Debt		<u><u>\$ 2,576,340,304</u></u>

Source: City of Oakland Treasury Division

CITY OF OAKLAND STATISTICS

SCHEDULE 16

LEGAL DEBT MARGIN INFORMATION

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt limit	\$ 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	\$1,168,926,502
Total net debt applicable to limit	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	290,448,558
Legal debt margin	\$ 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	\$ 878,477,944
Total net debt applicable to the limit as a percentage of debt limit (%)	25.13%	38.99%	35.05%	29.70%	27.42%	32.42%	31.64%	29.42%	27.52%	24.85%

Source: County of Alameda and City of Oakland Annual Debt Service Roll Forward (General Obligation Debt Total as of June 30, 2014).

CITY OF OAKLAND STATISTICS

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
<u>PORT OF OAKLAND</u>					
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%
2011	155,502	36,500	69,378	105,878	146.87%
2012	161,254	48,763	59,571	108,334	149.68%
2013	170,128	45,812	61,612	107,424	158.37%
2014	160,242	42,661	56,615	99,276	161.41%
<u>OAKLAND REDEVELOPMENT AGENCY</u>					
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%
<u>OAKLAND REDEVELOPMENT SUCCESSOR AGENCY</u>					
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:

(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

CITY OF OAKLAND STATISTICS

SCHEDULE 18

DEMOGRAPHIC AND ECONOMIC STATISTICS

Calendar Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate (%)
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	11,281,140	28,572	36.2	37,742	14.3
2013	399,699 (1)	12,402,660	31,030	36.6	36,180	11.3
2014	404,355	13,111,211	32,425	36.4	37,040	9.0

Source: Population - State of California Department of Finance

Per Capita Income and Median Age - DemographicsNow.com (2005-2013), American Community Survey (2014)

School Enrollment - Oakland Unified School District

Unemployment Rate - State of California Employment Development Department

(1) 2013 population is updated with newly available data from the California Department of Finance.

Personal Income is also updated accordingly.

CITY OF OAKLAND STATISTICS

SCHEDULE 19

PRINCIPAL EMPLOYERS

<u>Employer</u>	<u>2014</u>			<u>2006</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percent of Total Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percent of Total Employment</u>
Oakland Unified School District	7,664	1	4.13%	8,000	2	4.31%
County of Alameda	6,428	2	3.47%	9,740	1	5.25%
Alta Bates Summit Medical Center	5,110	3	2.76%	N/A		
Kaiser Permanente Medical Center	4,793	4	2.59%	5,450	3	2.94%
City of Oakland	4,095	5	2.21%	4,290	5	2.31%
California State Transportation Dept	3,500	6	1.89%	N/A		
Bay Area Rapid Transit	3,230	7	1.74%	2,800	6	1.51%
East Bay Municipal Utility District	3,000	8	1.62%	N/A		
Alameda Health System	2,800	9	1.51%	N/A		
Children's Hospital	2,700	10	1.46%	N/A		
Kaiser Foundation Hospitals	N/A			4,340	4	2.34%
Federal Express	N/A			2,790	7	1.50%
Alta-Bates Medical Center	N/A			2,620	8	1.41%
Kaiser Foundation Health Plan	N/A			2,590	9	1.40%
Summit Medical Center	N/A			2,230	10	1.20%
Total	<u>43,320</u>			<u>44,850</u>		

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 2014 - City of Oakland, Office of Economic and Workforce Development

Total employment of 185,400 from State of California Employment Development Department is used to calculate the percentage of employment

