

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS."



\$26,500,000
CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2017C, MEASURE DD)

Dated: Date of Original Issuance

Due: January 15, as shown on the inside cover hereof

The \$26,500,000 aggregate principal amount of City of Oakland General Obligation Bonds (Series 2017C, Measure DD) (the "Bonds"), are being issued under the Constitution of the State of California (the "State"), Article 1 of Chapter 4 of Division 4 of Title 4 (commencing with Section 43600) of the Government Code of the State, the Charter of the City of Oakland (the "City"), and other applicable laws of the State. The specific terms and conditions for issuance of the Bonds are contained in a Resolution adopted by the City Council of the City on December 13, 2016. See "THE BONDS—Authority for Issuance." The proceeds of the Bonds will be used for the construction and reconstruction of various improvements as described herein and to pay for certain costs related to the issuance of the Bonds.

The Bonds will be issued only as fully registered bonds without coupons and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by Wilmington Trust, National Association, as fiscal agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. See "APPENDIX E—BOOK-ENTRY-ONLY SYSTEM." The Bonds will be dated and bear interest from the date of original issuance. Interest on the Bonds will be payable semiannually on January 15 and July 15 of each year, commencing January 15, 2018. The Bonds will be subject to optional redemption prior to their respective stated maturities as described herein. See "THE BONDS—Redemption."

The Bonds are payable from *ad valorem* taxes levied upon all taxable property in the City. The City Council of the City has the power and is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the City subject to taxation by the City without limitation as to rate or amount (except certain property which is taxable at limited rates).

The Bonds were sold through competitive sale held on January 12, 2017.

The Bonds will be offered when, as and if issued by the City and received by Robert W. Baird & Co., Inc., the successful bidder, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Certain legal matters will be passed upon for the City by Alexis S. M. Chiu, Esq., as Disclosure Counsel. It is anticipated that the Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about January 26, 2017.

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

Dated: January 12, 2017

\$26,500,000
CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2017C, MEASURE DD)

MATURITY SCHEDULE

\$14,450,000 Serial Bonds

CUSIP* Base: 672240

| Maturity Date (January 15) | Principal Amount | Interest Rate | Yield | Price | CUSIP* Suffix |
|---------------------------------------|-----------------------------|--------------------------|--------------|----------------------|--------------------------|
| 2018 | \$510,000 | 2.000% | 1.000% | 100.962 | TF5 |
| 2019 | 490,000 | 2.000 | 1.200 | 101.552 | TG3 |
| 2020 | 500,000 | 5.000 | 1.380 | 110.496 | TH1 |
| 2021 | 525,000 | 5.000 | 1.540 | 113.272 | TJ7 |
| 2022 | 555,000 | 5.000 | 1.700 | 115.661 | TK4 |
| 2023 | 580,000 | 5.000 | 1.800 | 118.034 | TL2 |
| 2024 | 610,000 | 5.000 | 1.990 | 119.497 | TM0 |
| 2025 | 640,000 | 5.000 | 2.100 | 121.178 | TN8 |
| 2026 | 675,000 | 5.000 | 2.200 | 122.678 | TP3 |
| 2027 | 705,000 | 5.000 | 2.350 | 123.429 | TQ1 |
| 2028 | 740,000 | 4.000 | 2.600 | 112.224 ^C | TR9 |
| 2029 | 770,000 | 4.000 | 2.700 | 111.295 ^C | TS7 |
| 2030 | 800,000 | 3.000 | 3.000 | 100.000 | UD8 |
| 2031 | 825,000 | 3.000 | 3.100 | 98.872 | TT5 |
| 2032 | 850,000 | 3.125 | 3.200 | 99.112 | TU2 |
| 2033 | 875,000 | 3.125 | 3.250 | 98.451 | TV0 |
| 2034 | 905,000 | 3.250 | 3.300 | 99.353 | TW8 |
| 2035 | 935,000 | 3.250 | 3.350 | 98.657 | TX6 |
| 2036 | 965,000 | 3.250 | 3.400 | 97.914 | TY4 |
| 2037 | 995,000 | 3.375 | 3.450 | 98.923 | TZ1 |

\$2,095,000 3.375% Term Bonds due January 15, 2039, Yield 3.500%, Price 98.094, CUSIP* No. 672240UA4

\$3,420,000 3.500% Term Bonds due January 15, 2042, Yield 3.550%, Price 99.175, CUSIP* No. 672240UB2

\$6,535,000 3.500% Term Bonds due January 15, 2047, Yield 3.600%, Price 98.174, CUSIP* No. 672240UC0

* Copyright 2017, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the City nor the Municipal Advisor is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

^C Priced to the first call date of January 15, 2027 at par.

CITY OF OAKLAND
County of Alameda, California

CITY COUNCIL

Larry Reid, Jr. (District 7)
President of the City Council

Annie Campbell Washington (District 4)
Councilmember and Vice Mayor

Abel J. Guillen (District 2)
President Pro Tem of the City Council

Dan Kalb (District 1)
Councilmember

Lynette Gibson McElhaney (District 3)
Councilmember

Noel Gallo (District 5)
Councilmember

Desley Brooks (District 6)
Councilmember

Rebecca Kaplan (At-Large)
Councilmember

CITY OFFICIALS

Libby Schaaf, *Mayor*
Sabrina Landreth, *City Administrator*
Brenda D. Roberts, *City Auditor*
Barbara Parker, *City Attorney*
LaTonda Simmons, *City Clerk*
Katano Kasaine, *Treasurer*

SPECIAL SERVICES

Municipal Advisor

FirstSouthwest, a Division of Hilltop Securities, Inc.
Oakland, California

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Disclosure Counsel

Alexis S. M. Chiu, Esq.
Oakland, California

Fiscal Agent

Wilmington Trust, National Association
Costa Mesa, California

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds by the City. No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the City.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. This Official Statement is not to be construed as a contract with the purchasers or owners of any of the Bonds.

The information set forth herein other than that furnished by the City, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness. The information and expressions of opinion 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 in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. All summaries of the documents and laws herein are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

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

Certain statements included or incorporated by reference in this Official Statement 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 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, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

In connection with this offering, the initial purchaser may overallocate or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The initial purchaser may offer and sell the Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the initial purchaser.

The Bonds will not be registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such Act. The Bonds have not been registered or qualified under the securities laws of any state. The Bonds have not been recommended by any Federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

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\$26,500,000
CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2017C, MEASURE DD)

INTRODUCTION

The purpose of this Official Statement (including the cover page and appendices attached hereto) is to provide certain information concerning the initial issuance, sale and delivery by the City of Oakland, California (the “City”), of the \$26,500,000 City of Oakland General Obligation Bonds (Series 2017C, Measure DD) (the “Bonds”). The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Resolution and Fiscal Agent Agreement (each defined below).

The Bonds are payable from *ad valorem* taxes levied upon all taxable property in the City. The City Council of the City (the “City Council”) has the power and is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon 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). See “SECURITY FOR THE BONDS” and “CONSTITUTIONAL AND STATUTORY TAX LIMITATIONS.” For information on the City’s tax base, tax collection system and property tax revenues, see “SECURITY FOR THE BONDS” and “APPENDIX A—CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND.”

THE BONDS

Authority for Issuance

The Bonds are issued under provisions of the Constitution of the State of California (the “State”), Article 1 of Chapter 4 of Division 4 of Title 4 (commencing with Section 43600) of the Government Code of the State, the Charter of the City, and other applicable laws of the State. The specific terms and conditions for issuance of the Bonds are contained in a Resolution adopted by the City Council on December 13, 2016 (the “Resolution”). The Bonds are being issued by the City pursuant to a Fiscal Agent Agreement, dated as of January 1, 2017, between the City and Wilmington Trust, National Association, as fiscal agent (together with any successors, the “Fiscal Agent”).

The Bonds constitute a portion of the total authorized amount of \$198,250,000 of bonds (the “Authorized Bonds”) duly approved by at least two-thirds of the voters voting on Measure DD at the City election held on November 5, 2002 (the “Authorization”), to provide funds to acquire and construct water quality improvements for and related to Lake Merritt, Lake Merritt Channel, the Estuary and creeks in Oakland, to improve, renovate and construct youth and public recreational facilities, to rehabilitate and acquire parks, open space and other

recreational, safety and maintenance facilities, and to provide safe public access to Lake Merritt, Lake Merritt Channel and the Estuary. In 2003, \$71,450,000 City of Oakland General Obligation Bonds (Series 2003A, Measure DD), and in 2009, \$64,545,000 City of Oakland General Obligation Bonds (Series 2009B, Measure DD), were issued pursuant to the Authorization. After issuance of the Bonds, authorization for the issuance of \$35,755,000 of Authorized Bonds will remain.

Purpose

The Bonds are issued by the City to provide funds to improve water quality, provide educational and recreational facilities for children, clean up Lake Merritt, restore Oakland's creeks, waterfront and Estuary, preserve and acquire open space, renovate parks, and provide safe public spaces, including but not limited to the following projects:

- Design and construct parks, bridges, trails, streets, and water quality technologies to improve water quality, parks, and other facilities in and related to Lake Merritt and Lake Merritt Park;
- Acquire certain properties for open space purposes, design and construct trails and parks, and make other improvements along the Estuary waterfront;
- Design and construct bridges, trails and other improvements related to Lake Merritt Channel; and
- Acquire watershed properties and implement creek restoration improvements.

Description of the Bonds

The Bonds are being offered in the denominations of \$5,000 or integral multiples thereof, will be dated their date of issuance and delivery, and will mature on the dates and bear interest at the respective rates of interest per annum set forth on the inside cover page hereof. Interest on the Bonds will accrue from the date of initial issuance calculated on the basis of a 360 day year composed of twelve thirty-day months and will be payable on January 15, 2018, and on each January 15 and July 15 thereafter (each, an "Interest Payment Date").

Book-Entry-Only System

The Bonds will be issued in fully registered book-entry form only. The Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the owners or registered owners will mean Cede & Co. and will not mean the ultimate purchasers of the Bonds. Principal of and redemption premium, if any, and interest on, the Bonds will be paid directly to DTC or Cede & Co. so long as DTC or Cede & Co. is the registered owner of the Bonds. Except in the event that use of this book-entry system is discontinued for the Bonds, beneficial owners will not receive physical certificates representing their ownership interests. See "APPENDIX E—BOOK-ENTRY-ONLY SYSTEM."

Purchases of Bonds under the DTC system must be made by or through a DTC participant, and ownership interests in Bonds or any transfer thereof will be recorded as entries on the books of said participants. The City and the Fiscal Agent will have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, its nominee or any participant with respect to any beneficial ownership interest in the Bonds; (ii) the delivery to any participant, beneficial owner or other person, other than DTC, of any notice with respect to the Bonds; (iii) the payment to any participant, beneficial owner or other person, other than DTC, of any amount with respect to the principal of, or premium, if any, or interest on, the Bonds; (iv) any consent given by DTC or its nominee as owner; or (v) if applicable, the selection by DTC or any participant of any beneficial owners to receive payment if the Bonds are redeemed in part. See “APPENDIX E—BOOK-ENTRY-ONLY SYSTEM.”

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Debt Service

Debt service on the Bonds (assuming no optional redemption prior to the stated maturity date) is as follows:

**CITY OF OAKLAND
General Obligation Bonds
(Series 2017C, Measure DD)
Debt Service**

| Period Ending January 15 | Principal | Interest | Total Debt Service |
|-------------------------------------|---------------------|------------------------|-------------------------------|
| 2018 | \$510,000 | \$936,901.41 | \$1,446,901.41 |
| 2019 | 490,000 | 956,231.26 | 1,446,231.26 |
| 2020 | 500,000 | 946,431.26 | 1,446,431.26 |
| 2021 | 525,000 | 921,431.26 | 1,446,431.26 |
| 2022 | 555,000 | 895,181.26 | 1,450,181.26 |
| 2023 | 580,000 | 867,431.26 | 1,447,431.26 |
| 2024 | 610,000 | 838,431.26 | 1,448,431.26 |
| 2025 | 640,000 | 807,931.26 | 1,447,931.26 |
| 2026 | 675,000 | 775,931.26 | 1,450,931.26 |
| 2027 | 705,000 | 742,181.26 | 1,447,181.26 |
| 2028 | 740,000 | 706,931.26 | 1,446,931.26 |
| 2029 | 770,000 | 677,331.26 | 1,447,331.26 |
| 2030 | 800,000 | 646,531.26 | 1,446,531.26 |
| 2031 | 825,000 | 622,531.26 | 1,447,531.26 |
| 2032 | 850,000 | 597,781.26 | 1,447,781.26 |
| 2033 | 875,000 | 571,218.76 | 1,446,218.76 |
| 2034 | 905,000 | 543,875.00 | 1,448,875.00 |
| 2035 | 935,000 | 514,462.50 | 1,449,462.50 |
| 2036 | 965,000 | 484,075.00 | 1,449,075.00 |
| 2037 | 995,000 | 452,712.50 | 1,447,712.50 |
| 2038 | 1,030,000 | 419,131.26 | 1,449,131.26 |
| 2039 | 1,065,000 | 384,368.76 | 1,449,368.76 |
| 2040 | 1,100,000 | 348,425.00 | 1,448,425.00 |
| 2041 | 1,140,000 | 309,925.00 | 1,449,925.00 |
| 2042 | 1,180,000 | 270,025.00 | 1,450,025.00 |
| 2043 | 1,220,000 | 228,725.00 | 1,448,725.00 |
| 2044 | 1,260,000 | 186,025.00 | 1,446,025.00 |
| 2045 | 1,305,000 | 141,925.00 | 1,446,925.00 |
| 2046 | 1,350,000 | 96,250.00 | 1,446,250.00 |
| 2047 | 1,400,000 | 49,000.00 | 1,449,000.00 |
| TOTAL | \$26,500,000 | \$16,939,332.83 | \$43,439,332.83 |

Redemption

Optional Redemption

The Bonds maturing on or before January 15, 2027, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing after January 15, 2027, are subject to optional redemption, at the option of the City, from any source of available funds, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and by lot within a maturity), on or after January 15, 2027, at redemption prices equal to the principal amount thereof to be redeemed, without premium, together with accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Bonds maturing on January 15, 2039 (the “2039 Term Bonds”), are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount to be redeemed together with accrued interest thereon to the redemption date, without premium, in the amounts and at the times, as follows:

| <u>Mandatory Redemption Date (January 15)</u> | <u>Principal Amount</u> |
|---|-------------------------|
| 2038 | \$1,030,000 |
| 2039 ¹ | 1,065,000 |

¹ Maturity

The Bonds maturing on January 15, 2042 (the “2042 Term Bonds”), are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount to be redeemed together with accrued interest thereon to the redemption date, without premium, in the amounts and at the times, as follows:

| <u>Mandatory Redemption Date (January 15)</u> | <u>Principal Amount</u> |
|---|-------------------------|
| 2040 | \$1,100,000 |
| 2041 | 1,140,000 |
| 2042 ¹ | 1,180,000 |

¹ Maturity

The Bonds maturing on January 15, 2047 (the “2047 Term Bonds” and, together with the 2039 Term Bonds, and 2042 Term Bonds, the “Term Bonds”), are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount to be redeemed together with accrued interest thereon to the redemption date, without premium, in the amounts and at the times, as follows:

| Mandatory Redemption Date (January 15) | <u>Principal Amount</u> |
|---|-------------------------|
| 2043 | \$1,220,000 |
| 2044 | 1,260,000 |
| 2045 | 1,305,000 |
| 2046 | 1,350,000 |
| 2047 ¹ | 1,400,000 |

¹ Maturity

The principal amount of any maturity to be redeemed in each year as shown above will be reduced proportionately by the amount of any Term Bonds of that maturity optionally redeemed prior to the Mandatory Sinking Fund Redemption Date unless otherwise directed by the City.

Selection of Bonds for Redemption

Whenever less than all of the Outstanding Bonds are called for optional redemption, the City shall select the maturities to be redeemed. Whenever less than all the Outstanding Bonds maturing on any one date are called for redemption on any one date, the Fiscal Agent shall select the Bonds or portions thereof (in denominations of \$5,000 or any integral multiple thereof) to be redeemed from the outstanding Bonds maturing on such date not previously selected for redemption, by lot, in any manner which the Fiscal Agent deems fair.

Notice of Redemption

Notice of any redemption of Bonds shall be mailed, postage prepaid, to the respective registered Owners thereof at the addresses appearing on the bond registration books neither less than 30 nor more than 60 days prior to the redemption date. The notice of redemption shall: (a) state the redemption date; (b) state the redemption price; (c) state the dates of maturity of the Bonds and, if less than all of any such maturity is called for redemption, the distinctive numbers of the Bonds of such maturity to be redeemed, and in the case of Bonds redeemed in part only, the respective portions of the principal amount thereof, to be redeemed; (d) state the series and the CUSIP number, if any, of each Bond to be redeemed; (e) require that such Bonds be surrendered by the Owners at the office of the Fiscal Agent; and (f) give notice that further interest on such Bonds will not accrue after the designated redemption date.

The actual receipt by the Owner of any Bond to be redeemed of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice or any defect in such notice shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

Conditional Notice; Right to Rescind Notice

The City shall have the right to provide a conditional notice of redemption and to rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so

called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption funds are not available in the respective redemption account in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Defeasance

The Bonds, or portions thereof, may be defeased prior to maturity by irrevocably depositing with the Fiscal Agent or other fiduciary, in trust, (i) an amount of cash which together with amounts then on deposit in the debt service account, is sufficient, without reinvestment, to pay and discharge all (or such portions) of the Bonds outstanding (including all principal, interest, and premium, if any) at or before their stated maturity date; or (ii) United States Treasury Obligations (as defined in the Fiscal Agent Agreement) not subject to call, together with cash, if required, in such amount as will, without reinvestment, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the appropriate debt service account together with the interest to accrue thereon, be fully sufficient to pay and discharge all (or such portions) of the Bonds (including all principal, interest, and premium, if any) at or before their stated maturity date.

Notwithstanding that any of the Bonds will not have been surrendered for payment, all obligations of the City with respect to all said outstanding Bonds will cease and terminate, except only the obligation of the City to pay or cause to be paid from funds deposited pursuant to paragraphs (i) or (ii) of the paragraph above, to the owners of said Bonds not so surrendered and paid all sums due with respect thereto; provided, however, that the City will have received a verification report from an independent certified public accountant stating that the escrow is sufficient to satisfy the standards of the Fiscal Agent Agreement and an opinion of bond counsel of said Bonds that the Bonds have been defeased.

If the Bonds to be defeased pursuant to the Fiscal Agent Agreement are to be redeemed prior to the maturity thereof, notice of such redemption shall have been mailed pursuant to the Fiscal Agent Agreement, or an irrevocable direction to give such notice shall have been made by the City.

SOURCES AND USES OF FUNDS

The following are the estimated sources and uses of funds in connection with the Bonds:

Sources

| | |
|----------------------------|-------------------|
| Principal Amount of Bonds | \$26,500,000.00 |
| Net Original Issue Premium | <u>809,194.70</u> |
| Total Sources of Funds | \$27,309,194.70 |

Uses

| | |
|----------------------------------|-------------------|
| Proceeds Account | \$26,500,000.00 |
| Debt Service Account | 143,968.44 |
| Underwriter's Discount | 405,226.26 |
| Costs of Issuance ⁽¹⁾ | <u>260,000.00</u> |
| Total Uses of Funds | \$27,309,194.70 |

⁽¹⁾ Includes fees and expenses of rating agencies, municipal advisor, bond counsel, disclosure counsel and other costs.

SECURITY FOR THE BONDS

General

The Bonds are payable from *ad valorem* taxes upon all property within the City subject to taxation by the City, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). The City Council has the power, is obligated, and has covenanted to levy *ad valorem* taxes upon all property within the City subject to taxation by the City, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates), for the payment of the Bonds and the interest thereon. In addition to all other taxes, a continuing *ad valorem* tax will be levied upon all property within the City subject to taxation by the City during the period the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds, when due. Provisions will be made for the levy and collection of such taxes in a manner provided by law. See "CONSTITUTIONAL AND STATUTORY TAX LIMITATIONS."

By reason of a constitutional exception for certain voter-approved indebtedness, the City may levy such taxes in an amount sufficient to pay debt service on the Bonds without regard to provisions of the State Constitution otherwise limiting *ad valorem* tax rates of local governments. Such taxes, when collected, will be deposited in the debt service account for the Bonds which will be held by the City and applied for the payment of the principal of and interest on the Bonds when due.

The annual tax rate will be based on the assessed value of taxable property in the City. Fluctuations in the annual debt service on the Bonds (and other general obligation bonds issued by the City) and in the assessed value of taxable property in the City may cause the annual tax rate to fluctuate. Economic and other factors beyond the City's control, such as economic recession, deflation of land values, a relocation out of the City or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of

taxable property caused by, among other eventualities, earthquake, flood or other disasters, could cause a reduction in the assessed value of taxable property within the City and necessitate a corresponding increase in the annual tax rate. See “APPENDIX A—CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND—GENERAL FUND REVENUES—Property Taxation,” for information on the City’s tax base, tax collection system, and property tax revenues, and “APPENDIX A—CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND—OTHER MATTERS—Natural Hazard Risks,” for information on natural hazard risks in the City.

For a discussion of the City’s overall organization, finances and economic information, see generally “APPENDIX A—CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND—Overview,” “—City Government” and “—ECONOMIC HIGHLIGHTS.”

Outstanding Indebtedness

As of October 31, 2016, the City had outstanding \$201,830,000 aggregate principal amount of general obligation bonds, which equals 0.39% of the net assessed valuation projected by the Alameda County Assessor for Fiscal Year 2016-17. See “APPENDIX A—CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND—DEBT OBLIGATIONS—General Obligation Debt” and “—Estimated Direct and Overlapping Debt.”

Limitation on Remedies

Enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the City, may become subject to 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, 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 and the limitations on remedies against public agencies in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds 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.

CONSTITUTIONAL AND STATUTORY TAX LIMITATIONS

Article XIII A of the California 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 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.

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, do not constitute a “purchase” or “change of ownership” triggering reappraisal under Article XIII A. Other amendments permitted 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. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are “severely disabled,” to transfer the old residence’s assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old 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 California 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.

Articles XIII C and XIII D of the California Constitution

Articles XIII C and XIII D of the State Constitution were added pursuant to Proposition 218, which was approved by the voters of the State in November 1996, and amended pursuant to Proposition 26, which was approved by the voters of the State in November 2010. Articles XIII C and XIII D 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 cities 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 city 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, ambulance 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. If 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.

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

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the City (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or

corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX F hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond

Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. For example, presidential budget proposals in previous years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the beneficial owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Bonds, and may cause the City or the beneficial owners to incur significant expense.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the City. Certain matters will be passed upon for the City by Alexis S. M. Chiu, Esq., as Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by the City Attorney. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX F hereto. Bond Counsel, Disclosure Counsel and the City Attorney undertake no responsibility for the accuracy, completeness or fairness of this Official Statement. Payment of fees of Bond Counsel and Disclosure Counsel is contingent upon the issuance of the Bonds.

MUNICIPAL ADVISOR

FirstSouthwest, a Division of Hilltop Securities, Inc., is acting as Municipal Advisor to the City with respect to the Bonds. The Municipal Advisor has assisted the City in the review and preparation of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Bonds. The Municipal 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 and assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisor will receive compensation from the City contingent upon the sale and delivery of the Bonds.

ABSENCE OF LITIGATION

No litigation is pending, or to the knowledge of the City, threatened, concerning the validity of the Bonds, or the City's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the City's ability to issue the Bonds. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the title to their offices of City officials who will sign the Bonds and other certifications relating to the Bonds, or the powers of those offices.

The City is routinely involved in certain disputes relating to its day-to-day operations. See "APPENDIX A—CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND—OTHER MATTERS—Litigation" herein.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate, the City will covenant for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the City by not later than nine months after the end of the City's Fiscal Year (currently June 30) (the "Annual Report"), commencing with the report for the Fiscal Year ending June 30, 2017, and to provide notices of the occurrence of certain enumerated events. The Annual Report and 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 Annual Report, and the notices of enumerated events and the text of the Continuing Disclosure Certificate are set forth under the caption "APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE." A

default under the Continuing Disclosure Certificate will not be an event of default under the Fiscal Agent Agreement. 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. These covenants will be made in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission.

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.

RATINGS

The Bonds have received the ratings of “Aa2” by Moody’s Investors Service, Inc. (“Moody’s”) and “AA” by Standard & Poor’s Rating Services, a Standard and Poor’s Financial Services LLC business (“Standard & Poor’s” or “S&P”). Each rating agency generally bases its rating on its own investigations, studies and assumptions. All such ratings reflect only the views of the respective rating agencies, and any explanation of the significance of any rating may be obtained from the rating agency furnishing such rating. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency furnishing the rating, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

UNDERWRITING

The Bonds will be purchased by Robert W. Baird & Co., Inc. (the “Underwriter”), as winner of the competitive bid conducted on January 12, 2017. The Underwriter has agreed to purchase the Bonds from the City, at a purchase price of \$26,903,968.44 (representing the par amount of the Bonds, plus net original issue premium in the amount of \$809,194.70, less an underwriter’s discount of \$405,226.26). Under the terms of its bid, the Underwriter will be obligated to purchase all of the Bonds if any are purchased, subject to the approval of certain legal matters by Bond Counsel and certain other terms and conditions.

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

FINANCIAL STATEMENTS

The audited Annual Financial Report of the City for its Fiscal Year ended June 30, 2016, is included in “APPENDIX B - ANNUAL FINANCIAL REPORT OF THE CITY OF OAKLAND FOR THE FISCAL YEAR ENDED JUNE 30, 2016.” 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.

MISCELLANEOUS

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

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/ Sabrina Landreth
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 422,856 as of January 1, 2016.

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 Murrmur” to fine dining restaurants, like Michelin-starred avant-garde Commis and many others, such as Picán and Plum. 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:

- Ranked No. 13 among “America's Fastest-Growing Cities 2016” by *Forbes Magazine*
- Ranked among the “13 hottest American cities for 2016” by *Business Insider*
- Ranked No. 7 on roster of cities with the “Best Local Food Scene” by *USA Today*
- Ranked No. 8 on *Lonely Planet's* roster of “Top Ten U.S. Travel Destinations for 2015”
- East Bay ranked among the “52 Places to Go in 2016” by *New York Times*

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 was re-elected in November 2016. The term for which she was re-elected will expire on January 31, 2021. 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 City Administrator, Sabrina Landreth, was appointed on July 1, 2015.

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:

- Uber announced headquarters expansion in Oakland. Uber has purchased “Uptown Station” to house over 2,000 new employees who will work out of an office building on the corner of 20th Street and Broadway above the 19th Street BART station in Oakland’s Uptown neighborhood. Uptown Station, located at 1955 Broadway in Oakland, is a seven-story building, with 330,000 square feet of office space and 50,000 square feet of dedicated retail space open to pedestrian traffic on the ground floor. Uber projects 2,000 to 3,000 new employees, representing the company’s many departments, will be part of the corporate office in Oakland.
- 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 office and retail space, as well as 30 acres of parks and open space along Oakland’s estuary. An estimated 10,000 jobs are expected to be created upon completion of its build-out.
- Public improvements for the Oakland Global Trade and Logistics Center broke ground at the former Oakland Army Base in October 2013 and are on schedule to be fully completed prior to April 2019. Public funding commitments from the City, County and State of nearly \$262 million will fund public backbone infrastructure, rail and extensive site improvements to address both environmental and geotechnical remediation of the site. Public funding is being used to leverage approximately \$270 million in private investment to construct approximately 1.5 million square feet of new development consisting of trade and logistics warehousing, new marine terminal, ancillary maritime support services and truck parking, and recycling facilities. This state-of-the-art trade and logistics hub will help bolster the Port of Oakland’s ability to compete globally, allow higher volumes of cargo and create additional jobs. Private improvements will be completed in multiple phases prior to June 2020. The first trade and logistics throughput distribution warehouse totaling 256,136 square feet broke ground on November 1, 2016 and is scheduled to be completed prior to the end of the second quarter of 2017.

Arts and Entertainment

- “Art Murrur,” 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 97 concerts in 2015 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

- 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 31,500 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 was completed in November 2015.
- In December 2014, construction of a new 45,000 square foot, \$35 million Safeway Store complex in the Rockridge neighborhood was completed. The store employs approximately 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 is intended to make it possible to get to downtown San Francisco faster by flying into Oakland International Airport.
- The I-880 High Occupancy Vehicle (HOV) Lane, the \$106.5 million project between Hegenberger Road in Oakland and Marina Boulevard in San Leandro, was opened in March 2016.
- The Hive is a new \$70 million, multi-phase, mixed-use project on Broadway between 23rd and 24th Streets, in the heart of Uptown Oakland, that was substantially completed in 2016. With 100,000 square feet of commercial and retail space and 104 apartments, the development is a space for local businesses, social entrepreneurs, and artists to converge—all in a supportive neighborhood. The anchor is Impact Hub, a co-working community and small business incubator. The Oakland hub is part of a larger network of more than sixty co-working communities, the first of which was founded in London.

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:

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| Project Name | Estimated Construction Cost (\$ In Millions) | Projected Completion Date |
|--|---|---------------------------|
| Brooklyn Basin Phase I to Completion | \$1,500 | 2019-2030 |
| Broadway-Valdez Specific Plan Projects – 4 projects under construction including 1,102 residential units and 113,000 square feet of retail | \$408 | 2018 |
| Highland Hospital | \$439 | Sept 2017 |
| Mayor’s Housing Initiative other major projects, eight projects with 869 residential units under construction | \$304 | 2018 |
| Oakland Army Base Public Improvements | \$262 | April 2019 |
| Oakland Global Trade & Logistics Private Development | \$270 | June 2020 |
| Oakland International Airport, Terminal 1 and International Arrivals Building | \$154 | 2017 |
| I-880 North Safety and Operational Improvements | \$100 | 2018 |
| Mayor’s Housing Initiative scattered site projects, 70 projects with 411 residential units under construction | \$144 | 2018 |
| Children’s Hospital Oakland Phase I | \$63 | 2017 |
| MacArthur Transit Village, Phase III & IV | \$51 | 2019 |

Source: City of Oakland.

Housing

- Today, approximately 19,600 housing units throughout the City are in the development pipeline, including over 2,000 units under construction or recently completed. Development interest and activity in the City’s central core continues.
- Approximately 250 housing units in Oakland’s City Center on City-owned parcels are in the planning stages. Additional phases are also being planned. The City’s Disposition and Development Agreement with Strada T5, LLC was approved in October 2015 and includes a second phase with a 200 plus room hotel.
- Since the adoption of the Broadway Valdez Specific Plan in July 2014, almost 200 units of housing have been completed, 700 units are under construction, 1500 units have submitted for building permits or have been approved by the City’s Planning and Building Department (“Planning”) and 150 units are in Planning. In addition, about 150,000 square feet of retail and commercial space have been completed, another 54,000 square feet are under construction and almost 200,000 square feet of retail are proposed or have Planning entitlements. The City approved a Disposition and Development Agreement with TDP Webster, LLC, in early 2016 for a mixed use project with 234 residential units, 17,000 square feet of retail and a 242 space public parking garage to be sold back to City after the project is completed.

Mixed-Use Developments

- 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 entered into an exclusive negotiating agreement with Orton Development, Inc. in early 2016.

- In early 2016, the City entered into an Exclusive Negotiating Agreement with OliverMcMillan-SUDA Uptown Oakland, LLC, for a mixed use project on a city-owned site at 1911 Telegraph in Oakland’s thriving Uptown District. The proposed project includes a 27-story residential tower with 330 units (with 15 percent of the units affordable to low and moderate income households), a seven-floor boutique hotel with 168 rooms, 56,450 square feet of retail and 283 parking spaces

Population

The Demographic Research Unit of the California Department of Finance estimated the City’s population on January 1, 2016 at 422,856. This figure represents approximately 26.0% of the corresponding County figure and 1.08% of the corresponding State figure. The City’s population grew .08% between 2015 and 2016. The following Table 1 sets forth the estimated population of the City, the County, and the State from calendar years 2012 through 2016.

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

| Calendar Year | City | County | State |
|---------------|---------|-----------|------------|
| 2012 | 400,281 | 1,543,027 | 37,881,357 |
| 2013 | 408,822 | 1,566,339 | 38,239,207 |
| 2014 | 413,626 | 1,587,637 | 38,567,459 |
| 2015 | 419,539 | 1,610,765 | 38,907,642 |
| 2016 | 422,856 | 1,627,865 | 39,255,883 |

Note: Data reflect population estimates as of January 1 of each year.
Source: California State Department of Finance, Demographic Research Unit (2010 Benchmark) released on May 1, 2016.

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 2011 through 2015. The California Employment Development Department has reported preliminary unemployment figures for November 2016 at 5.0% for the State and 4.9% for the City (not seasonally adjusted).

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Table 2
City of Oakland, State of California and United States
Civilian Labor Force, Employment and Unemployment
Annual Average for Years 2011 through 2015

| Year and Area | Labor Force | Civilian Employment | Unemployment | Unemployment Rate (%) |
|---------------|-------------|------------------------|--------------|--------------------------|
| 2011 | | | | |
| City | 205,600 | 180,200 | 25,300 | 12.3 |
| State | 18,415,100 | 16,258,100 | 2,157,000 | 11.7 |
| United States | 153,617,000 | 139,869,000 | 13,747,000 | 8.9 |
| 2012 | | | | |
| City | 207,800 | 185,600 | 22,100 | 10.7 |
| State | 18,551,400 | 16,627,800 | 1,923,600 | 10.4 |
| United States | 154,975,000 | 142,469,000 | 12,506,000 | 8.1 |
| 2013 | | | | |
| City | 207,600 | 189,100 | 18,500 | 8.9 |
| State | 18,670,100 | 17,001,000 | 1,669,000 | 8.9 |
| United States | 155,389,000 | 143,929,000 | 11,460,000 | 7.4 |
| 2014 | | | | |
| City | 208,600 | 193,600 | 15,000 | 7.2 |
| State | 18,827,900 | 17,418,000 | 1,409,900 | 7.5 |
| United States | 155,922,000 | 146,305,000 | 9,617,000 | 6.2 |
| 2015 | | | | |
| City | 211,100 | 198,700 | 12,400 | 5.9 |
| State | 18,981,800 | 17,798,600 | 1,183,200 | 6.2 |
| United States | 157,130,000 | 148,834,000 | 8,296,000 | 5.3 |

Source: State of California Employment Development Department, Labor Market Information Division (March 2015 Benchmark), and United States Department of Labor, Bureau of Labor Statistics.

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Commercial Activity

The following Table 3 sets forth a history of taxable sales for the City for Fiscal Years 2011-12 through 2015-16.

Table 3
City of Oakland
Trade Outlets and Taxable Sales
for Fiscal Years 2011-12 through 2015-16
(\$ In Thousands)

| Taxable Retail Sales | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Auto & Transportation | \$ 674,154 | \$ 743,329 | \$ 838,029 | \$ 894,683 | \$ 933,844 |
| Business & Industry | 642,399 | 655,454 | 653,875 | 558,343 | 578,225 |
| General Customer Goods | 548,072 | 559,941 | 574,519 | 605,914 | 586,743 |
| Restaurants & Hotels | 606,936 | 681,562 | 751,108 | 855,561 | 953,697 |
| Building & Construction | 378,922 | 374,421 | 434,677 | 456,964 | 474,895 |
| Food & Drugs | 386,236 | 402,383 | 417,291 | 440,323 | 490,278 |
| Fuel & Service Stations | 888,349 | 733,489 | 704,208 | 632,457 | 502,608 |
| TOTAL ALL OUTLETS | <u>\$4,125,068</u> | <u>\$4,150,579</u> | <u>\$4,373,707</u> | <u>\$4,444,245</u> | <u>\$4,520,290</u> |

Source: HdL Companies, as shown in the City of Oakland, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2016.

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 2011 through 2015.

Table 4
County of Alameda
Employment by Industry Group
Annual Averages 2011 through 2015

| Industry Employment ⁽¹⁾ | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total Farm | 700 | 700 | 600 | 500 | 400 |
| Manufacturing | 62,100 | 62,300 | 64,600 | 67,500 | 71,500 |
| Other Goods Producing ⁽²⁾ | 30,800 | 33,300 | 35,600 | 37,600 | 40,600 |
| Trade, Transportation and Utilities | 119,200 | 123,300 | 127,700 | 131,300 | 136,500 |
| Information | 13,600 | 13,600 | 12,900 | 12,900 | 14,100 |
| Financial Activities | 23,000 | 23,500 | 24,400 | 24,300 | 23,400 |
| Professional and Business Services | 111,600 | 118,300 | 121,300 | 125,600 | 132,700 |
| Education and Health Services | 104,600 | 108,300 | 111,000 | 111,600 | 114,500 |
| Leisure and Hospitality | 56,000 | 58,300 | 61,900 | 65,800 | 67,900 |
| Other Services | 23,300 | 24,000 | 24,800 | 25,000 | 25,500 |
| Government | 116,000 | 114,900 | 115,100 | 117,300 | 119,300 |
| TOTAL ⁽³⁾ | <u>660,900</u> | <u>680,400</u> | <u>699,700</u> | <u>719,400</u> | <u>746,300</u> |

⁽¹⁾ Based on place of work.

⁽²⁾ Also called Mining, Logging and Construction.

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

Source: State of California, Employment Development Department, Labor Market Information Division (March 2015 Benchmark).

The following Table 5 sets forth the top ten major employers in the City, whose employees represent approximately 21% of the labor force, as of December 31, 2015.

**Table 5
City of Oakland
Principal Employers
as of December 31, 2015**

| <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 Foundation Hospitals | Health Care | 12,287 | 6% |
| 2 | Oakland Unified School District | School District | 5,080 | 3 |
| 3 | County of Alameda | County Government | 4,490 | 2 |
| 4 | City of Oakland | City Government | 3,500 | 2 |
| 5 | Bay Area Rapid Transit | Public Transit | 3,288 | 2 |
| 6 | State of California | State Government | 3,168 | 2 |
| 7 | UCSF Children's Hospital Oakland | Pediatric Hospital | 2,675 | 1 |
| 8 | Alameda County Health System | County Government | 2,300 | 1 |
| 9 | Southwest Airlines | Transportation | 2,256 | 1 |
| 10 | Sutter Hospitals, Medical Foundation | Health Care | <u>2,257</u> | <u>1</u> |
| | TOTAL | | 41,301 | 21% ⁽²⁾ |

⁽¹⁾ Total employment of 200,500 from the State of California Employment Development Department is used to calculate the percentage of employment.

⁽²⁾ Numbers may not total due to rounding.

Source: City of Oakland, Economic and Workforce Development, as shown in the City of Oakland, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2016.

Construction Activity

The following Table 6 sets forth a summary of residential and commercial building permit valuations in the City for Fiscal Years 2011-12 through 2015-16.

**Table 6
City of Oakland
Building Permit Valuation
2011-12 through 2015-16**

| | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Building Permits Issued | 13,696 | 13,513 | 14,680 | 15,117 | 18,693 |
| Authorized New Dwelling Units | 237 | 486 | 420 | 806 | 1,641 |
| Commercial Value (in thousands) | \$150,613 | \$ 65,152 | \$100,239 | \$238,592 | \$306,809 |
| Residential Value (in thousands) | \$159,723 | \$253,516 | \$181,087 | \$246,776 | \$495,481 |

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Year Ended June 30, 2012 through June 30, 2016.

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 2015-17 operating budget.

Under the City Charter, the City Administrator prepares budget recommendations that 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 19,000 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 \$41.22 million for 7.5 percent General Purpose Fund Emergency Reserve and other set-asides. Additionally, the vital services stabilization fund has a balance of \$8.3 million bringing the total to just under \$50 million.

City's Fiscal Year 2015-16 Year End Results

Revenue receipts in Fiscal Year 2015-16 reflect continued growth in the local economy. Notably, an improved local real-estate market has led to strong growth in real estate-related revenues; including property tax, real estate transfer tax, and transient occupancy tax. The audited year-end expenditures for the General Purpose Fund total \$552.13 million, which is approximately \$18.32 million over the Adopted Budget. The overage is primarily due to overtime costs associated with targeted crime reduction operations, special events, backfill and extension of shift in the Police Department.

Mayor's Fiscal Year 2016-17 Adopted Budget

The FY 2016-17 Midcycle Budget was adopted on June 21, 2016 for the period of July 1, 2016 through June 30, 2017. This balanced budget was based on the FY 2015-17 Adopted Biennial Policy Budget, as well as several midyear adjustments adopted by the City Council. As an amendment of the second year of the previously adopted biennial budget, it is intended to only include necessary adjustments to revenue projections, items that incorporate City Council action during the first year of the budget, or which are critical to operations and cannot wait until the next two-year budget. The budget addressed the Mayor's and City Council's priority initiatives and investments that enhance services and programs for the residents of Oakland. These investments were made while still responsibly contributing additional resources to secure the City's long-term financial health and setting aside funding for a "Rainy Day". A balanced budget was adopted totaling \$549,666,189 for the General Purpose Fund and \$1,238,260,078 for All Funds.

The following Table 7 presents information regarding the City's Fiscal Year 2015-16 and budgeted Fiscal Year 2016-17 General Purpose Fund revenues and expenditures.

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Table 7
City of Oakland
General Purpose Fund Revenues and Expenditures

| | FY 2015-16 Adopted Budget | FY 2015-16 Year End (Audited) | FY 2016-17 Midcycle Adopted Budget |
|--|------------------------------|-------------------------------------|--|
| REVENUES | | | |
| Property Tax ⁽¹⁾ | \$164,907,424 | \$158,692,829 | \$159,110,144 |
| Sales Tax ⁽²⁾ | 55,425,093 | 55,234,590 | 53,318,906 |
| Vehicle License Fees | - | 165,671 | - |
| Business License Tax | 68,717,500 | 75,504,456 | 72,241,300 |
| Utility Consumption Tax | 50,000,000 | 51,006,478 | 50,500,000 |
| Real Estate Transfer Tax | 60,926,000 | 89,594,472 | 69,851,000 |
| Transient Occupancy Tax | 16,900,000 | 19,814,310 | 19,379,450 |
| Parking Tax | 10,211,274 | 10,219,541 | 12,138,000 |
| Licenses & Permits | 2,210,747 | 1,590,174 | 2,335,747 |
| Fines & Penalties | 23,833,497 | 21,741,255 | 24,050,024 |
| Interest Income | 740,482 | 924,898 | 740,482 |
| Service Charges | 47,680,068 | 52,819,647 | 50,108,087 |
| Grants & Subsidies | 119,435 | 1,524,122 | 119,435 |
| Miscellaneous | 5,149,320 | 5,515,456 | 5,149,320 |
| Interfund Transfers | - | - | 2,554,207 |
| Subtotal Revenues | <u>\$506,820,840</u> | <u>\$544,347,899</u> | <u>\$521,596,102</u> |
| Transfers from Fund Balance ⁽³⁾ | <u>26,986,461</u> | <u>7,780,074</u> | <u>28,070,087</u> |
| TOTAL REVENUES | <u>\$533,807,301</u> | <u>\$552,127,973</u> | <u>\$549,666,189</u> |
| EXPENDITURES | | | |
| Mayor | \$ 2,548,963 | \$ 2,313,197 | \$ 2,719,384 |
| City Council | 4,169,762 | 4,579,548 | 4,806,964 |
| City Administrator | 16,264,445 | 15,337,437 | 15,913,750 |
| City Attorney | 5,046,146 | 7,734,706 | 5,873,913 |
| City Auditor | 1,913,715 | 1,809,608 | 1,915,510 |
| City Clerk | 1,915,603 | 1,688,911 | 2,932,917 |
| Finance Department | 25,664,628 | 20,648,550 | 24,389,719 |
| Human Resource Management | 4,771,299 | 4,753,068 | 4,931,930 |
| Information Technology | 6,395,828 | 11,633,112 | 11,030,389 |
| Police Services | 213,362,800 | 243,781,510 | 234,237,981 |
| Fire Services | 124,747,497 | 125,849,563 | 127,204,328 |
| Human Services | 5,380,404 | 6,401,949 | 8,082,345 |
| Oakland Public Library | 11,282,757 | 11,500,788 | 12,672,646 |
| Oakland Parks & Recreation | 15,662,025 | 16,410,592 | 15,965,426 |
| Oakland Public Works | 1,881,905 | 2,227,171 | 2,629,820 |
| Economic & Workforce Development | 5,291,444 | 4,957,635 | 5,664,439 |
| Planning & Building | 45,421 | 31,569 | 41,648 |
| Housing and Community Development | - | 508,502 | 365,000 |
| Race & Equity | - | 83,832 | 331,097 |
| Public Ethics Commission | - | 612,713 | 917,989 |
| Non-Departmental | <u>84,660,659</u> | <u>67,521,713</u> | <u>66,536,994</u> |
| Subtotal Expenditures | <u>\$531,005,301</u> | <u>\$550,385,674</u> | <u>\$549,164,189</u> |
| Capital Improvement Projects | <u>2,802,000</u> | <u>1,742,119</u> | <u>502,000</u> |
| TOTAL EXPENDITURES | <u>\$533,807,301</u> | <u>\$552,127,793</u> | <u>\$549,666,189</u> |

⁽¹⁾ Excludes the tax override (defined herein) collected for obligations relating to PFRS (defined herein) and revenues collected to fund general obligation bond debt service. See "OTHER FISCAL INFORMATION – Retirement Programs – Police and Fire Retirement System," herein.

⁽²⁾ Refers to Sales & Use Tax.

⁽³⁾ Transfers from Fund Balance and any unspent carryforward funds.

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.

2016-17 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 2016-17 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. Pursuant to such agreement, ORSA has transferred \$100.8 million of excess bond funds to the City for eligible redevelopment projects and will transfer any 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 2016-17 on June 21, 2016 (the “2016-17 Investment Policy”). The 2016-17 Investment Policy is consistent with California Assembly Bill 283, which permits expanded types of deposits (beyond certificates of deposit) in which a local agency can invest surplus funds until January 1, 2021.

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 that 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, the Fossil Fuel Divestiture Resolution, and the Firearm or Gun Manufacturer 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 2016-17

| <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 | \$65 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 |
| Obligations of Supranational Institutions | 30% | 5 years |

⁽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, 2021.

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 October 31, 2016.

**Table 9
City of Oakland
Pooled Operating Portfolio
as of October 31, 2016**

| Investments | Market Value | Book Value | Percent of Portfolio | Days to Maturity | 360 Day Equivalent |
|-----------------------------------|-------------------------|-------------------------|----------------------|------------------|--------------------|
| Federal Agency Issues–Coupon | \$145,986,552.00 | \$145,967,701.25 | 23.30% | 556 | 0.987 |
| Federal Agency Issues–Discount | 274,876,201.00 | 274,574,525.57 | 43.83 | 53 | 0.386 |
| Medium Term Notes | 7,044,056.00 | 6,995,296.73 | 1.12 | 776 | 1.719 |
| Money Market | 118,000,000.00 | 118,000,000.00 | 18.83 | 1 | 0.302 |
| Local Agency Investment Funds | 65,019,892.08 | 65,000,000.00 | 10.38 | 1 | 0.625 |
| Negotiable CDs | 11,998,287.00 | 12,000,000.00 | 1.92 | 47 | 0.506 |
| California State–GOB | 3,255,840.00 | 3,234,913.90 | 0.52 | 760 | 1.115 |
| State of California Revenue Bonds | 728,917.00 | 727,161.38 | 0.12 | 365 | 1.016 |
| TOTAL/AVERAGE | \$626,909,745.08 | \$626,499,598.83 | 100.00% | 167 | 0.557 |

Source: City of Oakland.