CITY OF OAKLAND STATISTICS

SCHEDULE 20

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Aging, Health & Human Services	219	210	213	208	204	217	231	218	219	219
Community & Economic Development Agency	266	258	262	419	380	364	241	N/A	N/A	N/A
Economic & Workforce Development Department	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	46
Fire										
Firefighters and officers	464	445	456	462	448	434	427	411	410	393
Civilians	72	77	81	82	77	78	69	64	68	96
General Government										
Management services	207	199	222	211	204	184	169	280	280	169
Finance	175	201	210	209	196	176	172	63	55	124
Retirement Services	6	7	7	5	5	5	5	N/A	N/A	N/A
Personnel Resources Management	35	38	41	53	47	35	35	33	29	40
Contracts and Purchasing	N/A	N/A	N/A	22	22	22	23	N/A	N/A	N/A
Neighborhood Services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	N/A
Information Technology	72	76	76	92	88	67	62	60	55	59
Library	172	173	160	150	140	133	135	134	138	139
Cultural Arts/KTOP	22	22	22	21	20	12	12	8	8	8
Museum	61	56	58	55	51	42	38	N/A	N/A	N/A
Parks and Recreation	81	88	81	76	92	82	87	83	84	82
Planning, Building & Neighborhood Preservation	N/A	N/A	N/A	N/A	N/A	N/A	N/A	119	111	111
Police										
Officers	714	701	725	746	791	763	627	634	621	633
Civilians	370	354	335	432	303	305	279	311	350	458
Public Works	698	709	727	561	546	482	593	593	588	611
Housing & Community Development	N/A	N/A	N/A	N/A	N/A	N/A	N/A	44	43	45
Total	3,634	3,614	3,676	3,804	3,614	3,401	3,205	3,055	3,063	3,233

Source: City of Oakland Payroll Division

CITY OF OAKLAND STATISTICS

SCHEDULE 21

OPERATING INDICATORS BY FUNCTION/PROGRAM

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government								
Building permits issued	16,488	14,957	13,055	12,951	13,648	13,696	13,513	14,680
Building inspections conducted	89,388	95,064	77,845	71,931	70,016	48,500	55,951	58,844
Authorized new dwelling units	2,035	704	395	555	528	237	486	420
Commercial value (in thousands)	171,157	213,696	117,876	95,851	108,767	150,613	65,152	100,239
Residential value (in thousands)	611,036	258,617	196,362	168,872	179,374	159,723	253,516	181,087
Police								
Dispatched calls	299,283	289,032	315,522	265,277	236,517	221,775	249,050	226,275
Field Contacts	7,221	9,641	8,393	20,220	23,391	16,638	21,280	33,570
Physical arrests	14,908	16,866	18,183	15,056	15,029	10,617	7,908	7,577
Parking violations	470,008	459,459	496,655	450,656	386,494	368,641	326,030	331,692
Traffic violations	39,098	44,897	51,019	33,484	20,731	N/A	N/A	N/A
Fire								
Emergency responses	61,470	49,784	51,255	49,887	51,041	46,672	55,334	55,284
Fires extinguished	2,021	3,800	2,601	1,143	1,073	1,207	1,108	1,783
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	14,478,498
Exports (in tonnage)	<u>14,710,407</u>	<u>16,191,383</u>	<u>16,258,547</u>	<u>17,357,582</u>	<u>17,647,626</u>	<u>18,429,153</u>	<u>18,370,822</u>	<u>18,473,839</u>
Total tonnage	30,791,696	32,394,787	30,923,020	30,372,052	32,515,936	33,138,606	32,980,594	32,952,337
Containers	1,369,123	1,363,367	1,273,805	1,161,082	1,316,473	1,318,925	1,328,379	1,325,855
Other public works								
Street resurfacing (miles)	14.58	13.83	18.63	18.50	11.50	21.21	3.95	16.95
Potholes repaired	12,574	11,758	8,515	10,062	8,262	11,614	12,005	9,719
Parks and recreation								
Athletic field permits issued	543	330	340	346	378	409	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	902,414
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	1,245,060
Total volumes borrowed	2,270,755	2,328,712	2,436,806	2,469,588	2,585,613	2,619,930	2,576,157	2,534,678
Water								
New connections	389	474	297	192	111	127	167	132
Water main breaks	261	251	410	242	263	260	278	303
Average daily consumption (gallons/family)	203	N/A	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	N/A
Wastewater								
Average daily sewage treatment (thousands of gallons)	75,500	75,000	66,000	68,000	70,000	63,000	61,000	56,000