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GENERAL FUND REVENUES

The City's General 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 General Fund includes the General Purpose Fund, into which General Unrestricted revenues that can be used for any governmental purpose are deposited. The following Table 10 summarizes the major General Fund revenues as of June 30 for Fiscal Years ended June 30, 2012 through June 30, 2016 and sets forth the major General Fund revenues as of June 30, 2016 as a percentage of total General Fund revenues for Fiscal Year ended June 30, 2016.

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

| <u>Revenue Type</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2016 Percent of Total General Fund Revenues⁽²⁾</u> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|--|
| Property ⁽¹⁾ | \$198,192 | \$214,495 | \$205,895 | \$228,072 | \$257,707 | 37.09% |
| Sales & Use | 44,741 | 48,818 | 46,956 | 48,827 | 52,192 | 7.51 |
| Business License | 58,712 | 60,371 | 62,905 | 66,677 | 75,504 | 10.87 |
| Utility Consumption | 51,434 | 50,752 | 50,422 | 50,594 | 51,006 | 7.34 |
| Real Estate Transfer | 30,653 | 47,406 | 59,060 | 62,665 | 89,594 | 12.89 |
| Transient Occupancy | 10,830 | 12,454 | 14,578 | 16,898 | 20,209 | 2.91 |
| Parking | 8,617 | 7,947 | 8,444 | 9,337 | 10,220 | 1.47 |
| Fines and Penalties | 23,924 | 22,971 | 22,809 | 23,146 | 21,648 | 3.12 |
| Charges for Services | 93,256 | 69,442 | 77,978 | 82,461 | 85,184 | 12.26 |
| Subtotal | \$520,359 | \$534,656 | \$549,047 | \$590,692 | \$663,264 | 95.45% |
| Other | 42,951 | 25,380 | 26,141 | 33,294 | 31,622 | 4.55 |
| TOTAL | \$563,310 | \$560,036 | \$575,188 | \$623,986 | \$694,886 | 100.00% |

⁽¹⁾ Includes General Purpose Fund property tax revenues, as well as property tax override collections for obligations relating to PFRS and revenues collected to fund general obligation debt service. Fiscal Year ended June 30, 2013 includes \$12 million in one-time revenue from redevelopment residual balances.

⁽²⁾ Totals may not be precise due to rounding.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Year Ended June 30, 2012 through June 30, 2016.

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 property tax revenues for Fiscal Year 2015-16 were \$158.69 million, or 28.7% of the City’s total General Purpose Fund revenues for such fiscal year. Such tax revenues exclude tax override revenues for obligations relating to PFRS and revenues collected to fund 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 2012-13 through 2016-17:

Table 11
City of Oakland
Assessed Valuations
Fiscal Years 2012-13 through 2016-17
(\$ In Thousands)

| Fiscal Year | Total | Less: | Total Taxable | Less: | Net Taxable |
|-------------|----------------|----------------|----------------|---|----------------|
| | Assessed Value | Tax-Exemptions | Assessed Value | Redevelopment Tax Increments ⁽¹⁾ | Assessed Value |
| 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 |
| 2015-16 | 51,286,226 | (3,862,330) | 47,423,896 | (11,932,782) | 35,491,114 |
| 2016-17 | 55,120,060 | (4,139,277) | 50,980,783 | (13,171,622) | 37,809,161 |

⁽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 2011-12 through 2015-16. 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 2011-12 through 2015-16
(\$ In Thousands)

| Fiscal Year | City’s Share of 1% | Levy Voter- Approved Debt | Total | Total Collected ⁽¹⁾ | Percent Collected |
|-------------|-----------------------|---------------------------------|-----------|-----------------------------------|----------------------|
| 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 |
| 2014-15 | 92,969 | 89,871 | 182,840 | 179,754 | 98.31 |
| 2015-16 | 101,746 | 99,114 | 200,860 | 197,392 | 98.27 |

⁽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, 2016.

Assessment Appeals. The following Table 13 sets forth resolved and unresolved pending assessment appeals in the City as of October 5, 2016.

**Table 13
City of Oakland
Pending Assessment Appeals
as of October 5, 2016**

Pending Appeals (2012-13 through 2015-16)

| | |
|---|-----------------|
| Number of Pending Appeals | 649 |
| Total Assessed Value Under Appeal | \$8,999,865,170 |
| Owner's Opinion of Value | 3,741,653,638 |
| Maximum Potential Loss ⁽¹⁾ | 5,258,211,532 |
| Maximum Potential Loss as Percent of Value under Appeal | 58.43% |

Resolved Appeals (Fiscal Year 2014-15)

| | |
|--|---------------|
| Number of Resolved Appeals | 259 |
| Total Appealed Value of Resolved Appeals | \$657,915,910 |

| | |
|----------------------------------|---------------|
| Appeals Denied | 102 |
| Assessed Value of Denied Appeals | \$327,579,923 |

| | |
|---|---------------|
| Appeals Allowed with Change of Value | 157 |
| Original Assessed Value of Allowed Appeals | \$330,335,987 |
| Value Determined by Appeals Board | 271,819,648 |
| Board Approved Reduction in Value | 58,516,339 |
| Percent of Original Assessed Value of Allowed Appeals Reduced | 17.71% |

| | |
|---------------------------------------|---------------------------------|
| City of Oakland 2015-16 Taxable Value | \$47,423,895,746 ⁽²⁾ |
| Maximum Appeals Loss ⁽¹⁾ | 5,258,211,532 |
| Percent of Taxable Value | 11.09% |

⁽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, as reported in the Alameda County Auditor-Controller Report of 2015-16 Assessed Values. It does not include homeowners' exemption or State Board of Equalization non-unitary values.

Source: Alameda County Assessment Appeals Board.

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Tax Rates. The City consists of 48 tax rate areas. The following Table 14 sets forth a five-year history of the property tax rates levied by the City and other local government agencies on properties in the City for Fiscal Years 2012-13 through 2016-17.

**Table 14
City of Oakland
Property Tax Rates⁽¹⁾
Fiscal Years 2012-13 through 2016-17**

| Fiscal Year | Countywide Tax | City of Oakland ⁽²⁾ | Others ⁽³⁾ | Total |
|-------------|----------------|--------------------------------|-----------------------|---------|
| 2012-13 | 1.00% | 0.2077% | 0.2002% | 1.4079% |
| 2013-14 | 1.00 | 0.1985 | 0.2418 | 1.4403 |
| 2014-15 | 1.00 | 0.2042 | 0.2334 | 1.4376 |
| 2015-16 | 1.00 | 0.1651 | 0.2003 | 1.3654 |
| 2016-17 | 1.00 | 0.1961 | 0.1723 | 1.3684 |

⁽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 in Fiscal Year 2016-17 being 1.3293%, resulting from different school districts and community college districts.

⁽²⁾ Tax rates for tax override collected for obligations relating to PFRS and revenues collected to fund debt service on general obligation bonds.

⁽³⁾ “Others” includes Oakland Unified School District or Berkeley Unified School District, as applicable, Peralta Community College District, Bay Area Rapid Transit District, East Bay Regional Park District and East Bay Municipal Utility District Special District No. 1.

Source: County of Alameda, Office of the Auditor-Controller.

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Principal Property Taxpayers. The following Table 15 sets forth the largest secured taxpayers in the City in Fiscal Year 2016-17.

**Table 15
City of Oakland
Top Twenty Taxpayers
Fiscal Year 2016-17⁽¹⁾**

| Property Taxpayer | Primary Land Use | Assessed Valuation | Percentage of Total Secured Assessed Valuation ⁽¹⁾ |
|------------------------------------|---------------------|------------------------|---|
| CIM Oakland | Office Building | \$ 506,650,957 | 1.07% |
| SIC Lakeside Drive LLC | Office Building | 221,349,882 | 0.47 |
| Broadway Franklin LLC | Office Building | 203,815,375 | 0.43 |
| 1221 Broadway Investors LLC | Office Building | 165,400,900 | 0.35 |
| Kaiser Foundation Health Plan Inc. | Office Building | 145,929,406 | 0.31 |
| DWF IV 1999 Harrison LLC | Office Building | 144,978,270 | 0.31 |
| 555 Oakland City Center LLC | Office Building | 137,880,819 | 0.29 |
| 1800 Harrison Foundation | Office Building | 132,638,485 | 0.28 |
| Zwuschen LLC | Office Building | 123,500,000 | 0.26 |
| Domain Residence LLC | Apartments | 107,066,128 | 0.23 |
| BEX FMCA LLC | Apartments | 104,265,083 | 0.22 |
| Claremont Hotel Properties LP | Hotel | 82,586,608 | 0.17 |
| Eastmont Office Owner LLC | Office Building | 80,204,750 | 0.17 |
| Oak Knoll Venture Acquisition LLC | Planned Residential | 79,228,339 | 0.17 |
| BA1 1330 Broadway LLC | Office Building | 77,890,903 | 0.16 |
| WM Allegro LLC | Apartments | 74,548,783 | 0.16 |
| Sparknight | Office Building | 70,698,064 | 0.15 |
| Essex Portfolio LP | Apartments | 68,389,508 | 0.14 |
| Digital 720 2 nd LLC | Industrial | 64,931,441 | 0.14 |
| Tarpon SPE I LP | Industrial | 62,615,375 | 0.13 |
| TOTAL | | \$2,654,569,076 | 5.60% |

⁽¹⁾ Based on the Assessed Value of \$47,401,607,176. 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 2015-16 year-end results.

Sales & Use Taxes. The current sales & use tax ("sales tax") rate in the City is 9.5%. 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 retired its deficit bonds in Fiscal Year 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 City's sales tax revenue for Fiscal Year 2015-16 was \$52.19 million. Such amount included revenues 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 City's UCT tax revenue for Fiscal Year 2015-16 was \$51.01 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 City's BT revenue for Fiscal Year 2015-16 was \$75.50 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 composed 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 City's RETT revenue for Fiscal Year 2015-16 was \$89.59 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 City's TOT revenue for Fiscal Year 2015-16 was \$20.21 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 City's PT revenue for Fiscal Year 2015-16 was \$10.22 million.

Fines and Penalties. Fines and penalties consist primarily of parking enforcement fines and penalties and interest for late tax payments. The City's fines and penalties revenue for Fiscal Year 2015-16 was \$21.65 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 2015-16 was Macias, Gini & O'Connell LLP, who will also perform the Fiscal Year 2016-17 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 2011-12 through 2015-16.

Table 16
City of Oakland
Revenues and Expenditures
General Fund
(\$ In Thousands)
Fiscal Years 2011-12 through 2015-16

| Revenues | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|--|-------------|-----------------------------|--------------------------|--------------|-------------|
| Taxes | | | | | |
| Property ⁽¹⁾ | \$198,192 | \$214,495 | \$ 205,895 | \$228,072 | \$257,707 |
| State ⁽²⁾ | 44,962 | 48,818 | 46,956 | 49,004 | 52,358 |
| Local ⁽³⁾ | 175,818 | 194,759 | 211,810 | 224,092 | 264,854 |
| Licenses and Permits | 1,160 | 1,373 | 1,388 | 1,573 | 1,591 |
| Fines and Penalties | 23,924 | 22,971 | 22,809 | 23,146 | 21,648 |
| Interest Income | 1,016 | 458 | 1,401 | 1,088 | 1,873 |
| Charges for Services ⁽⁴⁾ | 93,256 | 69,442 | 77,978 | 82,461 | 85,184 |
| Grant Revenue | 1,357 | 1,391 | 4,911 | 8,003 | 5,953 |
| Other Revenue, Including Transfers | 9,560 | 6,329 | 0 | 3,899 | 2,622 |
| Annuity Income | 14,065 | 0 ⁽⁵⁾ | 2,040 | 2,648 | 1,096 |
| TOTAL REVENUES | \$563,310 | \$560,036 | \$ 575,188 | \$623,986 | \$694,886 |
| Expenditures | | | | | |
| General Government ⁽⁶⁾ | \$74,211 | \$75,996 | \$ 65,160 | \$76,207 | \$85,732 |
| Public Safety ⁽⁷⁾ | 307,163 | 281,875 | 297,224 | 331,696 | 372,297 |
| Public Works | 30,526 | 29,564 | 40,539 | 38,703 | 30,539 |
| Life Enrichment ⁽⁸⁾ | 30,299 | 30,974 | 34,248 | 35,147 | 40,652 |
| Community and Economic Development ⁽⁴⁾⁽⁹⁾ | 10,010 | 1,581 ⁽¹⁰⁾ | 9,523 | 10,607 | 13,416 |
| Other ⁽¹¹⁾ | 12,589 | 49,145 | 16,331 | 17,346 | 20,557 |
| TOTAL EXPENDITURES | \$464,798 | \$469,135 | \$ 463,025 | \$509,706 | \$563,193 |
| Other Financing Sources and Uses ⁽¹²⁾ | \$ (67,944) | \$ (99,874) | \$ (106,130) | \$ (101,800) | \$ (87,888) |
| Net Change in Fund Balance | \$ 30,568 | \$ (10,286) ⁽¹³⁾ | \$ 8,208 ⁽¹⁴⁾ | \$12,480 | \$43,805 |
| Fund Balance (deficit) - Ending | \$ 255,929 | \$ 245,643 | \$ 253,851 | \$266,331 | \$310,136 |

(1) Includes General Purpose Fund property tax revenues, as well as property tax override collections for obligations relating to PFRS and revenues collected to fund 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 Parks and Recreation, Library, Human Services, and, formerly, Planning, Building and Neighborhood Preservation, Aging & Health and Human Services, Cultural and Community Services and Cultural Arts and Museums.

(9) Includes Planning and Building, Economic and Workforce Development and Housing & Community Development.

Footnotes continue on the following page.

- (10) Restructure due to AB1x26, the dissolution of redevelopment agency.
(11) Includes capital outlays and certain debt service charges not paid from a general obligation bond tax levy.
(12) Includes transfers in and transfers out.
(13) Reflects an extraordinary loss of \$1.3 million from the State Controller's Office asset transfer review and California Department of Finance disallowances.
(14) Includes transfer of excess tax allocation bond proceeds approved by California Department of Finance in the amount of \$2.175 million.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2012 through June 30, 2016.

The following Table 17 summarizes the balance sheet for the City's General Fund as of June 30 for the Fiscal Years ended June 30, 2012 through June 30, 2016.

Table 17
City of Oakland
Balance Sheet
General Fund
as of June 30
(\$ In Thousands)

| ASSETS | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-----------|-----------|-----------|-----------|-----------|
| Cash and investments | \$161,352 | \$186,526 | \$179,918 | \$182,127 | \$269,455 |
| Receivables | | | | | |
| Accrued interest | 153 | 162 | 172 | 185 | 307 |
| Property taxes | 5,053 | 7,496 | 7,299 | 6,557 | 14,311 |
| Accounts receivable | 43,270 | 36,074 | 36,292 | 36,966 | 41,283 |
| Grants Receivable | - | - | - | 3,267 | - |
| Due from component unit ⁽¹⁾ | 7,507 | 6,044 | 5,153 | 8,916 | 9,068 |
| Due from other funds ⁽²⁾ | 38,325 | 41,597 | 56,664 | 63,668 | 46,482 |
| Notes and loans receivable | 47,493 | 53 | 327 | 874 | 2,902 |
| Restricted cash and investments | 110,708 | 97,723 | 90,975 | 87,562 | 70,791 |
| Other | 35 | 513 | 90 | 35 | 35 |
| TOTAL ASSETS | \$413,896 | \$376,188 | \$376,890 | \$390,157 | \$454,634 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and other accrued liabilities | \$ 94,319 | \$ 95,960 | \$ 93,291 | \$92,397 | \$113,929 |
| Due to other funds ⁽²⁾ | 819 | 18,753 | 2,312 | 2,312 | 2,312 |
| Due to other governments | 4,380 | 873 | 1,304 | 920 | 1,020 |
| Unearned/Deferred revenue | 56,372 | 10,315 | 21,980 | 22,696 | 24,731 |
| Other | 2,077 | 4,644 | 4,152 | 5,501 | 2,506 |
| TOTAL LIABILITIES | \$157,967 | \$130,545 | \$123,039 | \$123,826 | \$144,498 |
| Fund Balances: | | | | | |
| Restricted | \$110,708 | \$165,400 | \$156,462 | \$164,242 | \$186,804 |
| Committed | 70,284 | - | - | - | - |
| Assigned | 6,256 | 58,452 | 73,843 | 64,680 | 58,203 |
| Unassigned | 68,681 | 21,791 | 23,546 | 37,409 | 65,129 |
| TOTAL FUND BALANCES | \$255,929 | \$245,643 | \$253,851 | \$266,331 | \$310,136 |
| TOTAL LIABILITIES AND FUND BALANCES | \$413,896 | \$376,188 | \$376,890 | \$390,157 | \$454,634 |

(1) Includes Port.

(2) Includes Oakland Redevelopment Successor Agency Trust Fund.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2012 through June 30, 2016.

DEBT OBLIGATIONS

General Obligation Debt

As of October 31, 2016, the City had outstanding a total of \$201,830,000 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 October 31, 2016.

Table 18
City of Oakland
General Obligation Bonds
as of October 31, 2016
(\$ 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 | \$74,800 |
| General Obligation Refunding Bonds, Series 2015A | Refunded Series 2005, Series 2006 (Measure G) and Series 2009B (Measure DD) | 6/2/2015 | 2039 | 128,895 | <u>127,030</u> |
| TOTAL | | | | | <u>\$201,830</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 November 15, 2016.

Table 19
City of Oakland
General Obligation Bond Remaining Authorization
as of November 15, 2016
(\$ In Thousands)

| Authorization | Date Passed | Use | Bond Total | Authorization Remaining |
|---------------|-------------|--|------------|-------------------------|
| Measure DD | 11/5/2002 | Recreational and aquatic facilities | \$198,250 | \$62,255 ⁽¹⁾ |
| Measure KK | 11/8/2016 | Infrastructure, affordable housing, and facility improvements. | 600,000 | 600,000 |

⁽¹⁾ Reflects authorization remaining prior to issuance of the City’s General Obligation Bonds (Series 2017C, Measure DD).
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 2011-12 through 2015-16. The City has not issued, and does not plan to issue, tax and revenue anticipation notes in Fiscal Year 2016-17.

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

| Fiscal Year | Principal Amount |
|-------------|------------------------|
| 2011-12 | \$81,200 |
| 2012-13 | 83,125 |
| 2013-14 | 78,230 |
| 2014-15 | 55,000 |
| 2015-16 | 158,220 ⁽¹⁾ |

⁽¹⁾ \$49.245 million Series A (Tax-Exempt) and \$108.97 million Series B (Federally Taxable)
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 October 31, 2016.

Table 21
City of Oakland
Lease Obligations
as of October 31, 2016
(\$ 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 ⁽¹⁾ | 4/16/2008 | 2017 | \$107,630 | \$14,380 | 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 | 71,335 | Oakland Administration Buildings |
| Oakland – Alameda County Coliseum Authority Lease Revenue Bonds, 2012 Refunding Series A ⁽²⁾ | 5/31/2012 | 2025 | 61,408 | 45,512 | Coliseum Stadium |
| Oakland – Alameda County Coliseum Authority Lease Revenue Bonds, (Arena Project) 2015 Refunding Series A ⁽²⁾ | 4/29/2015 | 2026 | 39,868 | <u>37,167</u> | Coliseum Arena |
| TOTAL | | | | <u>\$168,394</u> | |

⁽¹⁾ 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.

⁽²⁾ 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.

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 City 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 October 31, 2016.

Table 22
Summary of Series 1998 Bonds
Interest Rate Swap Agreement
(as of October 31, 2016)

| 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 | \$32,500,000 | Goldman Sachs Mitsui Marine Derivative Products | Aa2/AA- ⁽¹⁾ | 5.6775% | (\$4,809,044) ⁽²⁾ | July 31, 2021 |

⁽¹⁾ Downgraded by Moody's on June 27, 2012, and by S&P on May 27, 2016. The ratings shown are the current ratings.

⁽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 on 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 received approximately \$96.8 million of tax override revenues to pay debt service on the 2001 Pension Obligation Bonds and 2012 Pension Obligation Bonds in Fiscal Year 2015-16.

The following Table 23 summarizes the 2001 Pension Obligation Bonds and 2012 Pension Obligation Bonds as of October 31, 2016.

Table 23
City of Oakland
Pension Obligation Bonds
as of October 31, 2016
(\$ 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 | \$100,683 |
| City of Oakland Taxable Pension Obligation Bonds, Series 2012 | 7/12/2012 | 2025 | 212,540 | <u>212,540</u> |
| TOTAL | | | | <u>\$313,223</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 2016-17 through 2020-21

| Fiscal Year | Series 2001 | Series 2012 |
|-------------|--------------|-------------|
| 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 |
| 2020-21 | 50,140,000 | 18,241,900 |

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 October 31, 2016, the City's master lease-purchase agreements, which generally are backed by the City's General Fund, were outstanding in the principal amount of \$65.1 million. The financings are fixed rate with interest rates ranging from 0%-5.46% and maturities between 2016 and 2025. As of October 31, 2016, the aggregate maximum annual debt service payment is \$17.1 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 October 31, 2016.

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Table 25
Tax Allocation Bonds
as of October 31, 2016
(\$ 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 | \$ 10,680 |
| Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable) | 5/20/2009 | 2020 | 38,755 | 22,850 |
| Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013 | 10/3/2013 | 2022 | 102,960 | 72,990 |
| TOTAL CENTRAL BUSINESS DISTRICT | | | \$334,510 | \$106,520 |
| 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 | 10/12/2006 | 2037 | \$ 17,270 | \$ 9,165 |
| Broadway/MacArthur/San Pablo Redevelopment Project Tax Second Lien Allocation Bonds Series 2010-T (RZEDB) | 12/12/2010 | 2040 | 7,390 | 7,135 |
| TOTAL BROADWAY/MACARTHUR/SAN PABLO DISTRICT | | | \$ 24,660 | \$ 16,300 |
| 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 | 10/12/2006 | 2037 | \$ 76,300 | \$ 48,495 |
| 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 | 10/12/2006 | 2037 | \$102,590 | \$ 78,450 |
| 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 2011A-T | 3/8/2011 | 2041 | \$46,980 | \$39,720 |
| Multiple Project Areas and Housing | | | | |
| <u>Issue Name</u> | <u>Dated Date</u> | <u>Final Maturity</u> | <u>Original Principal Amount</u> | <u>Principal Amount Outstanding</u> |
| Subordinated Tax Allocation Refunding Bonds, Series 2015-TE and Series 2015-T | 9/2/2015 | 2036 | \$89,185 | \$88,745 |

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 October 31, 2016.

Table 26
City of Oakland
Special Assessment Bonds
as of October 31, 2016
(\$ 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 | \$ 105 |
| Oakland Utility Underground Assessment District, Piedmont Pines Phase 1, Series 2010 | 3/9/2010 | 2039 | 3,148 | 2,765 |
| City of Oakland 2012 Limited Obligation Refunding Improvement Bonds, Reassessment District No. 99-1 | 8/1/2012 | 2024 | 3,545 | <u>2,485</u> |
| TOTAL | | | | <u>\$5,355</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 \$34,665,000, as of October 31, 2016 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 October 31, 2016, 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., tax and revenue anticipation notes and enterprise revenue, mortgage revenue 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 October 31, 2016

2016-17 Assessed Valuation: \$51,358,712,695⁽¹⁾

| <u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | <u>% Applicable</u> | <u>Debt 10/31/16</u> |
|--|---------------------|--------------------------------------|
| Bay Area Rapid Transit District | 7.950% | \$ 41,638,125 |
| East Bay Municipal Utility District, Special District No. 1 | 52.693 | 3,870,301 |
| East Bay Regional Park District | 12.262 | 15,254,541 |
| Chabot-Las Positas Community College District | 0.978 | 5,246,628 |
| Peralta Community College District | 55.433 | 218,672,098 |
| Berkeley and Castro Valley Unified School Districts | 0.003 & 0.109 | 72,030 |
| Oakland Unified School District | 99.999 | 945,165,548 |
| San Leandro Unified School District | 9.500 | 17,460,014 |
| City of Oakland | 100. | 201,830,000⁽²⁾ |
| City of Oakland 1915 Act Bonds | 100. | 5,335,000 |
| City of Emeryville 1915 Act Bonds | 4.183 | 152,261 |
| City of Piedmont 1915 Act Bonds | 4.792 | <u>134,895</u> |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | \$1,454,831,441 |
| | | |
| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u> | | |
| Alameda County and Coliseum Authority General Fund Obligations | 20.213% | \$180,521,697 |
| Alameda County Pension Obligation Bonds | 20.213 | 9,522,565 |
| Alameda-Contra Costa Transit District Certificates of Participation | 23.939 | 4,219,073 |
| Peralta Community College District Pension Obligation Bonds | 55.433 | 88,492,047 |
| Oakland Unified School District Certificates of Participation | 99.999 | 32,164,678 |
| Castro Valley Unified School District Certificates of Participation | 0.109 | 5,575 |
| San Leandro Unified School District General Fund Obligations | 9.500 | 453,625 |
| City of Oakland and Coliseum Authority General Fund Obligations | 100. | 180,583,705 |
| City of Oakland Pension Obligation Bonds | 100. | <u>313,223,259</u> |
| TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT | | \$809,186,224 |
| | | |
| <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u> | 100. % | \$378,230,000 |
| | | |
| COMBINED TOTAL DEBT | | \$2,642,247,665⁽³⁾ |

Ratios to 2016-17 Assessed Valuation:

| | |
|---|--------------|
| Direct Debt (\$201,830,000) | 0.39% |
| Total Direct and Overlapping Tax and Assessment Debt..... | 2.83% |
| Total Direct Debt (\$695,636,964) | 1.35% |
| Combined Total Debt | 5.14% |

Ratio to Redevelopment Successor Agency Incremental Valuation (\$13,171,621,843):

| | |
|---|-------|
| Total Overlapping Tax Increment Debt..... | 2.87% |
|---|-------|

⁽¹⁾ Amount represents full taxable value for the City less all exemptions, except homeowners' exemption.

⁽²⁾ Excludes issue to be sold.

⁽³⁾ Excludes tax and revenue anticipation notes and 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, 2016, the amount of all self-insured general liability exposure determined to be probable of occurrence is valued at approximately \$40.9 million. Of this amount, approximately \$16.8 million is estimated to be due within one year. Payment of workers’ compensation claims is provided through annual appropriations. As of June 30, 2016, the amount of workers’ compensation liability determined to be payable is approximately \$99.9 million. Of this amount, \$19.3 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, 2016). 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, 2017. The MOU for the International Association of Firefighters, Local 55, is set to expire on October 31, 2017. The MOUs for the Oakland Police Officers’ Association, Unit PP1, PT1, and Oakland Police Management Association Unit UN2, are set to expire on June 30, 2019.

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**Table 28
City of Oakland
Labor Relations
as of June 30, 2016**

| <u>Employee Organization / Representation Unit</u> | <u>Number of Represented Employees</u> | <u>Contract Expiration</u> |
|--|--|--------------------------------|
| Confidential Management Employees' Association, Unit U31 | 24 | June 30, 2017 |
| International Association of Fire Fighters Local 55, Unit FQ1 | 424 | October 31, 2017 |
| International Brotherhood of Electrical Workers Local 1245, Units IE1, TV1 | 19 | June 30, 2017 |
| International Federation of Professional and Technical Engineers (IFPTE) | | |
| IFPTE Local 21, Units TA1, TF1, TL1, TM2, TW1 | 489 | June 30, 2017 |
| IFPTE Local 21, Units UH1 (Supervisors), UM1 and UM2 (Managers) | 375 | June 30, 2017 |
| IFPTE Local 21, Unit TM1 (Deputy City Attorney I-IV) | 28 | June 30, 2017 |
| IFPTE Local 21, Unit U41 (Deputy Attorney V & Special Counsel) | 9 | June 30, 2017 |
| Service Employees International Union (SEIU) Local 1021 | | |
| SEIU Local 1021, Units SB1, SC1, SD1 | 1,162 | June 30, 2017 |
| SEIU Local 1021, Unit SI1 (Part Time) | 1,346 | June 30, 2017 |
| Oakland Police Officers' Association, Unit PP1, PT1 | 824 | June 30, 2019 |
| Oakland Police Management Association, Unit UN2 | <u>13</u> | June 30, 2019 |
| TOTAL | 4,713 | |

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

Retirement Programs

The City currently maintains one closed pension system, the Police and Fire Retirement System (“PFRS”). In addition, the City is a member of the California Public Employees’ Retirement System (“CalPERS”), a multiple-employer pension system that provides a contributory defined-benefit pension for most current employees. Additional information concerning the City’s retirement program can be found in “APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2016 – Notes to the Basic Financial Statements.”

The City also previously maintained the Oakland Municipal Employees Retirement System (“OMERS”) for non-sworn employees hired prior to September 1970. On February 10, 2015, the City purchased a group annuity contract through which Pacific Life Insurance Company assumed, and will provide, all future benefit payments to the remaining OMERS retirees and beneficiaries. OMERS was terminated effective March 31, 2015.

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, 2016, PFRS covered no active employees and 929 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 Ratio 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 |
| 2015 | 642.1 | 394.6 | 419.2 | 247.5 | 61.4 | 65.3 | 0 |
| 2016 ⁽⁴⁾ | 672.9 | 363.6 | 361.6 | 309.4 | 54.0 | 53.7 | 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.

⁽⁴⁾ The reduction in the funded ratio is primarily the result of no contribution being made to the fund during the year, the new MOUs for Police members and market value loss on investments.

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, 2016 and Oakland Police and Fire Retirement System, Annual Report for Fiscal Year ended June 30, 2016.

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, 2015 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, 2015

| | Valuation Assumptions |
|--|-------------------------------|
| Investment Return | 7% |
| Wage Growth | 3.25% |
| Annual City Contribution for FY 2017-18 Amount | \$44.9 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, 2015.

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. Beginning with Fiscal Year 2017-18, CalPERS will collect minimum required employer contributions equal to the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll) plus the Employer Unfunded Accrued Liability Contribution Amount (billed monthly in dollars). In prior fiscal years, the Employer Unfunded Accrued Liability Contribution Amount was a contribution rate.

As percentages of projected annual covered payroll, the total required employer contribution rates for Fiscal Year 2017-18 are estimated to be 36.349% for miscellaneous employees and 40.575% for safety employees (police and fire employees). In addition, under current bargaining agreements, all City participants, other than Tier 3 (defined herein) employees, are required to contribute 8% for miscellaneous employees, 12% for police employees, and 13% for fire employees of their annual covered salary to CalPERS. Tier 3 employees are required to contribute 50% of normal cost (currently, 6.75% for miscellaneous employees, 11.5% for police employees, and 12.5% 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 contributions are 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 3”).

| 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

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The following Table 31 sets forth the City's employer contribution rates as determined by CalPERS for Fiscal Years 2013-14 through 2017-18, and CalPERS' projections for Fiscal Years 2018-19 and 2022-23. The Total Required Employer Contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll) plus the Employer Unfunded Accrued Liability Contribution Amount.

Table 31
City of Oakland
California Public Employees' Retirement System Contribution Rates
Fiscal Years 2013-14 through 2017-18 and Projected Fiscal Years 2018-19 and 2022-23

| | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 ⁽¹⁾ | 2018-19 (Projected) ⁽²⁾ | 2022-23 (Projected) ⁽²⁾ |
|---|--------------|--------------|--------------|--------------|------------------------|---------------------------------------|---------------------------------------|
| Miscellaneous Plan | | | | | | | |
| Total Required Employer Contribution (as percentage of payroll) | 27.30% | 30.16% | 32.94% | 34.23% | 36.35% ⁽³⁾ | N/A ⁽⁴⁾ | N/A ⁽⁴⁾ |
| Employer Normal Cost Rate (as percentage of payroll) | 11.12% | 10.99% | 11.20% | 11.32% | 11.08% | 11.1% | 11.1% |
| Employer Unfunded Accrued Liability Contribution Amount | \$34,306,172 | \$38,664,921 | \$43,547,018 | \$48,748,259 | \$55,380,769 | \$64,395,246 | \$90,359,211 |
| Safety Plan | | | | | | | |
| Total Required Employer Contribution (as percentage of payroll) | 33.35% | 35.15% | 37.69% | 40.67% | 40.58% ⁽³⁾ | N/A ⁽⁴⁾ | N/A ⁽⁴⁾ |
| Employer Normal Cost Rate (as percentage of payroll) | 19.01% | 19.02% | 18.84% | 19.17% | 18.29% | 18.3% | 18.3% |
| Employer Unfunded Accrued Liability Contribution Amount | \$20,453,677 | \$20,956,824 | \$24,069,190 | \$27,369,357 | \$32,173,315 | \$38,667,195 | \$57,660,374 |

⁽¹⁾ Beginning with Fiscal Year 2017-18, CalPERS will collect employer contributions toward the plan's unfunded liability as dollar amounts instead of the prior method of a contribution rate.

⁽²⁾ Based on various assumptions, including 0.0 percent investment return for 2015-16 and 7.50 percent every fiscal year thereafter. On December 21, 2016, the CalPERS Board of Administration voted to lower the discount rate to 7.00% over the next three fiscal years. Such reduction will increase the required unfunded accrued liability contribution amounts.

⁽³⁾ Estimated.

⁽⁴⁾ Not provided by CalPERS.

Source: CalPERS Annual Valuation Reports as of June 30, 2011, through June 30, 2015.

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

After the June 30, 2012 valuation, CalPERS made changes to its actual assumptions and methods. Additionally, PEPRA was implemented and the City adopted 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 no longer uses 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 have been used to set the Fiscal Year 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions have been 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.

On December 21, 2016, the CalPERS Board of Administration voted to further lower CalPERS's assumed investment rate of return to 7.00% over the next three fiscal years. CalPERS announced that such reduction will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll for most miscellaneous retirement plans, and 2 percent to 5 percent increase for most safety plans. Increased payments will be made to amortize unfunded liabilities over 20 years to bring CalPERS's fund to a fully funded status over the long-term. At this time, the City does not know what increases will apply to the City or what impact any such increases will have. There can be no assurance that CalPERS will not again lower its investment assumptions thus increasing the City's contribution obligations.

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The following Tables 32 and 33 set forth the schedules of funding progress as of June 30 for the 2011 through 2015 for public safety employees and for miscellaneous employees.

Table 32
City of Oakland
California 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 |
|--------------------------|-----------------------------|--|--------------------------------------|---------------------------|---------------------------|------------------------|----------------------|
| 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 |
| 2014 ⁽³⁾ | 1,639.9 | 1,169.0 | 470.9 | N.A. ⁽⁴⁾ | 71.3 | 116.5 | 404.2 |
| 2015 ⁽³⁾ | 1,754.1 | 1,179.0 | 575.1 | N.A. ⁽⁴⁾ | 67.2 | 132.1 | 435.4 |

⁽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, 2015.

Table 33
City of Oakland
California 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 |
|------------------------|-----------------------------|--|--------------------------------------|---------------------------|---------------------------|------------------------|----------------------|
| 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 |
| 2014 ⁽³⁾ | 2,341.2 | 1,701.4 | 639.8 | N.A. ⁽⁴⁾ | 72.7 | 194.7 | 328.6 |
| 2015 ⁽³⁾ | 2,409.0 | 1,691.2 | 717.8 | N.A. ⁽⁴⁾ | 70.2 | 200.6 | 357.8 |

⁽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, 2015.

For Fiscal Year 2015-16, the City’s annual CalPERS pension costs were \$46.3 million for the Safety plan and \$65.4 million for the Miscellaneous plan.

The following Table 34 represents the City’s annual contribution to CalPERS for Fiscal Years 2011-12 through 2015-16.

Table 34
City of Oakland
California Public Employees’ Retirement System
Annual Pension Cost
Fiscal Years 2011-12 through 2015-16
(\$ In Millions)

| Fiscal Year Ended June 30 | Annual Cost ⁽¹⁾ |
|------------------------------|----------------------------|
| 2012 | \$89.0 |
| 2013 | 89.4 |
| 2014 | 98.6 |
| 2015 | 107.9 |
| 2016 | 111.7 |

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, 2012 through June 30, 2016.

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 PFRS and OMERS Pension Plans implemented the provisions of GASB Statement No. 68 for the fiscal year ended June 30, 2015. The significant changes in this statement include (1) the measurement of pension liabilities (or assets), (2) the calculations behind annual pension expense, and (3) sensitivity of the net pension liability to the discount rate.

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.

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, 2015, 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 \$859.99 million. As of June 30, 2016, 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 \$305.02 million after a pay-as-you-go amount of approximately \$19.55 million for Fiscal Year 2015-16. 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”), an agent multi-employer defined benefit post-employment healthcare funding 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. As of December 31, 2016, the City has deposited approximately \$4 million into CERBT for its OPEB obligations. The City plans to 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, 2012 through June 30, 2016.

Table 35
City of Oakland
Post-Employment Benefits Other than Pensions
Fiscal Years 2011-12 through 2015-16

| Fiscal Year Ended June 30 | Accrued Liability | Unfunded Liability | Annual OPEB Cost | Employer Contribution | Net OPEB Obligation |
|---------------------------------|----------------------------|----------------------------|---------------------|--------------------------|------------------------|
| 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 |
| 2015 | 463,850,944 ⁽¹⁾ | 463,850,944 ⁽¹⁾ | 41,585,000 | 19,758,000 | 256,922,000 |
| 2016 | 862,891,642 | 859,990,296 | 68,584,000 | 20,482,000 | 305,024,000 |

⁽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, 2012 through June 30, 2016.

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 CERBT.

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 2011-12 through 2015-16
(\$ In Thousands)

| Fiscal Year Ended June 30 | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------------------|---------------------|--|------------------------|
| 2012 | \$10,983 | 99% | \$10,510 |
| 2013 | 10,984 | 100 | 10,453 |
| 2014 | 12,789 | 100 | 10,414 |
| 2015 | 12,780 | 100 | 10,249 |
| 2016 | 13,653 | 100 | 10,121 |

Sources: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2012 through June 30, 2016.

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.

Coal Ban Litigation. On December 7, 2016, Oakland Bulk & Oversized Terminal, LLC v. City of Oakland (Case No. 16-CV-7014 CV) was filed in the United States District Court for the Northern District of California. Plaintiff Oakland Bulk & Oversized Terminal, LLC (“OBOT”) challenges City Council Ordinance No. 13385 C.M.S. and Resolution No. 86234 C.M.S. adopted by the Oakland City Council on July 16, 2016, prohibiting handling and transportation of coal through the Oakland Bulk & Oversized Terminal to be located at the Port of Oakland. The OBOT suit alleges that the City’s coal ban: (1) violates the Commerce Clause of the U.S. Constitution, (2) is preempted by federal law governing rail and maritime operations, as well as hazardous materials law, and (3) violates the 2013 Development Agreement between the City and Prologis CCIG Oakland Global, LLC (DA), and assigned to OBOT. The current action seeks declaratory and injunctive relief. It is possible that in the future, OBOT will pursue an action for damages arising from the coal ban. The City’s responsive pleading is due on January 30, 2017. Upon the basis of information presently available, the City Attorney believes that there are substantial defenses to OBOT’s claims. However, at this time, the City is unable to assess the likelihood of success of this lawsuit or the potential impact on the City’s revenues or operations.

Warehouse Fire Related Litigation. The City anticipates litigation arising from the tragic fire at an Oakland warehouse that resulted in the deaths of 36 persons on December 2, 2016. On December 23, 2016, the City received two Government Tort Claims arising from the fire. The City anticipates several more claims and possible lawsuits by decedents’ estates, survivors, neighboring property owners or others may be filed against the City. If such actions are filed, the City could be found liable for damages and incur significant defense costs. However, the City Attorney believes the City has strong immunity defenses and would aggressively seek judgments in favor of the City through dispositive motions. The City is unable to assess at this time the likelihood of success of any such claims or lawsuits or the potential impact on the City’s revenues or operations.

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APPENDIX B

**ANNUAL FINANCIAL REPORT OF THE CITY OF OAKLAND
FOR THE YEAR ENDED JUNE 30, 2016**

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CITY OF OAKLAND CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016



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CITY OF OAKLAND CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2016

PREPARED BY THE FINANCE DEPARTMENT

KIRSTEN LACASSE, CONTROLLER

PRINTED ON RECYCLED PAPER

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CITY OF OAKLAND
Comprehensive Annual Financial Report
Year Ended June 30, 2016

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INTRODUCTORY SECTION

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December 16, 2016

Residents 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”). Controller’s Bureau has prepared this report to present the financial position and the changes in net position for the year ended June 30, 2016, 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). The information presented here should be considered in conjunction with the additional information contained in the Management’s Discussion and Analysis (MD&A) in the Financial Section of this report.

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, 2016 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 is auditing 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) Uniform Guidance regulating uniform administrative requirements, cost principles, and audit requirements for 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, discretely presented, or included in the fiduciary funds financial statements 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. Component units that are fiduciary in nature are reported in the fiduciary funds financial statements.

Accordingly, we have included the operations of the Oakland Joint Powers Authority as a blended component unit. The Police and Fire Retirement System (PFRS) is included as a Pension Trust Fund and the Oakland Redevelopment Successor Agency is included as a fiduciary component unit. 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 II, Section K 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 II, Section L), establishing a Vital Services Stabilization Reserve, and fully funding the General Purpose Fund reserve to 7.5 percent per City Council. The City ended fiscal year 2015-16 with continued growth in the local economy. Notably, an improved local real-estate market has led to strong growth in real-estate related revenues; including property tax, real estate transfer tax, and transient occupancy tax.

The City ended 2016 with continued growth in the local economy. Notably, an improved local real-estate market has led to strong growth in real-estate related revenues; including property tax, real estate transfer tax, and transient occupancy tax. Other key economic indicators are trending positively: growth in total assessed value, stabilized low unemployment rate, continued regional employment growth, and City revenues are up in most categories (e.g., property tax, sales tax, business tax, real estate tax).

Looking forward, the City must continue to grow revenues to restore and enhance services to the community. 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. Major projects that have been recently completed, or are in progress, include:

- The MacArthur Transit Village project is expected to include up to 675 mixed income housing units and approximately 31,500 square feet of retail. Construction of the first phase of the project (including 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 was completed in November 2015.
- In December 2014, construction of a new 45,000 square foot, \$35 million Safeway Store complex in the Rockridge neighborhood was completed. The store employs approximately 160 individuals, of which 65 are newly created jobs.
- The I-880 High Occupancy Vehicle (HOV) Lane, the \$106.5 million project between Hegenberger Road in Oakland and Marina Boulevard in San Leandro, was opened in March 2016.
- The Hive is a new \$70 million, multi-phase, mixed-use project on Broadway that was substantially completed in 2016. The development contains 100,000 square feet of commercial and retail space and 104 apartments.

- Approximately 19,600 housing units throughout the City are in the development pipeline, including over 2,000 units under construction or recently completed.
- Nearly completed major infrastructure at the Oakland Army Base will enable the reuse of the base for maritime activities supporting approximately 2,000 new jobs.
- The Brooklyn Basin Project 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. Phase I projected for completion in 2019.
- In early 2016, the City entered into an Exclusive Negotiating Agreement for a mixed use project on a City-owned site at 1911 Telegraph. The proposed project includes a 27-story residential tower with 330 units (with 15 percent of the units affordable to low and moderate income households), a seven-floor hotel with 168 rooms, 56,450 square feet of retail and 283 parking spaces.

On June 30, 2015, the City Council adopted a two-year balanced FY 2015-17 policy budget that includes no layoffs, provides for enhancement of critical services and infrastructure improvements, and allowed for 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, equitable jobs and housing, and sustainable infrastructure. This investment includes scheduling four police academies and growing the sworn police force, enhanced funding for violence prevention, funding key housing, planning and economic development initiatives, and investing in initiatives to improve childhood education and development outcomes. The City also financed some critical deferred infrastructure needs, such as replacing outdated vehicles and equipment, improved restoration of roads, bridges, and transportation infrastructure, and enhancing Information Technology infrastructure.

The adopted biennial budget focused on the following goals:

- **A Safe City:** that invests in Holistic Community Safety strategies.
- **A Vibrant City:** that makes strategic investments in infrastructure, public works and the arts to protect and enhance the quality of life for all neighborhoods.
- **A Just City:** that promotes equitable jobs and housing that protects and nurtures a diverse and inclusive community that cares for its youth, elderly, families, and the vulnerable.
- **A Prosperous City:** that values workers and fosters a diverse economy that creates equitable economic growth, jobs, and housing.
- **Trustworthy Government:** that provides quality municipal services, efficiency, transparency, and accountability, as well as respects municipal employees.

On June 30, 2016, the City Council adopted a balanced fiscal year 2016-2017 mid-cycle amended budget. This balanced budget is based on the FY 2015-17 Adopted Biennial Policy Budget, as well as several midyear adjustments already adopted by the City Council. The mid-cycle budget is an amendment of the second year of the previously adopted biennial budget therefore adjustments are recommended to address projected revenue and expenditure variances; account for new or adjusted grants, reimbursements, or fees; fund a very limited number of urgent fiscal/program needs in the General Fund and a limited number of new projects in other funds; and to better position the City's long-term financial stability.

While the City continues to experience economic growth and increases in revenues, it still faces longer term 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, and the need for substantial investment in City infrastructure.

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: maintaining and growing a Vital Services Stabilization Fund, the funding of PFRS and CalPERS Safety plan at a funding ratio of 67.2% and at 70.2% for the CalPERS Miscellaneous plan at market value of assets; the City began to partially pre-fund by \$3.8 million, the annual required contribution to the California Employer's Retiree Benefit Trust (CERBT) for other post-employment benefits; 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 Fund priorities.

The City's general obligation credit ratings of Aa2\AA- and stable outlook from Moody's Investors Services, Inc. and Standard & Poor's Corporation, 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 both rating agencies as its economy successfully emerges from the economic downturn. The Management's 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 year ended June 30, 2016, include the following:

- July 1, 2015: "Oakland Recycles" Launches Major New Trash, Compost And Recycling Services – the Oakland Recycles program launched important new trash, compost and recycling services as Oakland takes a huge step toward its Zero Waste goals to keep all recyclable and compostable material out of landfills. The new services and features include: new natural gas-powered service trucks that run cleaner and quieter; new ways for all residents to easily dispose of mattresses, furniture and other bulky items; and for the first time ever, guaranteed compost service for condo and apartment residents.
- October 1, 2015: the East Oakland Sports Center was recognized by the East Bay Chapter of the American Institute of Architects as a 2015 Merit Award Winner.
- October 13, 2015: the Tax Compliance Section of the City of Oakland's Revenue Management Bureau initiated their 2015 Non-compliant Rental Project. The Tax Compliance Section mailed approximately 25,000 notices to owners of residential rental property in Oakland. The goal of the project is to bring all of the City's residential rental property owners into compliance with Oakland Municipal Code section 5.04.420 - Rental of residential property, which requires property owners to maintain a current business license.
- October 16, 2015: In October 2015, WalletHub ranked Oakland as the 4th Best Foodie City for your Wallet in their survey of the 150 most populated U.S. cities. In ranking the cities, WalletHub analyzed 18 key metrics. Oakland ranked No. 1 in number of restaurants per capita and No. 3 in ratio of full-service restaurants to fast-food establishments. In addition, Oakland was recognized as the 9th Greenest City in America, the 2nd Most Ethno-Racially Diverse Large City, No. 7 Best Local Food Scene and 4th most pet-Friendly Rental Market.
- October 28, 2015: Mayor Schaaf delivered her inaugural State of the City address. Before, during, and after the mayor's remarks, attendees had the opportunity to visit three breakout rooms dedicated to discussions about issues facing Oakland and Mayor Schaaf's four priority areas: Holistic Community Safety, Vibrant Sustainable Infrastructure, Equitable Jobs and Housing, and Responsive Trustworthy Government.

- October 2015: Minimum Wage Increase – Effective Friday, January 1, 2016, Oakland’s Minimum Wage goes up to \$12.55 per hour. Measure FF, the voter-initiative ballot measure passed in November 2014, provides annual increases to Oakland’s Minimum Wage based on the Consumer Price Index for Urban Wage Earners and Clerical Workers. In light of the increase, employers must be aware of the following:
 - By December 15, 2015, employers are required to provide notice to employees and prominently display posters on the new Minimum Wage;
 - On January 1, 2016, the rate goes up 30¢ to \$12.55; and
 - The other benefits mandated by Measure FF paid sick leave and payment of service charges remain the same as when the employment law took effect on March 2, 2015
- November 5, 2015: Oakland’s Active Transportation Projects Win \$9.1 Million In Grants – The Oakland Public Works Department announced that it recently won two grants totaling over \$9.1 million from the State of California’s Active Transportation Program (ATP). These projects will improve walking and bicycling connections for Oakland residents and visitors. The 19th Street BART to Lake Merritt Urban Greenway Project was awarded \$4.6 million by the California Transportation Commission.
- March 8, 2016: Oakland Among America’s Fastest-Growing Cities 2016 – Forbes released its roster of America’s Fastest-Growing Cities for 2016. The Oakland-Hayward-Berkeley Metropolitan Statistical Area was ranked No. 13 among areas with the fastest-growing populations and economies. Forbes noted, “Oakland is likely to grow its population 0.99% this year...and there are signs that it may be hitting critical mass as a jobs center.”
- March 16, 2016: Kiva Oakland Launch – Bay Area-based Kiva.org – best known for crowdfunding loans for 1.7 million entrepreneurs globally – launched Kiva Oakland. The City of Oakland is partnering with Kiva to bring 0% interest crowdfunded loans to hundreds of Oakland small business owners who are socially impactful and financially excluded from mainstream lending options
- March 30, 2016: Oakland Recognized As A Top Food City – The San Francisco Chronicle ran an article proclaiming “Oakland is a major culinary capital.” The article, entitled “Oakland ranks as foodie heaven: nation’s best city for coffee, food trucks, breakfast and more,” references a recent survey by Estaticly that ranked Oakland tops in four categories: for breakfast, for coffee, for food trucks and for Chinese food.
- May 11, 2016: Oakland, The Country’s Most Diverse Large City – WalletHub released its latest findings on diversity among 313 of the largest cities across the United States. This study combined household diversity with social class diversity, ethno-racial diversity and economic diversity. Oakland took the top spot as the most diverse among large cities with a population of 300,000 or more. Among all cities, Oakland ranked No. 1 for Most Racial & Ethnic Diversity.
- June 30, 2016: The Oakland City Council approved the mid-cycle amended budget for fiscal year 2016-2017. The budget amends the second year of the FY 2015-17 biennial budget.
- July 11, 2016: Oakland Among Best Large Cities To Live In – WalletHub, a leading personal finance outlet, released its roster of 2016’s Best Large Cities To Live In. Overall, Oakland was ranked No. 11 and took the top spot in the “Most Diverse Cities in America” and “Life Expectancy” rankings.
- November 8, 2016: Voters Pass New Local Measures – The following significant measures passed in the general election in November 2016:

- **Measure HH** - 1 cent per ounce general tax on the distribution of sugar-sweetened beverages, including products such as sodas, sports drinks, sweetened teas, energy drinks, but exempting: milk products, 100% juice, baby formula, diet drinks, or drinks taken for medical reasons.
 - **Measure KK** – The City of Oakland will issue \$600 million in bonds to improve public safety and invest in neighborhoods throughout Oakland by re-paving streets to remove potholes, rebuilding cracked and deteriorating sidewalks, funding bicycle and pedestrian safety improvements, funding affordable housing for Oaklanders, and providing funds for facility improvements, such as, neighborhood recreation centers, playgrounds, and libraries.
- November 18, 2016: Minimum Wage Increase – Effective Sunday, January 1, 2017, Oakland’s Minimum Wage goes up to \$12.86 per hour. Measure FF, the voter-initiative ballot measure passed in November 2014, provides annual increases to Oakland’s Minimum Wage based on the Consumer Price Index for Urban Wage Earners and Clerical Workers. In light of the increase, employers must be aware of the following:
- By Thursday, December 15, 2016, employers are required to provide notice to employees and prominently display posters on the new Minimum Wage;
 - On Sunday, January 1, 2017, the Minimum Wage rate goes up 31¢ to \$12.86; and
 - The other benefits mandated by Measure FF (e.g., paid sick leave and payment of service charges) remain the same as when the employment law took effect on March 2, 2015

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

The City of Oakland’s primary economic indicators are highlighted in the MD&A section of this report.

The Five-Year Financial Forecast

In March 2015, 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 continued growth in revenues and boom in the local economy. This economic growth will be reflected in subsequent reports on City revenues and expenditures.

In February of 2017 the City will release a new Five-Year Financial Forecast in preparation for the FY 2017-19 Biennial Budget. This new forecast will address the projected future growth rates of expenditures and revenues, and any other fiscal concerns, based upon information available through December of 2016.

Single Audit

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

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

Budget Controls

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

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

The budget represents a process where policy decisions by the Mayor and the City Council are adopted, implemented and controlled. The notes to the required supplementary information summarize the budgetary roles of various City officials and the timetable for their budgetary actions according to the City Charter. In June 2016, the City Council approved the City's FY 2016-17 Mid-Cycle Amended Policy Budget.

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.

Consolidated Fiscal Policy

On December 9, 2014, the City Council passed an Ordinance 13279 amending the City's Financial Policy in order to add the Rainy Day Policy and consolidate all of the City's fiscal policies into a single Consolidated Fiscal Policy. This amendment allowed the City to establish a reserve fund (Vital Services Stabilization Reserve) to stabilize the provision of vital services, protect against service reductions, and prevent layoffs, furloughs, and similar measures in times of economic hardship. Additionally this policy addressed procedures that allow for accelerating debt repayment, and paying down unfunded long-term obligations by modifying the definition of excess Real Estate Transfer Tax. The Consolidated Fiscal Policy includes policies on budgeting practices, reserve funds, the budget process, fiscal planning, and public participation.

As of June 30, 2016, the Vital Services Stabilization Reserve has a balance of \$3.0 million, while \$11.7 million has been set-aside for long-term obligations.

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.

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, 2015. 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 26 years. The City's Fiscal Year 2015-16 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,



SABRINA B. LANDRETH
City Administrator



CHRISTINE DANIEL
Assistant City Administrator
Finance Director



KIRSTEN LACASSE
Controller



Government Finance Officers Association

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

Presented to

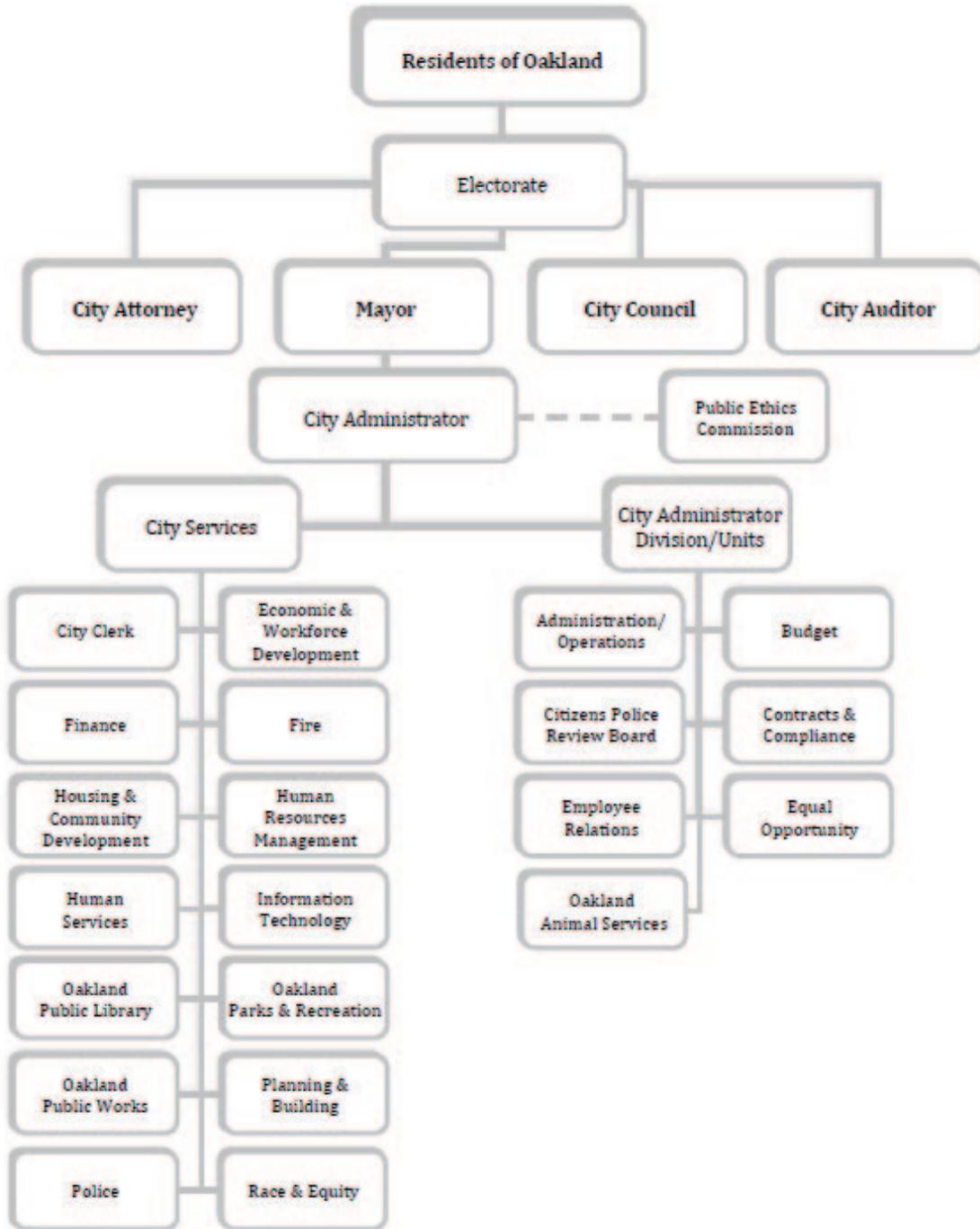
**City of Oakland
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

CITY OF OAKLAND ORGANIZATION CHART



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

June 30, 2016

MAYOR

Libby Schaaf

MEMBERS OF THE CITY COUNCIL

Lynette Gibson McElhaney, *President (District 3)*
Rebecca Kaplan, *Vice-Mayor (At Large)*

Dan Kalb
District 1

Abel J. Guillen
District 2

Annie Campbell Washington
District 4

Noel Gallo
District 5

Desley Brooks
District 6

Larry Reid
District 7
(President Pro Tem)

MAYOR APPOINTED OFFICERS

Sabrina B. Landreth, *City Administrator*
Christine Daniel, *Assistant City Administrator*
Claudia Cappio, *Assistant City Administrator*
Stephanie Hom, *Deputy City Administrator*
LaTonda Simmons, *City Clerk*

ELECTED OFFICERS

Barbara Parker, *City Attorney*
Brenda Roberts, *City Auditor*

DEPARTMENT DIRECTORS

| | | | |
|--|--|---|---|
| Brooke Levin <i>Public Works</i> | Teresa Deloach Reed (Chief) <i>Fire Department</i> | Mark Sawicki <i>Economic & Workforce Development</i> | Gerald Garzon <i>Oakland Public Library</i> |
| Vacant <i>Finance Department</i> | Sean Whent (Chief) <i>Police Department</i> | Rachel O'Dwyer-Flynn <i>Planning & Building</i> | Michele Byrd <i>Housing & Community Development</i> |
| Anil Comelo <i>Human Resources Management</i> | Katano Kasaine (Interim) <i>Information Technology</i> | Sara Bedford <i>Human Services Department</i> | J. Nicholas Williams <i>Oakland Parks & Recreation</i> |

**CITY OF OAKLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

PROJECT TEAM

AUDIT/FINANCIAL STATEMENT COORDINATOR

Kirsten LaCasse, *Controller*

FINANCIAL STATEMENT PREPARATION

Financial Statement Leaders

Theresa Woo
Financial Analyst

Connie L. Chu
Accountant III

Accounting CAFR Team

Michelle Wong
Timothy Turner
Lilian Falkin

Erico Parras
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

FINANCIAL SECTION

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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, 2016, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability and related ratios, the schedules of employer pension contributions, the schedules of funding progress - other postemployment benefits, and the budgetary comparison schedules of 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

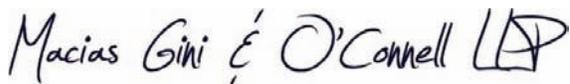
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining financial statements and schedules, and statistical section, are presented for purposes of additional analysis 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. In our opinion, 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 16, 2016, 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.



Oakland, California
December 16, 2016

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited)
Year Ended June 30, 2016

This section of the City of Oakland's (the City) Comprehensive Annual Financial Report provides an overview and analysis of the financial activities of the City for the year ended June 30, 2016. 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, 2016, the total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$44.3 million compared to a negative net position of \$86.3 billion at June 30, 2015:

- \$1.3 billion represents the City's investment in capital assets, less any related outstanding debt and related deferred outflows and inflows of resources 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.
- \$555.1 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 \$233.5 million pertains to Low and Moderate Income Housing Redevelopment.
- \$1.8 billion represents a deficit in unrestricted net position that has primarily resulted from the underfunding of the pension liabilities and annual other postemployment benefits cost, and other unfunded long-term liabilities (*unrestricted net position*). The net pension liabilities deficit is the biggest contributing factor at \$1.2 billion.
- \$113.3 million increase in the City's total net position was derived from governmental activities. The increases in real estate transfer tax, sales and use tax, property tax, business license, and transient occupancy tax,. These increases were off-set by increases in expenses of \$84.2 million primarily in Public Safety.
- \$17.4 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 4.5 percent or \$28.7 million to \$667.8 million compared to \$639.1 million for the prior fiscal year. This increase is primarily attributed to the reduction in debt repayment resulting from the General Obligation Refunding Bonds (Series 2015).

The City met the requirements of the City Council's 7.5% reserve policy based on the total General Purpose Fund, a subfund of the General Fund, expenditures for fiscal year 2015-16 (See Note (II) I).

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited)
Year Ended June 30, 2016

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
- Required Supplementary Information

In addition, this report also contains other supplementary information.

Government-wide Financial Statements

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

The *statement of net position* presents information on all of the City's assets, 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 position 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 do not include the fiduciary funds, which comprise 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.portfoakland.com.

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited)
Year Ended June 30, 2016

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 other special revenue 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 governmental funds. A budgetary comparison schedule has been provided for the general fund and the other special revenue fund in the required supplementary information to demonstrate compliance with this budget.

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

The City maintains the following two types of proprietary funds:

- (1) **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.
- (2) **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,

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited)
Year Ended June 30, 2016

radio and communication equipment, facilities management, printing and reproduction, central stores, purchasing and information technology. 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 funds 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 Police and Fire Retirement System (PFRS) Fund is reported as a pension trust fund. 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, schedules of changes in the net pension liability and related ratios and pension plan contributions, and schedules of funding progress for other postemployment benefits.

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)
Year Ended June 30, 2016

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of the City's financial condition. As of June 30, 2016, the City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$44.3 million compared to a negative net position of \$86.3 million at June 30, 2015, which represents an increase in net position of \$130.7 million. Cash and investments are higher by \$100 million primarily due to higher property tax, sales and local tax revenues. Additionally, construction in progress increased by \$76.5 million. These amounts were off-set by the net increase in long-term liabilities. The City's net position reflects the net investment in capital assets of \$1.3 billion for governmental and business-type activities. Of the remaining balance, \$555.1 million are subject to external restrictions on how they may be used. The unrestricted net position of \$1.8 billion is comprised of a deficit balance of \$1.8 billion for governmental activities, and a positive balance of \$28.1 million for business-type activities.

Statement of Net Position
June 30, 2016 and 2015
(In Thousands)

| | Governmental Activities | | Business Activities | | Total | |
|--|------------------------------------|---------------------|--------------------------------|-------------------|--------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Assets: | | | | | | |
| Current and other assets | \$ 1,236,051 | \$ 1,164,999 | \$ 58,851 | \$ 62,191 | \$ 1,294,902 | \$ 1,227,190 |
| Capital assets | 1,372,798 | 1,310,939 | 211,354 | 196,663 | 1,584,152 | 1,507,602 |
| Total assets | <u>2,608,849</u> | <u>2,475,938</u> | <u>270,205</u> | <u>258,854</u> | <u>2,879,054</u> | <u>2,734,792</u> |
| Deferred outflows of resources: | | | | | | |
| Loss on refunding of debt | 18,798 | 20,371 | - | - | 18,798 | 20,371 |
| Related to pensions | 95,780 | 89,930 | 3,368 | 2,929 | 99,148 | 92,859 |
| Total deferred outflows of resources | <u>114,578</u> | <u>110,301</u> | <u>3,368</u> | <u>2,929</u> | <u>117,946</u> | <u>113,230</u> |
| Liabilities: | | | | | | |
| Long-term liabilities | 1,109,675 | 1,134,663 | 39,123 | 41,430 | 1,148,798 | 1,176,093 |
| Other liabilities | 187,390 | 178,561 | 915 | 2,996 | 188,305 | 181,557 |
| Net pension liability | 1,207,032 | 1,091,745 | 31,133 | 29,079 | 1,238,165 | 1,120,824 |
| Net OPEB obligation | 305,024 | 256,922 | - | - | 305,024 | 256,922 |
| Total liabilities | <u>2,809,121</u> | <u>2,661,891</u> | <u>71,171</u> | <u>73,505</u> | <u>2,880,292</u> | <u>2,735,396</u> |
| Deferred inflows of resources: | | | | | | |
| Gain on refunding of debt | - | - | 513 | 553 | 513 | 553 |
| Related to pensions | 69,768 | 193,107 | 2,089 | 5,286 | 71,857 | 198,393 |
| Total deferred inflows of resources | <u>69,768</u> | <u>193,107</u> | <u>2,602</u> | <u>5,839</u> | <u>72,370</u> | <u>198,946</u> |
| Net Position: | | | | | | |
| Net investment in capital assets | 1,079,164 | 1,025,789 | 171,743 | 155,257 | 1,250,907 | 1,181,046 |
| Restricted | 555,205 | 140,950 | - | - | 555,205 | 140,950 |
| Unrestricted (deficit) | <u>(1,789,831)</u> | <u>(1,435,498)</u> | <u>28,057</u> | <u>27,182</u> | <u>(1,761,774)</u> | <u>(1,408,316)</u> |
| Total net position | <u>\$ (155,462)</u> | <u>\$ (268,759)</u> | <u>\$ 199,800</u> | <u>\$ 182,439</u> | <u>\$ 44,338</u> | <u>\$ (86,320)</u> |

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited)
Year Ended June 30, 2016

Governmental activities: The City's net position in governmental activities increased by \$113.3 million.

Total assets increased by \$132.9 million, or 5.40%, to \$2.6 billion. The significant changes in assets occurred in the following areas:

- *Capital assets* increased by \$61.9 million. The increase was due largely to additional construction in progress.
- *Current and Other Assets* increased by \$71.1 million mainly due to changes in cash and investments.

Total liabilities increased by \$147.3 million, or 5.5% to \$2.8 billion. The significant changes in liabilities occurred in the following areas:

- *Long-term liabilities* decreased by \$25.0 million primarily attributed to \$67.7 million debt service payments of government bonds. The decrease is off-set by \$18.9 million accreted interest and \$24.1 million issuance in capital leases, which includes an IT systems lease of \$17.0 million and a radio lease of \$7.1 million.
- *Net pension liability* increased \$115.4 million compared to the balance at June 30, 2015.
- *Net OPEB Obligations* increased by \$48.1 million compared to the balance at June 30, 2015.
- *Other liabilities* increased by \$8.8 million compared to the balance at June 30, 2015.

The net position increased by \$113.3 billion to a deficit \$155.5 million as of June 30, 2016. The City net position can be divided into three categories: net investment in capital assets, restricted, and unrestricted.

- \$1.1 billion of the net position reflects its *investment in capital assets* (e.g., land, buildings infrastructure, facilities and equipment), net of any related outstanding debt and debt-related deferred outflows and inflows of resources 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.
- \$555.1 million of the net position represents resources that are subject to restrictions on how they may be used and therefore restricted.
- \$1.8 billion represents a deficit in unrestricted net position that has primarily resulted from the underfunding of the pension liabilities and annual other postemployment benefits cost, and other unfunded long-term liabilities.

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited)
Year Ended June 30, 2016

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

Statement of Activities
For the Years Ended June 30, 2016 and 2015
(In Thousands)

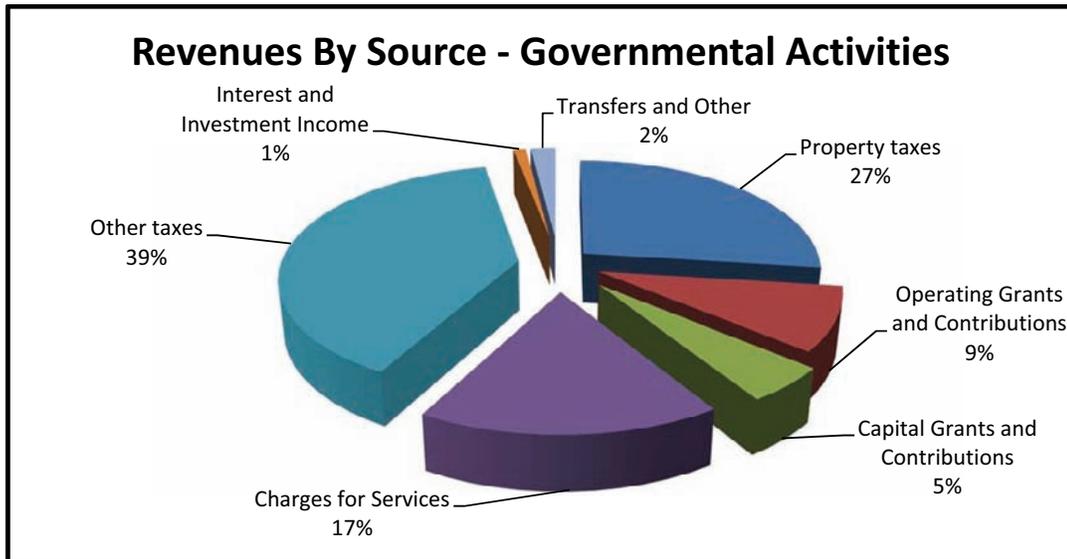
| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|-------------------|------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 178,309 | \$ 182,293 | \$ 59,414 | \$ 57,839 | \$ 237,723 | \$ 240,132 |
| Operating grants and contributions | 90,090 | 92,865 | - | - | 90,090 | 92,865 |
| Capital grants and contributions | 54,043 | 70,322 | - | - | 54,043 | 70,322 |
| General revenues: | | | | | | |
| Property taxes | 279,764 | 267,534 | - | - | 279,764 | 267,534 |
| State taxes: | | | | | | |
| Sales and use taxes | 77,365 | 63,895 | - | - | 77,365 | 63,895 |
| Gas tax and motor vehicle in-lieu | 8,819 | 12,030 | - | - | 8,819 | 12,030 |
| Local taxes: | | | | | | |
| Business license | 75,504 | 66,677 | - | - | 75,504 | 66,677 |
| Utility consumption | 51,006 | 50,594 | - | - | 51,006 | 50,594 |
| Real estate transfer | 89,594 | 62,665 | - | - | 89,594 | 62,665 |
| Transient occupancy | 25,671 | 21,569 | - | - | 25,671 | 21,569 |
| Parking | 20,175 | 18,398 | - | - | 20,175 | 18,398 |
| Voter approved special tax | 37,793 | 37,443 | - | - | 37,793 | 37,443 |
| Franchise | 18,609 | 18,150 | - | - | 18,609 | 18,150 |
| Interest and investment income | 4,596 | 6,362 | 233 | 142 | 4,829 | 6,504 |
| Other | 20,987 | 12,745 | - | - | 20,987 | 12,745 |
| Total revenues | <u>1,032,325</u> | <u>983,542</u> | <u>59,647</u> | <u>57,981</u> | <u>1,091,972</u> | <u>1,041,523</u> |
| Expenses: | | | | | | |
| General government | 99,183 | 82,493 | - | - | 99,183 | 82,493 |
| Public safety | 432,862 | 383,904 | - | - | 432,862 | 383,904 |
| Community services | 134,799 | 121,740 | - | - | 134,799 | 121,740 |
| Community and economic development | 85,396 | 75,268 | - | - | 85,396 | 75,268 |
| Public works | 114,597 | 105,619 | - | - | 114,597 | 105,619 |
| Interest on long-term debt | 54,335 | 68,033 | - | - | 54,335 | 68,033 |
| Sewer | - | - | 39,270 | 36,957 | 39,270 | 36,957 |
| Parks and recreation | - | - | 872 | 681 | 872 | 681 |
| Total expenses | <u>921,172</u> | <u>837,057</u> | <u>40,142</u> | <u>37,638</u> | <u>961,314</u> | <u>874,695</u> |
| Change in net position before transfers | 111,153 | 146,485 | 19,505 | 20,343 | 130,658 | 166,828 |
| Transfers | 2,144 | 2,002 | (2,144) | (2,002) | - | - |
| Special Item - Transfer of excess tax allocation bond | - | 107,696 | - | - | - | 107,696 |
| Extraordinary gain/loss SCO asset review and DOF | - | - | - | - | - | - |
| Change in net position | 113,297 | 256,183 | 17,361 | 18,341 | 130,658 | 274,524 |
| Net position at beginning of year | (268,759) | 981,818 | 182,439 | 196,334 | (86,320) | 1,178,152 |
| Adjustment due to implementation of GASB Statement No. 68 | - | (1,506,760) | - | (32,236) | - | (1,538,996) |
| Net position at end of year | <u>\$ (155,462)</u> | <u>\$ (268,759)</u> | <u>\$ 199,800</u> | <u>\$ 182,439</u> | <u>\$ 44,338</u> | <u>\$ (86,320)</u> |

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited)
Year Ended June 30, 2016

Governmental activities: Net position for governmental activities, increased by \$113.3 million during fiscal year 2015-16. Total revenue increased by 5.0 percent and expenses increased by 10.1 percent. During FY 2014-15, revenues increased at a rate of 7.4 percent and expenses increased by 1.0 percent.

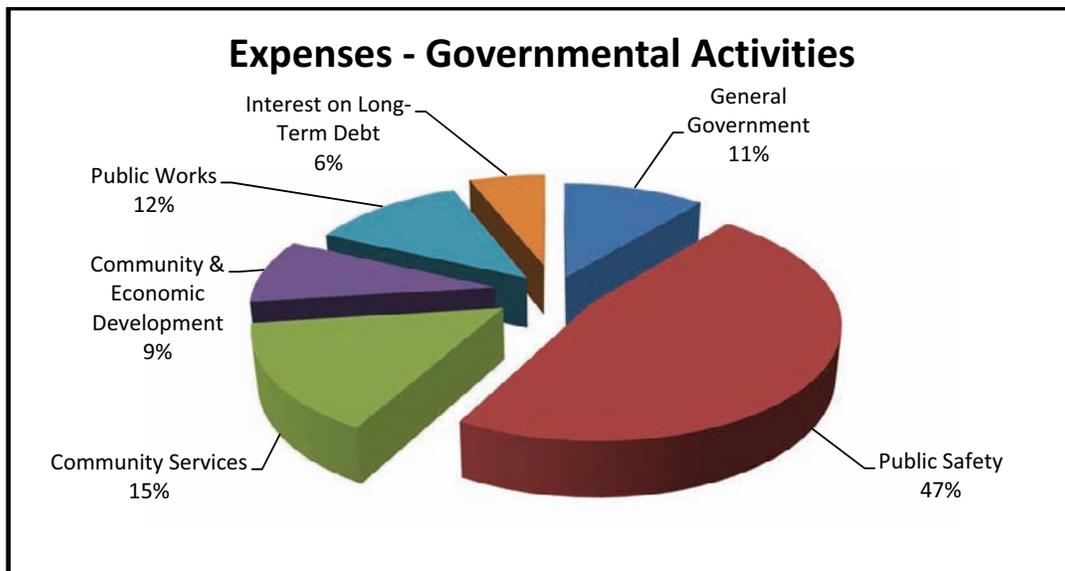
Changes in net position for governmental activities are attributed to the following significant elements:

- Contributing factors resulting to increases in certain revenue categories are as follows: property tax increased by \$12.2 million due to the restoration of assessed values that Proposition 8 temporarily decreased as a result of the previously declining property values during the recession. Real estate transfer tax increased by \$26.9 million or 43.0 percent primarily due to higher volume in real estate sales, increased assessed values, and large one-time commercial 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 \$8.8 million due to increases in gross receipts from businesses in the City resulting from a 2015 non-compliant rental property audit that licensed an additional 4,900 property owners. Transient occupancy taxes increased by \$4.1 million or 19.0 percent due to thriving local hotel demand. Other factors contributing to revenue increase include: parking revenue by \$1.8 million or 9.7 percent.
- Contributing factors resulting in a decrease in certain revenue categories are as follows: Capital grants and contributions decreased by \$16.3 million from the conclusion of the Trade Corridor Improvement Fund (TCIF) grant for the Oakland Army Base development, gas tax declined by \$3.2 million or 26.7 percent due low gas and jet fuel prices, higher fuel efficiency, and more hybrid/electric vehicles.



CITY OF OAKLAND
Management's Discussion and Analysis (unaudited)
Year Ended June 30, 2016

- *General government* expenses increased by \$16.7 million or 20.2 percent when compared to the previous year primarily due to a negotiated compensation increase for all bargaining units in general government.
- *Public safety* expenses increased by \$49.0 million or 12.8 percent when compared to the previous year due primarily to increased overtime costs associated with operations (back-filling beats, etc.), targeted crime reduction operations, and negotiated compensation increases.
- *Community services* expenses increased by \$13.1 million or 10.7 percent primarily due to multi-year funding expenses, negotiated compensation increases and an increase in Federal and State grants.
- *Community and economic development* expenses increased by \$10.1 million or 13.5 percent primarily due to the completion of multi-year projects and negotiated compensation increases.
- *Public works* expenses increased by \$9.0 million or 8.5 percent from the prior year primarily due to the negotiated compensation increases and depreciation expenses.
- *Interest on long-term debt* decreased by \$13.7 million or 20.1 percent primarily due to the lower interest rate resulting from the General Obligation Refunding Bond (Series 2015), and an overall decrease in outstanding debt..



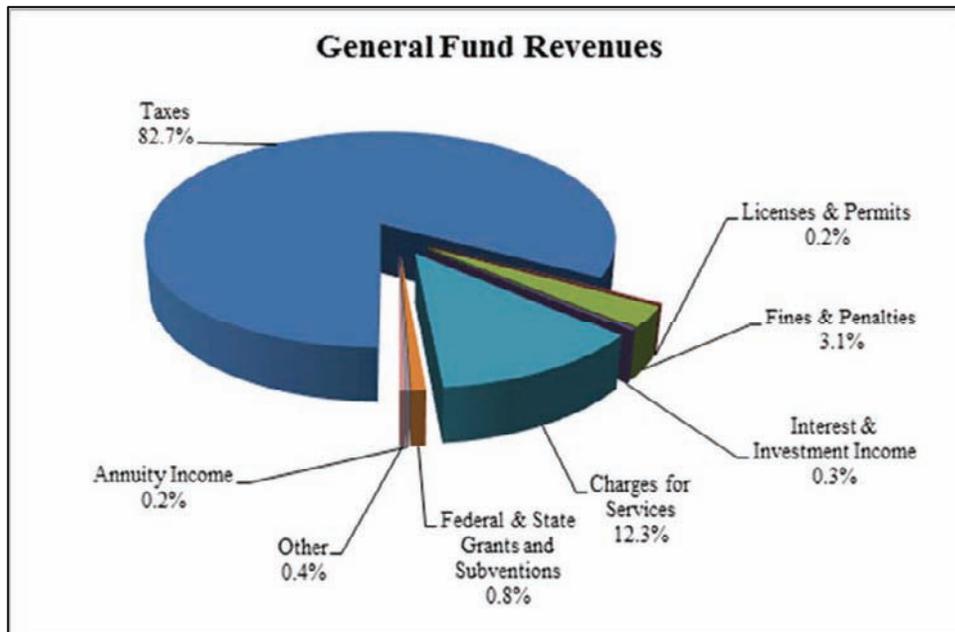
CITY OF OAKLAND
Management's Discussion and Analysis (unaudited)
Year Ended June 30, 2016

Business-type activities: Business-type activities ended the fiscal year with a positive change in its net position of \$17.4 million compared to \$18.3 million the previous fiscal year.

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, 2016, its unassigned fund balance is \$65.1 million or 21.0 percent of the \$310.1 million total General Fund balance.



CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2016

For the year ended June 30, 2016 and 2015, revenues for the General Fund by revenue source are distributed as follows (in thousands):

| | <u>General Fund</u> | | <u>Increase / (Decrease)</u> | |
|--|---------------------|-------------------|------------------------------|---------------|
| | <u>2016</u> | <u>2015</u> | <u>Amount</u> | <u>%</u> |
| Revenues: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 257,707 | \$ 228,072 | \$ 29,635 | 12.99% |
| State taxes: | | | | |
| Sales and use taxes | 52,192 | 48,827 | 3,365 | 6.89% |
| Motor vehicles in-lieu tax | 166 | 177 | (11) | -6.21% |
| Local taxes: | | | | |
| Business license | 75,504 | 66,677 | 8,827 | 13.24% |
| Utility consumption | 51,006 | 50,594 | 412 | 0.81% |
| Real estate transfer | 89,594 | 62,665 | 26,929 | 42.97% |
| Transient occupancy | 20,209 | 16,898 | 3,311 | 19.59% |
| Parking | 10,220 | 9,337 | 883 | 9.46% |
| Franchise | 18,321 | 17,921 | 400 | 2.23% |
| Licenses and permits | 1,591 | 1,573 | 18 | 1.14% |
| Fines and penalties | 21,648 | 23,146 | (1,498) | -6.47% |
| Interest and investment income | 1,873 | 1,088 | 785 | 72.15% |
| Charges for services | 85,184 | 82,461 | 2,723 | 3.30% |
| Federal and state grants and subventions | 5,953 | 8,003 | (2,050) | -25.62% |
| Annuity income | 1,096 | 2,648 | (1,552) | -58.61% |
| Other | 2,622 | 3,899 | (1,277) | -32.75% |
| Total revenues | \$ 694,886 | \$ 623,986 | \$ 70,900 | 11.36% |

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

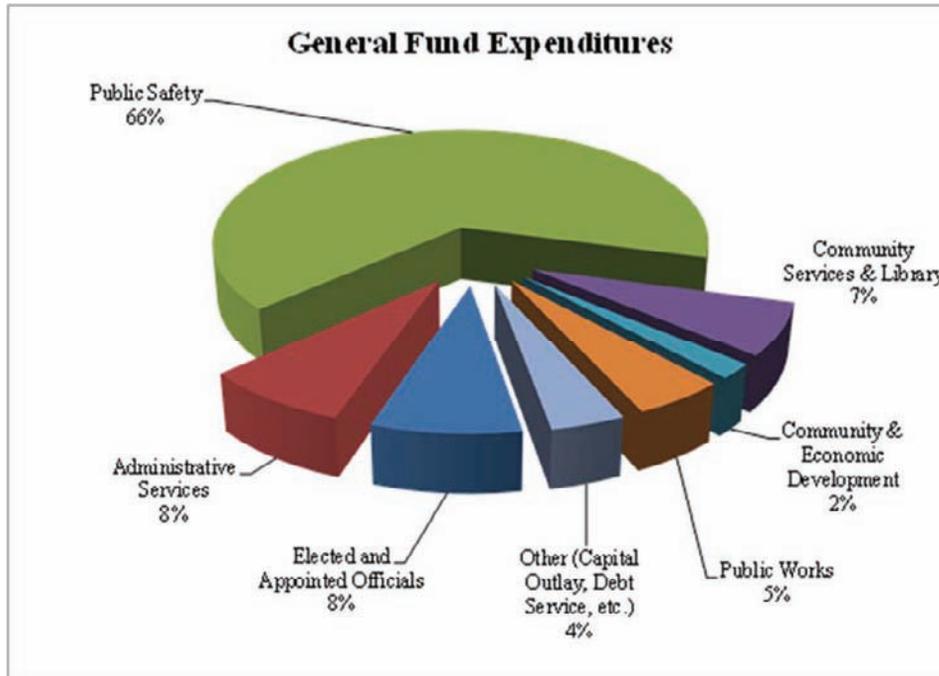
- *Property taxes* increased by \$29.6 million or 13.0 percent. The increase is mainly due to the restoration of Proposition 8 values to the assessment roll in FY 2014-15. When property values decline, Proposition 8 allows the property to be temporarily assessed at a lower value. Additionally, there was an increase in Redevelopment Property Tax Trust Funds (RPTTF) distribution as a result of the DOF disallowance of requested amounts from the review of the Recognized Obligation Payment Schedule (ROPS) 16-17A.
- *Real estate transfer tax* increased by \$26.9 million or 43.0% percent primarily due to higher volume in real estate sales, increases in assessed value, and one-time large commercial property sales.
- *Business license* increased by \$8.8 million mainly due to increases in gross receipts from businesses in the City resulting from a 2015 non-compliant rental property audit that licensed an additional 4,900 property owners.
- *Transient occupancy* increased by \$3.3 million mainly due to thriving local hotel demand.
- *Annuity income* decreased by \$1.6 million mainly due to decreased 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, 2016

For the years ended June 30, 2016 and 2015, expenditures for the General Fund by function are distributed as follows (in thousands):

| | General Fund | | Increase/(Decrease) | |
|------------------------------------|-------------------|-------------------|---------------------|---------------|
| | 2016 | 2015 | Amount | % |
| Expenditures: | | | | |
| Current: | | | | |
| Elected and Appointed Officials: | | | | |
| Mayor | \$ 2,197 | \$ 1,980 | \$ 217 | 10.96% |
| Council | 4,513 | 3,761 | 752 | 19.99% |
| City Administrator | 15,831 | 15,668 | 163 | 1.04% |
| City Attorney | 15,296 | 12,123 | 3,173 | 26.17% |
| City Auditor | 1,760 | 1,620 | 140 | 8.64% |
| City Clerk | 3,326 | 3,414 | (88) | -2.58% |
| Public Ethics Commission | 587 | - | 587 | N/A |
| Departments: | | | | |
| Administrative Services Department | | | | |
| Human Resource Management | 6,655 | 5,871 | 784 | 13.35% |
| Financial Services | 23,879 | 22,666 | 1,213 | 5.35% |
| Information Technology | 11,604 | 9,104 | 2,500 | 27.46% |
| Race & Equity Department | 84 | - | 84 | N/A |
| Public Safety | | | | |
| Oakland Police Department | 245,628 | 218,143 | 27,485 | 12.60% |
| Oakland Fire Department | 126,669 | 113,553 | 13,116 | 11.55% |
| Community Service Department: | | | | |
| Parks and Recreation | 23,199 | 20,071 | 3,128 | 15.58% |
| Library | 11,220 | 9,141 | 2,079 | 22.74% |
| Human Services Department | 6,233 | 5,935 | 298 | 5.02% |
| Community and Economic Development | | | | |
| Planning & Building | 109 | 502 | (393) | -78.29% |
| Economic & Workforce Development | 8,891 | 7,775 | 1,116 | 14.35% |
| Housing & Community Development | 4,416 | 2,330 | 2,086 | 89.53% |
| Oakland Public Works | 30,539 | 38,703 | (8,164) | -21.09% |
| Other | 12,086 | 6,581 | 5,505 | 83.65% |
| Capital outlay | 2,277 | 4,323 | (2,046) | -47.33% |
| Debt Service | | | | |
| Principal repayment | 5,432 | 5,613 | (181) | -3.22% |
| Bond issuance costs | 240 | 200 | 40 | 20.00% |
| Interest charges | 522 | 629 | (107) | -17.01% |
| Total Expenditures | \$ 563,193 | \$ 509,706 | \$ 53,487 | 10.49% |

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2016



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

- *Public safety* increased by \$40.6 million or 12.2 percent due to the negotiated cost of living adjustment (“COLA”) and overtime for sworn employees as a result of targeted crime reduction, unanticipated special enforcement, routine overtime and coverage of vacancies.
- *City elected offices and departments*, excluding public safety and debt service, are reporting a total increase of \$13.0 million in expenditures mainly due to negotiated COLA increases for all bargaining units of up to 4 percent for FY 2015-16.

Federal and State Grant Fund: The Federal and State Grant Fund had a deficit fund balance of \$8.1 million as of June 30, 2016 that represents an increase in deficit of \$1.9 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 is recorded as deferred inflows of resources for \$5.9 million as of June 30, 2016.

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, 2015 was \$37.8 million and the fund’s net loan receivable balance was \$193.6 million.

Municipal Capital Improvement Fund: The Municipal Capital Improvement Fund had a fund balance of \$214.2 million as of June 30, 2016 that represents a decrease of \$31.5 million or 12.8 percent from the prior fiscal year. Pursuant to Health and Safety Code (HSC) Section 34179(h), the DOF completed its review of the Oversight Board action on the Bond Spending Plan and on November 6, 2013, it approved the Bond

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2016

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 expenditure agreement between ORSA and the City to transfer excess tax allocation bond proceeds to the City.

The Other Special Revenue Fund accounts for activities of several Special Revenue Funds, which include mainly the following local measures; Measure Z - Violence Prevention and Public Safety Act of 2014; 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, 2015 was \$56.8 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 \$171.7 million as of June 30, 2016, compared to \$155.3 million for the previous fiscal year. The \$16.4 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 \$14.4 million in sewer system completed projects, net of depreciation.

General Fund Budgetary Highlights

During the year ended June 30, 2016, the General Fund had a \$1.8 million increase in budgeted revenues between the original and final amended operating budget. Actual budgetary basis revenues of \$694.1 million were \$58.5 million higher than the final amended budget. The variance is due primarily to increases in property tax revenue, business license, real estate transfer tax, and charges for services.

In addition, there was a \$54.0 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 \$563.2 million were \$61.9 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 \$1.6 billion as of June 30, 2016 compared to \$1.5 billion as of June 30, 2015, an increase of \$76.6 million or 5.1 percent. Governmental activities additions of \$126.0 million in capital assets included construction in progress 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, 2016

These additions were offset by retirements and depreciation, the net effect of which was an increase of \$61.9 million net increase of capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by \$14.7 million, net of retirements and depreciation. See Note (II) D. to the financial statements for more details on capital assets.

Construction Commitments

The City has committed to funding in the amount of \$270.1 million for a number of capital improvement projects for fiscal year 2016-17 through fiscal year 2017-18. These 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 (III) C.1. 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 bonds as of June 30, 2016 were as follows:

| <u>Type of Bond</u> | <u>Ratings</u> | | |
|--------------------------|-----------------------------------|----------------|--------------|
| | <u>Moody's</u> | <u>S&P</u> | <u>Fitch</u> |
| General Obligation Bonds | Aa2/Stable | AA-/Stable | N/A |
| Pension Obligation Bonds | Aa3:A1/Stable | A+/Stable | A/Stable |
| Tax Allocation Bonds | A3 ¹ :Baa ² | A+:AA-/Stable | N/A |

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

² Ratings as of June 24, 2015

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 \$1.3 billion. The total amount of debt applicable to the debt limit was \$201.8 million. The resulting legal debt margin was \$1.1 billion.

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2016

Long-Term Obligations

As of June 30, 2016, the City had total long-term obligations of \$2.6 billion compared to \$2.5 billion outstanding for the prior fiscal year, an increase of 5.43 percent. Of this amount, \$201.8 million is general obligation bonds backed by the full faith and credit of the City. The remaining \$2.4 billion is comprised of various long-term debt instruments listed below including accruals of year-end estimates for other long-term liabilities (in thousands):

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| General obligation bonds | \$ 201,830 | \$ 206,530 | \$ - | \$ - | \$ 201,830 | \$ 206,530 |
| Lease revenue bonds | 91,110 | 109,955 | - | - | 91,110 | 109,955 |
| Pension obligation bonds | 313,223 | 330,433 | - | - | 313,223 | 330,433 |
| Special assessment district bonds | 5,685 | 6,020 | - | - | 5,685 | 6,020 |
| Accreted interest of appreciation bonds | 159,476 | 165,290 | - | - | 159,476 | 165,290 |
| Sewer bonds | - | - | 34,665 | 36,630 | 34,665 | 36,630 |
| Unamortized premium and discounts | 24,054 | 25,989 | 4,458 | 4,801 | 28,512 | 30,790 |
| Total bonds payable | 795,378 | 844,217 | 39,123 | 41,431 | 834,501 | 885,648 |
| Notes and lease payable | 73,909 | 68,795 | - | - | 73,909 | 68,795 |
| Other long-term liabilities | 240,388 | 221,651 | - | - | 240,388 | 221,651 |
| Subtotal | 1,109,675 | 1,134,663 | 39,123 | 41,431 | 1,148,798 | 1,176,094 |
| Net pension liabilities | 1,207,032 | 1,091,745 | 31,133 | 29,078 | 1,238,165 | 1,120,823 |
| Net OPEB obligations | 305,024 | 256,922 | - | - | 305,024 | 256,922 |
| Total long-term obligations | \$ 2,621,731 | \$ 2,483,330 | \$ 70,256 | \$ 70,509 | \$ 2,691,987 | \$ 2,553,839 |

The City's overall bonds, notes and lease payables decreased by \$46.0 million compared to the prior fiscal year balance. The decrease is primarily attributable to \$67.8 million in net debt repayment in governmental funds and \$2.3 million in enterprise funds, off-set by \$24.1 million issuance in capital leases, which includes IT Systems lease of \$17.0 million and radio lease of \$7.1 million.

Current Year Long-Term Debt Financing:

- On July 16, 2015, the City entered into a Master Lease-Purchase Agreement in the principal amount of \$7,095,000 to finance the acquisition of professional services in order to improve the microwave network, replace the PWA portable radio fleet, replace the siren system, and deploy a mobile emergency network.
- On October 28, 2015, the City entered into a Master Lease-Purchase Agreement in the principal amount of \$17,000,000 to finance hardware, software and professional services to upgrade/re-implement and remediate the Oracle E-Business Suite applications and related infrastructure, implement a new municipal budgeting system, replace and improve the 9-1-1 public safety systems and operate and maintain current information technology systems.

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

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2016

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 2015-16.

The City's economy continues to grow, which is resulting in a steady growth of General Purpose Fund, a subfund of the General 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 2016-17 without layoffs, 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 March 2015, 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 continued growth in revenues and boom in the local economy. This economic growth will be reflected in subsequent reports on City revenues and expenditures.

In February of 2017 the City will release a new Five-Year Financial Forecast in preparation for the FY 2017-19 Biennial Budget. This new forecast will address the projected future growth rates of expenditures and revenues, and any other fiscal concerns, based upon information available through December of 2016.

The City of Oakland's unemployment rate increased to 5.8 percent in June 2016 compared to an average unemployment rate of 5.7 percent for June 2015.

The Bay Area's consumer price index for all urban consumers in June 2016 was 266,041 compared to 259,117 in June 2015 and to the U.S. city average consumer price index for all urban consumers at 241.038 (Base period: 1982 – 84 = 100).