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Aviation facilities								
Airports operated	1	1	1	1	1	1	1	1
Paved airport runways	4	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	25,038
Area of airport (in acres)	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
Police								
Stations	7	8	8	7	7	7	7	7
Patrol units	630	622	633	602	592	634	610	600
Fire stations	25	25	25	25	25	25	25	25
Harbor facilities								
Miles at waterfront	19	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	23,233
Harbor area (in acres)	786	786	786	786	779	779	779	779
Hospitals	2	4	4	4	4	4	4	4
Library branches	16	15	15	15	16	16	16	16
Museums	2	1	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	1,965
Streetlights	33,952	36,219	36,219	36,219	37,000	37,000	37,000	37,000
Traffic signals	680	671	688	688	688	720	632	635
Parks and recreation								
Acreage	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Swimming pools	5	7	5	5	4	4	4	4
Tennis courts	36	44	44	44	44	44	44	44
Playgrounds	89	106	106	106	106	106	106	106
Baseball/softball diamonds	46	40	40	40	40	40	40	40
Soccer/football fields	15	15	15	15	15	15	15	15
Community centers	29	34	34	34	33	33	33	33
Water								
Water mains (miles)	N/A	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	6,823
Storage capacity (thousands of gallons)	N/A	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	29
Treatment capacity (million gallons per day)	120	320	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 404,355, 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 404,355 residents per capita income in 2014 averaged \$32,425. 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 \$4.4 billion in 2014. 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:

- “...seven Oakland companies named among ICIC and Fortune Inner City’s 100 winners.” (ICIC and Fortune 2014);
- “...Oakland uptown was named among nation’s 10 best neighborhoods.” (American Planning Association 2014);
- “...named in the Rockefeller Foundation’s new 100 Resilient Cities Network.” (Rockefeller Foundation 2013);
- “...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);

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.

In the State of the City 2013 Report that published in March 2014, Mayor Quan talked about milestones in 2013 and goals for 2014. Here are some of the goals for 2014:

CITY OF OAKLAND

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Public Safety

Increase staffing: Oakland will tackle the challenge on many residents' minds: how do we get to the number of police officers we need? The current budget is funded to reach 700 officers by June 2015, building toward Mayor Quan's goal of 900. Attaining that goal will require determination and teamwork among the administration, the City Council, the Oakland Police Department, state and federal partners and Oakland residents and voters. The fire department will also hire 25 new recruits in 2014.

Building on progress: Oakland Ceasefire has proved incredibly effective in the neighborhoods where it's most strongly implemented. Bolstering the strategy and increasing its resources are critical to building on that success and ensuring that residents feel that increased safety throughout all of Oakland.

Economic Development

Jobs Pipeline: A central priority for Mayor Quan's administration is to ensure that residents of low-income and high-unemployment neighborhoods are able to access the thousands of jobs that are being created in this robust period of growth and development. We have to work together to build pipelines that prepare residents in the skills and qualifications they need to apply for those jobs, and create clear pathways for residents to access them. The long-in-the-works Foothill Square shopping center will open in East Oakland, providing residents with a bank branch and a grocery store for the first time in years and creating hundreds of jobs.

Innovative, Sustainable City

The City is continuing to work with the Rockefeller Foundation on the 100 Resilient Cities program, working with other regional cities and partner cities across the world to develop resilience in the face of potential disasters such as a major earthquake, as well as ongoing concerns including the impacts of global climate change.

Oakland is taking a leadership role in the National League of Cities' work to promote and encourage achievement for young men of color and reduce violence in their communities.

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 salmon, crabs, sturgeons, smelts, lobsters, clams, and mussels. The marsh that would become Lake Merritt was alive with wildfowl.

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.

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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.

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

CITY OF OAKLAND STATISTICS

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.

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 Coast 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.

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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 54 elementary, 13 middle, and 19 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.

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.

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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.

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.

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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.

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.