Estimated population for January 1, 2016 is 422,856 with an estimated total number of households of 156,724, an average household size of 2.6 persons, and a per capita personal income of \$34,587.

PERS pension rates, and health care costs have been factored into the City's mid-cycle budget for Fiscal Year 2016-17.

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

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City of Oakland
Statement of Net Position
June 30, 2016
(In thousands)

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total | Port of Oakland |
| ASSETS | | | | |
| Cash and investments | \$ 396,604 | \$ 44,388 | \$ 440,992 | \$ 296,454 |
| Receivables (net of allowance for uncollectibles of \$15,894 for City and \$1,088 for Port): | | | | |
| Accrued interest | 450 | 56 | 506 | - |
| Property taxes | 20,341 | - | 20,341 | - |
| Accounts receivable | 52,853 | 13,715 | 66,568 | 30,199 |
| Grants receivable | 30,186 | - | 30,186 | - |
| Due from Port | 9,068 | - | 9,068 | - |
| Due from Oakland Redevelopment Successor Agency (ORSA) | 6,024 | - | 6,024 | - |
| Due from pension trust funds | 37 | - | 37 | - |
| Internal balances | 117 | (117) | - | - |
| Due from other governments | 10,271 | - | 10,271 | - |
| Inventories | 575 | - | 575 | - |
| Restricted assets: | | | | |
| Cash and investments | 184,145 | 736 | 184,881 | 72,779 |
| Receivables | - | - | - | 3,119 |
| Property held for resale | 162,657 | - | 162,657 | - |
| Notes and loans receivable (net of allowance for uncollectibles of \$140,823 for the City) | 361,390 | - | 361,390 | - |
| Prepaid expenses | 1,333 | 73 | 1,406 | 3,219 |
| Other | - | - | - | 41,479 |
| Capital assets: | | | | |
| Land and other capital assets not being depreciated Facilities, infrastructure, and equipment, net of depreciation | 453,655 | 41,853 | 495,508 | 731,133 |
| TOTAL ASSETS | <u>2,608,849</u> | <u>270,205</u> | <u>2,879,054</u> | <u>2,646,269</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Unamortized losses on refunding of debts | 18,798 | - | 18,798 | 10,286 |
| Deferred outflows of resources related to pensions | 95,780 | 3,368 | 99,148 | 16,386 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>114,578</u> | <u>3,368</u> | <u>117,946</u> | <u>26,672</u> |
| LIABILITIES | | | | |
| Accounts payable and other current liabilities | 142,450 | 843 | 143,293 | 26,980 |
| Accrued interest payable | 22,661 | 66 | 22,727 | 8,696 |
| Due to other governments | 1,061 | - | 1,061 | - |
| Due to primary government | - | - | - | 9,068 |
| Due to Oakland Redevelopment Successor Agency (ORSA) | 2,312 | - | 2,312 | - |
| Unearned revenue | 5,456 | - | 5,456 | 42,547 |
| Other | 13,450 | 6 | 13,456 | 23,300 |
| Non-current liabilities: | | | | |
| Due within one year | 170,672 | 2,388 | 173,060 | 70,675 |
| Due in more than one year | 939,003 | 36,735 | 975,738 | 1,150,241 |
| Net pension liability | 1,207,032 | 31,133 | 1,238,165 | 177,204 |
| Other postemployment benefits obligation | 305,024 | - | 305,024 | 10,121 |
| TOTAL LIABILITIES | <u>2,809,121</u> | <u>71,171</u> | <u>2,880,292</u> | <u>1,518,832</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unamortized gain on refunding of debt | - | 513 | 513 | - |
| Deferred inflows of resources related to pensions | 69,768 | 2,089 | 71,857 | 11,563 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>69,768</u> | <u>2,602</u> | <u>72,370</u> | <u>11,563</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 1,079,164 | 171,743 | 1,250,907 | 1,097,049 |
| Restricted for: | | | | |
| Debt service | 24,764 | - | 24,764 | - |
| Housing and community development | 266,412 | - | 266,412 | - |
| Low and moderate income housing redevelopment | 233,534 | - | 233,534 | - |
| Other purposes | 30,495 | - | 30,495 | 14,840 |
| Unrestricted (deficit) | (1,789,831) | 28,057 | (1,761,774) | 30,657 |
| TOTAL NET POSITION | <u>\$ (155,462)</u> | <u>\$ 199,800</u> | <u>\$ 44,338</u> | <u>\$ 1,142,546</u> |

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

City of Oakland
Statement of Activities
Year Ended June 30, 2016
(In thousands)

| Functions/Programs | Program Revenue | | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit Port of Oakland |
|---|-------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|------------------|-----------------------------------|
| | 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 | \$ 99,183 | \$ 49,540 | \$ 8,116 | \$ - | \$ (41,527) | \$ - | \$ (41,527) | |
| Public safety | 432,862 | 21,104 | 15,468 | - | (396,290) | - | (396,290) | |
| Community services | 134,799 | 7,454 | 39,028 | - | (88,317) | - | (88,317) | |
| Community and economic development | 85,396 | 58,439 | 18,008 | 50,665 | 41,716 | - | 41,716 | |
| Public works | 114,597 | 41,772 | 9,470 | 3,378 | (59,977) | - | (59,977) | |
| Interest on long-term debt | 54,335 | - | - | - | (54,335) | - | (54,335) | |
| TOTAL GOVERNMENTAL ACTIVITIES | 921,172 | 178,309 | 90,090 | 54,043 | (598,730) | - | (598,730) | |
| Business-type activities: | | | | | | | | |
| Sewer | 39,270 | 58,703 | - | - | - | 19,433 | 19,433 | |
| Parks and recreation | 872 | 711 | - | - | - | (161) | (161) | |
| TOTAL BUSINESS-TYPE ACTIVITIES | 40,142 | 59,414 | - | - | - | 19,272 | 19,272 | |
| TOTAL PRIMARY GOVERNMENT | \$ 961,314 | \$ 237,723 | \$ 90,090 | \$ 54,043 | (598,730) | 19,272 | (579,458) | |
| Component unit: | | | | | | | | |
| Port of Oakland | \$ 342,517 | \$ 338,037 | \$ 1,419 | \$ 34,849 | | | | 31,788 |
| General revenues: | | | | | | | | |
| Property taxes | | | | | 279,764 | - | 279,764 | - |
| State taxes: | | | | | | | | |
| Sales and use taxes | | | | | 77,365 | - | 77,365 | - |
| Gas tax | | | | | 8,653 | - | 8,653 | - |
| Motor vehicle in-lieu | | | | | 166 | - | 166 | - |
| Local taxes: | | | | | | | | |
| Business license | | | | | 75,504 | - | 75,504 | - |
| Utility consumption | | | | | 51,006 | - | 51,006 | - |
| Real estate transfer | | | | | 89,594 | - | 89,594 | - |
| Transient occupancy | | | | | 25,671 | - | 25,671 | - |
| Parking | | | | | 20,175 | - | 20,175 | - |
| Voter approved special tax | | | | | 37,793 | - | 37,793 | - |
| Franchise | | | | | 18,609 | - | 18,609 | - |
| Interest and investment income | | | | | 4,596 | 233 | 4,829 | 2,149 |
| Gain on long-term lease termination | | | | | - | - | - | 35,200 |
| Other | | | | | 20,987 | - | 20,987 | 33,651 |
| Transfers | | | | | 2,144 | (2,144) | - | - |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | | 712,027 | (1,911) | 710,116 | 71,000 |
| Changes in net position | | | | | 113,297 | 17,361 | 130,658 | 102,788 |
| Net position - beginning | | | | | (268,759) | 182,439 | (86,320) | 1,039,758 |
| NET POSITION - ENDING | | | | | \$ (155,462) | \$ 199,800 | \$ 44,338 | \$ 1,142,546 |

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

City of Oakland
Balance Sheet
Governmental Funds
June 30, 2016
(In thousands)

| | General Fund | Federal/ State Grant Fund | Low and Moderate Income Housing Asset Fund | Municipal Capital Improvement | Other Special Revenue | Other Governmental Funds | Total |
|---|-------------------|---------------------------------|--|-------------------------------------|-----------------------------|--------------------------------|---------------------|
| ASSETS | | | | | | | |
| Cash and investments | \$ 269,455 | \$ - | \$ 6,458 | \$ 7,301 | \$ 62,065 | \$ 43,223 | \$ 388,502 |
| Receivable (net of allowance for uncollectibles of \$14,552) | | | | | | | |
| Accrued interest and dividends | 307 | - | - | 10 | 74 | 50 | 441 |
| Property taxes | 14,311 | - | - | - | 3,391 | 2,639 | 20,341 |
| Accounts receivable | 41,283 | 175 | - | 160 | 5,589 | 5,475 | 52,682 |
| Grants receivable | - | 27,516 | - | - | 695 | 1,888 | 30,099 |
| Due from Port | 9,068 | - | - | - | - | - | 9,068 |
| Due from ORSA | 1,426 | - | 2,307 | 2,291 | - | - | 6,024 |
| Due from pension trust fund | 37 | - | - | - | - | - | 37 |
| Due from other funds | 34,748 | - | - | - | - | - | 34,748 |
| Due from other governments | 10,271 | - | - | - | - | - | 10,271 |
| Notes and loans receivable (net of allowance for uncollectibles of \$140,823) | 2,902 | 132,871 | 193,612 | 1,600 | 30,405 | - | 361,390 |
| Restricted cash and investments | 70,791 | 475 | 1,502 | 78,644 | - | 13,284 | 164,696 |
| Property held for resale | - | - | 30,677 | 131,980 | - | - | 162,657 |
| Other assets | 35 | 212 | - | - | 29 | 100 | 376 |
| TOTAL ASSETS | \$ 454,634 | \$ 161,249 | \$ 234,556 | \$ 221,986 | \$ 102,248 | \$ 66,659 | \$ 1,241,332 |
| LIABILITIES | | | | | | | |
| Accounts payable and accrued liabilities | \$ 113,929 | \$ 10,916 | \$ 1,015 | \$ 2,544 | \$ 5,866 | \$ 5,188 | \$ 139,458 |
| Due to other funds | - | 17,491 | 3 | - | - | 1,551 | 19,045 |
| Due to ORSA | 2,312 | - | - | - | - | - | 2,312 |
| Due to other governments | 1,020 | - | - | - | 41 | - | 1,061 |
| Unearned revenue | 5,247 | 209 | - | - | - | - | 5,456 |
| Other | 2,506 | 1,965 | 4 | 1,469 | 6,549 | 950 | 13,443 |
| TOTAL LIABILITIES | 125,014 | 30,581 | 1,022 | 4,013 | 12,456 | 7,689 | 180,775 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue - property tax | 3,410 | - | - | - | 2,279 | 2,028 | 7,717 |
| Unavailable revenue - notes and loans | 2,902 | 132,871 | 193,612 | 1,600 | 30,405 | - | 361,390 |
| Unavailable revenue - mandated claims | 10,258 | - | - | - | - | - | 10,258 |
| Unavailable revenue - grants and others | 2,914 | 5,890 | - | - | 292 | - | 9,096 |
| Unavailable revenue - loans to OSRA | - | - | 2,111 | 2,164 | - | - | 4,275 |
| TOTAL DEFERRED INFLOWS | 19,484 | 138,761 | 195,723 | 3,764 | 32,976 | 2,028 | 392,736 |
| FUND BALANCES | | | | | | | |
| Restricted | 186,804 | 475 | 37,811 | 210,624 | - | 54,721 | 490,435 |
| Committed | - | - | - | - | 16,495 | 2,115 | 18,610 |
| Assigned | 58,203 | - | - | 3,585 | 40,321 | 1,429 | 103,538 |
| Unassigned | 65,129 | (8,568) | - | - | - | (1,323) | 55,238 |
| TOTAL FUND BALANCES (DEFICIT) | 310,136 | (8,093) | 37,811 | 214,209 | 56,816 | 56,942 | 667,821 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 454,634 | \$ 161,249 | \$ 234,556 | \$ 221,986 | \$ 102,248 | \$ 66,659 | \$ 1,241,332 |

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, 2016
(In thousands)

| | | |
|--|-------------|-------------|
| Fund balances - total governmental funds (page 23) | \$ | 667,821 |
| 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 | 1,372,798 | |
| Less: internal service funds' capital assets, net of depreciation | (45,195) | 1,327,603 |
| Prepaid insurance premiums on long-term debt are not financial resources and, therefore, are not reported in the governmental funds. | | |
| | | 950 |
| 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 of the primary government | (22,661) | |
| Less: interest payable on long-term debt of the internal service funds | 373 | (22,288) |
| Deferred inflows of resources recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the government-wide financial statements. | | |
| | | 392,736 |
| Long-term liabilities, including bonds payable and other postemployment benefits obligation, are not due and payable in the current period, and therefore are not reported in the governmental funds. | | |
| Long-term liabilities | (1,109,675) | |
| Net other post employment benefits obligation | (305,024) | |
| Less: long-term liabilities for internal service funds | 44,531 | (1,370,168) |
| Deferred outflows of resources in governmental activities related to losses on refunding of debt are not financial resources and, therefore, are not reported in the governmental funds. | | |
| | | 18,798 |
| Net pension liability and deferred outflows of resources and deferred inflows of resources related to pensions on the government-wide statement of net position are not due and payable in the current period, and therefore are not reported in the governmental funds. | | |
| Net pension liability | (1,171,232) | |
| Deferred outflows of resources related to pensions | 91,953 | |
| Deferred inflows of resources related to pensions | (67,478) | (1,146,757) |
| 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, deferred outflows, liabilities, and deferred inflows of resources of internal service funds are included in governmental activities in the statement of net position. | | |
| | | (24,157) |
| NET POSITION OF GOVERNMENTAL ACTIVITIES (page 21) | \$ | (155,462) |

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, 2016
(In thousands)

| | General Fund | Federal/ State Grant Fund | Low and Moderate Income Housing Asset Fund | Municipal Capital Improvement | Other Special Revenue | Other Governmental Funds | Total |
|--|-------------------|---------------------------------|--|-------------------------------------|-----------------------------|--------------------------------|-------------------|
| REVENUES | | | | | | | |
| Taxes: | | | | | | | |
| Property | \$ 257,707 | \$ - | \$ - | \$ - | \$ 15,660 | \$ 6,431 | \$ 279,798 |
| Sales and use | 52,192 | - | - | - | - | 25,173 | 77,365 |
| Motor vehicle in-lieu | 166 | - | - | - | - | - | 166 |
| Gas | - | - | - | - | - | 8,653 | 8,653 |
| Local taxes: | | | | | | | |
| Business license | 75,504 | - | - | - | - | - | 75,504 |
| Utility consumption | 51,006 | - | - | - | - | - | 51,006 |
| Real estate transfer | 89,594 | - | - | - | - | - | 89,594 |
| Transient occupancy | 20,209 | - | - | - | 5,462 | - | 25,671 |
| Parking | 10,220 | - | - | - | 9,955 | - | 20,175 |
| Voter approved special tax | - | - | - | - | 18,473 | 19,320 | 37,793 |
| Franchise | 18,321 | 288 | - | - | - | - | 18,609 |
| Licenses and permits | 1,591 | - | - | - | 27,682 | 89 | 29,362 |
| Fines and penalties | 21,648 | 348 | - | - | 878 | 1,098 | 23,972 |
| Interest and investment income | 1,873 | 292 | 926 | 246 | 964 | 278 | 4,579 |
| Charges for services | 85,184 | 2,381 | 6,466 | 2,621 | 28,294 | 634 | 125,580 |
| Federal and state grants and subventions | 5,953 | 126,580 | - | 25 | 3,663 | 3,898 | 140,119 |
| Annuity income | 1,096 | - | - | - | - | - | 1,096 |
| Other | 2,622 | 1,785 | 1,303 | 77 | 2,287 | 3,164 | 11,238 |
| TOTAL REVENUES | <u>694,886</u> | <u>131,674</u> | <u>8,695</u> | <u>2,969</u> | <u>113,318</u> | <u>68,738</u> | <u>1,020,280</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| Elected and Appointed Officials: | | | | | | | |
| Mayor | 2,197 | 125 | - | - | - | 260 | 2,582 |
| Council | 4,513 | - | - | - | - | - | 4,513 |
| City Administrator | 15,831 | 298 | - | 202 | 780 | 7 | 17,118 |
| City Attorney | 15,296 | 59 | - | - | 1,931 | 36 | 17,322 |
| City Auditor | 1,760 | - | - | - | - | - | 1,760 |
| City Clerk | 3,326 | - | - | - | - | - | 3,326 |
| Public Ethics Commission | 587 | - | - | - | - | - | 587 |
| Departments: | | | | | | | |
| Administrative Service Department: | | | | | | | |
| Human Resource Management | 6,655 | - | - | - | - | - | 6,655 |
| Financial Services | 23,879 | 271 | - | (5) | 978 | 128 | 25,251 |
| Information Technology | 11,604 | 11 | - | - | 646 | - | 12,261 |
| Race and Equity Department | 84 | - | - | - | - | - | 84 |
| Public Safety: | | | | | | | |
| Oakland Police Department | 245,628 | 8,366 | - | - | 15,702 | 898 | 270,594 |
| Oakland Fire Department | 126,669 | 4,231 | - | 11 | 6,041 | 850 | 137,802 |
| Community Service Department: | | | | | | | |
| Parks and Recreation | 23,199 | 180 | - | - | 368 | 2,639 | 26,386 |
| Library | 11,220 | 146 | - | - | 15,055 | 304 | 26,725 |
| Human Services Department | 6,233 | 43,873 | 72 | - | 20,104 | 1,634 | 71,916 |
| Community and Economic Development: | | | | | | | |
| Planning and Building | 109 | 281 | - | 296 | 24,765 | - | 25,451 |
| Economic & Workforce Development | 8,891 | 6,444 | - | 2,561 | 583 | 916 | 19,395 |
| Housing & Community Development | 4,416 | 10,409 | 7,978 | - | 4,370 | - | 27,173 |
| Oakland Public Works | 30,539 | 2,672 | - | 4,585 | 5,954 | 38,406 | 82,156 |
| Other | 12,086 | - | - | 1,662 | 4,779 | 67 | 18,594 |
| Capital outlay | 2,277 | 60,926 | - | 21,324 | 2,204 | 12,878 | 99,609 |
| Debt service: | | | | | | | |
| Principal repayment | 5,432 | 1,090 | - | - | - | 42,410 | 48,932 |
| Bond issuance cost | 240 | - | - | - | - | 11 | 251 |
| Interest charges | 522 | 121 | - | - | - | 50,946 | 51,589 |
| TOTAL EXPENDITURES | <u>563,193</u> | <u>139,503</u> | <u>8,050</u> | <u>30,636</u> | <u>104,260</u> | <u>152,390</u> | <u>998,032</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | | | | | |
| | <u>131,693</u> | <u>(7,829)</u> | <u>645</u> | <u>(27,667)</u> | <u>9,058</u> | <u>(83,652)</u> | <u>22,248</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Discount on issuance of debt | (78) | - | - | - | - | - | (78) |
| Proceeds from sale of capital assets | 66 | - | - | - | - | - | 66 |
| Insurance claims and settlements | 4,314 | - | - | - | - | - | 4,314 |
| Transfers in | 8,653 | 5,896 | - | - | 15,083 | 79,627 | 109,259 |
| Transfers out | (100,843) | - | - | (3,840) | - | (2,434) | (107,117) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(87,888)</u> | <u>5,896</u> | <u>-</u> | <u>(3,840)</u> | <u>15,083</u> | <u>77,193</u> | <u>6,444</u> |
| NET CHANGE IN FUND BALANCES | | | | | | | |
| Fund balances (deficit) - beginning | 43,805 | (1,933) | 645 | (31,507) | 24,141 | (6,459) | 28,692 |
| FUND BALANCES (DEFICIT) - ENDING | <u>266,331</u> | <u>(6,160)</u> | <u>37,166</u> | <u>245,716</u> | <u>32,675</u> | <u>63,401</u> | <u>639,129</u> |
| | <u>\$ 310,136</u> | <u>\$ (8,093)</u> | <u>\$ 37,811</u> | <u>\$ 214,209</u> | <u>\$ 56,816</u> | <u>\$ 56,942</u> | <u>\$ 667,821</u> |

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, 2016
(In thousands)

| | | |
|---|-----------|----------|
| Net change in fund balances - total governmental funds (page 25) | \$ | 28,692 |
| 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 | 125,962 | |
| Capital asset retirement | (47) | |
| Depreciation | (64,055) | |
| Less: net changes of capital assets within internal service funds | (17,288) | 44,572 |
| 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 inflows during the current period. | | |
| | | 22,841 |
| Some expenses such as claims, workers' compensation, and vacation and sick leave reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds. | | |
| | | (24,794) |
| The repayment of the principal of long-term debt consumes the current financing sources of the governmental funds. This is the amount by which principal retirement reduces the liabilities in the statement of net position. | | |
| | | 73,621 |
| 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 | 1,935 | |
| Amortization of prepaid bond insurance premium on long-term debt | (217) | |
| Amortization of deferred outflows of refunding loss | (1,573) | |
| Accreted interest on appreciation bonds | (18,874) | |
| Changes in accrued interest on bonds and notes payable | (1,677) | |
| Changes in Coliseum Authority pledged obligation | 3,933 | |
| Changes in mandated environmental remediation obligations | 599 | |
| Changes in net pension liability | (112,885) | |
| Changes in deferred outflows of resources related to pensions | 5,555 | |
| Changes in deferred inflows of resources related to pensions | 119,559 | |
| Changes on postemployment benefits other than pension benefits (OPEB) | (48,102) | |
| Changes on fair value of the interest swap agreement | 1,524 | (50,223) |
| The net income of activities of internal service funds is reported with governmental activities | | 18,588 |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 22) | \$ | 113,297 |

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

City of Oakland
Statement of Fund Net Position
Proprietary Funds
June 30, 2016
(In thousands)

| | Business-type Activities - Enterprise Funds | | | Governmental |
|---|--|---------------------------------|-------------------|--------------------------|
| | Nonmajor Fund | | Internal | |
| | Sewer Service | Parks and Recreation | Total | Service Funds |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 44,388 | \$ - | \$ 44,388 | \$ 8,102 |
| Interest receivable | 56 | - | 56 | 9 |
| Accounts receivable (net of allowance for uncollectibles of \$1,342 for the enterprise funds) | 13,710 | 5 | 13,715 | 171 |
| Grants receivable | - | - | - | 87 |
| Inventories | - | - | - | 575 |
| Restricted cash and investments | 25 | 711 | 736 | 19,449 |
| Prepaid expenses | 73 | - | 73 | 7 |
| Total current assets | <u>58,252</u> | <u>716</u> | <u>58,968</u> | <u>28,400</u> |
| Capital assets: | | | | |
| Land and other assets not being depreciated | 40,947 | 906 | 41,853 | 14,651 |
| Facilities, equipment and infrastructure, net of depreciation | <u>167,912</u> | <u>1,589</u> | <u>169,501</u> | <u>30,544</u> |
| Total capital assets | <u>208,859</u> | <u>2,495</u> | <u>211,354</u> | <u>45,195</u> |
| TOTAL ASSETS | <u>267,111</u> | <u>3,211</u> | <u>270,322</u> | <u>73,595</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows of resources related to pensions | <u>3,343</u> | <u>25</u> | <u>3,368</u> | <u>3,827</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 843 | - | 843 | 2,992 |
| Accrued interest payable | 66 | - | 66 | 373 |
| Due to other funds | - | 117 | 117 | 15,586 |
| Other liabilities | 6 | - | 6 | 7 |
| Bonds, capital leases, notes and other payables | <u>2,388</u> | <u>-</u> | <u>2,388</u> | <u>9,033</u> |
| Total current liabilities | <u>3,303</u> | <u>117</u> | <u>3,420</u> | <u>27,991</u> |
| Non-current liabilities: | | | | |
| Bonds, capital leases, notes and other payables | 36,735 | - | 36,735 | 35,498 |
| Net pension liability | <u>30,926</u> | <u>207</u> | <u>31,133</u> | <u>35,800</u> |
| Total non-current liabilities | <u>67,661</u> | <u>207</u> | <u>67,868</u> | <u>71,298</u> |
| TOTAL LIABILITIES | <u>70,964</u> | <u>324</u> | <u>71,288</u> | <u>99,289</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows of resources related to pensions | 2,075 | 14 | 2,089 | 2,290 |
| Unamortized gain on refunding of debt | <u>513</u> | <u>-</u> | <u>513</u> | <u>-</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>2,588</u> | <u>14</u> | <u>2,602</u> | <u>2,290</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 169,248 | 2,495 | 171,743 | 20,113 |
| Unrestricted (deficit) | <u>27,654</u> | <u>403</u> | <u>28,057</u> | <u>(44,270)</u> |
| TOTAL NET POSITION | <u>\$ 196,902</u> | <u>\$ 2,898</u> | <u>\$ 199,800</u> | <u>\$ (24,157)</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, 2016
(In thousands)

| | Business-type Activities - Enterprise Funds | | | Governmental |
|--|---|-------------------------|-------------------|------------------------------|
| | Nonmajor Fund | | | Activities |
| | Sewer Service | Parks and Recreation | Total | Internal Service Funds |
| OPERATING REVENUES | | | | |
| Rental | \$ - | \$ 711 | \$ 711 | \$ - |
| Sewer services | 58,682 | - | 58,682 | - |
| Charges for services | - | - | - | 70,451 |
| Other | 21 | - | 21 | 139 |
| TOTAL OPERATING REVENUES | 58,703 | 711 | 59,414 | 70,590 |
| OPERATING EXPENSES | | | | |
| Personnel | 16,799 | 115 | 16,914 | 19,741 |
| Supplies | 818 | 369 | 1,187 | 2,664 |
| Depreciation and amortization | 5,707 | 310 | 6,017 | 7,392 |
| Contractual services and supplies | 3,047 | 10 | 3,057 | 1,285 |
| Repairs and maintenance | 467 | - | 467 | 6,567 |
| General and administrative | 6,578 | 46 | 6,624 | 6,833 |
| Rental | 1,422 | 21 | 1,443 | 1,965 |
| Other | 3,138 | 1 | 3,139 | 5,509 |
| TOTAL OPERATING EXPENSES | 37,976 | 872 | 38,848 | 51,956 |
| OPERATING INCOME (LOSS) | 20,727 | (161) | 20,566 | 18,634 |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest and investment income (loss) | 234 | (1) | 233 | 17 |
| Interest expense | (1,294) | - | (1,294) | (885) |
| Federal and State grants | - | - | - | 87 |
| Insurance claims and settlements | - | - | - | 459 |
| Other | - | - | - | 274 |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | (1,060) | (1) | (1,061) | (48) |
| INCOME/(LOSS) BEFORE TRANSFERS | 19,667 | (162) | 19,505 | 18,586 |
| Transfers in | - | - | - | 550 |
| Transfers out | (2,144) | - | (2,144) | (548) |
| Change in net position | 17,523 | (162) | 17,361 | 18,588 |
| Net position - beginning | 179,379 | 3,060 | 182,439 | (42,745) |
| NET POSITION - ENDING | \$ 196,902 | \$ 2,898 | \$ 199,800 | \$ (24,157) |

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, 2016
(In thousands)

| | Business-type Activities - Enterprise Funds | | | Governmental |
|--|---|-------------------------|------------------|------------------|
| | Nonmajor Fund | | | Internal |
| | Sewer Service | Parks and Recreation | Total | Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers and users | \$ 58,790 | \$ - | \$ 58,790 | \$ 70,535 |
| Cash received from tenants for rents | - | 707 | 707 | - |
| Cash from other sources | 21 | - | 21 | 139 |
| Cash paid to employees | (18,367) | (128) | (18,495) | (21,414) |
| Cash paid to suppliers | (17,557) | (447) | (18,004) | (35,125) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>22,887</u> | <u>132</u> | <u>23,019</u> | <u>14,135</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Proceeds from interfund loans | - | 117 | 117 | 50 |
| Repayment of interfund loans | - | - | - | (5,615) |
| Other | - | - | - | 733 |
| Transfers in | - | - | - | 550 |
| Transfers out | (2,144) | - | (2,144) | (548) |
| NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES | <u>(2,144)</u> | <u>117</u> | <u>(2,027)</u> | <u>(4,830)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition of capital assets | (20,154) | (554) | (20,708) | (24,679) |
| Long-term debt: | | | | |
| Proceeds from issuance of debt | - | - | - | 24,095 |
| Repayment of long-term debt | (1,965) | - | (1,965) | (11,139) |
| Bond issuance cost | (40) | - | (40) | - |
| Interest paid on long-term debt | (1,640) | - | (1,640) | (755) |
| NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(23,799)</u> | <u>(554)</u> | <u>(24,353)</u> | <u>(12,478)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received (paid) | 178 | (1) | 177 | 7 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (2,878) | (306) | (3,184) | (3,166) |
| Cash and cash equivalents - beginning | 47,291 | 1,017 | 48,308 | 30,717 |
| CASH AND CASH EQUIVALENTS - ENDING | <u>\$ 44,413</u> | <u>\$ 711</u> | <u>\$ 45,124</u> | <u>\$ 27,551</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ 20,727 | \$ (161) | \$ 20,566 | \$ 18,634 |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | |
| Depreciation and amortization | 5,707 | 310 | 6,017 | 7,392 |
| Changes in assets, liabilities, and deferred outflows and inflows of resources: | | | | |
| Receivables | 108 | (4) | 104 | 84 |
| Inventories | - | - | - | (167) |
| Other assets | (9) | - | (9) | (7) |
| Accounts payable and accrued liabilities | (2,078) | - | (2,078) | (10,129) |
| Other liabilities | - | - | - | 1 |
| Net pension liability and related pension deferred items | (1,568) | (13) | (1,581) | (1,673) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 22,887</u> | <u>\$ 132</u> | <u>\$ 23,019</u> | <u>\$ 14,135</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION | | | | |
| Cash and investments | \$ 44,388 | \$ - | \$ 44,388 | \$ 8,102 |
| Restricted cash and investments | 25 | 711 | 736 | 19,449 |
| TOTAL CASH AND CASH EQUIVALENTS | <u>\$ 44,413</u> | <u>\$ 711</u> | <u>\$ 45,124</u> | <u>\$ 27,551</u> |

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, 2016
(In thousands)

| | Pension Trust Fund | Private Purpose Trust Funds |
|---|-----------------------------------|--|
| ASSETS | | |
| Cash and investments | \$ 2,536 | \$ 61,477 |
| Receivables: | | |
| Accrued interest and dividends | 533 | 401 |
| Accounts receivable | - | 2,711 |
| Investments and others | 8,222 | - |
| Due from the City | - | 2,311 |
| Prepaid expenses | - | 2,125 |
| Restricted: | | |
| Cash and investments: | | |
| Short-term investments | 6,897 | 18,347 |
| U.S. government agency securities | - | 3,498 |
| U.S. corporate bonds and mutual funds | 63,787 | - |
| Domestic equities and mutual funds | 174,113 | - |
| International equities and mutual funds | 40,223 | - |
| Alternative investments | 73,591 | - |
| Foreign currency contracts, net | 29 | - |
| Total restricted cash and investments | 358,640 | 21,845 |
| Securities lending collateral | 45,042 | - |
| Loans receivable, net of allowance for uncollectibles of \$46,675 | - | 16,977 |
| Property held for resale | - | 2,818 |
| TOTAL ASSETS | 414,973 | 110,665 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Unamortized loss on refunding of debt | - | 6,396 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 8,320 | 268 |
| Accrued interest payable | - | 7,648 |
| Due to the City | - | 6,061 |
| Securities lending liabilities | 45,042 | - |
| Other | - | 148 |
| Total current liabilities | 53,362 | 14,125 |
| Non-current liabilities: | | |
| Due within one year | - | 30,299 |
| Due in more than one year | - | 385,424 |
| Total noncurrent liabilities | - | 415,723 |
| TOTAL LIABILITIES | 53,362 | 429,848 |
| NET POSITION RESTRICTED FOR: | | |
| Employees' pension benefits | 361,611 | - |
| Redevelopment dissolution and other purposes | - | (312,787) |
| TOTAL NET POSITION | \$ 361,611 | \$ (312,787) |

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, 2016
(In thousands)

| | Pension Trust Fund | Private Purpose Trust Funds |
|--|-----------------------------------|--|
| ADDITIONS: | | |
| Trust receipts | \$ - | \$ 69,265 |
| Investment income: | | |
| Net depreciation in fair value of investments | (6,463) | - |
| Interest | 1,948 | 353 |
| Dividends | 4,436 | - |
| Securities lending | 181 | - |
| TOTAL INVESTMENT INCOME | 102 | 353 |
| Less investment expenses: | | |
| Investment expenses | (1,521) | - |
| NET INVESTMENT INCOME | (1,419) | 353 |
| Federal and state grants | - | 3,019 |
| Other income | 3,593 | 2,826 |
| TOTAL ADDITIONS | 2,174 | 75,463 |
| DEDUCTIONS: | | |
| Benefits to members and beneficiaries: | | |
| Retirement | 35,664 | - |
| Disability | 21,071 | - |
| Death | 1,706 | - |
| TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES | 58,441 | - |
| Administrative expenses | 1,308 | 2,133 |
| Oakland Police Department | - | 113 |
| Human Services | - | 162 |
| Economic & Workforce Development | - | 19,295 |
| Other | 68 | - |
| Bond issuance cost | - | 681 |
| Interest on debt | - | 24,345 |
| TOTAL DEDUCTIONS | 59,817 | 46,729 |
| Change in net position | (57,643) | 28,734 |
| Net position - beginning | 419,254 | (341,521) |
| NET POSITION - ENDING | \$ 361,611 | \$ (312,787) |

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF OAKLAND
Notes to the Basic Financial Statements
Year Ended June 30, 2016

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Primary Government

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. Component units are classified as blended, discretely presented or fiduciary. 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.

Fiduciary Component Unit

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 ORSA, effective February 1, 2012, and as such is a fiduciary 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 Redevelopment Agency of the City of Oakland (Former Agency).

The ORSA was created to serve as a custodian for the assets and to wind down the affairs of the Former Agency. The ORSA is a separate public entity from the City, with the Oakland City Council serving as its governing board, 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). 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, ORSA is reported in a fiduciary fund (private-purpose trust fund) in the City's financial statements.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

Blended Component Unit

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

Discretely Presented Component Unit

Port of Oakland (Port) – The 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

B. FINANCIAL STATEMENT PRESENTATION

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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

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

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

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 Former 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.

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 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 and open space trust for the City.
- *Measure G* – Capital improvement bond financing funds for Oakland Zoo, Museum and Chabot Space and Science Center improvements.
- *Master Lease Agreement Financing* – Capital improvement for vehicles and equipment, and telecommunications.
- *Other miscellaneous capital improvement funds* - The fund comprises other municipal capital improvement funds, which may be used for the lease, acquisition, construction or other improvements of public facilities.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

The **Other Special Revenue Fund** 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.

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; procurement of materials, supplies, and services for City departments; the service and maintenance of City information technology systems.

The **Pension Trust Fund** account for the closed benefit plan that cover uniformed employees hired prior to July 1976.

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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

Successor Agency with passage of AB X1 26; (b) the Other Private Purpose Trust Fund, which accounts for assets and liabilities from the Former Agency and for the operations of the Youth Opportunity Program and certain gifts that are not related to the Former Agency projects or parks, recreation and cultural, activities; and (c) the Private Pension Trust Fund, which accounts for the employee deferred compensation plan.

C. 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.

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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

D. 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.

E. New Pronouncements

During the year ended June 30, 2016, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are consistent with the market approach, the cost approach or the income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. The City made required disclosures were added to Note (II) A.

The City's adoption of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and the early adoption of GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*, did not have a material impact on the City's financial statements.

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

- In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes new accounting and financial reporting requirements for OPEB plans, as well as for certain nonemployer governments that have a legal obligation to provide financial support to OPEB provided to the employees of other entities. GASB Statement No. 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. GASB Statement No. 74 is effective for the City's year ending June 30, 2017.
- In June 2014, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB plans, improving the accounting and financial reporting by state and local governments for OPEB and provides information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB Statement No. 75 is effective for the City's year ending June 30, 2018.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

- In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:
 - Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, the types of commitments made by tax abatement recipients, and the gross dollar amount of taxes abated during the period.
 - Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Application of this statement is effective for the City's year ending June 30, 2017.

- In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). It also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for those pensions. GASB Statement No. 78 is effective for the City's year ending June 30, 2017.
- In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments, which was established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*. GASB Statement No. 80 is effective for the City's year ending June 30, 2017.
- In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize revenues, assets, liabilities, and deferred inflows of resources. GASB Statement No. 81 is effective for the City's year ending June 30, 2018.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Cash and Investments

The City follows the practice of pooling cash of all operating funds for investment, except for the ORSA whose funds are held by outside custodians. The City measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, using observable market transactions or available market information. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

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.

For purposes of the statement of cash flows, the City considers all highly liquid unrestricted and restricted 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.

2. 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, 2016.

3. 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, 2016

4. 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/expenses 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.

5. 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. Amortizations 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.

6. 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.

7. 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, 2016

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 |
| Software | 20 years |

8. Property Held for Resale

Property held for resale was 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.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will 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 pension

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

contributions subsequent to measurement date and other pension-related deferred outflows. Also, 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. Amortization of these balances is recorded as a component of interest expense.

In addition to liabilities, the statement of net position and governmental funds balance sheet will 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 government 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 and pension-related deferred inflows.

10. 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.

11. Retirement Plans

The City has three defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), and the Miscellaneous and the Public Safety Plans of the California Public Employees' Retirement System (CalPERS) (collectively, the Retirement Plans). For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Retirement Plans and additions to/deductions from the Retirement Plans' fiduciary net position have been determined on the same basis as they are reported by PFRS and CalPERS. 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 (III) A for additional information.

12. Other Postemployment Benefits (OPEB)

The OPEB plan covers the City's police, fire, and other (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 CalPERS were public safety employees retirements benefits under a 3% at 50 formula and miscellaneous employees retirement benefits under a 2.7% at 55 formula. Refer to Note (III) B for additional information.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

13. 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 (III) C for additional information.

14. Fund Balances

Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds classify fund balances based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. Fund balance for the City's governmental funds consists of the following categories:

- *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 appropriations.
- *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. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

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, 2016

Fund balances for all the major and nonmajor governmental funds as of June 30, 2016, 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 | \$ - | \$ 475 | \$ 1,502 | \$ 78,644 | \$ - | \$ 30,073 | \$ 110,694 |
| Pension obligations annuity | 70,791 | - | - | - | - | - | 70,791 |
| Pension obligations PFRS | 113,020 | - | - | - | - | - | 113,020 |
| Reserve stabilization fund | 2,993 | - | - | - | - | - | 2,993 |
| Debt service | - | - | - | - | - | 24,648 | 24,648 |
| Property held for resale | - | - | 30,677 | 131,980 | - | - | 162,657 |
| Housing projects | - | - | 5,632 | - | - | - | 5,632 |
| Total restricted | 186,804 | 475 | 37,811 | 210,624 | - | 54,721 | 490,435 |
| Committed for: | | | | | | | |
| Library, Kids First and museum trust | - | - | - | - | 16,495 | 2,115 | 18,610 |
| Assigned for: | | | | | | | |
| Capital projects | 58,203 | - | - | 3,585 | 40,321 | 1,429 | 103,538 |
| Unassigned | 65,129 | (8,568) | - | - | - | (1,323) | 55,238 |
| Total | \$ 310,136 | \$ (8,093) | \$ 37,811 | \$ 214,209 | \$ 56,816 | \$ 56,942 | \$ 667,821 |

¹ Low and Moderate Income Housing Asset Fund

15. 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 and debt-related deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* consists of This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandated payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- *Unrestricted Net Position* represents net position of the City that is not restricted for any project or purpose.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

(II) DETAILED NOTES ON ALL FUNDS

A. CASH, DEPOSIT, AND INVESTMENTS

The City maintains a cash and investment pool consisting of City funds and cash held for 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:

| <u>Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Portfolio Exposure</u> | <u>Maximum Issuer Exposure</u> | <u>Credit Requirement</u> |
|--|-------------------------|-----------------------------------|--------------------------------|-------------------------------------|
| U.S. Treasury Securities | 5 years | 20% | n/a | n/a |
| Federal Agencies and Instrumentalities | 5 years | None | n/a | n/a |
| Banker's Acceptances | 180 days | 40% | 5% | A1, P1 or F1 or better |
| Commercial Paper | 270 days | 25% | 5% | A1, P1 or F1 or better |
| Asset-backed Commercial Paper | 270 days | 25% | 5% | A1, P1 or F1 or better |
| Local Government Investment Pools | n/a | 20% | n/a | Top ranking |
| Medium Term Notes | 5 years | 30% | 5% | A3, A- or A- or better |
| Negotiable Certificates of Deposits | 5 years | 30% | 5% | A, A2 or A or better |
| Repurchase Agreements | 360 days | none | n/a | Collateral limited to US securities |
| Reverse Repurchase Agreements | 92 days | 20% | n/a | Limited to primary dealers |
| Secured Obligations and Agreements | 2 years | 20% | 5% | AA or better |
| Certificates of Deposit | 360 days | n/a | n/a | n/a |
| Money Market Mutual Funds | n/a | 20% | n/a | Top ranking |
| State Investment Pool (LAIF) | n/a | none | n/a | n/a |
| Local City/Agency Bonds | 5 years | none | 5% | n/a |
| State of California Obligations and Others | 5 years | none | 5% | n/a |
| Other Local Agency Bonds | 5 years | none | 5% | n/a |
| Deposits- Private Placement | n/a | 30% | 10% | n/a |
| Supranationals | 5 years | 30% | n/a | AA or better |

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, 2016

As of June 30, 2016, total City cash, deposits, and investments at fair value are as follows (in thousands):

| | Primary Government | | Fiduciary Funds | | Total | Component Unit |
|---------------------------------|-------------------------|--------------------------|--------------------|-----------------------------|---------------------|-------------------|
| | Governmental Activities | Business-type Activities | Pension Trust Fund | Private Purpose Trust Funds | | Port |
| Cash and investments | \$ 396,604 | \$ 44,388 | \$ 2,536 | \$ 61,477 | \$ 505,005 | \$ 296,454 |
| Restricted cash and investments | 184,145 | 736 | 358,640 | 21,845 | 565,366 | 72,779 |
| Securities lending collateral | - | - | 45,042 | - | 45,042 | - |
| Total | \$ 580,749 | \$ 45,124 | \$ 406,218 | \$ 83,322 | \$ 1,115,413 | \$ 369,233 |
| City pooled deposits | | | | | \$ 21,993 | \$ - |
| City restricted deposits | | | | | 4,192 | - |
| City pooled investments | | | | | 425,328 | 308,336 |
| City restricted investments | | | | | 182,176 | - |
| PFRS restricted investments | | | | | 403,682 | - |
| ORSA deposits | | | | | 5,508 | - |
| ORSA investments | | | | | 72,534 | - |
| Port's cash and investments | | | | | - | 60,897 |
| Total | | | | | \$ 1,115,413 | \$ 369,233 |

Primary Government

Hierarchy of Inputs: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The City's pooled and restricted investments has the following recurring fair value measurements as of June 30, 2016:

| | Level One | Level Two | Level Three | Total |
|---|-------------|-------------------|------------------|-------------------|
| Investments by fair value level: | | | | |
| U.S government agency securities | \$ - | \$ 554,367 | \$ - | \$ 554,367 |
| Medium term notes | - | 7,090 | - | 7,090 |
| Negotiable certificates of deposits | - | 17,003 | - | 17,003 |
| State bonds | - | 4,047 | - | 4,047 |
| Commercial paper | - | 366 | - | 366 |
| Annuity contracts | - | - | 68,000 | 68,000 |
| Total investments by fair value level | \$ - | \$ 582,873 | \$ 68,000 | 650,873 |
| Investments measured at net asset value (NAV): | | | | |
| Money market mutual funds | | | | 214,936 |
| Investments not subject to fair value hierarchy: | | | | |
| Local agency investment fund (LAIF) | | | | 50,031 |
| Total investments measured at fair value | | | | \$ 915,840 |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

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, 2016, the carrying amount of the City's deposits was \$31.7 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. The bank balance of \$40.7 million was covered by FDIC insurance or 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 a financial institutions secure its deposits made by state or local government units by pledging securities in undivided collateral pool held by the depository regulated under the state law (unless so waived by the government units). The market value of the pledged government securities and/or first trust deed mortgage notes held in the collateral pool must be at least 110% and 150%, respectively, of the deposit amount. 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 & Poor's (S&P), at the time security is purchased. Long-term debt shall be rated at least A by S&P. 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, 2016, approximately 93% of the pooled investments were invested in "AAA", "AA" and "P-1" quality securities.

The following tables show the City's credit risk for the pooled and restricted investment portfolios as of June 30, 2016 (in thousands):

Pooled Investments

| | Fair Value | Ratings as of June 30, 2016 | | | | |
|---|-------------------|-----------------------------|-------------------|-----------------|------------------|------------------|
| | | AAA | AA | A | P-1 | Not Rated |
| U.S. Government Agency Securities | \$ 142,529 | \$ - | \$ 142,529 | \$ - | \$ - | \$ - |
| U.S. Government Agency Securities (Discount) | 377,854 | - | 377,854 | - | - | - |
| Medium Term Notes | 7,090 | - | 5,049 | 2,041 | - | - |
| Money Market Mutual Funds | 137,110 | 137,110 | - | - | - | - |
| Local Agency Investment Fund (LAIF) | 50,031 | - | - | - | - | 50,031 |
| Negotiable Certificates of Deposit | 15,003 | - | - | - | 15,003 | - |
| State of California, General Obligation Bonds | 3,307 | - | 3,307 | - | - | - |
| State of California, Revenue Bonds | 740 | - | - | 740 | - | - |
| Total pooled investments | \$ 733,664 | \$ 137,110 | \$ 528,739 | \$ 2,781 | \$ 15,003 | \$ 50,031 |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

Restricted Investments

| | Fair Value | Ratings as of June 30, 2016 | | | |
|--|-------------------|-----------------------------|------------------|-----------------|------------------|
| | | AAA | AA | P-1 | Not Rated |
| U.S. Government Agency Securities | \$ 7,002 | \$ - | \$ 7,002 | \$ - | \$ - |
| U.S. Government Agency Securities (Discount) | 26,982 | - | 26,982 | - | - |
| Money Market Mutual Funds | 77,826 | 77,115 | - | - | 711 |
| Negotiable Certificates of Deposit (CD's) | 2,000 | - | - | 2,000 | - |
| Commercial Paper (Discount) | 366 | - | - | 366 | - |
| Annuity Contract | 68,000 | - | - | - | 68,000 |
| Total restricted investments | \$ 182,176 | \$ 77,115 | \$ 33,984 | \$ 2,366 | \$ 68,711 |

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

Investments in one issuer that exceed 5% of the City's investment portfolio at June 30, 2016 are as follows (in thousands):

| <u>Investment Type / Issuer</u> | <u>Amount</u> | <u>Percent of City's Investment Portfolio</u> |
|--|---------------|---|
| U.S. Government Agency Securities: | | |
| Federal Home Loan Bank | \$ 423,190 | 46.21% |
| Federal Home Loan Mortgage Corporation (Freddie Mac) | 60,065 | 6.56% |
| Annuity Contract: | | |
| New York Life Insurance Company | 68,000 | 7.42% |

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

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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

The City uses the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2016, the City had the following investments and original maturities (in thousands):

Pooled Investments

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Interest Rates (%)</u> | <u>Maturity</u> | | |
|---|-------------------|---------------------------|--------------------------|--------------------|--------------------|
| | | | <u>12 Months or Less</u> | <u>1 - 3 Years</u> | <u>3 - 5 Years</u> |
| U.S. Government Agency Securities | \$ 142,529 | 0.22 - 1.24 | \$ 56,358 | \$ 83,169 | \$ 3,002 |
| U.S. Government Agency Securities (Discount) | 377,854 | 0.17 - 0.40 | 377,854 | - | - |
| Medium Term Notes | 7,090 | 0.85 - 1.42 | - | 7,090 | - |
| Money Market Mutual Funds | 137,110 | 0.43 - 0.48 | 137,110 | - | - |
| Local Agency Investment Fund (LAIF) | 50,031 | 0.58 | 50,031 | - | - |
| Negotiable Certificates of Deposit | 15,003 | 0.28 - 0.58 | 15,003 | - | - |
| State of California, General Obligation Bonds | 3,307 | 0.72 | - | 3,307 | - |
| State of California, Revenue Bonds | 740 | 0.66 | - | 740 | - |
| Total pooled investments | \$ 733,664 | | \$ 636,356 | \$ 94,306 | \$ 3,002 |

Restricted Investments

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Interest Rates (%)</u> | <u>Maturity</u> | | | |
|--|-------------------|---------------------------|--------------------------|--------------------|--------------------|------------------------|
| | | | <u>12 Months or Less</u> | <u>1 - 3 Years</u> | <u>3 - 5 Years</u> | <u>5 Years or More</u> |
| U.S. Government Agency Securities | \$ 7,002 | 0.41 - 0.55 | \$ 7,002 | \$ - | \$ - | \$ - |
| U.S. Government Agency Securities (Discount) | 26,982 | 0.17 - 0.38 | 26,982 | - | - | - |
| Money Market Mutual Funds | 77,826 | 0.00 - 0.43 | 77,826 | - | - | - |
| Negotiable Certificates of Deposit | 2,000 | 0.27 | 2,000 | - | - | - |
| Commercial Paper (Discount) | 366 | 0.49 | 366 | - | - | - |
| Annuity Contracts | 68,000 | 2.50 | - | - | - | 68,000 |
| Total restricted investments | \$ 182,176 | | \$ 114,176 | \$ - | \$ - | \$ 68,000 |

Other Disclosures: As of June 30, 2016, the City's investment in LAIF is \$50.0 million. A total amount invested by all public agencies in LAIF at that date is approximately \$22.7 billion. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately \$75.5 billion, 97.19% is invested in non-derivative financial products and 2.81% in structured notes and asset-backed securities. 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, 2016

Oakland Police and Fire Retirement System (PFRS)

Deposits in the City's Investment Pool

As of June 30, 2016, 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. As of June 30, 2016, PFRS' share of the City's investment pool totaled \$2.5 million. As of June 30, 2016, PFRS also had cash and cash deposits not held in the City's investment pool totaled \$7.1 thousand.

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, 2016, the number of external investment managers was eleven.

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

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

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

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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

The following was the Board's adopted investment policy as of June 30, 2016:

| Asset Class | Target Allocation |
|----------------------|-------------------|
| Fixed income | 20% |
| Real return | 10% |
| Covered calls | 10% |
| Domestic equity | 43% |
| International equity | 12% |
| Private equity | 5% |
| Total | 100% |

Hierarchy of Inputs: The PFRS has the following recurring fair value measurements as of June 30, 2016 (in thousands):

| | Level One | Level Two | Level Three | Total |
|---|-------------------|------------------|---------------|-------------------|
| Investments by fair value level: | | | | |
| Short-term investments | \$ - | \$ 1,676 | \$ - | \$ 1,676 |
| Bonds | - | 55,706 | 170 | 55,876 |
| Domestic equities and mutual funds | 117,502 | - | - | 117,502 |
| International equities and mutual funds | 27,991 | 343 | 161 | 28,495 |
| Alternative investments | 73,592 | - | - | 73,592 |
| Total investments by fair value level | \$ 219,085 | \$ 57,725 | \$ 331 | 277,141 |
| Investments measured at net asset value (NAV): | | | | |
| Short-term investments | | | | 5,221 |
| Fixed income funds | | | | 7,911 |
| Domestic equities and mutual funds | | | | 56,611 |
| International equities and mutual funds | | | | 11,727 |
| Securities lending collateral | | | | 45,042 |
| Total investments measured at NAV | | | | 126,512 |
| Total investments measured at fair value | | | | \$ 403,653 |

Interest Rate Risk: 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 5.39 years as of June 30, 2016.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

As of June 30, 2016, PFRS had the following fixed income investments by category (in thousands):

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Modified Duration (Years)</u> |
|---|-------------------|--|
| Short-Term Investment Funds | \$ 6,897 | n/a |
| Foreign Currency Exchange Contracts, net | 29 | n/a |
| Total short-term investment duration | \$ 6,926 | |
| Fixed income investments: | | |
| Government bonds: | | |
| U.S. Treasuries | \$ 14,908 | 8.38 |
| U.S. Government Agency Securities | 17,403 | 4.19 |
| Total government bonds | 32,311 | |
| U.S. corporate and other bonds | | |
| Corporate bonds | 30,989 | 4.64 |
| Other government bonds | 487 | 4.79 |
| Total U.S. corporate and other bonds | 31,476 | |
| Total long-term investment duration | \$ 63,787 | 5.39 |
| Securities Lending | \$ 45,042 | - |

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, 2016 (in thousands):

| <u>Securities Name</u> | <u>Weighted Average Coupon Rate</u> | <u>Weighted Average Maturity (Years)</u> | <u>Fair Value</u> | <u>Percent of Total Investment Fair Value</u> |
|----------------------------|---|--|-------------------|---|
| Mortgage-backed securities | 3.37% | 22.3 | \$ 20,455 | 4.07% |

Custodial Credit Risk: 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, 2016

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, 2016 concerning credit risk of fixed income securities (in thousands):

| <u>Investment Type</u> | <u>S&P/ Moody's Rating</u> | <u>Fair Value</u> |
|--|------------------------------------|-------------------|
| Short-Term Investment Funds | Not Rated | \$ 6,897 |
| Foreign Currency Exchange Contracts, net | Not Rated | 29 |

The following tables provide information as of June 30, 2016 concerning the credit risk of fixed income investments by long-term investment rating (in thousands):

| <u>S & P/Moody's Rating</u> | <u>Fair Value</u> | <u>Percent of Total Fair Value</u> |
|---------------------------------------|-------------------|--|
| AAA/Aaa | \$ 37,457 | 58.7% |
| AA /Aa | 2,540 | 4.0% |
| A/A | 6,172 | 9.7% |
| BBB/Baa | 9,313 | 14.6% |
| BB/Ba | 241 | 0.4% |
| CCC/Caa | 7,911 | 12.4% |
| Not rated | 153 | 0.2% |
| Total fixed income investments | \$ 63,787 | 100.0% |

As of June 30, 2016, the securities lending collateral of \$45.0 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, 2016, the PFRS did not hold investments in any single issuer that exceeded 5% of PFRS' fiduciary net position.

Rate of return: For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -0.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

The following summarizes PFRS' investments denominated in foreign currencies as of June 30, 2016 (in thousands):

| <u>Foreign Currency</u> | | |
|-------------------------------|-----------|----------------------|
| Australian Dollar | \$ | 321 |
| Brazilian Real | | 220 |
| British Pound | | 4,349 |
| Canadian Dollar | | 595 |
| Danish Krone | | 698 |
| Euro | | 7,801 |
| Hong Kong Dollar | | 2,983 |
| Indonesian Rupiah | | 390 |
| Japanese Yen | | 2,995 |
| Mexican Peso | | 615 |
| Norwegian Krone | | 196 |
| Singapore Dollar | | 219 |
| Swedish Krona | | 295 |
| Swiss Franc | | 2,187 |
| Turkish Lira | | 103 |
| Total foreign currency | \$ | <u>23,967</u> |

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 PFRS's 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. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of said collateral. If securities collateral is received, PFRS cannot pledge or sell the collateral securities unless the borrower defaults.

As of June 30, 2016, 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, 2016

The following table summarizes investments in securities lending transactions and collateral received as of June 30, 2016 (in thousands):

| Securities Lending | |
|--|-------------------------|
| Investments and Collateral Received (At Fair Value) | |
| Securities on loan: | |
| U.S. government and agencies | \$ 6,520 |
| U.S. corporate bonds | 2,015 |
| U.S. equity | 35,779 |
| Non-U.S. fixed income | 133 |
| Non-U.S. equity | 81 |
| Total securities on loan | <u>\$ 44,528</u> |
| Collateral received: | |
| Repurchase agreements | <u>\$ 45,042</u> |

Derivative Instruments: PFRS reports its derivative instruments under the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Pursuant to the requirements of this statement, PFRS has provided a summary of derivative instrument activities during the reporting periods presented and the related risks.

As of June 30, 2016, the derivative instruments held by PFRS are considered investments and not hedges for accounting purposes. All investment derivatives are reported as investments at fair value in the statement of fiduciary net position. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The fair value of the exchange traded derivative instruments, such as futures, options, rights, and warrants are based on quoted market prices. The fair values of forward foreign currency contracts are determined using a pricing service, which uses published foreign exchange rates as the primary source. The fair values of swaps are determined by PFRS's investment managers based on quoted market prices of the underlying investment instruments.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

The tables below present the notional amounts, the fair values, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2016 (in thousands):

| <u>Derivative Type/Contract</u> | <u>Notional Amount</u> | <u>Fair Value</u> | <u>Net Appreciation (Depreciation) in Fair Value</u> |
|-------------------------------------|----------------------------|-----------------------|--|
| Forwards | | | |
| Foreign currency exchange contracts | \$ - | \$ 29 | \$ 29 |
| Options | | | |
| Equity contracts | - | (580) | 121 |
| Swaps | | | |
| Credit contracts | 2,720 | 26 | 8 |
| Total | \$ 2,720 | \$ (525) | \$ 158 |

Counterparty Credit Risk – PFRS is exposed to credit risk on non-exchange traded derivative instruments that are in asset positions. As of June 30, 2016, the fair value of forward currency contracts to purchase and sell international currencies were \$29.4 thousand and \$0.1 thousand, respectively. PFRS’s counterparties to these contract held credit ratings of A, as assigned by one or more of the major credit rating organizations (S&P, Moody’s and/or Fitch).

Custodial Credit Risk - The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2016, all of PFRS’s investments in derivative instruments are held in PFRS’s name and are not exposed to custodial credit risk.

Interest Rate Risk - The tables below describe the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2016 (in thousands):

| <u>Derivative Type/Contract</u> | <u>Fair Value</u> | <u>Maturities</u> | |
|-------------------------------------|-----------------------|-----------------------------|--------------------|
| | | <u>Less than 1 Year</u> | <u>1 - 5 years</u> |
| Forwards | | | |
| Foreign currency exchange contracts | \$ 29 | \$ 29 | \$ - |
| Options | | | |
| Equity contracts | (580) | (580) | - |
| Swaps | | | |
| Credit contracts | 26 | - | 26 |
| Total | \$ (525) | \$ (551) | \$ 26 |

Foreign Currency Risk - At June 30, 2016, PFRS is exposed to foreign currency risk on its investments in forwards denominated in foreign currencies as follows (in thousands):

| <u>Currency</u> | |
|-------------------|-------|
| Australian Dollar | \$ 38 |

Contingent Features - At June 30, 2016, PFRS held no positions in derivatives containing contingent features.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

Oakland Redevelopment Successor Agency

The ORSA's cash and investment consists of the following at June 30, 2016 (in thousands):

| Cash and Investments | Amount |
|---|------------------|
| Unrestricted cash and investments: | |
| Demand deposits | \$ 5,508 |
| Investments | 50,689 |
| Total unrestricted cash and investments | 56,197 |
| Restricted cash and investments | 21,845 |
| Total cash and investments | \$ 78,042 |

Investments: 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. ORSA 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, ORSA is permitted to invest in 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.

Hierarchy: The hierarchy is based on the valuation inputs used to measure fair value of the assets. At June 30, 2015, the ORSA does not have any of its investments using Level 1 and 3 inputs. The ORSA has the following recurring fair value measurements as of June 30, 2016 (in thousands):

| | Significant other observable inputs (Level 2) | Investments measured at the net asset value (NAV) |
|--|--|--|
| Unrestricted investments: | | |
| U.S. Government Agency Securities (Discount) | \$ 41,989 | \$ - |
| Money Market Mutual Funds | - | 8,700 |
| Restricted investments: | | |
| U.S. Government Agency Securities (Discount) | 3,498 | |
| Money Market Mutual Funds | - | 18,347 |
| Total | \$ 45,487 | \$ 27,047 |

Custodial Credit Risk: As of June 30, 2016, the carrying amount of the ORSA's deposits was \$5.5 million. The deposits are insured by the FDIC insurance coverage limit of \$0.25 million, and the remaining bank balance of \$5.25 million is 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, 2016

Interest Rate Risk: ORSA Investment Policy has mitigated interest rate risk by establishing policies over liquidity.

Credit Risk: 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.

As of June 30, 2016, ORSA had the following investments, credit risk ratings, and maturities (in thousands):

| <u>Type of Investment</u> | <u>Current Yield</u> (%) | <u>Credit</u> <u>Ratings</u> (S&P) | <u>Maturities</u> <u>Less than 1</u> <u>Year</u> |
|--|-----------------------------|--|--|
| Unrestricted investments: | | | |
| U.S. Government Agency Securities (Discount) | 0.17-0.25 | AA | \$ 41,989 |
| Money Market Mutual Funds | 0.10-0.11 | AAA | 8,700 |
| Total unrestricted investments | | | <u>\$ 50,689</u> |
| Restricted investments: | | | |
| U.S. Government Agency Securities (Discount) | 0.33 | AA | \$ 3,498 |
| Money Market Mutual Funds | 0.28 | AAA | 18,347 |
| Total restricted investments | | | <u>\$ 21,845</u> |

Concentration of Credit Risk: The following table show's ORSA's investments in one issuer that exceed 5% of ORSA's investment portfolio at June 30, 2016 (in thousands):

| <u>Type of Investment/Issuer</u> | <u>Amount</u> | <u>% of ORSA's</u> <u>Unrestricted</u> <u>Portfolio</u> |
|--|---------------|---|
| U.S. Government Agency Securities | | |
| Federal Home Loan Bank | \$ 35,991 | 71.0% |
| Freddie Mac | 5,998 | 11.8% |
| <u>Type of Investment/Issuer</u> | <u>Amount</u> | <u>% of ORSA's</u> <u>Restricted</u> <u>Portfolio</u> |
| U.S. Government Agency Securities | | |
| Federal Home Loan Bank | \$ 3,498 | 16.0% |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

Discretely Presented Component Unit – Port of Oakland

The Port's cash, cash equivalents, investments and deposits in escrow consisted of the following at June 30, 2016 (in thousands):

| | | |
|---|-----------|----------------|
| Deposits in escrow | \$ | 2,685 |
| City investment pool | | 308,336 |
| U.S. Treasury Notes | | 57,719 |
| Government securities money market mutual funds | | 493 |
| | | 493 |
| Total cash and investments | \$ | 369,233 |

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 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.

Under the City of Oakland Charter, all cash receipts from the operations of the Port are deposited in the City Investment Pool. These funds are managed and invested by the City, pursuant to the City's Investment Policy, that the City administers and reviews annually. For this reason, the Port does not maintain its own investment policy and relies on the City Investment Policy to mitigate the risks described below.

At June 30, 2016 the Port had the following investments (in thousands):

| | Fair Value | Fair Value Hierarchy | Credit Ratings per Moody's | Maturity | |
|---|-------------------|----------------------|----------------------------|-------------------|-------------|
| | | | | Less than 1 Year | 1 - 5 years |
| U.S. Treasury Notes | \$ 57,719 | Level 1 | Aaa | \$ 57,719 | \$ - |
| Government Securities Money Market Mutual Funds | 493 | Exempt | Aaa | 493 | - |
| City investment pool | 308,336 | Exempt | Not Rated | 308,336 | - |
| | \$ 366,548 | | | \$ 366,548 | \$ - |

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, are referred to as 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

Interest Rate Risk: Pursuant to the City Charter, all cash receipts from Port operations are deposited in the City Investment Pool. For this reason, the Port does not have a formal policy to manage interest risk. In order to manage interest rate risk:

- Proceeds from bonds are invested in permitted investments, as stated in the Trust Indentures, with short-term maturities.
- The deposits held by the City Treasury pursuant to the City's Investment Policy and Section 53601 of the State of California Government Code, limits the maximum maturities of certain investments. Also, Section 53601 limits the maximum maturity of any investment to be no longer than 5 years unless authority for such investment is expressly granted in advance by the City Council or authorized by bond covenants.

Credit Risk: Pursuant to the City Charter, all cash receipts from Port operations are deposited in the City Investment Pool. For this reason, the Port does not have a formal policy to manage risk. In order to manage credit risk:

- Provisions of the Trust Indentures 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, such as certain investments that must be rated in either of the two highest ratings by S&P and Moody's.
- **Concentration of Credit Risk:** The Trust Indentures place no limit on the amount the Port may invest in any one issuer

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or 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 under the terms of the Trust Indentures are held in the name of the Port for safekeeping by a third party bank trust department, acting as an agent for the Port. The Port had investments held by a third party bank trust department in the amount of \$58.2 million at June 30, 2016.

The carrying amount of the Port's deposits in escrow was \$2.7 million at June 30, 2016. Of this amount, bank balances and escrow deposits of \$250,000 on June 30, 2016 are insured or collateralized with securities held by the pledging financial institution's trust department in the Port's name and the remaining balance was exposed to custodial credit risk by not being insured or collateralized.

B. INTERFUND TRANSACTIONS

"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 (III) D.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

Primary Governments

1. Due from/Due to other funds

The composition of interfund balances as of June 30, 2016, with explanations of transactions, is as follows (dollars in thousands):

| <u>Receivables</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------|--|------------------|
| General Fund | Federal/State Grant Funds | \$ 17,491 |
| | Low and Moderate Income Housing Asset Fund | 3 |
| | Other Governmental Funds | 1,551 |
| | Parks and Recreation Enterprise Fund | 117 |
| | Internal Service Funds | 15,586 |
| | Total | <u>\$ 34,748</u> |

In addition, the General Fund has \$37,000 as of June 30, 2016 due from the Private Pension Trust Fund to cover its overdraft position.

2. Interfund Transfers:

| <u>Transfer Out</u> | <u>Transfer In</u> | <u>Amount</u> |
|------------------------------------|----------------------------|--------------------------|
| General Fund | Other Governmental Funds | \$ 79,314 ⁽¹⁾ |
| | Federal/State Grant Fund | 5,896 ⁽²⁾ |
| | Other Special Revenue Fund | 15,083 ⁽³⁾ |
| | Internal Service Funds | 550 |
| Municipal Capital Improvement Fund | General Fund | 3,528 ⁽⁴⁾ |
| | Other Governmental Funds | 312 |
| Other Governmental Funds | General Fund | 2,433 ⁽⁵⁾ |
| Sewer Service Fund | General Fund | 2,144 ⁽⁶⁾ |
| Internal Service Funds | General Fund | 548 |
| | Total | <u><u>\$ 109,808</u></u> |

Significant transfers for the year ended June 30, 2016 include the following:

- (1) Transfers of \$78.0 million, \$1.1 million, and \$0.01 million for debt service payments, to provide funds for park prioritization study and Lake Merritt maintenance, and to cover the Central Service Overhead cost for Paratransit funds, respectively.
- (2) Transfers to provide funds to cover the Central Service Overhead cost for certain federal funds.
- (3) Transfers for the Kids' First Children's Program.
- (4) Transfers of parking garage revenues to cover operating costs.
- (5) Transfers to provide additional funds to cover the City's self-insurance programs.
- (6) Transfers for the City's claims and liability payments.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

3. Due from the City

As of June 30, 2016, ORSA has a total due from the City in the amount of \$2.3 million, which has no change compared to the \$2.3 million at June 30, 2015. The ending balance is composed of the Former Agency's assets transferred to the Housing Successor, which include the Former Agency's Central District Project Area Fund loan receivable from the City in the amount of \$1.5 million, land sale receivable of \$0.3 as well as the Former Agency's Coliseum Project Area Fund loan receivable from the City in the amount of \$0.5 million.

4. Due to the City

At June 30, 2016, ORSA has a payable to the City in the amount of \$6.0 million, which included the Former Agency's Low and Moderate Housing Fund loan of \$1.5 million to the Central City East Project Funds where the Low and Moderate Housing Funds Assets were transferred to the Housing Successor, a loan of \$2.7 million from the Capital Project Fund to the West Oakland Project for public improvements, and a payable of \$1.8 million to the City for support services.

Component Unit- Port of Oakland (Port)

The City has entered into agreements with the Port for 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.

1. 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 \$7.1 million and are included in operating expenses. At June 30, 2016, \$6.8 million was accrued as a current liability by the Port and as a receivable by the City.

2. 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, 2016, the Port accrued approximately \$676 thousand 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 \$1.6 million to reimburse the City for General Services for net City expenditures for Lake Merritt Tideland Trust properties in fiscal year 2016. 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

C. NOTES AND LOANS RECEIVABLE, NET OF ALLOWANCE

Primary Government

The composition of the City's notes and loans receivable for governmental activities, net of the allowance for uncollectible accounts, as of June 30, 2016, is as follows (in thousands):

| <u>Type of Loan</u> | <u>General Fund</u> | <u>Federal/ State Grant Fund</u> | <u>LMIHF¹</u> | <u>Municipal Capital Improve- ment</u> | <u>Other Govern- mental Funds</u> | <u>Total</u> |
|---|-------------------------|--|--------------------------|--|---|-------------------|
| HUD loans | \$ - | \$ 72,898 | \$ 296,231 | \$ 1,600 | \$ - | \$ 370,729 |
| Economic development loans and other | 2,938 | 94,963 | - | - | 33,583 | 131,484 |
| Less: allowance for uncollectible accounts | (36) | (34,990) | (102,619) | - | (3,178) | (140,823) |
| Total notes and loans receivables, net | \$ 2,902 | \$ 132,871 | \$ 193,612 | \$ 1,600 | \$ 30,405 | \$ 361,390 |

¹ Low and Moderate Income Housing Asset Fund

As of June 30, 2016, the City has a total of \$361.4 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, 2016, loans receivable relating to the LMIHF program totaled approximately \$193.6 million, net of allowance for uncollectible accounts.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

Oakland Redevelopment Successor Agency (ORSA)

Composition of loans receivable as of June 30, 2016 is as follows (in thousands):

| <u>Type of Loan</u> | <u>Amount</u> |
|---|------------------|
| Housing developments project | \$ 1,576 |
| Economic development | 62,076 |
| Gross notes and loans receivable | 63,652 |
| Less: allowance for uncollectible | (46,675) |
| Total notes and loans receivables, net | \$ 16,977 |

D. CAPITAL ASSETS AND LEASES

Primary Government

1. Summary Schedule

The following is a summary of governmental activities capital assets activity for the year ended June 30, 2016:

| | Balance June 30, 2015 | Additions | Deletions | Transfers | Balance June 30, 2016 |
|--|--------------------------------------|------------------|------------------|------------------|--------------------------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 87,060 | \$ - | \$ - | \$ 16 | \$ 87,076 |
| Intangibles (easements) | 2,607 | - | - | - | 2,607 |
| Museum collections | 793 | - | - | - | 793 |
| Construction in progress | 287,443 | 118,596 | - | (42,860) | 363,179 |
| Total capital assets, not being depreciated | 377,903 | 118,596 | - | (42,844) | 453,655 |
| Capital assets, being depreciated: | | | | | |
| Facilities and improvements | 821,739 | - | 216 | 7,142 | 828,665 |
| Furniture, machinery, and equipment | 214,545 | 7,366 | 4,124 | 7,145 | 224,932 |
| Infrastructure | 770,707 | - | - | 28,557 | 799,264 |
| Total capital assets, being depreciated | 1,806,991 | 7,366 | 4,340 | 42,844 | 1,852,861 |
| Less accumulated depreciation: | | | | | |
| Facilities and improvements | 399,004 | 24,599 | 216 | - | 423,819 |
| Furniture, machinery, and equipment | 171,024 | 13,401 | 4,076 | - | 188,501 |
| Infrastructure | 303,927 | 26,055 | - | - | 329,982 |
| Total accumulated depreciation | 873,955 | 64,055 | 4,292 | - | 933,718 |
| Total capital assets, being depreciated, net | 933,036 | (56,689) | 48 | 42,844 | 919,143 |
| Governmental Activities - capital assets, net | \$ 1,310,939 | \$ 61,907 | \$ 48 | \$ - | \$ 1,372,798 |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

The following is a summary of business-type activities capital assets activity for the fiscal year ended June 30, 2016:

| | Balance June 30, | Additions | Transfers | Balance June 30, |
|---|---------------------|------------------|-------------|---------------------|
| Business-Type Activities: | | | | |
| Sewer Service Fund: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 4 | \$ - | \$ - | \$ 4 |
| Construction in progress | 32,311 | 18,331 | (9,699) | 40,943 |
| Total capital assets, not being depreciated | 32,315 | 18,331 | (9,699) | 40,947 |
| Capital assets, being depreciated: | | | | |
| Facilities and improvements | 311 | - | - | 311 |
| Furniture, machinery and equipment | 5,353 | 1,823 | - | 7,176 |
| Sewer and storm drains | 265,886 | - | 9,699 | 275,585 |
| Total capital assets, being depreciated | 271,550 | 1,823 | 9,699 | 283,072 |
| Less accumulated depreciation: | | | | |
| Facilities and improvements | 259 | 21 | - | 280 |
| Furniture, machinery and equipment | 3,074 | 1,114 | - | 4,188 |
| Sewer and storm drains | 106,120 | 4,572 | - | 110,692 |
| Total accumulated depreciation | 109,453 | 5,707 | - | 115,160 |
| Total capital assets, being depreciated, net | 162,097 | (3,884) | 9,699 | 167,912 |
| Sewer Service Fund, capital assets, net | \$ 194,412 | \$ 14,447 | \$ - | \$ 208,859 |
| Parks and Recreation Fund: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 361 | \$ - | \$ - | \$ 361 |
| Construction in progress | - | 545 | - | 545 |
| Total capital assets, not being depreciated | 361 | 545 | - | 906 |
| Capital assets, being depreciated: | | | | |
| Facilities and improvements | 4,433 | - | - | 4,433 |
| Furniture, machinery and equipment | 459 | 9 | - | 468 |
| Infrastructure | 85 | - | - | 85 |
| Total capital assets, being depreciated | 4,977 | 9 | - | 4,986 |
| Less accumulated depreciation: | | | | |
| Facilities and improvements | 2,647 | 280 | - | 2,927 |
| Furniture, machinery and equipment | 398 | 24 | - | 422 |
| Infrastructure | 42 | 6 | - | 48 |
| Total accumulated depreciation | 3,087 | 310 | - | 3,397 |
| Total capital assets, being depreciated, net | 1,890 | (301) | - | 1,589 |
| Parks and Recreation Fund, capital assets, net | \$ 2,251 | \$ 244 | \$ - | \$ 2,495 |
| Business-Type Activities - capital assets, net | \$ 196,663 | \$ 14,691 | \$ - | \$ 211,354 |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

2. Depreciation

Depreciation expense was charged to various governmental and business-type activities of the City for the fiscal year ended June 30, 2016 is as follows:

| | |
|--|--------------------------------|
| Governmental Activities: | |
| General Government | \$ 5,953 |
| Public Safety | 4,421 |
| Community Services: | |
| Parks & Recreation | 5,201 |
| Library | 2,435 |
| Human Services | 573 |
| Community and Economic Development: | |
| Planning & Building | 2,532 |
| Economic & Workforce Development | 6,669 |
| Housing & Community Development | 6 |
| Public Works | 28,873 |
| Capital assets held by internal service funds that are charged to various functions based on their usage of the assets | <u>7,392</u> |
| Total | <u><u>\$ 64,055</u></u> |
| Business-Type Activities: | |
| Sewer | \$ 5,707 |
| Parks and Recreation | <u>310</u> |
| Total | <u><u>\$ 6,017</u></u> |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

Component Unit – Port of Oakland

1. Summary Schedule

A summary of changes in capital assets for the year ended June 30, 2016, is as follows (in thousands):

| | Balance June 30, 2015 | Additions | Deletions | Transfers | Balance June 30, 2016 |
|---|-----------------------------|--------------------|-------------------|-------------|-----------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 523,339 | \$ - | \$ - | \$ 35 | \$ 523,374 |
| Intangibles (noise easements and air rights) | 25,852 | - | - | - | 25,852 |
| Construction in progress | 167,751 | 90,264 | (698) | (75,410) | 181,907 |
| Total capital assets, not being depreciated | 716,942 | 90,264 | (698) | (75,375) | 731,133 |
| Capital assets, being depreciated: | | | | | |
| Building and improvements | 852,565 | - | (629) | 118 | 852,054 |
| Container cranes | 148,697 | - | - | - | 148,697 |
| Systems and structures | 1,871,579 | - | (44) | 72,416 | 1,943,951 |
| Intangibles (software) | 13,676 | - | - | 62 | 13,738 |
| Other equipment | 93,464 | 2,031 | (379) | 2,779 | 97,895 |
| Total capital assets, being depreciated | 2,979,981 | 2,031 | (1,052) | 75,375 | 3,056,335 |
| Less accumulated depreciation: | | | | | |
| Building and improvements | 548,285 | 23,147 | 53 | - | 571,379 |
| Container cranes | 93,997 | 4,823 | - | - | 98,820 |
| Systems and structures | 775,369 | 68,868 | (53) | - | 844,290 |
| Intangibles (software) | 5,470 | 1,367 | - | - | 6,837 |
| Other equipment | 61,391 | 5,870 | 139 | - | 67,122 |
| Total accumulated depreciation | 1,484,512 | 104,075 | 139 | - | 1,588,448 |
| Total capital assets, being depreciated, net | 1,495,469 | 102,044 | (913) | 75,375 | 1,467,887 |
| Port - capital assets, net | \$ 2,212,411 | \$ (11,780) | \$ (1,611) | \$ - | \$ 2,199,020 |

2. Capital Assets Under Operating Leases as Lessor

The capital assets leased to others at June 30, 2016, consist of the following (in thousands):

| | |
|--|--------------------------|
| Land..... | \$ 330,158 |
| Container cranes..... | 148,697 |
| Buildings and improvements..... | 188,134 |
| Infrastructure..... | 988,456 |
| | <u>1,655,445</u> |
| Less accumulated depreciation..... | (678,561) |
| Net capital assets, on lease..... | <u>\$ 976,884</u> |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

3. Operating Leases as Lessor

A major portion of the Port's capital assets are held for lease. Leased assets include maritime facilities, aviation facilities, office and commercial space, and land. The majority of the Port's 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. The leases generally provide for minimum rentals with percentage rent contingent on business sales or activity. Certain maritime facilities are leased under agreements that provide the tenants with preferential, but nonexclusive, use of the facilities.

A summary of revenues from long-term leases for the year ended June 30, 2016, is as follows (in thousands):

| | |
|---|-------------------|
| Minimum non-cancelable rentals, including preferential assignments..... | \$ 166,759 |
| Contingent rentals in excess of minimums..... | 15,054 |
| Total..... | \$ 181,813 |

The Port and Outer Harbor Terminal, LLC (formerly 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 \$60.0 million upfront fee was paid to the Port in fiscal year 2010, which is being amortized over the life of the lease. In February 2016, Outer Harbor Terminal, LLC filed for Chapter 11 bankruptcy protection and subsequently announced their intent to cease operations at the Port. The Port terminated its long-term concession and lease agreement with Outer Harbor Terminal, LLC at the end of March 2016. These events resulted in the immediate recognition of the unamortized balance of the upfront fee, approximately \$47.0 million.

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 |
|--------------|---------------------|
| 2017 | \$ 140,312 |
| 2018 | 114,258 |
| 2019 | 86,820 |
| 2020 | 85,470 |
| 2021 | 85,806 |
| 2022 - 2026 | 195,026 |
| 2027 - 2031 | 114,463 |
| 2032 - 2036 | 98,283 |
| 2037 - 2041 | 28,864 |
| 2042 - 2046 | 13,174 |
| 2047 - 2051 | 10,558 |
| Thereafter | 34,760 |
| Total | \$ 1,007,794 |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

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, which is a component of unearned revenue, for years ending June 30 are as follows (in thousands):

| Year | Rental Revenues |
|--------------|------------------|
| 2017 | \$ 426 |
| 2018 | 438 |
| 2019 | 452 |
| 2020 | 465 |
| 2021 | 479 |
| 2022 - 2026 | 2,620 |
| 2027 - 2031 | 3,037 |
| 2032 - 2036 | 3,521 |
| 2037 - 2041 | 4,082 |
| 2042 - 2046 | 4,732 |
| 2047 - 2051 | 5,486 |
| Thereafter | 3,485 |
| Total | \$ 29,223 |

E. PROPERTY HELD FOR RESALE

Primary Government

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 Agency for the purchase and sale agreement of various Former Agency properties to the City. As a result, during the year ended June 30, 2015, the ORSA Trust Fund transferred property held for resale totaling \$85.7 million to the City. At June 30, 2016, the City has a total of \$162.7 million of property held for resale.

Oakland Redevelopment Successor Agency (ORSA)

As of June 30, 2016, ORSA has a total \$2.8 million for properties booked at the lower of cost or estimated conveyance value. On May 29, 2014, pursuant to HSC Section 34191.4, the California Department of Finance approved the ORSA’s Long-Range Property Management Plan addressing the disposition and use of Former Agency properties and authorizing the disposition of properties pursuant to the plan.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

F. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2016, for the City are as follows (in thousands):

Primary Government – Governmental Activities

Accounts payable and accrued liabilities for the governmental activities at June 30, 2016, are as follows (in thousands):

| | Accounts Payable | Accrued Payroll/ Employee Benefits | Total |
|--|-----------------------------|---|-------------------|
| Governmental Activities: | | | |
| Governmental Funds: | | | |
| General Fund | \$ 19,420 | \$ 94,509 | \$ 113,929 |
| Federal/State Grant Fund | 10,916 | - | 10,916 |
| Low and Moderate Income Housing Asset Fund | 1,015 | - | 1,015 |
| Municipal Capital Improvement Fund | 2,544 | - | 2,544 |
| Other special revenue funds | 5,866 | - | 5,866 |
| Other governmental funds | 5,188 | - | 5,188 |
| Total governmental funds | <u>44,949</u> | <u>94,509</u> | <u>139,458</u> |
| Internal service funds | 2,987 | 5 | 2,992 |
| Total governmental activities | <u>\$ 47,936</u> | <u>\$ 94,514</u> | <u>\$ 142,450</u> |

Accounts payable and accrued liabilities for the pension trust fund at June 30, 2016, are as follows (in thousands):

| | |
|------------------------------------|-----------------|
| Pension Trust Fund | |
| Accounts payable | \$ 42 |
| Member benefits payable | 4,834 |
| Investments payable | 3,109 |
| Accrued investment management fees | 335 |
| Total pension trust fund | <u>\$ 8,320</u> |

G. TAX AND REVENUE ANTICIPATION NOTES PAYABLE

During the year ended June 30, 2016, the City issued tax and revenue anticipation notes in the amount of \$158.2 million in advance of property tax collections. The notes were used to satisfy General Fund obligations and carried an interest rate of 2.00% to yield at 0.29% at maturity for the Series A and an interest rate of 1.00% to yield at 0.42% at maturity for the Series B. Principal and interest was paid on June 30, 2016.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

H. LONG-TERM AND OTHER OBLIGATIONS

Primary Government

1. Summary Schedule of Long-Term Debt

The following is a summary of long-term obligations of the City as of June 30, 2016 (in thousands):

| Governmental Activities | | | |
|---|--------------------------------|-------------------------------------|-------------------|
| Type of Obligation | Final Maturity Year | Remaining Interest Rates | Amount |
| Bonds payable: | | | |
| General obligation bonds | 2039 | 3.50 - 5.00% | \$ 201,830 |
| Lease revenue bonds | 2027 | 4.00 - 5.25% | 91,110 |
| Pension obligation bonds | 2026 | 2.37 - 6.89% | 313,223 |
| Accreted interest on appreciation bonds | 2023 | n/a | 159,476 |
| City guaranteed special assessment district bonds | 2039 | 3.00 - 6.70% | 5,685 |
| Unamortized premiums and discounts, net | | | 24,054 |
| Total bonds payable | | | \$ 795,378 |
| Notes payable and capital leases: | | | |
| Notes payable | 2017 | 1.33 - 3.93% | \$ 2,060 |
| Capital leases | 2025 | 1.17 - 5.46% | 71,849 |
| Total notes payable and capital leases | | | \$ 73,909 |
| Business-Type Activities | | | |
| Type of Obligation | Final Maturity Year | Remaining Interest Rates | Amount |
| Bonds payable: | | | |
| Sewer revenue bonds | 2029 | 2.00 - 5.00% | \$ 34,665 |
| Unamortized bond premium | | | 4,458 |
| Total bonds payable | | | \$ 39,123 |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

2. 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 \$187.5 million 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 \$15.0 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 \$6.0 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”). \$143.0 million was deposited with the trustee to defease the 1998 Lease Revenue Bonds. However, the Swap associated with the 1998 Lease Revenue Bonds still remains in effect. This is now a stand-alone swap with no association to any bond.

The amortization schedule is as follows as of June 30, 2016:

| Calculation period (July 31) | Notional Amount | Fixed Rate To Counterparty | 65% of LIBOR ¹ | Net Rate |
|------------------------------------|--------------------|-------------------------------|------------------------------|----------|
| 2016 | \$ 39,300,000 | 5.6775% | 0.3023% | 5.3752% |
| 2017 | 32,500,000 | 5.6775% | 0.3023% | 5.3752% |
| 2018 | 25,800,000 | 5.6775% | 0.3023% | 5.3752% |
| 2019 | 19,300,000 | 5.6775% | 0.3023% | 5.3752% |
| 2020 | 12,800,000 | 5.6775% | 0.3023% | 5.3752% |
| 2021 | 6,400,000 | 5.6775% | 0.3023% | 5.3752% |

¹ The 1-month LIBOR rate is 0.4657% as of June 30, 2016. Rates are projections, the LIBOR rate fluctuates daily.

Terms: The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2016 of \$39.3 million. 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: The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the Swap. 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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

hypothetical zero-coupon bonds due on the date of each future net settlement on the Swap. The fair value hierarchy of the interest rate swap is Level 2. Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of \$6.0 million as of June 30, 2016.

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, and AA- by S&P as of June 30, 2016. To mitigate the potential for credit risk, if the Counterparty's credit quality falls below A3 by Moody's or A- by S&P, the Swap 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 or "A-" by S&P.

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 or "BBB-" by S&P. 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, 2016

3. Summary of Changes in Long-term Obligations

Primary Government

The changes in long-term obligations for the year ended June 30, 2016, are as follows (in thousands):

| | Balance at July 1, 2015 | Additions | Reductions | Balance at June 30, 2016 | Amounts due within one year |
|--|----------------------------|-------------------|-------------------|-----------------------------|-----------------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds (A) | \$ 206,530 | \$ - | \$ 4,700 | \$ 201,830 | \$ 11,675 |
| Lease revenue bonds (B) | 109,955 | - | 18,845 | 91,110 | 19,775 |
| Pension obligation bonds (C) | 330,433 | - | 17,210 | 313,223 | 16,369 |
| Accreted interest on | | | | | |
| appreciation bonds (B) and (C) | 165,290 | 18,874 | 24,688 | 159,476 | 26,774 |
| City guaranteed special | | | | | |
| assessment district bonds (C) | 6,020 | - | 335 | 5,685 | 350 |
| Unamortized premium and discounts | 25,989 | - | 1,935 | 24,054 | 1,604 |
| Total bonds payable | <u>844,217</u> | <u>18,874</u> | <u>67,713</u> | <u>795,378</u> | <u>76,547</u> |
| Notes payable and capital leases: | | | | | |
| Notes payable (B) and (D) | 3,150 | - | 1,090 | 2,060 | 2,060 |
| Capital leases (B) and (D) | 65,645 | 24,095 | 17,891 | 71,849 | 15,462 |
| Total notes payable and capital leases | <u>68,795</u> | <u>24,095</u> | <u>18,981</u> | <u>73,909</u> | <u>17,522</u> |
| Other long-term liabilities: | | | | | |
| Accrued vacation and sick leave (E) | 39,697 | 63,691 | 56,337 | 47,051 | 35,862 |
| Pledge obligation for | | | | | |
| Coliseum Authority debt (B) | 49,445 | - | 3,933 | 45,512 | 4,128 |
| Estimated environmental cost (B) | 1,472 | - | 599 | 873 | 500 |
| Self-insurance liability - | | | | | |
| workers' compensation (B) | 86,726 | 34,654 | 21,425 | 99,955 | 19,330 |
| Self-insurance liability - | | | | | |
| general liability (B) | 36,768 | 25,127 | 20,917 | 40,978 | 16,783 |
| Interest rate swap agreement | 7,543 | - | 1,524 | 6,019 | - |
| Total other long-term liabilities | <u>221,651</u> | <u>123,472</u> | <u>104,735</u> | <u>240,388</u> | <u>76,603</u> |
| Total governmental activities | \$ 1,134,663 | \$ 166,441 | \$ 191,429 | \$ 1,109,675 | \$ 170,672 |
| Business-type activities: | | | | | |
| Sewer fund - bonds payable | \$ 36,630 | \$ - | \$ 1,965 | \$ 34,665 | \$ 2,045 |
| Unamortized bond premium | 4,801 | - | 343 | 4,458 | 343 |
| Total business-type activities | \$ 41,431 | \$ - | \$ 2,308 | \$ 39,123 | \$ 2,388 |

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) have funded the compensated absences through contributions to the General Fund.

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, 2016, \$44.5 million of bonds, notes payable, and capital leases related to the internal service funds are included in the above amounts.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

4. Annual Requirements to Maturity

Primary Government

The annual repayment schedules for governmental activities' long-term debt as of June 30, 2016, 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 |
| 2017 | \$ 11,675 | \$ 9,716 | 19,775 | \$ 4,382 | \$ 350 | \$ 249 |
| 2018 | 12,195 | 9,219 | 5,660 | 3,398 | 365 | 237 |
| 2019 | 12,830 | 8,610 | 5,935 | 3,125 | 370 | 225 |
| 2020 | 13,490 | 7,968 | 6,230 | 2,831 | 400 | 211 |
| 2021 | 13,035 | 7,294 | 6,545 | 2,512 | 395 | 197 |
| 2022-2026 | 49,960 | 27,252 | 38,125 | 7,166 | 1,745 | 776 |
| 2027-2031 | 44,385 | 16,499 | 8,840 | 221 | 560 | 550 |
| 2032-2036 | 32,365 | 6,113 | - | - | 735 | 357 |
| 2037-2040 | 11,895 | 964 | - | - | 765 | 99 |
| Total | \$ 201,830 | \$ 93,635 | \$ 91,110 | \$ 23,635 | \$ 5,685 | \$ 2,901 |

| Year Ending June 30 | Notes Payable | | Capital Leases | |
|------------------------|-----------------|--------------|------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2017 | \$ 2,060 | \$ 53 | \$ 15,462 | \$ 1,614 |
| 2018 | - | - | 15,775 | 1,282 |
| 2019 | - | - | 13,710 | 950 |
| 2020 | - | - | 10,529 | 647 |
| 2021 | - | - | 6,669 | 418 |
| 2022-2025 | - | - | 9,704 | 535 |
| Total | \$ 2,060 | \$ 53 | \$ 71,849 | \$ 5,446 |

| Year Ending June 30 | Pension Obligation Bonds | | | Total | | |
|---------------------------|--------------------------|----------------------|-------------------|-------------------|----------------------|-------------------|
| | Principal | Accreted Interest | Interest | Principal | Accreted Interest | Interest |
| 2017 | \$ 16,369 | \$ 26,774 | 37,182 | \$ 65,691 | \$ 26,774 | \$ 53,196 |
| 2018 | 25,274 | 28,807 | 39,162 | 59,269 | 28,807 | 53,298 |
| 2019 | 24,708 | 30,841 | 41,001 | 57,553 | 30,841 | 53,911 |
| 2020 | 24,316 | 32,801 | 42,710 | 54,965 | 32,801 | 54,367 |
| 2021 | 23,992 | 34,778 | 44,390 | 50,636 | 34,778 | 54,811 |
| 2022-2026 | 198,564 | 74,655 | 104,433 | 298,098 | 74,655 | 140,162 |
| 2027-2031 | - | - | - | 53,785 | - | 17,270 |
| 2032-2036 | - | - | - | 33,100 | - | 6,470 |
| 2037-2040 | - | - | - | 12,660 | - | 1,063 |
| Subtotal | 313,223 | 228,656 | 308,878 | 685,757 | 228,656 | 434,548 |
| Less: unaccreted interest | - | (69,180) | - | - | (69,180) | - |
| Total | \$ 313,223 | \$ 159,476 | \$ 308,878 | \$ 685,757 | \$ 159,476 | \$ 434,548 |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

The annual repayment schedules for business-type activities' long-term debt as of June 30, 2016, are as follows (in thousands):

| Year Ending June 30 | Business-Type Activities | |
|--------------------------------|---------------------------------|------------------|
| | Sewer Revenue Bonds | |
| | Principal | Interest |
| 2017 | \$ 2,045 | \$ 1,601 |
| 2018 | 2,125 | 1,519 |
| 2019 | 2,235 | 1,413 |
| 2020 | 2,275 | 1,368 |
| 2021 | 2,370 | 1,277 |
| 2022-2026 | 13,680 | 4,555 |
| 2027-2031 | 9,935 | 1,100 |
| Total | \$ 34,665 | \$ 12,833 |

The City pledged future net revenues to repay its sewer revenue bonds. The total principal and interest remaining to be paid on the bonds is \$47.5 million. The principal and interest payments made in 2016 were \$3.6 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2016 were \$26.4 million.

5. New Debt Issuance

Master Lease - Radio Lease 2015, Equipment Schedule No. 2

On July 16, 2015, the City entered into a Master Lease-Purchase Agreement in the principal amount of \$7,095,000. This financing provides funding to purchase equipment and professional services in order to improve the microwave network, replace the PWA portable radio fleet, replace the siren system, and deploy a mobile emergency network. The equipment group upgrades the current mission-critical public safety communication systems and related infrastructure. The final maturity is August, 2020 and has an interest rate of 1.48%.

Master Lease - IT Systems Lease 2015, Equipment Schedule No. 1

On October 28, 2015, the City entered into a Master Lease-Purchase Agreement in the principal amount of \$17,000,000. This financing provides funding for hardware, software and professional services to upgrade/re-implement and remediate the Oracle E-Business Suite applications and related infrastructure, implement a new municipal budgeting system, replace and improve the 9-1-1 public safety systems and operate and maintain current information technology systems. The equipment group modernizes and maintains mission-critical information technology systems and related infrastructure. The final maturity is August 1, 2021 and has an interest rate of 2.81%.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

Oakland Redevelopment Successor Agency (ORSA)

1. Summary Schedule of Long-Term Debt

The following is a summary of ORSA's long-term debt as of June 30, 2016 (in thousands):

| <u>Type of Obligation</u> | <u>Final Maturity Year</u> | <u>Remaining Interest Rates</u> | <u>Amount</u> |
|--|--------------------------------|-------------------------------------|-------------------|
| Bonds payable: | | | |
| Tax Allocation Bonds | 2041 | 4.00 - 8.50% | \$ 273,060 |
| Subordinated Housing Set-Aside Bonds | 2042 | 5.38 - 9.25% | 45,225 |
| ORSA Subordinated Tax Allocation Refunding Bonds | 2037 | 1.33 - 5.00% | 89,185 |
| Unamortized premiums and discounts, net | | | 8,253 |
| Total bonds payable | | | \$ 415,723 |

2. Revenues Pledged for the Repayment of Debt Service

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 of the tax increment generating redevelopment project areas, and are equally and ratably secured on a parity with each TAB series.