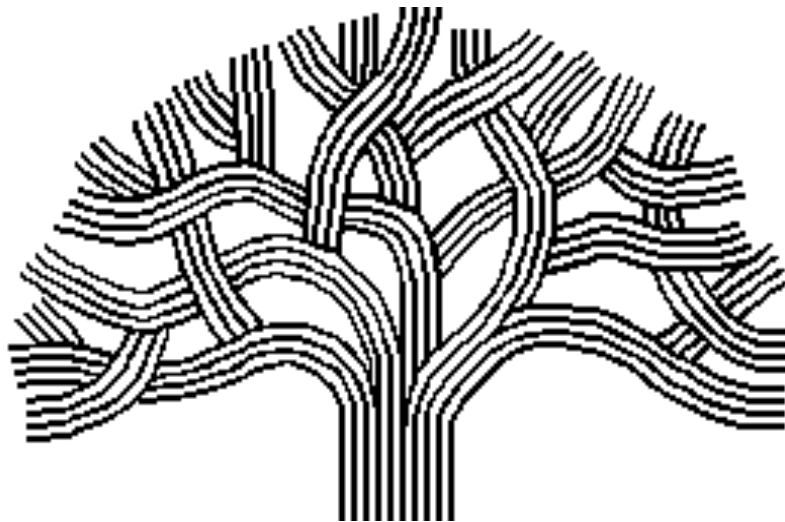
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APPENDIX C

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**

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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 APPLICABLE ORDINANCES

9.1 Nuclear Free Zone Ordinance

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 Linked Banking Ordinance

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 Tobacco Divestiture Resolution

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 Fossil Fuel Divestiture Resolution

[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 SOCIAL RESPONSIBILITY

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 REPORTING

11.1 City Council

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: A1, P1, or F1 or better by two or the three nationally recognized rating services. No rating may be lower than 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: A1, P1, or F1 or better by two or the three nationally recognized rating services. No rating may be lower than 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: A1, P1, or F1 or better by two or the three nationally recognized rating services. No rating may be lower than any of the ratings 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 Local Government Investment Pools

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 Composition Comprised of instruments in accordance with the California State Government Code

14.7 Medium Term Notes

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 than 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 Negotiable Certificates of Deposit

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 Repurchase Agreements

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 Reverse Repurchase Agreements

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 MAXIMUM MATURITIES

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 than 5 years from its date of purchase.

16.0 GLOSSARY

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 of 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 tranches. 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]

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 \$49,245,000 aggregate principal amount of 2015-2016 Tax and Revenue Anticipation Notes, Series 2015A (the “Series A Notes”) and the \$108,975,000 aggregate principal amount of 2015-2016 Tax and Revenue Anticipation Notes, Series 2015B (Federally Taxable) (the “Series B Notes,” and together with the Series A Notes, the “Notes”) issued pursuant to and by authority of Ordinance No. 13308 C.M.S. of the City adopted on May 19, 2015 (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, the Fiscal Agent Agreement dated as of July 1, 2015 between the City and Wilmington Trust, National Association, as fiscal agent, 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 pertaining to the Series A Notes (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 which are received by the City for the General Fund of the City during the Fiscal Year 2015-16 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 Series A Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series A 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 Series B Notes is not excluded from gross income for Federal income tax purposes.

(5) 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 Series A 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 the 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 Series A Notes will, for federal income tax purposes, be excluded from gross income. Noncompliance with such requirements may cause interest on the Series A 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), (4) and (5) 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 Series A 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 1, 2015, 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 2015-2016 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. 13308 C.M.S. of the City adopted on May 19, 2015 (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 Underwriters” shall mean the original underwriters 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 shall be an action to compel performance.

Section 8. 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 9. Effective Date. This Disclosure Certificate shall be effective on and as of the date hereof.

Section 10. 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 (“DTC”), and DTC’s Book-Entry system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interest in or other confirmation or 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 do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The City, the Fiscal Agent and the Underwriters are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Notes or an error or delay relating thereto. 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 DTC Participants are on file with DTC.

1. The Depository Trust Company 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 certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity of such issue, and will be deposited with DTC.

2. DTC 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 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. Information on the website is not incorporated herein.

3. Purchases of 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 Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of

the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

4. 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 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.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 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 redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of 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 registrar and request that copies of notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and other payments on 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, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the City or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the Resolution with respect to certificated Notes will apply.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE FISCAL AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF NOTES FOR REDEMPTION.

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