As of June 30, 2016, the total principal and interest remaining on these TABs was estimated at \$394.0 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 ROPS as enforceable obligations until the debt obligations have been satisfied.

Historically, upon receipt of property tax increment, the Former Agency calculated the 80 percent and 20 percent and the voluntary 5 percent amount of tax increment and would then transfer the 20 percent and 5 percent portion to the Low and Moderate Income Housing Fund, as required by the California HSC and the Former Agency board resolution. The previous requirement to bifurcate the tax increment into 80 percent and 20 percent portions was eliminated in AB X1 26. However, in order to maintain compliance with bond indentures secured by the 80 percent and 20 percent tax increment, the ORSA plans to request the funds through the ROPS from the Trust Fund pursuant to HSC Section 34183(a)(2)(A), and segregate the funds in the debt service funds accordingly until the debt obligations have been satisfied.

Housing Set-Aside Bonds

The Housing set-aside bonds, which are 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

As of June 30, 2016, the total principal and interest remaining on the Housing set-aside bonds was estimated at \$102.3 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 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 ORSA plans to request the funds through the ROPS from the Trust Fund pursuant to HSC Section 34183 (a)(2)(A), and segregate the funds in the debt service funds accordingly until the debt obligations have been satisfied.

Subordinated Tax Allocation Refunding Bonds

The 2015 Bonds are limited obligations of the ORSA and payable from and secured by pledged tax revenues. Pledged tax revenues are tax increment revenues that were eligible for allocation to the Former Agency and are allocated to the ORSA, excluding (i) tax revenues required to pay debt service on the existing bonds, (ii) certain amounts required to be paid under the Uptown Ground Lease and the 17th Street Garage Disposition and Development Agreement, and (iii) amounts required to be paid to taxing entities pursuant to the Dissolution Act, unless such payments are subordinated.

3. Summary of Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2016, are as follows (in thousands):

| Oakland Redevelopment Successor Agency | | | | | |
|---|------------------------------------|------------------|-------------------|-------------------------------------|--|
| | Balance at July 1, 2015 | Additions | Reductions | Balance at June 30, 2016 | Amounts due within one year |
| Tax allocation bonds | \$ 317,575 | \$ - | \$ 44,515 | \$ 273,060 | \$ 23,171 |
| Housing set-aside bonds | 112,615 | - | 67,390 | 45,225 | 5,505 |
| Subordinated tax allocation refunding bonds | - | 89,185 | - | 89,185 | 440 |
| Unamortized premium and discounts: | | | | | |
| Issuance premiums | 9,801 | 2,498 | 2,067 | 10,232 | 1,319 |
| Issuance discounts | (2,115) | - | (136) | (1,979) | (136) |
| Total ORSA | \$ 437,876 | \$ 91,683 | \$ 113,836 | \$ 415,723 | \$ 30,299 |

On August 11, 2015, the ORSA issued Subordinated Tax Allocation Refunding Bonds, 2015-TE (tax-exempt) and Series 2015-T (taxable) (the "Series 2015 Bonds") in the aggregate principal amount of \$89.2 million and original issue premium of \$2.5 million. The Series 2015 Bonds have interest rates ranging from 1.329% to 5.0% and principal maturing from September 2016 through September 2036. The proceeds of the Series 2015 Bonds will be used to pay the costs associated with the issuance of the Series 2015 Bonds, purchase the 2015 Reserve Policy for deposit in the Reserve Account to satisfy the Reserve Requirement for the 2015 Series Bonds, purchase the 2015 Insurance Policy to guarantee payment of principal and interest on the 2015 Bonds, and refund all or a portion of the outstanding bonds as follows:

| Description of Refunded Bonds | Amount Refunded |
|--|----------------------------|
| Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A | \$ 2,195 |
| Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A-T | 59,955 |
| Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE | 13,780 |
| Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE | 4,745 |
| Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE | 4,945 |
| Total refunded bonds | \$ 85,620 |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

In September 2015, a portion of the proceeds of the 2015 Series Bonds were deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent for the subordinated housing set aside revenue refunding bonds, and Wells Fargo Bank, National Association, as escrow agent for the tax allocation bonds. The funds deposited and held with the escrow agents are sufficient, together with investment earnings thereon, to pay principal and interest on the refunded bonds to be redeemed on September 1, 2016. The amounts deposited were invested in direct noncallable obligations of, or unconditionally guaranteed by, the United States of America (Federal Securities) and/or senior debt obligations of the Federal Home Loan Bank system. Upon such deposit, all obligations of the ORSA with respect to the advance refunded bonds were legally defeased except for the ORSA's obligation to pay the principal and interest on the advance refunded bonds from such funds deposited with the escrow agents. Accordingly, the liability for the refunded bonds has been removed from the statement of fiduciary net position.

The refunding resulted in the recognition of accounting loss of \$6.1 million for the year ended June 30, 2016. The ORSA in effect reduced its aggregate debt service payments by \$10.3 million and obtained a net present value savings of \$8.0 million or 7.7% of the refunded bonds.

4. Annual Requirements to Maturity

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, 2016, including mandatory sinking fund payments, are as follows (in thousands):

| Year Ending June 30 | Oakland Redevelopment Successor Agency | | | | | |
|------------------------|--|-------------------|-------------------------|------------------|---|------------------|
| | Tax Allocation Bonds | | Housing Set-Aside Bonds | | Subordinate Refunding Tax Allocation Bonds | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2017 | \$ 23,171 | \$ 14,712 | \$ 5,505 | \$ 3,637 | \$ 440 | \$ 3,752 |
| 2018 | 23,521 | 13,366 | 1,935 | 3,389 | 4,340 | 3,710 |
| 2019 | 25,384 | 11,973 | 2,075 | 3,239 | 4,425 | 3,622 |
| 2020 | 26,557 | 10,479 | 2,235 | 3,077 | 4,515 | 3,509 |
| 2021 | 28,027 | 8,871 | 2,400 | 2,897 | 4,645 | 3,373 |
| 2022-2026 | 53,906 | 31,129 | 7,310 | 12,073 | 15,980 | 14,717 |
| 2027-2031 | 40,694 | 20,516 | 1,030 | 10,583 | 12,285 | 12,079 |
| 2032-2036 | 40,957 | 8,489 | 35 | 10,507 | 20,045 | 7,909 |
| 2037-2041 | 10,843 | 1,369 | 17,325 | 7,469 | 22,510 | 337 |
| 2042 | - | - | 5,375 | 249 | - | 249 |
| Total | \$ 273,060 | \$ 120,904 | \$ 45,225 | \$ 57,120 | \$ 89,185 | \$ 53,257 |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

Component Unit- Port of Oakland (Port)

1. Summary Schedule of Long-Term Debt

The following is a summary of long-term debt of the Port as of June 30, 2016 (in thousands):

| Component Unit - Port of Oakland | | | |
|--|------------------------|-----------------------------|---------------------|
| Type of Obligation | Final Maturity Year | Remaining Interest Rates | Amount |
| Bonds, notes, and loans payable | | | |
| Senior and intermediate lien bonds | 2033 | 2.25 - 5.125% | \$ 1,028,550 |
| Notes and loans | 2030 | 0.05 - 4.50% | 89,269 |
| Unamortized bond discounts and premiums, net | | | 44,367 |
| Total bonds, notes, and loans payable | | | \$ 1,162,186 |

2. Revenues Pledged for the Repayment of Debt Service

The Port's long-term debt and final maturity consists primarily of tax-exempt bonds, short-term commercial paper notes and a loan from the California Department of Boating and Waterways. All of the Port's outstanding bonds, loans and commercial paper notes have been issued to finance or refinance capital improvements to the Port's aviation, maritime, and commercial real estate infrastructure. The majority of the Port's outstanding bonds are revenue bonds, which are secured by Pledged Revenues of the Port. Pledged Revenues are substantially all revenues and other cash receipts of the Port, including, without limitation, amounts held in the Port Revenue Fund with the City, but excluding amounts received from certain taxes, certain insurance proceeds, special facilities revenues, and certain other gifts, fees, and grants that are restricted by their terms to purposes inconsistent with the payment of debt service. In fiscal year 2016 pledged revenues amounted to \$340.1 million.

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. Currently, the Port has no bonds for which PFCs or CFCs are pledged.

The Port did not capitalize any interest cost in fiscal year 2016.

Senior Lien Bonds

2011 Series O, 2012 Series P, and 2012 Series Q (collectively, the Senior Lien Bonds) are issued under the Senior Trust Indenture and are paid from Pledged Revenues first. As long as any Senior Lien Bonds remain outstanding, the Port has covenanted to collect rates, tolls, fees, rentals and charges so that Pledged Revenues in each fiscal year will be sufficient to pay all of the following amounts: (i) the sum of principal and interest on the outstanding Senior Lien Bonds; (ii) all other payments required for compliance with terms of the Senior Trust Indenture including, but not limited to, required deposits to any Reserve Fund; (iii) all other payments necessary to meet ongoing legal obligations to be paid from Pledged Revenues; and (iv) operation and maintenance expenses of the Port. In addition, payment of principal and interest on the Senior Lien Bonds when due is secured by a reserve fund held by the trustee and invested in U.S. Treasury Notes.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

The Port has also covenanted in the Senior Trust Indenture that Net Pledged Revenue (Revenues less the Operation and Maintenance Expenses) will be equal to at least 125% of actual debt service for the Senior Lien Bonds (Senior Lien Debt Service Coverage Ratio).

California Department of Boating and Waterways (DBW) Loan

The DBW Loan is subordinate to the Senior Lien Bonds but superior to the Intermediate Lien Bonds and the Port's Commercial Paper Notes with respect to the Pledged Revenues. The Port turned over the operation of its marina, financed, in part, with DBW Loans, to a private company through a fifty-year capital lease in May 2004. As of June 30, 2016, only one DBW Loan remained outstanding with a balance of \$4.7 million.

Intermediate Lien Bonds

The 2007 Series A, Series B and Series C Bonds (collectively, the Intermediate Lien Bonds) issued under the Intermediate Trust Indenture are next in payment priority. The Intermediate Lien Bonds are paid from the Intermediate Lien Pledged Revenues. The Intermediate Lien Pledged Revenues are the Pledged Revenues after payment first, of all amounts payable for any Senior Lien Bonds and second, any debt service requirements payable on the DBW Loan. Payment of principal and interest on the Intermediate Lien Bonds when due is secured by a debt service reserve surety policy, as well as being insured by municipal bond insurance policies.

The Port covenanted in the Intermediate Trust Indenture that Net Pledged Revenues will be equal to at least 110% of the actual debt service becoming due and payable on the combined Intermediate Lien Bonds, Senior Lien Bonds, and DBW Loan (Intermediate Lien Debt Service Coverage Ratio).

Commercial Paper Notes

Commercial Paper Notes (CP Notes) have the lowest payment priority. The Board authorized a \$150.0 million Commercial Paper program in 1998 and a further \$150.0 million was authorized in 1999. The maximum maturity of the CP Notes is 270 days and the maximum interest rate is 12%. The Port has classified the CP Notes as long-term debt as the Port intends and has the ability to reissue CP Notes until the expiration of the two irrevocable Letters of Credit (LOC), discussed below. Interest income paid to the holders of the CP Notes may fall under one of three tax treatments: tax-exempt Alternative Minimum Tax (AMT), tax-exempt non-AMT and taxable.

On May 2, 2016, the Port amended its LOC with JPMorgan Chase Bank National Association (JPMorgan), reducing its maximum stated amount of \$108.9 million (principal of \$100.0 million and interest of \$8.9 million) to \$54.4 million (principal of \$50.0 million and interest of \$4.4 million). The expiration date of the LOC was also extended one year, from June 30, 2016 to June 30, 2017. On June 13, 2016, the Port substituted its then-outstanding Wells Fargo Bank National Association LOC, with a new LOC supported by Bank of America National Association (BANA). The maximum stated amount of this LOC is \$163.3 million (principal of \$150.0 million and interest of \$13.3 million) and expires on June 30, 2019. As of June 30, 2016, the Port has capacity based on available credit to issue an aggregate principal amount of CP Notes up to \$200.0 million.

As of June 30, 2016, the outstanding balance of CP Notes issued under the BANA LOC is \$38.2 million, while the outstanding balance of CP Notes issued under the JPMorgan LOC is \$46.4 million.

The Port covenants in the LOC and Reimbursement Agreements with BANA and JPMorgan that the Intermediate Lien Debt Service Coverage Ratio will equal to at least 110%.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

3. Summary of Changes in Long-Term Obligations

The changes in the Port's long-term obligations for the year ended June 30, 2016, are as follows (in thousands):

| Component Unit - Port of Oakland | | | | | |
|--|----------------------------|-------------------------|-------------------------|-----------------------------|-----------------------------------|
| | Balance at July 1, 2015 | Additions | Reductions | Balance at June 30, 2016 | Amounts due within one year |
| Bonds and notes payable: | | | | | |
| Senior and intermediate lien bonds | \$ 1,075,075 | \$ - | \$ 46,525 | \$ 1,028,550 | \$ 48,985 |
| Notes and loans payable | 79,312 | 38,176 | 28,219 | 89,269 | 254 |
| Unamortized premium and discounts, net | 50,390 | (52) | 5,971 | 44,367 | 5,583 |
| Total bonds and notes payable | <u>1,204,777</u> | <u>38,124</u> | <u>80,715</u> | <u>1,162,186</u> | <u>54,822</u> |
| Other long-term liabilities: | | | | | |
| Accrued vacation, sick leave, and compensatory time | 6,594 | 1,589 | 1,672 | 6,511 | 5,586 |
| Environmental remediation | 11,700 | 13,604 | 10,242 | 15,062 | 3,023 |
| Self-insurance liability - workers' compensation | 12,661 | 876 | 1,288 | 12,249 | 1,290 |
| Other long-term liabilities | 1,834 | 23,236 | 162 | 24,908 | 5,954 |
| Total other long-term liabilities | <u>32,789</u> | <u>39,305</u> | <u>13,364</u> | <u>58,730</u> | <u>15,853</u> |
| Total component unit | <u>\$ 1,237,566</u> | <u>\$ 77,429</u> | <u>\$ 94,079</u> | <u>\$ 1,220,916</u> | <u>\$ 70,675</u> |

4. Annual Requirements to Maturity

The Port's required annual debt service payment for the outstanding long-term debt, not including Commercial Paper Notes, as of June 30, 2016, are as follows (in thousands):

| Year Ending June 30 | Principal | Interest | Total |
|---------------------|----------------------------|--------------------------|----------------------------|
| 2017 | \$ 77,429 ⁽¹⁾ | \$ 55,841 | \$ 133,270 |
| 2018 | 81,405 | 51,814 | 133,219 |
| 2019 | 85,597 | 46,798 | 132,395 |
| 2020 | 54,752 | 42,331 | 97,083 |
| 2021 | 56,415 | 40,032 | 96,447 |
| 2022-2026 | 332,684 | 154,664 | 487,348 |
| 2027-2031 | 357,522 | 66,769 | 424,291 |
| 2032-2033 | 72,015 | 5,179 | 77,194 |
| Total | <u>\$ 1,117,819</u> | <u>\$ 463,428</u> | <u>\$ 1,581,247</u> |

⁽¹⁾ 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 years 2017-2020 pursuant to the "Term Loan" provisions of the Commercial Paper Reimbursement Agreements.

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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

City-Wide Long-Term Debt

1. Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures held by the City, ORSA, and the Port. The City believes it is in compliance with all significant limitations and restrictions for which noncompliance would adversely affect its ability to pay debt service. During the course of the fiscal year, the City identified several noncompliant issues with the continuing disclosure requirements and these have been remedied.

2. Legal Debt Limit and Legal Debt Margin

As of June 30, 2016, the City's debt limit (3.75% of valuation subject to taxation) was \$1.3 billion. The total amount of debt applicable to the debt limit was \$201.8 million. The resulting legal debt margin was \$1.1 billion.

3. Prior Years' Debt Defeasance

In prior years, the City 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, 2016, the principal amount of defeased debt outstanding is \$57.2 million.

4. 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.

5. Conduit Debt

The following long-term debt has been issued by the City on behalf of named agents of the City. The bonds do not constitute an indebtedness of the City. The bonds are payable solely from revenue sources defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to the bond indentures. In the opinion of City officials, these bonds are not payable from any revenues or assets of the City, and neither the full faith and credit nor the taxing authority of the City, State or any political subdivision thereof is obligated for the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded.

The conduit debt issued and outstanding at June 30, 2016 (in thousands):

| | Authorized and Issued | Maturity | Outstanding at June 30, 2016 |
|--|----------------------------------|-----------------|---|
| Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation) | \$ 19,800 | 07/01/33 | \$ 13,655 |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

I. 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.

On December 9, 2014, the City Council revised the reserve policy criteria for the definition and use of excess Real Estate Transfer Tax (RETT) revenue, and use of one-time revenues (Ordinance No. 13279). The policy defines excess Real Estate Transfer Tax as any amounts of projected RETT revenues whose value exceeds 14% of the corresponding General Purpose Fund Tax Revenues (inclusive of RETT). The excess RETT shall be used in the following manner:

- At least 25% shall be allocated to the Vital Services Stabilization Fund. Until the value in such fund is projected to equal to 15% of General Purpose Fund revenues over the coming fiscal year.
- At least 25% shall be used to fund accelerated debt retirement and unfunded long-term obligations: including negative funds balances, to fund the Police and Fire Retirement System (PFRS) liability, to fund other unfunded retirement and pension liabilities, unfunded paid leave liabilities, to fund Other Postemployment Retirement Benefits (OPEB).
- The remainder shall be used to fund one-time expenses; augment the General Purpose Fund Emergency Reserve, and to augment the Capital Improvements Reserve Fund.

Use of the "excess" RETT revenue for purposes other than those established above may only be allowed by a super majority vote (6 out of 8) of the City Council through a separate resolution. The policy also requires the City to conform to the following regarding the use of one-time discretionary revenues:

- Fiscal prudence and conservancy requires that one time revenues not be used for recurring expenses. Therefore, upon receipt of one time revenues, such revenues shall be used in the following manner, unless legally restricted to other purposes: to fund one time expenditures, to fund accelerated debt retirement and unfunded long-term obligations: including negative funds balances, to fund the Police and Fire Retirement System (PFRS) liability, to fund other unfunded retirement and pension liabilities, unfunded paid leave liabilities, to fund Other Postemployment Retirement Benefits (OPEB); or shall remain as fund balance in the appropriate fund.

Use of the "one time revenues" for purposes other than those established above may only be allowed by a super majority vote (6 out of 8) of the City Council through a separate resolution. Additionally, the policy includes the requirement that the City maintain a Vital Services Stabilization Fund. In years when the city projects that total General Purpose Fund revenues for the upcoming fiscal year will be less than the current year's revenues, or anytime service reductions (such as layoffs or furloughs) are contemplated due to adverse financial conditions, use of this fund must be considered so as to maintain existing service levels as much as possible, and to minimize associated impacts; and the adopted budget may appropriate funds from the Vital Services Stabilization Fund to preserve City operations; however, the budget may not appropriate more than sixty percent of the reserve balance in any year.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

As of June 30, 2016, the City has \$116.7 million in the GPF fund balance. Of this amount, \$58.2 million is set aside to meet the mandated 7.5% required reserve, and is reported in the assigned fund balance of the General Fund.

J. ESTIMATED LIABILITY FOR SELF-INSURANCE

Primary Government

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.

1. 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.

2. 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 \$100.0 million in claims liabilities as of June 30, 2016, approximately \$19.3 million is estimated to be due within one year.

Changes in self-insurance workers' compensation for the years ended June 30, 2016 and 2015 are as follows (in thousands):

| | 2016 | 2015 |
|--|-------------|-------------|
| Self -insurance liability - | | |
| workers' compensation, beginning of year | \$ 86,726 | \$ 83,484 |
| Current year claims and changes in estimates | 34,654 | 35,384 |
| Claims payments | (21,425) | (32,142) |
| Self -insurance liability - workers' compensation, end of year | \$ 99,955 | \$ 86,726 |

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, 2016

3. General Liability

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2016, the amount of liability determined to be probable of occurrence is approximately \$41.0 million. Of this amount, claims and litigation approximating \$16.8 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, 2016 and 2015 are as follows (in thousands):

| | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|
| Self-insurance liability - general liability, beginning of year | \$ 36,768 | \$ 32,341 |
| Current year claims and changes in estimates | 25,127 | 21,457 |
| Claims payments | <u>(20,917)</u> | <u>(17,030)</u> |
| Self-insurance liability - general liability, end of year | <u>\$ 40,978</u> | <u>\$ 36,768</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.

4. 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, 2015, the self-insured retention levels and purchased insurance per occurrence are as follows:

| <u>Type of Coverage</u> | <u>Limits</u> | <u>Deductible Per Occurrence</u> |
|---------------------------------------|---------------------|----------------------------------|
| General Liability | Up to \$3.0 million | \$3.0 to \$25.0 million |
| Automobile Liability | Up to \$3.0 million | \$3.0 to \$25.0 million |
| Public Officials Errors and Omissions | Up to \$3.0 million | \$3.0 to \$25.0 million |
| Products and Completed Operations | Up to \$3.0 million | \$3.0 to \$25.0 million |
| Employment Practices Liability | Up to \$3.0 million | \$3.0 to \$25.0 million |
| Workers' Compensation | Up to \$750,000 | \$750,000 to \$100.0 million |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

Component Unit – Port of Oakland

1. Workers’ Compensation

The Port is self-insured for other workers’ compensation of the Port’s employees. The workers’ compensation liability of \$12.2 million at June 30, 2016 is based upon an actuarial study performed as of June 30, 2016 that assumed a probability level of 80% and a discount rate of 0.0%. Changes in liability, which is included as part of non-current liabilities, follows (in thousands):

| | 2016 | 2015 |
|--|-------------|-------------|
| Self -insurance liability - | | |
| workers' compensation, beginning of year | \$ 12,661 | \$ 11,182 |
| Current year claims and changes in estimates | 876 | 2,792 |
| Claims payments | (1,288) | (1,313) |
| Self -insurance liability - workers' compensation, end of year | \$ 12,249 | \$ 12,661 |

2. General Liability - Insurance

The Port purchases insurance on certain risk exposures including but not limited to property, automobile 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, and most first party exposures. During fiscal year 2016, 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.

3. 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 \$250,000 for each general liability and workers’ compensation claim.

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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

4. Outer Harbor Terminal Closure

In February 2016, Outer Harbor Terminal, LLC (formerly Ports America Outer Harbor Terminal, LLC) (“OHT”) filed for Chapter 11 bankruptcy protection. At that time, OHT held a 50-year lease with the Port to operate Berths 20-24, a month-to-month lease to operate Berth 25/26 (including crane maintenance), and a separate lease to operate and maintain cranes at Berths 20-24. On February 20, 2016, the Port reached a settlement agreement with OHT by which the Port would let OHT out of its lease obligations. This agreement was subsequently approved by the bankruptcy court. This event returned property to the Port that was in need of significant repairs and deferred maintenance of which the Port estimates will cost approximately \$22.3 million to complete over the next three years. In fiscal year 2016, the Port recognized a gain on the lease termination composed of the following (in thousands):

| | | |
|--|-----------|----------------------|
| Unamortized "Upfront Fee" from Berth 20-24 Lease | \$ | 46,977 |
| Security deposit and lease termination fee | | 10,560 |
| Lease terminal loss contingency | | (22,337) |
| Total | \$ | <u>35,200</u> |

K. JOINT VENTURE

Oakland-Alameda County Coliseum

The City is a participant with the County of Oakland (Alameda) 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 the 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 31, 2012, the Coliseum 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. These funds coupled with \$13 million in the 2000 Series C reserve fund generated 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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

to the low variable interest rates on the old bonds and the higher fixed rates on the new bonds. The Coliseum 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 Coliseum 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 County could have to pay up to \$22 million annually in the event of default by the City. 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.

On April 14, 2015, the Authority issued \$79,735,000 in Refunding Bonds Series 2015 with coupons of .8 to 3.793 percent to refund and defease all outstanding variable rate 1996 Series A-1 and A-2 Bonds. The bonds were sold at par, bringing total proceeds to \$79,735,000. These funds coupled with \$3,319,013 in the 1996 Series A reserve fund generated available funds of \$83,054,013, which was used to refund the 1996 Series A Refunding Bonds of \$79,735,000, to fund a reserve fund of \$2,168,103, to pay underwriter's discount and issuance cost of \$659,928 and \$490,983 was returned to the Authority's general fund. The all-in true interest cost of the 2015A refunding bonds was 3.33 percent. There was an economic loss of \$13,479,519 (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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

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 \$7.4 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 County are jointly and severally liable to cover such shortfall, which means that the County could have to pay up to \$19 million annually in the event of default by the City.

Debt Compliance

Long-term debt outstanding as of June 30, 2016 is as follows (in thousands):

| <u>Type of Indebtedness</u> | <u>Maturity</u> | <u>Interest Rate</u> | <u>Authorized and Issued</u> | <u>Outstanding as of June 30, 2016</u> |
|-----------------------------|------------------|----------------------|----------------------------------|--|
| Stadium Bonds: | | | | |
| 2012 Refunding Series A | February 1, 2025 | 2.0% - 5.0% | | |
| Lease revenue bonds | | | \$ 122,815 | \$ 91,025 |
| Arena Bonds: | | | | |
| 2015 Refunding Series A | February 1, 2025 | 1.0% - 4.0% | | |
| Lease revenue bonds | | | 79,735 | 74,335 |
| Total | | | <u>\$ 202,550</u> | <u>\$ 165,360</u> |

Debt payments during the year ended June 30, 2016 were as follows (in thousands):

| | <u>Stadium</u> | <u>Arena</u> | <u>Total</u> |
|-----------|------------------|-----------------|------------------|
| Principal | \$ 7,865 | \$ 5,400 | \$ 13,265 |
| Interest | 4,949 | 1,674 | 6,623 |
| Total | <u>\$ 12,814</u> | <u>\$ 7,074</u> | <u>\$ 19,888</u> |

The following is a summary of long-term debt transactions for the year ended June 30, 2016 (in thousands):

| | |
|--|-------------------|
| Outstanding lease revenue bonds, beginning of year | \$ 178,625 |
| Principal repayments | (13,265) |
| Outstanding lease revenue bonds, end of year | <u>\$ 165,360</u> |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

Annual debt service requirements to maturity for the lease revenue bonds, including interest payments, are as follows (in thousands):

| Year Ending June 30, | Stadium Bonds | | Arena Bonds | | Total | |
|-------------------------|---------------|-------------------------|-------------|-------------------------|------------|-----------|
| | Principal | Interest ⁽¹⁾ | Principal | Interest ⁽²⁾ | Principal | Interest |
| 2017 | \$ 8,255 | \$ 4,551 | \$ 5,800 | \$ 2,168 | \$ 14,055 | \$ 6,719 |
| 2018 | 8,670 | 4,139 | 6,200 | 2,096 | 14,870 | 6,235 |
| 2019 | 9,100 | 3,705 | 6,600 | 1,991 | 15,700 | 5,696 |
| 2020 | 9,555 | 3,250 | 7,000 | 1,837 | 16,555 | 5,087 |
| 2021 | 10,035 | 2,772 | 7,600 | 1,650 | 17,635 | 4,422 |
| 2022-2026 | 45,410 | 5,814 | 41,135 | 4,201 | 86,545 | 10,015 |
| Total | \$ 91,025 | \$ 24,231 | \$ 74,335 | \$ 13,943 | \$ 165,360 | \$ 38,174 |

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 City 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, 2016, the City made contributions of \$11.0 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 \$22.0 million obligated, for the year ending June 30 2017, it is estimated that the City will have to contribute \$11.02 million, which is appropriated in the debt service fund. There are many uncertainties in the estimation of revenues for the Coliseum Authority beyond one year into the future; therefore, the City 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 \$45.5 million. The City has not established a contingent liability for the Arena Bonds because management is of the opinion that revenues from the Arena, including payments from the Warriors and revenues from Arena operations, will be sufficient to cover the debt payments.

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, 2016

(III) OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS

1. General Information About the Pension Plans

The City has three defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), the California Public Employees' Retirement System (CalPERS) Safety Plan, and the CalPERS Miscellaneous Plan. PFRS is a closed single employer pension plan that covered employees hired prior to July 1976. Public safety employees hired subsequent to PFRS' closure date and certain employees hired before the closure date who elected to change plans are covered by CalPERS. PFRS issues a publicly available financial report that includes financial statements and required supplementary information for the PFRS Plan. PFRS' standalone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, CA 94612 or can access the financial statements via the City's website, www.oaklandnet.com.

The CalPERS Safety and Miscellaneous Plans are agent multi-employer pension plans. CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Benefit provisions and other requirements are established by State statute, employer contract with CalPERS and by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

2. Benefits

PFRS – PFRS provides death, disability, and service retirement benefits to uniformed employees and their beneficiaries. Members who completed 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, were 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 received reduced benefits based on the number of years of service. Benefit provisions and all other requirements are established by the City Charter (Charter).

CalPERS – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on a final average compensation period of 36 months. The cost of living adjustments for the CalPERS plans are applied as specified by the Public Employees' Retirement Law. The California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such members who established CalPERS membership on or after January 1, 2013 are known as "PEPRA" members.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

The CalPERS' provisions and benefits in effect at June 30, 2016, are summarized as follows:

| <u>Tier Pension Plans</u> | <u>CalPERS Miscellaneous Plan</u> | <u>CalPERS Safety Plan</u> |
|---|--|--|
| Tier One (Classic Member) | Receive 2.7% at age 55. Final compensation is based on the twelve (12) highest paid consecutive months. | Receive 3% at age 50. Pension benefits are based on the one year of highest salary. |
| Tier Two (New Hires as of June 9, 2012) | Receive 2.5% at age 55. Final compensation is based on the highest average annual compensation of the three consecutive years. | Receive 3% at age 55. Pension benefits are based on the final average salary of 3 years under the Government Code 20037. |
| Tier Three: AB 340 (January 1, 2013) | Receive 2% at 62. Pension benefits are based on the final average salary of the three years subject to established cap. | 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. |

Covered Employees - As of June 30, 2016, the following employees were covered by the benefit terms of each pension plan:

| | <u>PFRS Plan</u> | <u>CalPERS Miscellaneous Plan</u> | <u>CalPERS Safety Plan</u> |
|--|------------------|-----------------------------------|----------------------------|
| Inactive employees or beneficiaries currently receiving benefits | 929 | 3,324 | 1,061 |
| Inactive employees entitled to but not yet receiving benefits | - | 1,616 | 375 |
| Active employees | - | 2,558 | 1,145 |
| Total | 929 | 7,498 | 2,581 |

3. Contributions

For the years ended June 30, 2016 and 2015, the City's actuarial determined contributions were as follows (in thousands):

| | <u>2016</u> | <u>2015 *</u> |
|----------------------------|-------------------|-------------------|
| PFRS Plan | \$ - | \$ - |
| CalPERS Miscellaneous Plan | 65,399 | 63,531 |
| CalPERS Safety Plan | 46,264 | 44,366 |
| Total | \$ 111,663 | \$ 107,897 |

* In fiscal year 2015, the contributions for the CalPERS plans were based on an estimate. The City made a \$0.06 million and \$0.25 million adjustment to align the estimated employer contributions with the actual employer contributions per the 2015 Agent-Multiple Employer CalPERS reports for the Miscellaneous Plan and the Safety Plan, respectively.

PFRS – 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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

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.

On July 30, 2012, the City issued additional Pension Obligation Bonds (Series 2012) and contributed \$210.0 million 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 (II) H for additional information on pension obligation bonds.

CalPERS – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the plans is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

4. Net Pension Liability

The table below shows how the net pension liability as of June 30, 2016, is distributed.

| | |
|----------------------------------|-----------------------------------|
| Governmental Activities | \$ 1,207,032 |
| Business-type Activities | 31,133 |
| Component Unit - Port of Oakland | <u>177,204</u> |
| Total | <u><u>\$ 1,415,369</u></u> |

As of June 30, 2016, the City's net pension liability is comprised of the following:

| | |
|----------------------------|-----------------------------------|
| PFRS Plan | \$ 216,335 |
| CalPERS Miscellaneous Plan | 691,564 |
| CalPERS Safety Plan | <u>507,470</u> |
| Total | <u><u>\$ 1,415,369</u></u> |

The City's net pension liability is measured for each plan as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

The changes in the net pension liability for the PFRS Plan are as follows:

| | <u>Increase (Decrease)</u> | | |
|---|--------------------------------|------------------------------------|------------------------------|
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
| Balance at June 30, 2014 (valuation date) | \$ 640,323 | \$ 463,807 | \$ 176,516 |
| Changes for the year: | | | |
| Interest on the total pension liability | 41,263 | - | 41,263 |
| Changes in assumptions | 34,219 | - | 34,219 |
| Differences between expected and actual experience | (21,209) | - | (21,209) |
| Net investment income | - | 15,439 | (15,439) |
| Administrative expenses | - | (985) | 985 |
| Benefit payments, including refunds of employee contributions | (59,008) | (59,008) | - |
| Net changes | (4,735) | (44,554) | 39,819 |
| Balance at June 30, 2015 (measurement date) | \$ 635,588 | \$ 419,253 | \$ 216,335 |

The changes in the net pension liability for each CalPERS plan are as follows:

| | <u>CalPERS Miscellaneous Plan</u> | | | <u>CalPERS Safety Plan</u> | | |
|---|-----------------------------------|------------------------------------|------------------------------|--------------------------------|------------------------------------|------------------------------|
| | <u>Increase (Decrease)</u> | | | <u>Increase (Decrease)</u> | | |
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
| Balance at June 30, 2014 (valuation date) | \$ 2,348,971 | \$ 1,704,213 | \$ 644,758 | \$ 1,634,999 | \$ 1,170,937 | \$ 464,062 |
| Changes for the year: | | | | | | |
| Service cost | 37,347 | - | 37,347 | 32,899 | - | 32,899 |
| Interest on the total pension liability | 172,693 | - | 172,693 | 121,444 | - | 121,444 |
| Changes in assumptions | (39,092) | - | (39,092) | (31,738) | - | (31,738) |
| Differences between expected and actual experience | (7,769) | - | (7,769) | 4,892 | - | 4,892 |
| Contributions from the employer | - | 63,531 | (63,531) | - | 44,366 | (44,366) |
| Contributions from employees | - | 16,904 | (16,904) | - | 15,027 | (15,027) |
| Plan to plan movement | - | 24 | (24) | - | (24) | 24 |
| Net investment income | - | 37,833 | (37,833) | - | 26,057 | (26,057) |
| Administrative expenses | - | (1,919) | 1,919 | - | (1,337) | 1,337 |
| Benefit payments, including refunds of employee contributions | (126,730) | (126,730) | - | (74,198) | (74,198) | - |
| Net changes | 36,449 | (10,357) | 46,806 | 53,299 | 9,891 | 43,408 |
| Balance at June 30, 2015 (measurement date) | \$2,385,420 | \$1,693,856 | \$ 691,564 | \$ 1,688,298 | \$1,180,828 | \$ 507,470 |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

5. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City and the Port recognized pension expense of \$78.4 million. At June 30, 2016, the City deferred outflows of resources and deferred inflows of resources related to pension items are from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Pension contributions subsequent to measurement date | \$ 111,663 | \$ - |
| Change in assumptions | - | (23,362) |
| Differences between expected and actual experiences | 3,871 | (22,057) |
| Net differences between projected and actual earnings on plan investments | - | (38,001) |
| Total | \$ 115,534 | \$ (83,420) |

At June 30, 2016, the City reported \$111.7 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ending June 30 | Deferred Outflows/(Inflows) of Resources |
|--------------------------------|---|
| 2017 | \$ (45,588) |
| 2018 | (43,401) |
| 2019 | (23,721) |
| 2020 | 33,161 |
| Total | \$ (79,549) |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

6. Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2015 is provided below, including any assumptions that differ from those used in the July 1, 2014 actuarial valuation.

| | <u>PFRS Plan</u> | <u>CalPERS Miscellaneous and Safety Plans</u> |
|--------------------------------------|------------------------------|--|
| Valuation date | July 1, 2015 | June 30, 2014 |
| Measurement date | June 30, 2015 | June 30, 2015 |
| Actuarial cost method | Entry-age normal cost method | Entry-age normal cost method |
| Actuarial cost method: | | |
| Discount rate | 6.54% | 7.65% |
| Investment rate of return | 6.44% | 7.65%, net of pension plan investment expenses, including inflation |
| Inflation rate | 2.75% to 2.85% | 2.75% |
| Payroll growth | n/a | 3.00% |
| Post retirement benefit increases | 3.25% | Purchasing power allowance floor on purchasing power applies, 2.75% thereafter |

For the PFRS Plan, the mortality rates for healthy and disabled lives were based on the CalPERS Healthy Table from the 2006-2011 Experience Study, and the CalPERS Industrial Disability Mortality Table from the 2006-2011 Experience Study, respectively. Mortality improvement tables are based on Scale MP-2014 using a base year of 2009. Actuarial assumptions used in the PFRS July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2014.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

Change in Assumptions - GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rates

PFRS – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

Best estimates of geometric real rates of return for each major class included in the PFRS's target asset allocation as of June 30, 2015 measurement date are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|---|
| Fixed Income | 2.65% |
| Domestic Equity | 6.90% |
| International Equity | 7.20% |
| Real Return | 5.20% |
| Covered Calls | 6.21% |
| Private Equity | 8.80% |
| Cash | 2.00% |

The discount rate used to measure the total pension liability was 6.54 percent. The projection of cash flows used to determine the discount rate assumed that the City would contribute to the PFRS Plan based on its July 1, 2012 funding agreement with the PFRS. This agreement suspends City contributions until the fiscal year beginning July 1, 2017, after which they will resume, based upon the recommendation of the actuary, with a Charter requirement that the PFRS Plan's liabilities be fully funded by July 1, 2026. A cash flow projection showed that the projected fiduciary net position would be greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CalPERS - The discount rate used to measure each of the CalPERS Miscellaneous Plan and the Safety Plan total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

| <u>Asset Class</u> | <u>New Strategic Allocation</u> | <u>Real Return Years 1 - 10¹</u> | <u>Real Return Years 11+²</u> |
|-------------------------------|---------------------------------|---|--|
| Global Equity | 51.00% | 5.25% | 5.71% |
| Global Fixed Income | 19.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Private Equity | 10.00% | 6.83% | 6.95% |
| Real Estate | 10.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.00% | 4.50% | 5.09% |
| Liquidity | 2.00% | -0.55% | -1.05% |

⁽¹⁾ An expected inflation of 2.5% used for this period.

⁽²⁾ An expected inflation of 3.0% used for this period.

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for each of the City's retirement plans, calculated using the discount rate, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

| | <u>1% Decrease at 5.54%</u> | <u>Measurement Date at 6.54%</u> | <u>1% Increase at 7.54%</u> |
|----------------------------|-----------------------------|----------------------------------|-----------------------------|
| PFRS Plan | \$ 278,663 | \$ 216,335 | \$ 163,584 |
| | <u>1% Decrease at 6.65%</u> | <u>Measurement Date at 7.65%</u> | <u>1% Increase at 8.65%</u> |
| CalPERS Miscellaneous Plan | \$ 984,156 | \$ 691,564 | \$ 447,699 |
| CalPERS Safety Plan | 750,850 | 507,470 | 309,492 |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

B. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Primary Government

1. 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 CalPERS plans were public safety employees retirements benefits under a 3% at 50 formula and miscellaneous employees retirement benefits under a 2.7% at 55 formula.

In 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 CalPERS. 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 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 CalPERS. 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.

2. 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 CalPERS health benefit plan on a pay-as-you-go basis. The City paid \$20.5 million for retirees under this program for the year ended June 30, 2016.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

3. 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 year ended June 30, 2016 were as follows (in thousands):

| | | |
|---|-----------|----------------|
| Annual Required Contribution (ARC) | \$ | 74,094 |
| Interest on net OPEB obligation | | 10,277 |
| Adjustment to ARC | | (15,787) |
| Annual OPEB cost | | 68,584 |
| Employer contribution | | (20,482) |
| Increase in net OPEB obligation | | 48,102 |
| Net OPEB obligation, beginning of year | | 256,922 |
| Net OPEB obligation, end of year | \$ | 305,024 |

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):

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------------------|---------------------|---|------------------------|
| 2014 | \$ 40,476 | 51.0% | \$ 235,095 |
| 2015 | 41,585 | 47.5% | 256,922 |
| 2016 | 68,584 | 29.9% | 305,024 |

OPEB Funded Status and Funding Progress

As summarized in the table below, as of July 1, 2015, the most recent actuarial valuation date, the City's Retiree Health Plan was 0.3 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.

The specific funded status for the OPEB plan is summarized in the table below, as of July 1, 2015 (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) |
|--------------------------------|---|--|---------------------------------|-----------------------|---------------------------|---|
| 7/1/2015 | \$ 862,892 | \$ 2,902 | \$ 859,990 | 0.3% | \$ 360,858 | 238.3% |

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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

4. Actuarial Methods and Assumptions for OPEB Plan

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 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 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 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 year ended June 30, 2016 and the funded status as of July 1, 2015 are as follows:*

| Description | Method/Assumption |
|---|--|
| Valuation Date | July 1, 2015 ¹ |
| Actuarial Cost Method | Entry Age Normal Cost Method |
| Amortization Method | Level Percent of Payroll, Open Period |
| Average Remaining Period | 30 years |
| Asset Valuation Method | Market Value |
| Actuarial Assumptions: | |
| Blended Discount Rate ¹ | 4.00% |
| Investment Rate of Return | 7.28% |
| Expected Return on City Assets | 3.80% |
| Projected Salary Increases | 2.5% per year growth |
| Ultimate Rate of Medical Inflation | 4.50% |
| Years to Ultimate Rate of Medical Inflation | 20 years |
| Inflation | 2.50% |
| Demographic Rate | Retirement benefit at 3% @ 50 formula for Safety employees and at 2.7% @ 55 formula for Miscellaneous employees. |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

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.

Changes in Actuarial Assumptions from the City's prior valuation dated July 1, 2013 include:

- *Discount rate* – The discount rate was lowered from 5.59% to 4.0%, reflecting the actual amount of payments made to the CERBT in addition to benefits paid.
- *Implicit subsidy* – The true cost of coverage for retirees age 55 to 64 is greater than the cost of the same coverage for the typical group of active employees. Employers who also treat the cost as being the same often are providing implicit subsidies for retirees. The cost difference, implicit subsidy, is equal to the “true” cost of providing retiree medical coverage minus the average active/retiree cost (i.e. the premium charged). Until recently, an implicit subsidy was assumed to not exist for community rated plans. However, Actuarial Standard of Practice (ASOP) No. 6 modified this assumption, making it necessary to value an implied subsidy cost for these plans effective for actuarial valuations on or after March 31, 2015. Since the City participates in the Public Employees' Medical and Hospital Care Act (PEMHCA) plans, which are considered community rated plans, the City has not needed to value an implied subsidy cost until this actuarial valuation.
- *Demographic assumptions* - The rates of retirement, withdrawal, disability retirement, and mortality assumptions are used for participants in CalPERS, and are based on the most recent CalPERS Experience Study completed January 2014 and approved by the CalPERS Board in February 2014.

Component Unit – Port of Oakland

1. Plan Description

The Port contributes to the 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 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 CalPERS 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). The vesting schedule does not apply to employees that are granted a disability retirement.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

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 5 of which are with the City/Port.

The Port will pay a percentage of employer contributions for the Retiree based upon the following:

| <u>Years of Credited Service</u> <u>(at least 5 of which are with the City/Port)</u> | <u>Percentage of Employer</u> <u>Contributions</u> |
|---|---|
| 10 | 50% |
| 11 | 55% |
| 12 | 60% |
| 13 | 65% |
| 14 | 70% |
| 15 | 75% |
| 16 | 80% |
| 17 | 85% |
| 18 | 90% |
| 19 | 95% |
| 20 | 100% |

2. Funding Policy

Benefit provisions are established and are amended through negotiations between the Port and the various bargaining units during each bargaining period. The Port pays a portion of retiree benefit expenses on a pay-as-you-go basis to third parties, outside of the CERBT fund, and funds the remaining annual required contribution (ARC) to the CERBT fund.

As of June 30, 2016, there were approximately 505 employees who had retired from the Port and were participating in the Port's Retiree Health Plan. During the year ended June 30, 2016, the Port contributed \$6.4 million to the CERBT and made payments of \$7.4 million on behalf of eligible retirees to third parties outside of the CERBT fund.

3. 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 a "closed" period of 30 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, 2016 (in thousands):

| | |
|---|--------------------------------|
| Annual Required Contribution (ARC) | \$ 13,725 |
| Interest on net OPEB obligation | 717 |
| Adjustment to ARC | (789) |
| Annual OPEB cost | <u>13,653</u> |
| Employer Contribution | <u>(13,781)</u> |
| Increase in net OPEB obligation | (128) |
| Net OPEB obligation, beginning of year | <u>10,249</u> |
| Net OPEB obligation, end of year | <u><u>\$ 10,121</u></u> |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior two years are as follows (in thousands):

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------------------|---------------------|---|------------------------|
| 2014 | \$ 12,789 | 100.3% | \$ 10,414 |
| 2015 | 12,780 | 101.3% | 10,249 |
| 2016 | 13,653 | 100.9% | 10,121 |

4. Funded Status and Funding Progress

The table below indicates the funded status of the Plan as of June 30, 2015, 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) |
|--------------------------------|---|--|---------------------------------|-----------------------|---------------------------|---|
| 6/30/2015 | \$ 157,351 | \$ 47,870 | \$ 109,481 | 30.4% | \$ 50,093 | 219% |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

5. 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 2016 was based on an actuarial valuation of the Port's plan as of June 30, 2015, which amortized the Port's UAAL over a "closed" period of 30 years beginning June 30, 2013. There are 28 years remaining as of June 30, 2015.

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 June 30, 2015 valuation used a discount rate of 7.00% and annual healthcare costs were assumed to increase at rates ranging from 2.75% to 8.25%, and a general inflation rate of 2.5% was used.

The schedules 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

C. COMMITMENTS AND CONTINGENCIES

1. Construction Commitments

As of June 30, 2016, the City had construction commitments for the acquisition and construction of assets as follows (in thousands):

| | General Fund | Federal/State Grant Fund | Municipal Capital Improvement | Other Special Revenue | Other Governmental Funds | Internal Service Funds | Total Governmental Activities |
|---|-----------------|--------------------------|-------------------------------|-----------------------|--------------------------|------------------------|-------------------------------|
| Building, facilities and infrastructure | \$ 1,882 | \$ 3,271 | \$ 13,282 | \$ 309 | \$ 217 | \$ 1,732 | \$ 20,693 |
| Parks and open space | - | 1,006 | 5,474 | 1,700 | 2 | - | 8,182 |
| Sewers and storm drains | - | 277 | 138 | - | - | - | 415 |
| Streets and sidewalks | 1,202 | 92,629 | 30,057 | 974 | 21,241 | - | 146,103 |
| Technology enhancements | 3,283 | - | 7,254 | 3,359 | - | 15,008 | 28,904 |
| Traffic improvements | 194 | 9,820 | 446 | 368 | 5,950 | - | 16,778 |
| Total | \$ 6,561 | \$ 107,003 | \$ 56,651 | \$ 6,710 | \$ 27,410 | \$ 16,740 | \$ 221,075 |

| | Sewer Fund | Nonmajor Parks and Recreation | Total Business-Type Activities |
|-------------------------|------------------|-------------------------------|--------------------------------|
| Parks and open space | \$ - | \$ 550 | \$ 550 |
| Sewers and storm drains | 48,990 | - | 48,990 |
| Total | \$ 48,990 | \$ 550 | \$ 49,540 |

2. Other Commitments and Contingencies

ORSA Encumbrances

As of June 30, 2016, the ORSA had encumbered \$877.5 million for contracted obligations, per the Recognized Obligations Payment Schedule covering the period July 1, 2016 through June 30, 2017, which was approved by the California Department of Finance on May 19, 2016.

Component Unit – Port of Oakland

As of June 30, 2016, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

| | |
|--------------|------------------|
| Aviation | \$ 47,524 |
| Maritime | 6,432 |
| Total | \$ 53,956 |

The most significant projects for which the Port has contractual commitments for construction is the Airport Terminal 1 retrofit and renovation program of \$43.8 million.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

1. 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.

| Counterparty | Contract Ending Year | Contract Structure | Estimated Output | Estimated Annual Cost |
|--------------|-------------------------|--|------------------|---|
| EBMUD | 2022 | Take and Pay - (Pay contract price only if energy is received) | 8,000 MWH | Approximately \$584,000 with no annual escalator through 2017; approximate \$464,000 with no annual escalator from 2017-2022. |
| WAPA | 2024 | Take or Pay - (Pay contract price without regard to energy received) | 17,000 MWH | Approximately \$800,000 (Changes annually depending on revenue requirement for power generation projects). |
| SunEdison | 2027 | Take and Pay - (Pay contract price only if energy is received) | 1,200 MWH | Approximately \$200,000 with annual escalator. |

In addition to the aforementioned power purchase agreements, the Port had outstanding, as of June 30, 2016, multiple forward power purchase contracts totaling approximately \$4.8 million with Powerex Corporation and Shell Energy North America. The forward power purchase contracts have various expiration dates through December 31, 2019.

2. 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, 2016, is as follows (in thousands):

| Obligating Event | Liability | Estimated Recovery |
|---|------------------|-------------------------------|
| Pollution poses an imminent danger to the public or environment | \$ 1,678 | \$ - |
| Identified as responsible to clean up pollution | 10,916 | 193 |
| Begins or legally obligates to clean up or post-clean up activities | 2,468 | 50 |
| Total by obligating event | \$ 15,062 | \$ 243 |

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

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.
- 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.

3. Recoveries

The environmental liabilities balances listed on the prior page have been reduced by estimated future recoveries. 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2016

D. DEFICIT FUND BALANCES/NET POSITION

As of June 30, 2016, the following funds reported deficits in fund balance/net position (in thousands):

| | |
|---|------------|
| Special Revenue Funds: | |
| Federal/State Grant Fund..... | \$ (8,093) |
| Landscape and Lighting Assessment District..... | (297) |
| Debt Service Fund: | |
| JPFA Fund..... | (3) |
| Internal Service Funds: | |
| Facilities..... | (26,203) |
| Reproduction..... | (2,579) |
| Central Stores..... | (4,692) |
| Purchasing..... | (1,399) |

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 deficit in the Landscape and Lighting Assessment District they collected from special assessments. 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.

At June 30, 2016, ORSA has a negative net position of \$317.9 million. Under the former California Redevelopment Law, the Former Agency issued bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increment revenues. In general, ORSA’s revenues 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).

E. SUBSEQUENT EVENT

Debt Issuance – Port

On August 16, 2016, the Port issued \$11.0 million of Series A (AMT) commercial paper notes, in order to reimburse prior capital expenditures, which included expenditures for the Port’s Runway Safety Area project and for the Terminal 1 retrofit and renovation project. This transaction is part of a larger plan to finance PFC-eligible Airport projects by utilizing debt when the rate of project expenditures exceed the rate of PFC collections. In its fiscal year 2017 Capital Budget, the Port has estimated that a total of \$68.7 million will be issued for this purpose over the 5-year Capital Improvement Program period.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

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CITY OF OAKLAND
Required Supplementary Information (unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios –
Police and Fire Retirement System
Last Three Fiscal Years*
(In Thousands)

| Fiscal year | 2016-17 | 2015-16 | 2014-15 |
|---|-------------------|-------------------|-------------------|
| Measurement period | 2015-16 | 2014-15 | 2013-14 |
| Total pension liability | | | |
| Service cost | \$ - | \$ - | \$ - |
| Interest on the total pension liability | 42,480 | 41,263 | 42,333 |
| Changes of assumptions | 43,480 | 34,219 | - |
| Differences between expected and actual experience | 6,978 | (21,209) | - |
| Benefit payments, including refunds of employee contributions | (58,441) | (59,008) | (57,409) |
| Net change in total pension liability | 34,497 | (4,735) | (15,076) |
| Total pension liability, beginning | 635,588 | 640,323 | 655,399 |
| Total pension liability, ending | \$ 670,085 | \$ 635,588 | \$ 640,323 |
| Plan fiduciary net position | | | |
| Contributions, employer | \$ - | \$ - | \$ - |
| Contributions, employee | - | - | 4 |
| Net investment income | (1,419) | 15,439 | 66,392 |
| Administrative expenses | (1,376) | (985) | (776) |
| Claims and settlements | 3,593 | - | - |
| Benefit payments, including refunds of employee contributions | (58,441) | (59,008) | (57,409) |
| Net change in plan fiduciary net position | (57,643) | (44,554) | 8,211 |
| Plan fiduciary net position, beginning | 419,253 | 463,807 | 455,596 |
| Plan fiduciary net position, ending | \$ 361,610 | \$ 419,253 | \$ 463,807 |
| Plan net pension liability | \$ 308,475 | \$ 216,335 | \$ 176,516 |
| Plan fiduciary net position as a percentage of the total pension liability | 54.0% | 66.0% | 72.4% |
| Covered payroll | \$ - | \$ - | \$ - |
| Plan net pension liability as a percentage of covered payroll | n/a | n/a | n/a |

Note to schedule:

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only three years of information is shown.

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios –
CalPERS Miscellaneous Plan
Last Two Fiscal Years*
(In Thousands)

| Fiscal year | 2015-16 | 2014-15 |
|---|---------------------|---------------------|
| Measurement period | 2014-15 | 2013-14 |
| Total pension liability | | |
| Service cost | \$ 37,347 | \$ 37,135 |
| Interest on the total pension liability | 172,693 | 166,822 |
| Changes of assumptions | (39,092) | - |
| Differences between expected and actual experience | (7,769) | - |
| Benefit payments, including refunds of employee contributions | (126,730) | (121,423) |
| Net change in total pension liability | 36,449 | 82,534 |
| Total pension liability, beginning | 2,348,971 | 2,266,437 |
| Total pension liability, ending | \$ 2,385,420 | \$ 2,348,971 |
| Plan fiduciary net position | | |
| Contributions, employer | \$ 63,531 | \$ 52,556 |
| Contributions, employee | 16,904 | 17,431 |
| Plan of plan resource movement | 24 | - |
| Net investment income | 37,833 | 256,552 |
| Administrative expenses | (1,919) | - |
| Benefit payments, including refunds of employee contributions | (126,730) | (121,423) |
| Net change in plan fiduciary net position | (10,357) | 205,116 |
| Plan fiduciary net position, beginning | 1,704,213 | 1,499,097 |
| Plan fiduciary net position, ending | \$ 1,693,856 | \$ 1,704,213 |
| Plan net pension liability | \$ 691,564 | \$ 644,758 |
| Plan fiduciary net position as a percentage of the total pension liability | 71.0% | 72.6% |
| Covered payroll | \$ 200,562 | \$ 188,886 |
| Plan net pension liability as a percentage of covered payroll | 344.8% | 341.3% |

Note to schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Change in assumptions - The discount rate was changed from 7.50 percent (net of administrative expense) in 2015 to 7.65% in 2016.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only two years of information is shown.

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios –
CalPERS Safety Plan
Last Two Fiscal Years*
(In Thousands)

| Fiscal year | 2015-16 | 2014-15 |
|---|---------------------|---------------------|
| Measurement period | 2014-15 | 2013-14 |
| Total pension liability | | |
| Service cost | \$ 32,899 | \$ 34,590 |
| Interest on the total pension liability | 121,444 | 115,261 |
| Changes of assumptions | (31,738) | - |
| Differences between expected and actual experience | 4,892 | - |
| Benefit payments, including refunds of employee contributions | (74,198) | (68,751) |
| Net change in total pension liability | 53,299 | 81,100 |
| Total pension liability, beginning | 1,634,999 | 1,553,899 |
| Total pension liability, ending | \$ 1,688,298 | \$ 1,634,999 |
| Plan fiduciary net position | | |
| Contributions, employer | \$ 44,366 | \$ 37,007 |
| Contributions, employee | 15,027 | 14,598 |
| Plan to plan resource movement | (24) | - |
| Net investment income | 26,057 | 175,344 |
| Administrative expenses | (1,337) | - |
| Benefit payments, including refunds of employee contributions | (74,198) | (68,751) |
| Net change in plan fiduciary net position | 9,891 | 158,198 |
| Plan fiduciary net position, beginning | 1,170,937 | 1,012,739 |
| Plan fiduciary net position, ending | \$ 1,180,828 | \$ 1,170,937 |
| Plan net pension liability | \$ 507,470 | \$ 464,062 |
| Plan fiduciary net position as a percentage of the total pension liability | 69.9% | 71.6% |
| Covered payroll | \$ 119,980 | \$ 120,396 |
| Plan net pension liability as a percentage of covered payroll | 423.0% | 385.4% |

Note to schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Change in assumptions - The discount rate was changed from 7.50 percent (net of administrative expense) in 2015 to 7.65% in 2016.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only two years of information is shown.

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Schedule of Employer Pension Contributions –
Police and Fire Retirement System
Last Three Fiscal Years*
(In Thousands)

Oakland Police and Fire Retirement System

| Fiscal year ended June 30 | <u>2016 *</u> | <u>2015</u> | <u>2014</u> |
|--|---------------|-------------|------------------|
| Actuarially determined contributions (ADC) | \$ - | \$ - | \$ 20,300 |
| Contributions in relation to the ADC | - | - | - |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 20,300</u> |
| Covered payroll | \$ - | \$ - | \$ - |
| Contributions as a percentage of covered payroll | n/a | n/a | n/a |

* Although an actuarial valuation was performed as of June 30, 2013, 2014 and 2015, no ADC was determined for 2014, 2015, and 2016, based on the City's funding policy. In July 2012, the City contributed \$210 million in pension obligation bonds proceeds to the plan.

The actuarial methods and assumptions used to set the actuarially determined contributions were as follows:

| | |
|-----------------------------|--|
| Actuarial valuation date | July 1, 2012 |
| Actuarial cost method | Entry-Age Normal Cost Method |
| Asset valuation method | Recognizes 20% difference between market value and expected actuarial value each year, with a corridor of 10% around market value. |
| Amortization method | Level dollar closed (23 years remaining as of 7/1/2013) |
| Inflation | 3.25% to 3.375% |
| Discount rate | 6.75% |
| Projected benefit increases | Following expiration of current MOUs (6/30/15 for Police, 10/31/17 for Fire): |
| Police | 2% per year, 3% per year for 3 year, then 3.975% (Bay Area inflation plus 0.60% productivity increase) per year. |
| Fire | 3% per year for 3 year, then 3.975% (Bay Area inflation plus 0.60% productivity increase) per year. |
| Mortality (healthy) | RP-2000 Combined Healthy Table (for males, rates multiplied by 97% and ages set back 1 year), projected to improve with Scale AA using a 2006 base year. |
| Mortality (disabled) | CalPERS Industrial Disability Mortality Table (from 1997 - 2007 experience study) projected to improve with Scale AA using 2010 base year. |

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only three years of information is shown.

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Schedule of Employer Pension Contributions – CalPERS Plans
Last Three Fiscal Years*
(In Thousands)

Miscellaneous Plan

| Fiscal year ended June 30 | <u>2016</u> | <u>2015**</u> | <u>2014</u> |
|--|-----------------|-------------------|-----------------|
| Actuarially determined contributions (ADC) | \$ 65,399 | \$ 59,468 | \$ 52,556 |
| Contributions in relation to the ADC | <u>(65,399)</u> | <u>(63,531)</u> | <u>(52,556)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ (4,063)</u> | <u>\$ -</u> |
| Covered payroll | \$ 200,132 | \$ 200,562 | \$ 188,886 |
| Contributions as a percentage of covered payroll | 32.68% | 31.68% | 27.82% |

Safety Plan

| Fiscal year ended June 30 | <u>2016</u> | <u>2015**</u> | <u>2014</u> |
|--|-----------------|-----------------|-----------------|
| Actuarially determined contributions | \$ 46,264 | \$ 43,747 | \$ 37,007 |
| Contributions in relation to the ADC | <u>(46,264)</u> | <u>(44,366)</u> | <u>(37,007)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ (619)</u> | <u>\$ -</u> |
| Covered payroll | \$ 125,299 | \$ 119,980 | \$ 120,396 |
| Contributions as a percentage of covered payroll | 36.92% | 36.98% | 30.74% |

The actuarial methods and assumptions used to set the actuarially determined contributions were as follows:

| | |
|---------------------------|---|
| ADC for fiscal year | June 30, 2016 |
| Actuarial valuation date | June 30, 2013 |
| Actuarial cost method | Entry-Age Normal Cost Method |
| Asset valuation method | Actuarial value of assets |
| Inflation | 2.75% |
| Salary increases | Varies by entry age and services |
| Payroll growth | 3.00% |
| Investment rate of return | 7.50%, net of pension plan investment and administrative expenses, includes inflation. |
| Retirement age | The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. |
| Mortality | The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. |

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only three years of information is shown.

** In fiscal year ended June 30, 2015, the contributions in relation to the actuarially determined contributions were based on estimates. The City made a \$0.06 million and a \$0.25 million adjustment to align the estimated employer contributions with the actual employer contributions per the 2015 agent-multiple employer CalPERS reports for the CalPERS Miscellaneous Plan and the Safety Plan, respectively.

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Schedules of Funding Progress – Other Postemployment Benefits
Year Ended June 30, 2016
(In Thousands)

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.

| City Other Postemployment Benefits | | | | | | |
|---|--|--|--|----------------------------|---------------------------|---|
| 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) |
| 7/1/2012 | \$ 553,530 | \$ - | \$ 553,530 | 0.0% | \$ 304,373 | 181.9% |
| 7/1/2013 | 463,851 | - | 463,851 | 0.0% | 322,170 | 144.0% |
| 7/1/2015 | 862,892 | 2,902 | 859,990 | 0.3% | 360,858 | 238.3% |

* The City began to partially pre-fund the annual required contribution in the year ended June 30, 2014 by participating in California Employers' Retiree Benefit Trust sponsored by CalPERS.

| Port Other Postemployment Benefits | | | | | | |
|---|--|--|--|----------------------------|---------------------------|---|
| 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 | \$ 128,906 | \$ 19,145 | \$ 109,761 | 14.9% | \$ 44,627 | 246.0% |
| 6/30/2013 | 136,616 | 30,715 | 105,901 | 22.5% | 47,823 | 221.4% |
| 6/30/2015 | 157,351 | 47,870 | 109,481 | 30.4% | 50,093 | 218.6% |

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2016
(In Thousands)

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|--|--------------------|-------------------|------------------------------|------------------------------------|
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 235,850 | \$ 235,850 | \$ 257,707 | \$ 21,857 |
| Sales and use | 52,518 | 55,426 | 52,192 | (3,234) |
| Motor vehicle in-lieu | - | - | 166 | 166 |
| Local taxes: | | | | |
| Business license | 70,048 | 70,048 | 75,504 | 5,456 |
| Utility consumption | 50,000 | 50,000 | 51,006 | 1,006 |
| Real estate transfer | 61,176 | 61,176 | 89,594 | 28,418 |
| Transient occupancy | 16,900 | 16,900 | 20,209 | 3,309 |
| Parking | 10,211 | 10,211 | 10,220 | 9 |
| Franchise | 15,635 | 15,635 | 18,321 | 2,686 |
| Licenses and permits | 2,345 | 2,344 | 1,591 | (753) |
| Fines and penalties | 24,443 | 24,677 | 21,648 | (3,029) |
| Interest and investment income | 715 | 715 | 1,097 | 382 |
| Charges for services | 79,395 | 80,164 | 85,184 | 5,020 |
| Federal and state grants and subventions | 4,214 | 2,094 | 5,953 | 3,859 |
| Annuity income | 8,857 | 8,857 | 1,096 | (7,761) |
| Other | 1,519 | 1,521 | 2,622 | 1,101 |
| TOTAL REVENUES | 633,826 | 635,618 | 694,110 | 58,492 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Elected and Appointed Officials: | | | | |
| Mayor | 2,535 | 2,542 | 2,197 | 345 |
| Council | 4,436 | 4,706 | 4,513 | 193 |
| City Administrator | 17,665 | 19,376 | 15,831 | 3,545 |
| City Attorney | 12,337 | 16,605 | 15,296 | 1,309 |
| City Auditor | 1,904 | 1,907 | 1,760 | 147 |
| City Clerk | 3,425 | 4,025 | 3,326 | 699 |
| Public Ethics Commission | - | 11,116 | 587 | 10,529 |
| Departments: | | | | |
| Administrative Service Department: | | | | |
| Human Resource Management | 6,452 | 7,506 | 6,655 | 851 |
| Financial Services | 26,119 | 28,195 | 23,879 | 4,316 |
| Information Technology | 10,507 | 13,358 | 11,604 | 1,754 |
| Race and Equity Department | 304 | 11,420 | 84 | 11,336 |
| Public Safety: | | | | |
| Oakland Police Department | 217,872 | 237,932 | 245,628 | (7,696) |
| Oakland Fire Department | 124,714 | 127,423 | 126,669 | 754 |
| Community Service Department: | | | | |
| Parks and Recreation | 22,361 | 23,968 | 23,199 | 769 |
| Library | 11,129 | 11,420 | 11,220 | 200 |
| Human Services Department | | | | |
| Community and Economic Development: | | | | |
| Planning and Building | 299 | 1,020 | 109 | 911 |
| Economic & Workforce Development | 9,267 | 10,061 | 8,891 | 1,170 |
| Housing & Community Development | 6,684 | 9,900 | 4,416 | 5,484 |
| Oakland Public Works | 34,422 | 39,849 | 30,539 | 9,310 |
| Other | 44,179 | 21,267 | 12,086 | 9,181 |
| Capital outlay | 1,373 | 7,329 | 2,277 | 5,052 |
| Debt service: | | | | |
| Principal repayment | 6,095 | 5,573 | 5,432 | 141 |
| Bond issuance cost | - | - | 240 | (240) |
| Interest charges | 522 | 522 | 522 | - |
| TOTAL EXPENDITURES | 571,127 | 625,085 | 563,193 | 61,892 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 62,699 | 10,533 | 130,917 | (3,400) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Premiums (discount) on issuance of debt | - | - | (78) | (78) |
| Proceeds from sale of capital assets | 4,452 | 4,452 | 66 | (4,386) |
| Insurance claims and settlements | - | - | 4,314 | 4,314 |
| Transfers in | 72,257 | 77,492 | 8,653 | (68,839) |
| Transfers out | (143,931) | (165,134) | (100,843) | 64,291 |
| TOTAL OTHER FINANCING SOURCES (USES) | (67,222) | (83,190) | (87,888) | (4,698) |
| NET CHANGE IN FUND BALANCE | (4,523) | (72,657) | 43,029 | (8,098) |
| Fund balance (deficit) - beginning | 269,689 | 269,689 | 269,689 | - |
| FUND BALANCE (DEFICIT) - ENDING | \$ 265,166 | \$ 197,032 | \$ 312,718 | \$ (8,098) |

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Budgetary Comparison Schedule – Other Special Revenue Fund
For the Year Ended June 30, 2016
(In Thousands)

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|--|----------------------------|-------------------------|---------------------------------------|---|
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 15,978 | \$ 15,978 | \$ 15,660 | \$ (318) |
| Local taxes: | | | | |
| Transient occupancy | 4,728 | 4,877 | 5,462 | 585 |
| Parking | 8,680 | 8,680 | 9,955 | 1,275 |
| Voter approved special tax | 19,115 | 19,115 | 18,473 | (642) |
| Licenses and permits | 15,418 | 15,418 | 27,682 | 12,264 |
| Fines and penalties | 1,116 | 1,116 | 878 | (238) |
| Interest and investment income | 10 | 412 | 964 | 552 |
| Charges for services | 21,643 | 21,646 | 28,294 | 6,648 |
| Federal and state grants and subventions | 1,449 | 1,904 | 3,663 | 1,759 |
| Other | 959 | 3,134 | 2,287 | (847) |
| TOTAL REVENUES | 89,096 | 92,280 | 113,318 | 21,038 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Elected and Appointed Officials: | | | | |
| Mayor | 83 | 100 | - | 100 |
| City Administrator | 1,444 | 2,995 | 780 | 2,215 |
| City Attorney | 1,843 | 1,926 | 1,931 | (5) |
| Departments: | | | | |
| Administrative Service Department: | | | | |
| Financial Services | 645 | 764 | 978 | (214) |
| Information Technology | 692 | 607 | 646 | (39) |
| Public Safety: | | | | |
| Oakland Police Department | 14,938 | 15,532 | 15,702 | (170) |
| Oakland Fire Department | 7,097 | 8,317 | 6,041 | 2,276 |
| Community Service Department: | | | | |
| Parks and Recreation | - | 440 | 368 | 72 |
| Library | 16,527 | 17,505 | 15,055 | 2,450 |
| Human Services Department | 23,236 | 30,571 | 20,104 | 10,467 |
| Community and Economic Development: | | | | |
| Planning and Building | 26,520 | 33,674 | 24,765 | 8,909 |
| Economic & Workforce Development | 576 | 1,184 | 583 | 601 |
| Housing & Community Development | 1,848 | 5,428 | 4,370 | 1,058 |
| Oakland Public Works | 5,775 | 8,305 | 5,954 | 2,351 |
| Other | 4,152 | 4,301 | 4,779 | (478) |
| Capital outlay | 603 | 6,899 | 2,204 | 4,695 |
| TOTAL EXPENDITURES | 105,979 | 138,548 | 104,260 | 34,288 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (16,883) | (46,268) | 9,058 | (13,250) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 17,638 | 18,348 | 15,083 | (3,265) |
| Transfers out | (755) | (902) | - | 902 |
| TOTAL OTHER FINANCING SOURCES (USES) | 16,883 | 17,446 | 15,083 | (2,363) |
| NET CHANGE IN FUND BALANCE | - | (28,822) | 24,141 | (15,613) |
| Fund balance (deficit) - beginning | 32,675 | 32,675 | 32,675 | - |
| FUND BALANCE (DEFICIT) - ENDING | \$ 32,675 | \$ 3,853 | \$ 56,816 | \$ (15,613) |

CITY OF OAKLAND
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

(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 2015, the City Council approved the City's two-year budget for fiscal years 2016 and 2017. 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 2015-16 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 Grant Fund
- Low and Moderate Income Housing Asset Fund
- Municipal Capital Improvement Fund

While the City adopts budgets for all funds, the budgets 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 (continued)
For the Year Ended June 30, 2016

**(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, 2016, was \$0.8 million.

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 | \$ 43,805 |
| Amortization of debt service deposit agreement | (776) |
| Net change in fund balance - Budgetary basis | \$ 43,029 |

The General Fund’s fund balance on a GAAP Basis is reconciled to a Budgetary Basis as of June 30, 2016, which is as follows (in thousands):

| | General Fund |
|--|---------------------|
| Fund balance as of June 30, 2016 - GAAP basis | \$ 310,136 |
| Unamortized debt service deposit agreement | 2,582 |
| Fund balance as of June 30, 2016 - Budgetary basis | \$ 312,718 |

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

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CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016
(In Thousands)

| | Special Revenue Funds | Debt Service Funds | Total |
|---|-----------------------------|--------------------------|------------------|
| ASSETS | | | |
| Cash and investments | \$ 31,035 | \$ 12,188 | \$ 43,223 |
| Receivable, net: | | | |
| Accrued interest and dividends | 35 | 15 | 50 |
| Property taxes | 2,332 | 307 | 2,639 |
| Accounts receivable | 5,475 | - | 5,475 |
| Grants receivable | 1,888 | - | 1,888 |
| Restricted cash and investments | 1,024 | 12,260 | 13,284 |
| Other assets | 100 | - | 100 |
| TOTAL ASSETS | \$ 41,889 | \$ 24,770 | \$ 66,659 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 5,180 | \$ 8 | \$ 5,188 |
| Due to other funds | 1,549 | 2 | 1,551 |
| Other | 950 | - | 950 |
| TOTAL LIABILITIES | 7,679 | 10 | 7,689 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property tax | 1,913 | 115 | 2,028 |
| FUND BALANCES | | | |
| Restricted | 30,073 | 24,648 | 54,721 |
| Committed | 2,115 | - | 2,115 |
| Assigned | 1,429 | - | 1,429 |
| Unassigned | (1,320) | (3) | (1,323) |
| TOTAL FUND BALANCES | 32,297 | 24,645 | 56,942 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 41,889 | \$ 24,770 | \$ 66,659 |

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016
(In Thousands)

| | Special Revenue Funds | Debt Service Funds | Eliminations | Total |
|--|-----------------------------|--------------------------|--------------|------------------|
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ - | \$ 6,431 | \$ - | \$ 6,431 |
| Sales and use | 25,173 | - | - | 25,173 |
| Gas | 8,653 | - | - | 8,653 |
| Voter approved special tax | 19,320 | - | - | 19,320 |
| Licenses and permits | 89 | - | - | 89 |
| Fines and penalties | 1,085 | 13 | - | 1,098 |
| Interest and investment income | 134 | 144 | - | 278 |
| Charges for services | 320 | 314 | - | 634 |
| Federal and state grants and subventions | 3,898 | - | - | 3,898 |
| Other | 2,751 | 413 | - | 3,164 |
| TOTAL REVENUES | 61,423 | 7,315 | - | 68,738 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Elected and Appointed Officials: | | | | |
| Mayor | 260 | - | - | 260 |
| City Administrator | 7 | - | - | 7 |
| City Attorney | 36 | - | - | 36 |
| Departments: | | | | |
| Administrative Service Department: | | | | |
| Financial Services | 82 | 46 | - | 128 |
| Public Safety: | | | | |
| Oakland Police Department | 898 | - | - | 898 |
| Oakland Fire Department | 850 | - | - | 850 |
| Community Service Department: | | | | |
| Parks and Recreation | 2,639 | - | - | 2,639 |
| Library | 304 | - | - | 304 |
| Human Services Department | 1,634 | - | - | 1,634 |
| Community and Economic Development: | | | | |
| Economic & Workforce Development | 916 | - | - | 916 |
| Oakland Public Works | 38,406 | - | - | 38,406 |
| Other | - | 67 | - | 67 |
| Capital outlay | 12,878 | - | - | 12,878 |
| Debt service: | | | | |
| Principal repayment | - | 42,410 | - | 42,410 |
| Bond issuance cost | - | 11 | - | 11 |
| Interest charges | - | 50,946 | - | 50,946 |
| TOTAL EXPENDITURES | 58,910 | 93,480 | - | 152,390 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 2,513 | (86,165) | - | (83,652) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,249 | 81,162 | (2,784) | 79,627 |
| Transfers out | (1,772) | (3,446) | 2,784 | (2,434) |
| TOTAL OTHER FINANCING SOURCES (USES) | (523) | 77,716 | - | 77,193 |
| NET CHANGE IN FUND BALANCES | 1,990 | (8,449) | - | (6,459) |
| Fund balances - beginning | 30,307 | 33,094 | - | 63,401 |
| FUND BALANCES - ENDING | \$ 32,297 | \$ 24,645 | \$ - | \$ 56,942 |

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.

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CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds
June 30, 2016
(In Thousands)

| | Traffic Safety & Control | State Gas Tax | Landscape and Lighting Assessment District | Assessment Districts | Parks, Recreation, and Cultural | Total |
|---|--------------------------------|------------------|--|-------------------------|---------------------------------------|------------------|
| ASSETS | | | | | | |
| Cash and investments | \$ 18,584 | \$ 3,969 | \$ - | \$ 3,788 | \$ 4,694 | \$ 31,035 |
| Receivable, net: | | | | | | |
| Accrued interest and dividends | 21 | 5 | - | 4 | 5 | 35 |
| Property taxes | - | - | 2,058 | 76 | 198 | 2,332 |
| Accounts receivable | 4,385 | - | 1,068 | 22 | - | 5,475 |
| Grants receivable | 1,888 | - | - | - | - | 1,888 |
| Restricted cash and investments | - | - | 1,023 | - | 1 | 1,024 |
| Other assets | 100 | - | - | - | - | 100 |
| TOTAL ASSETS | \$ 24,978 | \$ 3,974 | \$ 4,149 | \$ 3,890 | \$ 4,898 | \$ 41,889 |
| LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities | \$ 2,776 | \$ 686 | \$ 1,219 | \$ 268 | \$ 231 | \$ 5,180 |
| Due to other funds | - | - | 1,549 | - | - | 1,549 |
| Other | - | - | - | - | 950 | 950 |
| TOTAL LIABILITIES | 2,776 | 686 | 2,768 | 268 | 1,181 | 7,679 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue - property tax | - | - | 1,678 | 63 | 172 | 1,913 |
| FUND BALANCES | | | | | | |
| Restricted | 22,202 | 3,288 | 1,023 | 3,559 | 1 | 30,073 |
| Committed | - | - | - | - | 2,115 | 2,115 |
| Assigned | - | - | - | - | 1,429 | 1,429 |
| Unassigned | - | - | (1,320) | - | - | (1,320) |
| TOTAL FUND BALANCES (DEFICIT) | 22,202 | 3,288 | (297) | 3,559 | 3,545 | 32,297 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 24,978 | \$ 3,974 | \$ 4,149 | \$ 3,890 | \$ 4,898 | \$ 41,889 |

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, 2016
(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 | \$ 25,173 | \$ - | \$ - | \$ - | \$ - | \$ 25,173 |
| Gas | - | 8,653 | - | - | - | 8,653 |
| Voter approved special tax | - | - | 19,155 | 165 | - | 19,320 |
| Licenses and permits | - | 2 | 87 | - | - | 89 |
| Fines and penalties | 1,085 | - | - | - | - | 1,085 |
| Interest and investment income | 69 | 23 | 1 | 14 | 27 | 134 |
| Charges for services | 104 | 9 | 207 | - | - | 320 |
| Federal and state grants and subventions | 3,325 | 138 | - | - | 435 | 3,898 |
| Other | 1,828 | 4 | 104 | 4 | 811 | 2,751 |
| TOTAL REVENUES | 31,584 | 8,829 | 19,554 | 183 | 1,273 | 61,423 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Elected and Appointed Officials: | | | | | | |
| Mayor | 245 | - | - | - | 15 | 260 |
| City Administrator | - | - | 6 | 1 | - | 7 |
| City Attorney | 36 | - | - | - | - | 36 |
| Departments: | | | | | | |
| Administrative Service Department: | | | | | | |
| Financial Services | 47 | - | 33 | 2 | - | 82 |
| Public Safety: | | | | | | |
| Oakland Police Department | 898 | - | - | - | - | 898 |
| Oakland Fire Department | - | - | - | 850 | - | 850 |
| Community Service Department: | | | | | | |
| Parks and Recreation | - | - | 2,638 | - | 1 | 2,639 |
| Library | - | - | - | - | 304 | 304 |
| Human Services Department | 1,634 | - | - | - | - | 1,634 |
| Community and Economic Development: | | | | | | |
| Economic & Workforce Development | 404 | - | - | - | 512 | 916 |
| Oakland Public Works | 11,517 | 11,164 | 15,708 | 32 | (15) | 38,406 |
| Capital outlay | 11,632 | 966 | 16 | 245 | 19 | 12,878 |
| TOTAL EXPENDITURES | 26,413 | 12,130 | 18,401 | 1,130 | 836 | 58,910 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 5,171 | (3,301) | 1,153 | (947) | 437 | 2,513 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 137 | - | 612 | 500 | - | 1,249 |
| Transfers out | - | - | (1,772) | - | - | (1,772) |
| TOTAL OTHER FINANCING SOURCES (USES) | 137 | - | (1,160) | 500 | - | (523) |
| NET CHANGE IN FUND BALANCES | 5,308 | (3,301) | (7) | (447) | 437 | 1,990 |
| Fund balances (deficit) - beginning | 16,894 | 6,589 | (290) | 4,006 | 3,108 | 30,307 |
| FUND BALANCES (DEFICIT) - ENDING | \$ 22,202 | \$ 3,288 | \$ (297) | \$ 3,559 | \$ 3,545 | \$ 32,297 |

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, 2016
(In Thousands)

| | Traffic Safety & Control | | | | State Gas Tax | | | |
|--|--------------------------|-----------------|------------------------------|------------------------------------|--------------------|-----------------|------------------------------|------------------------------------|
| | 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 | \$ 24,646 | \$ 24,646 | \$ 25,173 | \$ 527 | \$ - | \$ - | \$ - | \$ - |
| Gas | - | - | - | - | 9,012 | 9,012 | 8,653 | (359) |
| Licenses and permits | - | - | - | - | - | - | 2 | 2 |
| Fines and penalties | 2,727 | 2,727 | 1,085 | (1,642) | - | - | - | - |
| Interest and investment income | 11 | 11 | 69 | 58 | - | - | 23 | 23 |
| Charges for services | 115 | 115 | 104 | (11) | - | - | 9 | 9 |
| Federal and state grants and subventions | 1,638 | 1,848 | 3,325 | 1,477 | 20 | 141 | 138 | (3) |
| Other | - | 93 | 1,828 | 1,735 | 141 | 20 | 4 | (16) |
| TOTAL REVENUES | <u>29,137</u> | <u>29,440</u> | <u>31,584</u> | <u>2,144</u> | <u>9,173</u> | <u>9,173</u> | <u>8,829</u> | <u>(344)</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| Elected and Appointed Officials: | | | | | | | | |
| Mayor | 210 | 210 | 245 | (35) | - | - | - | - |
| City Attorney | 30 | 30 | 36 | (6) | - | - | - | - |
| Departments: | | | | | | | | |
| Administrative Service Department: | | | | | | | | |
| Financial Services | 39 | 39 | 47 | (8) | - | - | - | - |
| Public Safety: | | | | | | | | |
| Oakland Police Department | 2,366 | 2,760 | 898 | 1,862 | - | - | - | - |
| Human Services Department | 2,367 | 3,147 | 1,634 | 1,513 | - | - | - | - |
| Community and Economic Development: | | | | | | | | |
| Economic & Workforce Development | - | 426 | 404 | 22 | - | - | - | - |
| Oakland Public Works | 9,126 | 13,782 | 11,517 | 2,265 | 11,153 | 11,441 | 11,164 | 277 |
| Capital outlay | 19,937 | 30,849 | 11,632 | 19,217 | 150 | 3,096 | 966 | 2,130 |
| TOTAL EXPENDITURES | <u>34,075</u> | <u>51,243</u> | <u>26,413</u> | <u>24,830</u> | <u>11,303</u> | <u>14,537</u> | <u>12,130</u> | <u>2,407</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(4,938)</u> | <u>(21,803)</u> | <u>5,171</u> | <u>26,974</u> | <u>(2,130)</u> | <u>(5,364)</u> | <u>(3,301)</u> | <u>2,063</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | 4,938 | 4,938 | 137 | (4,801) | 2,130 | 2,130 | - | (2,130) |
| Transfers out | - | - | - | - | - | (35) | - | 35 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>4,938</u> | <u>4,938</u> | <u>137</u> | <u>(4,801)</u> | <u>2,130</u> | <u>2,095</u> | <u>-</u> | <u>(2,095)</u> |
| NET CHANGE IN FUND BALANCES | - | (16,865) | 5,308 | 22,173 | - | (3,269) | (3,301) | (32) |
| Fund balances (deficit) - beginning | 16,894 | 16,894 | 16,894 | - | 6,589 | 6,589 | 6,589 | - |
| FUND BALANCES (DEFICIT) - ENDING | <u>\$ 16,894</u> | <u>\$ 29</u> | <u>\$ 22,202</u> | <u>\$ 22,173</u> | <u>\$ 6,589</u> | <u>\$ 3,320</u> | <u>\$ 3,288</u> | <u>\$ (32)</u> |

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, 2016
(In Thousands)

| | Landscape and Lighting Assessment District | | | | Assessment District | | | |
|--|--|-------------------|--------------------|------------------------|---------------------|-----------------|--------------------|------------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| | | | Budgetary Basis | Positive (Negative) | | | Budgetary Basis | Positive (Negative) |
| REVENUES | | | | | | | | |
| Taxes: | | | | | | | | |
| Sales and use | \$ 19,300 | \$ 19,300 | \$ - | \$ (19,300) | \$ - | \$ - | \$ - | \$ - |
| Voter approved special tax | - | - | 19,155 | 19,155 | 134 | 134 | 165 | 31 |
| Licenses and permits | 53 | 53 | 87 | 34 | - | - | - | - |
| Interest and investment income | - | - | 1 | 1 | - | - | 14 | 14 |
| Charges for services | 172 | 172 | 207 | 35 | - | - | - | - |
| Other | - | - | 104 | 104 | 3 | 3 | 4 | 1 |
| TOTAL REVENUES | 19,525 | 19,525 | 19,554 | 29 | 137 | 137 | 183 | 46 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| Elected and Appointed Officials: | | | | | | | | |
| City Administrator | 26 | 74 | 6 | 68 | 3 | 4 | 1 | 3 |
| Departments: | | | | | | | | |
| Administrative Service Department: | | | | | | | | |
| Financial Services | 28 | 33 | 33 | - | 131 | - | 2 | (2) |
| Public Safety: | | | | | | | | |
| Oakland Fire Department | - | - | - | - | 1,895 | 2,358 | 850 | 1,508 |
| Community Service Department: | | | | | | | | |
| Parks and Recreation | 2,628 | 2,631 | 2,638 | (7) | - | - | - | - |
| Community and Economic Development: | | | | | | | | |
| Economic & Workforce Development | - | (1) | - | (1) | - | - | - | - |
| Oakland Public Works | 15,157 | 16,007 | 15,708 | 299 | - | 59 | 32 | 27 |
| Capital outlay | 185 | 248 | 16 | 232 | - | 306 | 245 | 61 |
| TOTAL EXPENDITURES | 18,024 | 18,992 | 18,401 | 591 | 2,029 | 2,727 | 1,130 | 1,597 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 1,501 | 533 | 1,153 | 620 | (1,892) | (2,590) | (947) | 1,643 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | 585 | 610 | 610 | - | 1,892 | 2,346 | 500 | (1,846) |
| Transfers out | (2,086) | (2,086) | (1,772) | 314 | - | (131) | - | 131 |
| TOTAL OTHER FINANCING SOURCES (USES) | (1,501) | (1,476) | (1,162) | 314 | 1,892 | 2,215 | 500 | (1,715) |
| NET CHANGE IN FUND BALANCES | - | (943) | (9) | 934 | - | (375) | (447) | (72) |
| Fund balances (deficit) - beginning | (290) | (290) | (290) | - | 4,006 | 4,006 | 4,006 | - |
| FUND BALANCES (DEFICIT) - ENDING | \$ (290) | \$ (1,233) | \$ (299) | \$ 934 | \$ 4,006 | \$ 3,631 | \$ 3,559 | \$ (72) |

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, 2016
(In Thousands)

| | Parks, Recreation, and Cultural | | | |
|--|--|-------------------------|---------------------------------------|---|
| | Original Budget | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
| REVENUES | | | | |
| Interest and investment income | \$ 33 | \$ 33 | \$ 27 | \$ (6) |
| Federal and state grants and subventions | - | 1,179 | 435 | (744) |
| Other | 180 | 164 | 811 | 647 |
| TOTAL REVENUES | <u>213</u> | <u>1,376</u> | <u>1,273</u> | <u>(103)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Elected and Appointed Officials: | | | | |
| Mayor | - | 64 | 15 | 49 |
| Departments: | | | | |
| Administrative Service Department: | | | | |
| Race and Ethnic Diversity | - | - | - | - |
| Community Service Department: | | | | |
| Parks and Recreation | 69 | 398 | 1 | 397 |
| Library | 111 | 724 | 304 | 420 |
| Community and Economic Development: | | | | |
| Economic & Workforce Development | - | 1,072 | 512 | 560 |
| Oakland Public Works | - | 91 | (15) | 106 |
| Other | 33 | 33 | - | 33 |
| Capital outlay | - | 519 | 19 | 500 |
| TOTAL EXPENDITURES | <u>213</u> | <u>2,901</u> | <u>836</u> | <u>2,065</u> |
| NET CHANGE IN FUND BALANCES | - | (1,525) | 437 | 1,962 |
| Fund balances (deficit) - beginning | 3,108 | 3,108 | 3,108 | - |
| FUND BALANCES (DEFICIT) - ENDING | <u>\$ 3,108</u> | <u>\$ 1,583</u> | <u>\$ 3,545</u> | <u>\$ 1,962</u> |

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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.

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CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds – Debt Service Funds
June 30, 2016
(In Thousands)

| | General Obligation Bonds | Lease Financing | JPFA Fund | Other Assessment Bonds | Special Revenue Bonds | Total |
|--|--------------------------------|--------------------|--------------|------------------------------|-----------------------------|------------------|
| ASSETS | | | | | | |
| Cash and investments | \$ 6,950 | \$ 437 | \$ - | \$ 1,224 | \$ 3,577 | \$ 12,188 |
| Receivables, net: | | | | | | |
| Accrued interest and dividends | 8 | 1 | - | 1 | 5 | 15 |
| Property taxes | 251 | - | - | 56 | - | 307 |
| Restricted cash and investments | 123 | - | - | 648 | 11,489 | 12,260 |
| TOTAL ASSETS | \$ 7,332 | \$ 438 | \$ - | \$ 1,929 | \$ 15,071 | \$ 24,770 |
| LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities | \$ 2 | \$ - | \$ 1 | \$ 4 | \$ 1 | \$ 8 |
| Due to other funds | - | - | 2 | - | - | 2 |
| TOTAL LIABILITIES | 2 | - | 3 | 4 | 1 | 10 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue - property tax | 72 | - | - | 43 | - | 115 |
| FUND BALANCES | | | | | | |
| Restricted | 7,258 | 438 | - | 1,882 | 15,070 | 24,648 |
| Unassigned | - | - | (3) | - | - | (3) |
| TOTAL FUND BALANCES | 7,258 | 438 | (3) | 1,882 | 15,070 | 24,645 |
| TOTAL LIABILITIES, DEFERRED INFLOWS | | | | | | |
| OF RESOURCES AND FUND BALANCES | \$ 7,332 | \$ 438 | \$ - | \$ 1,929 | \$ 15,071 | \$ 24,770 |

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, 2016
(In Thousands)

| | General Obligation Bonds | Lease Financing | JPFA Fund | Other Assessment Bonds | Special Revenue Bonds | Total |
|--|--------------------------------|--------------------|----------------|------------------------------|-----------------------------|------------------|
| REVENUES | | | | | | |
| Property taxes | \$ 6,431 | \$ - | \$ - | \$ - | \$ - | \$ 6,431 |
| Fines and penalties | 13 | - | - | - | - | 13 |
| Interest and investment income | 34 | 1 | 1 | 28 | 80 | 144 |
| Grants | - | 314 | - | - | - | 314 |
| Other | - | - | - | 413 | - | 413 |
| TOTAL REVENUES | <u>6,478</u> | <u>315</u> | <u>1</u> | <u>441</u> | <u>80</u> | <u>7,315</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Agencies/Departments: | | | | | | |
| Finance | - | - | - | 46 | - | 46 |
| Other | 4 | 2 | 2 | 51 | 8 | 67 |
| Debt service: | | | | | | |
| Principal repayment | 4,700 | 1,320 | 5,160 | 335 | 30,895 | 42,410 |
| Bond issuance cost | 11 | - | - | - | - | 11 |
| Interest charges | 7,584 | 411 | 3,901 | 260 | 38,790 | 50,946 |
| TOTAL EXPENDITURES | <u>12,299</u> | <u>1,733</u> | <u>9,063</u> | <u>692</u> | <u>69,693</u> | <u>93,480</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(5,821)</u> | <u>(1,418)</u> | <u>(9,062)</u> | <u>(251)</u> | <u>(69,613)</u> | <u>(86,165)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 1,364 | 1,420 | 9,061 | 312 | 69,005 | 81,162 |
| Transfers out | - | - | (1,364) | - | (2,082) | (3,446) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>1,364</u> | <u>1,420</u> | <u>7,697</u> | <u>312</u> | <u>66,923</u> | <u>77,716</u> |
| NET CHANGE IN FUND BALANCES | (4,457) | 2 | (1,365) | 61 | (2,690) | (8,449) |
| Fund balances - beginning | 11,715 | 436 | 1,362 | 1,821 | 17,760 | 33,094 |
| FUND BALANCES - ENDING | <u>\$ 7,258</u> | <u>\$ 438</u> | <u>\$ (3)</u> | <u>\$ 1,882</u> | <u>\$ 15,070</u> | <u>\$ 24,645</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, 2016
(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 | | | | | | | | |
| Property taxes | \$ 12,294 | \$ 12,294 | \$ 6,431 | \$ (5,863) | \$ - | \$ - | \$ - | \$ - |
| Fines and penalties | - | - | 13 | 13 | - | - | - | - |
| Interest and investment income | - | - | 34 | 34 | - | - | 1 | 1 |
| Grants | - | - | - | - | - | - | 314 | 314 |
| Other | - | - | - | - | 21,500 | 21,500 | - | (21,500) |
| TOTAL REVENUES | 12,294 | 12,294 | 6,478 | (5,816) | 21,500 | 21,500 | 315 | (21,185) |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| Agencies/Departments: | | | | | | | | |
| Finance | - | - | - | - | - | - | - | - |
| Other | 10 | 10 | 4 | 6 | 2 | 2 | 2 | - |
| Debt service: | | | | | | | | |
| Principal repayment | 4,780 | 4,779 | 4,700 | 79 | 22,819 | 22,820 | 1,320 | 21,500 |
| Bond issuance cost | - | 22 | 11 | 11 | - | - | - | - |
| Payment to refund bond escrow agent | - | 11,213 | - | 11,213 | - | - | - | - |
| Interest charges | 7,546 | 7,546 | 7,584 | (38) | 413 | 413 | 411 | 2 |
| TOTAL EXPENDITURES | 12,336 | 23,570 | 12,299 | 11,271 | 23,234 | 23,235 | 1,733 | 21,502 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (42) | (11,276) | (5,821) | 5,455 | (1,734) | (1,735) | (1,418) | 317 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Payment to refund bond escrow agent | - | 11,213 | - | (11,213) | - | - | - | - |
| Transfers in | - | - | 1,364 | 1,364 | 1,734 | 1,734 | 1,420 | (314) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | 11,213 | 1,364 | (9,849) | 1,734 | 1,734 | 1,420 | (314) |
| NET CHANGE IN FUND BALANCES | (42) | (63) | (4,457) | (4,394) | - | (1) | 2 | 3 |
| Fund balances - beginning | 11,715 | 11,715 | 11,715 | - | 436 | 436 | 436 | - |
| FUND BALANCES - ENDING | \$ 11,673 | \$ 11,652 | \$ 7,258 | \$ (4,394) | \$ 436 | \$ 435 | \$ 438 | \$ 3 |

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, 2016
(In Thousands)

| | JPFA Fund | | | | Other Assessment Bonds | | | |
|--|--------------------|-------------------|------------------------------|------------------------------------|------------------------|-----------------|------------------------------|------------------------------------|
| | 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 | \$ - | \$ - | \$ 1 | \$ 1 | \$ - | \$ - | \$ 28 | \$ 28 |
| Other | - | - | - | - | 709 | 709 | 413 | (296) |
| TOTAL REVENUES | - | - | 1 | 1 | 709 | 709 | 441 | (268) |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| Agencies/Departments: | | | | | | | | |
| Finance | - | - | - | - | 63 | 63 | 46 | 17 |
| Other | 5 | 5 | 2 | 3 | 50 | 42 | 51 | (9) |
| Debt service: | | | | | | | | |
| Principal repayment | 5,160 | 5,160 | 5,160 | - | 335 | 335 | 335 | - |
| Payment to refund bond escrow agent | - | - | - | - | - | (3,018) | - | (3,018) |
| Interest charges | 3,901 | 3,901 | 3,901 | - | 262 | 262 | 260 | 2 |
| TOTAL EXPENDITURES | 9,066 | 9,066 | 9,063 | 3 | 710 | (2,316) | 692 | (3,008) |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (9,066) | (9,066) | (9,062) | 4 | (1) | 3,025 | (251) | (3,276) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Payment to refund bond escrow agent | - | - | - | - | - | (3,018) | - | 3,018 |
| Transfers in | 9,066 | - | 9,061 | 9,061 | 25 | 25 | 312 | 287 |
| Transfers out | - | - | (1,364) | (1,364) | (24) | (33) | - | 33 |
| TOTAL OTHER FINANCING SOURCES (USES) | 9,066 | - | 7,697 | 7,697 | 1 | (3,026) | 312 | 3,338 |
| NET CHANGE IN FUND BALANCES | - | (9,066) | (1,365) | 7,701 | - | (1) | 61 | 62 |
| Fund balances - beginning | 1,362 | 1,362 | 1,362 | - | 1,821 | 1,821 | 1,821 | - |
| FUND BALANCES - ENDING | \$ 1,362 | \$ (7,704) | \$ (3) | \$ 7,701 | \$ 1,821 | \$ 1,820 | \$ 1,882 | \$ 62 |

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, 2016
(In Thousands)

| | Special Revenue Bonds | | | |
|--------------------------------------|------------------------------|------------------|----------------------------------|--------------------------------------|
| | Original | Final | Actual | Variance |
| | Budget | Budget | Budgetary Basis | Positive (Negative) |
| REVENUES | | | | |
| Interest and investment income | \$ - | \$ - | \$ 80 | \$ 80 |
| TOTAL REVENUES | <u>-</u> | <u>-</u> | <u>80</u> | <u>80</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Agencies/Departments: | | | | |
| Other | 15 | 15 | 8 | 7 |
| Debt service: | | | | |
| Principal repayment | 30,895 | 30,895 | 30,895 | - |
| Interest charges | 38,857 | 38,857 | 38,790 | 67 |
| TOTAL EXPENDITURES | <u>69,767</u> | <u>69,767</u> | <u>69,693</u> | <u>74</u> |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) EXPENDITURES | <u>(69,767)</u> | <u>(69,767)</u> | <u>(69,613)</u> | <u>154</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 69,767 | 69,767 | 69,005 | (762) |
| Transfers out | - | - | (2,082) | (2,082) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>69,767</u> | <u>69,767</u> | <u>66,923</u> | <u>(2,844)</u> |
| NET CHANGE IN FUND BALANCES | | | | |
| Fund balances - beginning | 17,760 | 17,760 | 17,760 | - |
| FUND BALANCES - ENDING | <u>\$ 17,760</u> | <u>\$ 17,760</u> | <u>\$ 15,070</u> | <u>\$ (2,690)</u> |

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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, equipment and services essential to providing governmental services for the City.

The **Information Technology Fund** accounts for maintenance and operation of the information technology services for various City departments.

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CITY OF OAKLAND
Combining Statement of Fund Net Position
Internal Service Funds
June 30, 2016
(In Thousands)

| | <u>Equipment</u> | <u>Radio</u> | <u>Facilities</u> | <u>Reproduction</u> | <u>Central Stores</u> | <u>Purchasing</u> | <u>Information Technology</u> | <u>Total</u> |
|--|------------------|-----------------|--------------------|---------------------|-----------------------|-------------------|-------------------------------|--------------------|
| ASSETS | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and investments | \$ 678 | \$ 6,955 | \$ - | \$ - | \$ - | \$ - | \$ 469 | \$ 8,102 |
| Interest receivable | - | 8 | - | - | - | - | 1 | 9 |
| Accounts receivable | 38 | 89 | 44 | - | - | - | - | 171 |
| Grants receivable | 87 | - | - | - | - | - | - | 87 |
| Inventories | 575 | - | - | - | - | - | - | 575 |
| Restricted cash and investments | 3,080 | 6,911 | - | - | - | - | 9,458 | 19,449 |
| Prepaid expenses | - | - | 7 | - | - | - | - | 7 |
| Total current assets | <u>4,458</u> | <u>13,963</u> | <u>51</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,928</u> | <u>28,400</u> |
| Capital assets: | | | | | | | | |
| Land and other assets not being depreciated | - | 3,766 | 2,895 | - | - | - | 7,990 | 14,651 |
| Facilities and equipment, net of depreciation | 22,232 | 6,983 | 1,329 | - | - | - | - | 30,544 |
| Total capital assets | <u>22,232</u> | <u>10,749</u> | <u>4,224</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,990</u> | <u>45,195</u> |
| TOTAL ASSETS | <u>26,690</u> | <u>24,712</u> | <u>4,275</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>17,918</u> | <u>73,595</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | | |
| Deferred outflows of resources related to pensions | <u>1,222</u> | <u>239</u> | <u>2,026</u> | <u>86</u> | <u>101</u> | <u>153</u> | <u>-</u> | <u>3,827</u> |
| LIABILITIES | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable and accrued liabilities | 557 | 172 | 1,651 | 124 | - | 4 | 484 | 2,992 |
| Accrued interest payable | 109 | 72 | 21 | - | - | - | 171 | 373 |
| Due to other funds | - | - | 9,711 | 1,584 | 4,064 | 227 | - | 15,586 |
| Other liabilities | - | - | 7 | - | - | - | - | 7 |
| Capital leases, notes and other payables | 3,475 | 3,194 | 264 | - | - | - | 2,100 | 9,033 |
| Total current liabilities | <u>4,141</u> | <u>3,438</u> | <u>11,654</u> | <u>1,708</u> | <u>4,064</u> | <u>231</u> | <u>2,755</u> | <u>27,991</u> |
| Non-current liabilities: | | | | | | | | |
| Capital leases, notes and other payables | 11,491 | 10,586 | 861 | - | - | - | 12,560 | 35,498 |
| Net pension liability | 11,273 | 2,883 | 18,806 | 897 | 695 | 1,246 | - | 35,800 |
| Total non-current liabilities | <u>22,764</u> | <u>13,469</u> | <u>19,667</u> | <u>897</u> | <u>695</u> | <u>1,246</u> | <u>12,560</u> | <u>71,298</u> |
| TOTAL LIABILITIES | <u>26,905</u> | <u>16,907</u> | <u>31,321</u> | <u>2,605</u> | <u>4,759</u> | <u>1,477</u> | <u>15,315</u> | <u>99,289</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Deferred inflows of resources related to pensions | <u>702</u> | <u>236</u> | <u>1,183</u> | <u>60</u> | <u>34</u> | <u>75</u> | <u>-</u> | <u>2,290</u> |
| NET POSITION | | | | | | | | |
| Net investment in capital assets | 10,346 | 3,880 | 3,099 | - | - | - | 2,788 | 20,113 |
| Unrestricted (deficit) | (10,041) | 3,928 | (29,302) | (2,579) | (4,692) | (1,399) | (185) | (44,270) |
| TOTAL NET POSITION | <u>\$ 305</u> | <u>\$ 7,808</u> | <u>\$ (26,203)</u> | <u>\$ (2,579)</u> | <u>\$ (4,692)</u> | <u>\$ (1,399)</u> | <u>\$ 2,603</u> | <u>\$ (24,157)</u> |

CITY OF OAKLAND
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2016
(In Thousands)

| | Equipment | Radio | Facilities | Reproduction | Central Stores | Purchasing | Information Technology | Total |
|--|---------------|-----------------|--------------------|-------------------|-------------------|-------------------|---------------------------|--------------------|
| OPERATING REVENUES | | | | | | | | |
| Charges for services | \$ 23,213 | \$ 7,274 | \$ 34,553 | \$ 1,362 | \$ 358 | \$ 719 | \$ 2,972 | \$ 70,451 |
| Other | 68 | 14 | 57 | - | - | - | - | 139 |
| TOTAL OPERATING REVENUES | 23,281 | 7,288 | 34,610 | 1,362 | 358 | 719 | 2,972 | 70,590 |
| OPERATING EXPENSES | | | | | | | | |
| Personnel | 6,028 | 1,317 | 10,803 | 409 | 471 | 713 | - | 19,741 |
| Supplies | 1,325 | 139 | 1,082 | 106 | 3 | 9 | - | 2,664 |
| Depreciation and amortization | 5,298 | 1,946 | 148 | - | - | - | - | 7,392 |
| Contractual services and supplies | 216 | 420 | 579 | - | - | 6 | 64 | 1,285 |
| Repairs and maintenance | 1,590 | 625 | 4,349 | 3 | - | - | - | 6,567 |
| General and administrative | 2,308 | 92 | 4,098 | 268 | 18 | 49 | - | 6,833 |
| Rental | 833 | 231 | 415 | 468 | 17 | - | 1 | 1,965 |
| Other | - | 179 | 5,322 | 4 | - | 3 | 1 | 5,509 |
| TOTAL OPERATING EXPENSES | 17,598 | 4,949 | 26,796 | 1,258 | 509 | 780 | 66 | 51,956 |
| OPERATING INCOME (LOSS) | 5,683 | 2,339 | 7,814 | 104 | (151) | (61) | 2,906 | 18,634 |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | | | |
| Interest and investment income (loss) | 12 | 44 | (44) | (7) | (15) | (1) | 28 | 17 |
| Interest expense | (298) | (205) | (51) | - | - | - | (331) | (885) |
| Federal and state grants | 87 | - | - | - | - | - | - | 87 |
| Insurance claims and settlements | 343 | - | 116 | - | - | - | - | 459 |
| Other | 212 | - | 48 | - | - | 14 | - | 274 |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | 356 | (161) | 69 | (7) | (15) | 13 | (303) | (48) |
| INCOME (LOSS) BEFORE TRANSFERS | 6,039 | 2,178 | 7,883 | 97 | (166) | (48) | 2,603 | 18,586 |
| Transfers in | - | - | 550 | - | - | - | - | 550 |
| Transfers out | (513) | - | (35) | - | - | - | - | (548) |
| Change in net position | 5,526 | 2,178 | 8,398 | 97 | (166) | (48) | 2,603 | 18,588 |
| Net position - beginning | (5,221) | 5,630 | (34,601) | (2,676) | (4,526) | (1,351) | - | (42,745) |
| NET POSITION - ENDING | \$ 305 | \$ 7,808 | \$ (26,203) | \$ (2,579) | \$ (4,692) | \$ (1,399) | \$ 2,603 | \$ (24,157) |

CITY OF OAKLAND
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016
(In Thousands)

| | <u>Equipment</u> | <u>Radio</u> | <u>Facilities</u> | <u>Reproduction</u> | <u>Central Stores</u> | <u>Purchasing</u> | <u>Information Technology</u> | <u>Total</u> |
|--|------------------|------------------|-------------------|---------------------|---------------------------|-------------------|-----------------------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| Cash received from customers and users | \$ 23,213 | \$ 7,261 | \$ 34,650 | \$ 1,362 | \$ 358 | \$ 719 | \$ 2,972 | \$ 70,535 |
| Cash from other sources | 68 | 14 | 57 | - | - | - | - | 139 |
| Cash paid to employees | (6,554) | (1,430) | (11,679) | (444) | (521) | (786) | - | (21,414) |
| Cash paid to suppliers | (9,503) | (9,503) | (15,584) | (843) | (46) | (64) | 418 | (35,125) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>7,224</u> | <u>(3,658)</u> | <u>7,444</u> | <u>75</u> | <u>(209)</u> | <u>(131)</u> | <u>3,390</u> | <u>14,135</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | | |
| Proceeds of interfund loans | - | - | - | (68) | - | 118 | - | 50 |
| Repayment of interfund loans | - | - | (5,839) | - | 224 | - | - | (5,615) |
| Other | 555 | - | 164 | - | - | 14 | - | 733 |
| Transfers in | - | - | 550 | - | - | - | - | 550 |
| Transfers out | (513) | - | (35) | - | - | - | - | (548) |
| NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES | <u>42</u> | <u>-</u> | <u>(5,160)</u> | <u>(68)</u> | <u>224</u> | <u>132</u> | <u>-</u> | <u>(4,830)</u> |
| CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES | | | | | | | | |
| Acquisition of capital assets | (12,721) | (2,038) | (1,930) | - | - | - | (7,990) | (24,679) |
| Lease proceeds | - | 7,095 | - | - | - | - | 17,000 | 24,095 |
| Repayment of long-term debt | (6,080) | (2,465) | (254) | - | - | - | (2,340) | (11,139) |
| Interest paid on long-term debt | (368) | (172) | (55) | - | - | - | (160) | (755) |
| NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(19,169)</u> | <u>2,420</u> | <u>(2,239)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,510</u> | <u>(12,478)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Interest received (paid) | <u>12</u> | <u>36</u> | <u>(45)</u> | <u>(7)</u> | <u>(15)</u> | <u>(1)</u> | <u>27</u> | <u>7</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (11,891) | (1,202) | - | - | - | - | 9,927 | (3,166) |
| Cash and cash equivalents - beginning | 15,649 | 15,068 | - | - | - | - | - | 30,717 |
| CASH AND CASH EQUIVALENTS - ENDING | <u>\$ 3,758</u> | <u>\$ 13,866</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,927</u> | <u>\$ 27,551</u> |

CITY OF OAKLAND
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016
(In Thousands)

| | <u>Equipment</u> | <u>Radio</u> | <u>Facilities</u> | <u>Reproduction</u> | <u>Central Stores</u> | <u>Purchasing</u> | <u>Information Technology</u> | <u>Total</u> |
|--|------------------|-------------------|-------------------|---------------------|---------------------------|-------------------|-----------------------------------|------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET | | | | | | | | |
| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | | | | | |
| Operating income (loss) | \$ 5,683 | \$ 2,339 | \$ 7,814 | \$ 104 | \$ (151) | \$ (61) | \$ 2,906 | \$ 18,634 |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) | | | | | | | | |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | | | | | |
| Depreciation | 5,298 | 1,946 | 148 | - | - | - | - | 7,392 |
| Changes in assets, liabilities, and deferred outflows and inflows of resources: | | | | | | | | |
| Receivables | - | (13) | 97 | - | - | - | - | 84 |
| Inventories | (167) | - | - | - | - | - | - | (167) |
| Other assets | - | - | (7) | - | - | - | - | (7) |
| Accounts payable and accrued liabilities | (3,064) | (7,817) | 267 | 6 | (8) | 3 | 484 | (10,129) |
| Other liabilities | - | - | 1 | - | - | - | - | 1 |
| Net pension liability and related pension deferred items | (526) | (113) | (876) | (35) | (50) | (73) | - | (1,673) |
| Total adjustments | 1,541 | (5,997) | (370) | (29) | (58) | (70) | 484 | (4,499) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ 7,224</u> | <u>\$ (3,658)</u> | <u>\$ 7,444</u> | <u>\$ 75</u> | <u>\$ (209)</u> | <u>\$ (131)</u> | <u>\$ 3,390</u> | <u>\$ 14,135</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF FUND NET POSITION | | | | | | | | |
| Cash and investments | \$ 678 | \$ 6,955 | \$ - | \$ - | \$ - | \$ - | \$ 469 | \$ 8,102 |
| Restricted cash and investment | 3,080 | 6,911 | - | - | - | - | 9,458 | 19,449 |
| TOTAL CASH AND CASH EQUIVALENTS | <u>\$ 3,758</u> | <u>\$ 13,866</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,927</u> | <u>\$ 27,551</u> |

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.

PENSION TRUST FUND

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 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 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.

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CITY OF OAKLAND
Combining Statement of Fiduciary Net Position
Private Purpose Trust Funds
June 30, 2016
(In Thousands)

| | Oakland Redevelopment Successor Agency Trust Fund | Private Purpose Trust Fund | Private Pension Trust Fund | Total |
|--|---|-------------------------------------|-------------------------------------|----------------|
| ASSETS | | | | |
| Cash and investments | \$ 56,197 | \$ 5,280 | \$ - | \$ 61,477 |
| Receivables: | | | | |
| Accrued interest and dividends | 395 | 6 | - | 401 |
| Accounts receivable | 2,705 | 6 | - | 2,711 |
| Due from the City | 2,311 | - | - | 2,311 |
| Prepaid expenses | 2,125 | - | - | 2,125 |
| Restricted: | | | | |
| Cash and investments: | | | | |
| Short-term investments | 18,347 | - | - | 18,347 |
| U.S. government bonds | 3,498 | - | - | 3,498 |
| Notes and loans receivable (net of allowance for uncollectable of \$46,675) | 16,977 | - | - | 16,977 |
| Property held for resale | 2,818 | - | - | 2,818 |
| TOTAL ASSETS | 105,373 | 5,292 | - | 110,665 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Unamortized loss on refunding of debt | 6,396 | - | - | 6,396 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 202 | 66 | - | 268 |
| Accrued interest payable | 7,648 | - | - | 7,648 |
| Due to the City | 6,024 | - | 37 | 6,061 |
| Other | 48 | 100 | - | 148 |
| Total current liabilities | 13,922 | 166 | 37 | 14,125 |
| Non-current liabilities: | | | | |
| Due within one year | 30,299 | - | - | 30,299 |
| Due in more than one year | 385,424 | - | - | 385,424 |
| Total noncurrent liabilities | 415,723 | - | - | 415,723 |
| TOTAL LIABILITIES | 429,645 | 166 | 37 | 429,848 |
| NET POSITION | | | | |
| RESTRICTED FOR REDEVELOPMENT DISSOLUTION DISSOLUTION AND OTHER PURPOSES | \$ (317,876) | \$ 5,126 | \$ (37) | \$ (312,787) |

CITY OF OAKLAND
Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Year Ended June 30, 2016
(In Thousands)

| | Oakland Redevelopment Successor Agency Trust Fund | Private Purpose Trust Fund | Private Pension Trust Fund | Total |
|----------------------------------|--|---|---|---------------------|
| ADDITIONS | | | | |
| Trust receipts | \$ 68,468 | \$ 662 | \$ 135 | \$ 69,265 |
| Interest | 335 | 18 | - | 353 |
| Federal and state grants | 3,019 | - | - | 3,019 |
| Other income | 2,826 | - | - | 2,826 |
| TOTAL ADDITIONS | 74,648 | 680 | 135 | 75,463 |
| DEDUCTIONS: | | | | |
| Administrative expenses | 1,964 | - | 169 | 2,133 |
| Oakland Police Department | - | 113 | - | 113 |
| Human Services | - | 162 | - | 162 |
| Economic & Workforce Development | 19,295 | - | - | 19,295 |
| Bond issuance cost | 681 | - | - | 681 |
| Interest on debt | 24,345 | - | - | 24,345 |
| TOTAL DEDUCTIONS | 46,285 | 275 | 169 | 46,729 |
| Change in net position | 28,363 | 405 | (34) | 28,734 |
| Net position - beginning | (346,239) | 4,721 | (3) | (341,521) |
| NET POSITION - ENDING | \$ (317,876) | \$ 5,126 | \$ (37) | \$ (312,787) |

STATISTICAL SECTION

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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>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 353,715 | \$ 401,881 | \$ 442,793 | \$ 478,689 | \$ 538,815 | \$ 663,785 | \$ 712,606 | \$ 876,703 | \$ 1,025,789 | \$ 1,079,164 |
| Restricted | 422,523 | 432,630 | 451,087 | 488,251 | 517,454 | 559,393 | 425,786 | 433,080 | 547,286 | 555,205 |
| Unrestricted | (67,261) | (213,693) | (268,904) | (417,504) | (469,662) | (304,010) | (334,451) | (327,965) | (1,841,834) | (1,789,831) |
| Total net position - governmental activities | \$ 708,977 | \$ 620,818 | \$ 624,976 | \$ 549,436 | \$ 586,607 | \$ 919,168 | \$ 803,941 | \$ 981,818 | \$ (268,759) | \$ (155,462) |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 109,886 | \$ 111,881 | \$ 113,961 | \$ 113,718 | \$ 114,297 | \$ 122,911 | \$ 129,542 | \$ 143,295 | \$ 155,257 | \$ 171,743 |
| Unrestricted | 2,173 | 7,731 | 15,037 | 26,126 | 37,429 | 44,061 | 53,341 | 53,039 | 27,182 | 28,057 |
| Total net position - business-type activities | \$ 112,059 | \$ 119,612 | \$ 128,998 | \$ 139,844 | \$ 151,726 | \$ 166,972 | \$ 182,883 | \$ 196,334 | \$ 182,439 | \$ 199,800 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 463,601 | \$ 513,762 | \$ 556,754 | \$ 592,407 | \$ 653,112 | \$ 786,696 | \$ 842,148 | \$ 1,019,998 | \$ 1,181,046 | \$ 1,250,907 |
| Restricted | 422,523 | 432,630 | 451,087 | 488,251 | 517,454 | 559,393 | 425,786 | 433,080 | 547,286 | 555,205 |
| Unrestricted | (65,088) | (205,962) | (253,867) | (391,378) | (432,233) | (259,949) | (281,110) | (274,926) | (1,814,652) | (1,761,774) |
| Total net position - primary government | \$ 821,036 | \$ 740,430 | \$ 753,974 | \$ 689,280 | \$ 738,333 | \$ 1,086,140 | \$ 986,824 | \$ 1,178,152 | \$ (86,320) | \$ 44,338 |

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Statement of Net Position

CITY OF OAKLAND STATISTICS

SCHEDULE 2

CHANGES IN NET POSITION *(in thousands)*

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 91,119 | \$ 102,218 | \$ 94,957 | \$ 83,295 | \$ 75,381 | \$ 83,131 | \$ 93,942 | \$ 79,806 | \$ 82,493 | \$ 99,183 |
| Public safety | 348,436 | 412,050 | 424,435 | 411,333 | 372,587 | 351,566 | 363,597 | 379,809 | 383,904 | 432,862 |
| Life enrichment | 105,728 | 115,315 | 119,659 | 119,254 | 123,538 | - | - | - | - | - |
| Community services | - | - | - | - | - | 122,829 | 107,779 | 116,961 | 121,740 | 134,799 |
| Community and economic development | 183,968 | 203,406 | 182,327 | 222,226 | 158,209 | 138,596 | 81,182 | 83,657 | 75,268 | 85,396 |
| Public works | 101,075 | 79,348 | 74,081 | 70,757 | 88,321 | 101,892 | 75,158 | 109,177 | 105,619 | 114,597 |
| Interest on long-term debt | 79,864 | 74,545 | 71,552 | 73,735 | 93,618 | 68,948 | 62,744 | 59,026 | 68,033 | 54,335 |
| Total governmental activities expenses | <u>\$ 910,190</u> | <u>\$ 986,882</u> | <u>\$ 967,011</u> | <u>\$ 980,600</u> | <u>\$ 911,654</u> | <u>\$ 866,962</u> | <u>\$ 784,402</u> | <u>\$ 828,436</u> | <u>\$ 837,057</u> | <u>\$ 921,172</u> |
| Business-type activities: | | | | | | | | | | |
| Sewer | \$ 29,365 | \$ 30,502 | \$ 25,530 | \$ 26,899 | \$ 27,971 | \$ 31,227 | \$ 34,504 | \$ 37,306 | \$ 36,957 | \$ 39,270 |
| Parks and recreation | 1,087 | 384 | 652 | 520 | 740 | 492 | 643 | 855 | 681 | 872 |
| Total business-type activities | <u>\$ 30,452</u> | <u>\$ 30,886</u> | <u>\$ 26,182</u> | <u>\$ 27,419</u> | <u>\$ 28,711</u> | <u>\$ 31,719</u> | <u>\$ 35,147</u> | <u>\$ 38,161</u> | <u>\$ 37,638</u> | <u>\$ 40,142</u> |
| Total primary government expenses | <u>\$ 940,642</u> | <u>\$ 1,017,768</u> | <u>\$ 993,193</u> | <u>\$ 1,008,019</u> | <u>\$ 940,365</u> | <u>\$ 898,681</u> | <u>\$ 819,549</u> | <u>\$ 866,597</u> | <u>\$ 874,695</u> | <u>\$ 961,314</u> |
| Program Revenues (see schedule 3) | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 13,741 | \$ 22,276 | \$ 21,128 | \$ 24,382 | \$ 20,360 | \$ 19,924 | \$ 17,756 | \$ 54,509 | \$ 55,148 | \$ 49,540 |
| Public safety | 9,803 | 10,331 | 15,733 | 14,900 | 13,573 | 13,283 | 7,610 | 15,472 | 18,329 | 21,104 |
| Life enrichment | 3,992 | 5,110 | 11,084 | 8,128 | 8,483 | - | - | - | - | - |
| Community services | - | - | - | - | - | 8,302 | 6,342 | 6,326 | 7,375 | 7,454 |
| Community and economic development | 16,437 | 45,466 | 47,223 | 48,765 | 42,418 | 41,507 | 19,025 | 39,413 | 61,022 | 58,439 |
| Public works | 31,269 | 27,113 | 30,887 | 39,283 | 84,834 | 83,017 | 76,098 | 36,954 | 40,419 | 41,772 |
| Operating grants and contributions | 106,903 | 91,278 | 94,353 | 97,177 | 123,149 | 89,620 | 89,424 | 119,063 | 92,865 | 90,090 |
| Capital grants and contributions | - | - | - | - | - | 30,607 | 26,179 | 42,148 | 70,322 | 54,043 |
| Total governmental activities program revenues | <u>\$ 182,145</u> | <u>\$ 201,574</u> | <u>\$ 220,408</u> | <u>\$ 232,635</u> | <u>\$ 292,817</u> | <u>\$ 286,260</u> | <u>\$ 242,434</u> | <u>\$ 313,885</u> | <u>\$ 345,480</u> | <u>\$ 322,442</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Sewer | \$ 29,838 | \$ 33,264 | \$ 35,382 | \$ 39,329 | \$ 41,832 | \$ 48,200 | \$ 52,919 | \$ 52,946 | \$ 57,544 | \$ 58,703 |
| Parks and recreation | 237 | 487 | 796 | 286 | 118 | 575 | 372 | 503 | 295 | 711 |
| Operating grants and contributions | 21 | - | - | - | - | - | - | - | - | - |
| Total business-type activities program revenues | <u>\$ 30,096</u> | <u>\$ 33,751</u> | <u>\$ 36,178</u> | <u>\$ 39,615</u> | <u>\$ 41,950</u> | <u>\$ 48,775</u> | <u>\$ 53,291</u> | <u>\$ 53,449</u> | <u>\$ 57,839</u> | <u>\$ 59,414</u> |
| Total primary government program revenues | <u>\$ 212,241</u> | <u>\$ 235,325</u> | <u>\$ 256,586</u> | <u>\$ 272,250</u> | <u>\$ 334,767</u> | <u>\$ 335,035</u> | <u>\$ 295,725</u> | <u>\$ 367,334</u> | <u>\$ 403,319</u> | <u>\$ 381,856</u> |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (735,868) | \$ (785,308) | \$ (746,603) | \$ (747,965) | \$ (618,837) | \$ (580,702) | \$ (541,968) | \$ (514,551) | \$ (491,577) | \$ (598,730) |
| Business-type activities | (356) | 2,865 | 9,996 | 12,196 | 13,239 | 17,056 | 18,144 | 15,288 | 20,201 | 19,272 |
| Total primary government net expense | <u>\$ (736,224)</u> | <u>\$ (782,443)</u> | <u>\$ (736,607)</u> | <u>\$ (735,769)</u> | <u>\$ (605,598)</u> | <u>\$ (563,646)</u> | <u>\$ (523,824)</u> | <u>\$ (499,263)</u> | <u>\$ (471,376)</u> | <u>\$ (579,458)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 317,666 | \$ 358,338 | \$ 359,851 | \$ 346,859 | \$ 324,516 | \$ 288,923 | \$ 256,333 | \$ 240,779 | \$ 267,534 | \$ 279,764 |
| Sales and use taxes | 67,723 | 73,928 | 67,642 | 57,745 | 65,068 | 66,940 | 70,498 | 71,997 | 63,718 | 77,365 |
| Motor vehicle in-Lieu tax | - | - | - | - | - | - | - | - | 177 | 166 |
| Gas tax | - | - | - | - | - | - | - | - | 12,030 | 8,653 |
| Local taxes | 256,658 | 235,470 | 214,266 | 216,072 | 220,684 | 222,237 | 244,207 | 263,017 | 275,496 | 318,352 |
| Other | 108,048 | 50,153 | 81,885 | 58,374 | 35,672 | 53,172 | 7,076 | 19,671 | 12,745 | 20,987 |
| Interest and investment income | 48,073 | 47,852 | 25,917 | 10,894 | 8,592 | 7,078 | 6,358 | 6,653 | 6,362 | 4,596 |
| Transfers | 600 | 600 | 1,200 | 1,463 | 1,476 | 1,893 | 1,911 | 2,002 | 2,002 | 2,144 |
| Special and extraordinary items | 59,020 | - | - | - | - | 273,020 | (156,902) | 88,309 | 107,696 | - |
| Total governmental activities | <u>\$ 857,788</u> | <u>\$ 766,341</u> | <u>\$ 750,761</u> | <u>\$ 691,407</u> | <u>\$ 656,008</u> | <u>\$ 913,263</u> | <u>\$ 429,481</u> | <u>\$ 692,428</u> | <u>\$ 747,760</u> | <u>\$ 712,027</u> |
| Business-type activities: | | | | | | | | | | |
| Interest and investment income | \$ 1,745 | \$ 1,434 | \$ 590 | \$ 113 | \$ 119 | \$ 83 | \$ (24) | \$ 165 | \$ 142 | \$ 233 |
| Other | 2 | - | - | - | - | - | - | - | - | - |
| Transfers | (600) | (600) | (1,200) | (1,463) | (1,476) | (1,893) | (1,911) | (2,002) | (2,002) | (2,144) |
| Total business-type activities | <u>\$ 1,147</u> | <u>\$ 834</u> | <u>\$ (610)</u> | <u>\$ (1,350)</u> | <u>\$ (1,357)</u> | <u>\$ (1,810)</u> | <u>\$ (1,935)</u> | <u>\$ (1,837)</u> | <u>\$ (1,860)</u> | <u>\$ (1,911)</u> |
| Total primary government | <u>\$ 858,935</u> | <u>\$ 767,175</u> | <u>\$ 750,151</u> | <u>\$ 690,057</u> | <u>\$ 654,651</u> | <u>\$ 911,453</u> | <u>\$ 427,546</u> | <u>\$ 690,591</u> | <u>\$ 745,900</u> | <u>\$ 710,116</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 129,743 | \$ (18,967) | \$ 4,158 | \$ (56,558) | \$ 37,171 | \$ 332,561 | \$ (112,487) | \$ 177,877 | \$ 256,183 | \$ 113,297 |
| Business-type activities | 791 | 3,699 | 9,386 | 10,846 | 11,882 | 15,246 | 16,209 | 13,451 | 18,341 | 17,361 |
| Total primary government | <u>\$ 130,534</u> | <u>\$ (15,268)</u> | <u>\$ 13,544</u> | <u>\$ (45,712)</u> | <u>\$ 49,053</u> | <u>\$ 347,807</u> | <u>\$ (96,278)</u> | <u>\$ 191,328</u> | <u>\$ 274,524</u> | <u>\$ 130,658</u> |

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Statement of Activities

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 3

PROGRAM REVENUES BY FUNCTION/PROGRAM

(in thousands)

| Function/Program | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 13,741 | \$ 22,276 | \$ 21,128 | \$ 24,382 | \$ 20,360 | \$ 19,924 | \$ 17,756 | \$ 54,509 | \$ 55,148 | \$ 49,540 |
| Public safety | 9,803 | 10,331 | 15,733 | 14,900 | 13,573 | 13,283 | 7,610 | 15,472 | 18,329 | 21,104 |
| Life enrichment | 3,992 | 5,110 | 11,084 | 8,128 | 8,483 | - | - | - | - | - |
| Community services | - | - | - | - | - | 8,302 | 6,342 | 6,326 | 7,375 | 7,454 |
| Community and economic development | 16,437 | 45,466 | 47,223 | 48,765 | 42,418 | 41,507 | 19,025 | 39,413 | 61,022 | 58,439 |
| Public works | 31,269 | 27,113 | 30,887 | 39,283 | 84,834 | 83,017 | 76,098 | 36,954 | 40,419 | 41,772 |
| Operating grants and contributions | 106,903 | 91,278 | 94,353 | 97,177 | 123,149 | 89,620 | 89,424 | 119,063 | 92,865 | 90,090 |
| Capital grants and contributions | - | - | - | - | - | 30,607 | 26,179 | 42,148 | 70,322 | 54,043 |
| Subtotal governmental activities | <u>\$ 182,145</u> | <u>\$ 201,574</u> | <u>\$ 220,408</u> | <u>\$ 232,635</u> | <u>\$ 292,817</u> | <u>\$ 286,260</u> | <u>\$ 242,434</u> | <u>\$ 313,885</u> | <u>\$ 345,480</u> | <u>\$ 322,442</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Sewer | \$ 29,838 | \$ 33,264 | \$ 35,382 | \$ 39,329 | \$ 41,832 | \$ 48,200 | \$ 52,919 | \$ 52,946 | \$ 57,544 | \$ 58,703 |
| Parks and recreation | 237 | 487 | 796 | 286 | 118 | 575 | 372 | 503 | 295 | 711 |
| Operating grants and contributions | 21 | - | - | - | - | - | - | - | - | - |
| Subtotal business-type activities | <u>\$ 30,096</u> | <u>\$ 33,751</u> | <u>\$ 36,178</u> | <u>\$ 39,615</u> | <u>\$ 41,950</u> | <u>\$ 48,775</u> | <u>\$ 53,291</u> | <u>\$ 53,449</u> | <u>\$ 57,839</u> | <u>\$ 59,414</u> |
| Total primary government | <u>\$ 212,241</u> | <u>\$ 235,325</u> | <u>\$ 256,586</u> | <u>\$ 272,250</u> | <u>\$ 334,767</u> | <u>\$ 335,035</u> | <u>\$ 295,725</u> | <u>\$ 367,334</u> | <u>\$ 403,319</u> | <u>\$ 381,856</u> |

Source: City of Oakland Statement of Activities

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 4

FUND BALANCES, GOVERNMENTAL FUNDS

(in thousands)

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--|--|
| General Fund | | | | | | | | | | | | |
| Reserved | \$ 138,891 | \$ 126,575 | \$ 116,543 | \$ 103,372 | | | | | | | | |
| Unreserved | <u>143,016</u> | <u>121,109</u> | <u>120,406</u> | <u>129,678</u> | | | | | | | | |
| Total general fund | <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> | <u>2015</u> | <u>2016</u> | | |
| General Fund (1) | | | | | | | | | | | | |
| Restricted | | | | | \$ 106,692 | \$ 110,708 | \$ 165,400 | \$ 156,462 | \$ 164,242 | \$ 186,804 | | |
| Committed | | | | | 3,890 | 70,284 | - | - | - | - | | |
| Assigned | | | | | 65,985 | 6,256 | 58,452 | 73,843 | 64,680 | 58,203 | | |
| Unassigned | | | | | <u>48,794</u> | <u>68,681</u> | <u>21,791</u> | <u>23,546</u> | <u>37,409</u> | <u>65,129</u> | | |
| Total general fund | | | | | <u>\$ 225,361</u> | <u>\$ 255,929</u> | <u>\$ 245,643</u> | <u>\$ 253,851</u> | <u>\$ 266,331</u> | <u>\$ 310,136</u> | | |
| | | | | | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | | | | |
| All Other Governmental Funds | | | | | | | | | | | | |
| Reserved | \$ 797,702 | \$ 828,314 | \$ 788,476 | \$ 761,679 | | | | | | | | |
| Unreserved, reported in: | | | | | | | | | | | | |
| Special revenue funds | 32,444 | 8,129 | 9,553 | (16,486) | | | | | | | | |
| Capital projects funds | <u>98,912</u> | <u>73,147</u> | <u>41,322</u> | <u>66,136</u> | | | | | | | | |
| Total all other governmental funds | <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> | <u>2015</u> | <u>2016</u> | | |
| All Other Governmental Funds (1) | | | | | | | | | | | | |
| Restricted | | | | | \$ 481,124 | \$ 264,460 | \$ 248,517 | \$ 270,055 | \$ 333,665 | \$ 303,631 | | |
| Committed | | | | | 139,178 | 13,420 | 16,075 | 13,902 | 13,527 | 18,610 | | |
| Assigned | | | | | 188,722 | 179,063 | 61,373 | 90,647 | 33,603 | 45,335 | | |
| Unassigned | | | | | <u>(2,669)</u> | <u>(1,416)</u> | <u>(9,849)</u> | <u>(5,236)</u> | <u>(7,997)</u> | <u>(9,891)</u> | | |
| | | | | | <u>\$ 806,355</u> | <u>\$ 455,527</u> | <u>\$ 316,116</u> | <u>\$ 369,368</u> | <u>\$ 372,798</u> | <u>\$ 357,685</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)

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--|----------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|------------------|------------------|
| Revenues | | | | | | | | | | |
| Taxes (see Schedule 6) | \$ 616,754 | \$ 648,153 | \$ 641,086 | \$ 622,901 | \$ 612,328 | \$ 578,100 | \$ 569,193 | \$ 576,744 | \$ 619,821 | \$ 684,334 |
| Licenses and permits | 20,390 | 19,319 | 14,467 | 12,124 | 13,297 | 12,079 | 13,331 | 16,694 | 22,451 | 29,362 |
| Fines and penalties | 26,859 | 23,497 | 29,348 | 31,220 | 29,440 | 27,204 | 26,657 | 26,958 | 25,612 | 23,972 |
| Interest/investment net income | 49,141 | 49,894 | 27,520 | 11,495 | 9,147 | 7,558 | 6,330 | 6,738 | 6,409 | 4,579 |
| Charges for services | 75,242 | 76,735 | 77,285 | 82,289 | 124,707 | 126,750 | 86,842 | 109,022 | 134,230 | 125,580 |
| Other intergovernmental revenues | - | 33,561 | 35,588 | 45,116 | - | - | - | - | - | - |
| Federal and State grants and subventions | 97,382 | 94,428 | 87,971 | 98,850 | 121,184 | 115,046 | 102,802 | 152,062 | 167,045 | 140,119 |
| Other revenues | 74,758 | 24,200 | 40,587 | 32,116 | 32,290 | 34,427 | 39,278 | 19,641 | 18,025 | 12,334 |
| Total revenues | 960,526 | 969,787 | 953,852 | 936,111 | 942,393 | 901,164 | 844,433 | 907,859 | 993,593 | 1,020,280 |
| Expenditures | | | | | | | | | | |
| General government | 67,194 | 45,600 | 40,838 | 35,710 | 33,781 | 50,992 | 71,990 | 36,733 | 41,454 | 47,208 |
| Finance and Human Resource | 26,018 | 35,761 | 34,863 | 30,943 | 28,756 | 27,371 | 15,337 | 26,137 | 29,967 | 31,906 |
| Information Technology | - | 13,666 | 12,975 | 9,137 | 8,276 | 7,746 | 7,753 | 9,080 | 9,597 | 12,261 |
| Contracting and Purchasing | - | 2,280 | 1,959 | 2,100 | 2,082 | - | - | - | - | - |
| Race and Equity | - | - | - | - | - | - | - | - | - | 84 |
| Police Department | 206,561 | 225,893 | 231,789 | 218,129 | 205,292 | 220,115 | 331,382 | 225,959 | 242,999 | 270,594 |
| Fire Department | 112,699 | 118,429 | 119,711 | 111,583 | 111,339 | 125,585 | 200,054 | 114,561 | 130,533 | 137,802 |
| Community Service Department: | | | | | | | | | | |
| Parks & Recreation | 19,148 | 20,872 | 20,308 | 20,259 | 20,914 | 20,465 | 21,260 | 23,094 | 25,326 | 26,386 |
| Library | 24,631 | 23,833 | 21,824 | 20,927 | 21,633 | 22,704 | 22,623 | 25,612 | 26,215 | 26,725 |
| Museum | 6,976 | 6,883 | 6,584 | 6,146 | 6,749 | - | - | - | - | - |
| Human Services | 53,228 | 56,239 | 62,382 | 59,441 | 63,031 | 61,851 | 60,978 | 66,883 | 68,707 | 71,916 |
| Community & Economic Development | 169,233 | 206,908 | 197,285 | 227,505 | 175,750 | 96,407 | - | - | - | - |
| Planning and Building | - | - | - | - | - | 11,170 | 22,616 | 24,882 | 23,408 | 25,451 |
| Economic & Workforce Development | - | - | - | - | - | - | - | 21,190 | 19,316 | 19,395 |
| Cultural and community services | - | - | - | - | - | - | 431 | - | - | - |
| Housing & Community Development | - | - | - | - | - | 19,132 | 43,420 | 33,650 | 23,047 | 27,173 |
| Oakland Public Works | 91,490 | 71,971 | 64,288 | 57,133 | 71,099 | 69,763 | 72,497 | 96,208 | 85,041 | 82,156 |
| Other | 10,641 | 10,597 | 20,099 | 8,328 | 27,062 | 18,460 | 13,243 | 16,043 | 13,300 | 18,594 |
| Capital outlay | 49,895 | 46,312 | 44,418 | 61,233 | 63,532 | 71,703 | 103,905 | 98,316 | 123,433 | 99,609 |
| Debt service | | | | | | | | | | |
| Bond issuance costs | 4,467 | 4,210 | 864 | 1,558 | 828 | 359 | 1,958 | 209 | 829 | 251 |
| Other refunding cost | - | 5,674 | - | - | - | - | 3,110 | - | 11,213 | - |
| Principal | 79,964 | 92,940 | 138,854 | 105,742 | 86,965 | 125,570 | 74,886 | 80,559 | 129,906 | 48,932 |
| Interest | 69,682 | 71,528 | 65,157 | 69,097 | 89,514 | 67,175 | 58,208 | 59,314 | 56,737 | 51,589 |
| Total expenditures | 991,827 | 1,059,596 | 1,084,198 | 1,044,971 | 1,016,603 | 1,016,568 | 1,125,651 | 958,430 | 1,061,028 | 998,032 |
| Excess of revenues over (under) expenditures | (31,301) | (89,809) | (130,346) | (108,860) | (74,210) | (115,404) | (281,218) | (50,571) | (67,435) | 22,248 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Issuance of debt/bond | 143,988 | - | 40,228 | 67,693 | 56,870 | 83,775 | - | - | - | - |
| Issuance of refunding bonds | 102,590 | 241,410 | - | - | - | - | 216,085 | - | 128,895 | - |
| Capital leases | - | - | - | - | - | - | 16,150 | 14,901 | - | - |
| Premiums/discounts on issuance of bonds | 1,963 | 11,313 | (779) | 908 | (2,052) | 8,538 | (1,129) | - | 15,472 | (78) |
| Payment to refund bond escrow agent | (22,729) | (221,250) | - | - | - | (57,998) | (3,018) | - | (143,717) | - |
| Property sale proceeds | 618 | 4,045 | 8,723 | 5,013 | 4,481 | 32,213 | 67 | 5,442 | 309 | 66 |
| Insurance claims and settlements | - | - | - | 1,641 | 548 | 1,627 | 3,726 | 865 | 5,477 | 4,314 |
| Transfers in | 97,397 | 98,691 | 130,095 | 106,409 | 103,786 | 344,831 | 119,617 | 115,397 | 113,270 | 109,259 |
| Transfers out | (95,897) | (98,091) | (128,895) | (104,725) | (102,086) | (342,843) | (117,473) | (112,883) | (110,756) | (107,117) |
| Total other financing sources (uses) | 227,930 | 36,118 | 49,372 | 76,939 | 61,547 | 70,143 | 234,025 | 23,722 | 8,950 | 6,444 |
| Special and extraordinary items | | | | | | | | | | |
| | 59,020 | - | - | - | - | (274,999) | (102,504) | 88,309 | 74,395 | - |
| Net change in fund balances | 255,649 | (53,691) | (80,974) | (31,921) | (12,663) | (45,261) | (47,193) | (26,849) | (58,485) | 28,692 |
| Total fund balance - beginning | 955,316 | 1,210,965 | 1,157,274 | 1,076,300 | 1,044,379 | 1,031,716 | 711,456 | 561,759 | 623,219 | 639,129 |
| Total fund balance - ending | \$ 1,210,965 | \$ 1,157,274 | \$ 1,076,300 | \$ 1,044,379 | \$ 1,031,716 | \$ 986,455 | \$ 664,263 | \$ 534,910 | \$ 564,734 | \$ 667,821 |
| Debt service as a percentage of noncapital expenditures | | | | | | | | | | |
| | 15.89% | 17.00% | 20.33% | 18.13% | 18.85% | 20.97% | 13.74% | 17.06% | 20.56% | 11.53% |

Note: Debt ratio was calculated by dividing principal and interest by total government expenditures excluding capital outlay \$125,962 for fiscal year 2016.

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 | Motor | | | | | | | | | | | | |
|---------------------|------------|-------------|---------------------|----------|---------------------|------------------------|-------------------------|------------------------|-----------|-------------------|-----------|------------|--|
| | Property | Sales & Use | Vehicle in- lieu | Gas | Business License | Utility Consumption | Real Estate Transfer | Transient Occupancy | Parking | Voter Approved | Franchise | Total | |
| 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 | |
| 2015 | 268,400 | 63,718 | 177 | 12,030 | 66,677 | 50,594 | 62,665 | 21,569 | 18,398 | 37,443 | 18,150 | 619,821 | |
| 2016 | 279,798 | 77,365 | 166 | 8,653 | 75,504 | 51,006 | 89,594 | 25,671 | 20,175 | 37,793 | 18,609 | 684,334 | |
| Change 2007-2016 | -11.0% | 33.4% | -92.7% | 16.2% | 50.0% | -0.8% | 45.7% | 108.7% | 24.5% | 26.9% | 43.0% | 11.0% | |

Note: Reflects revenues of the General, Special Revenue, Debt Service, Capital Projects Funds, and Oakland Redevelopment Agency in FY2007 - 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 - FY2016

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)

| <u>Fiscal Year</u> | <u>Land</u> | <u>Improvements</u> | <u>Personal Property</u> | <u>Total Assessed Value</u> | <u>Less: Tax-Exempt Property</u> | <u>Less: Redevelopment Tax Increments</u> | <u>Total Taxable Assessed Value</u> | <u>Total Direct Tax Rate</u> | <u>Estimated Taxable Assessed Value</u> | <u>Taxable Assessed Value as a Percentage of Estimated Taxable Value</u> |
|--------------------|---------------|---------------------|--------------------------|-----------------------------|----------------------------------|---|-------------------------------------|------------------------------|---|--|
| 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% |
| 2015 | 13,960,804 | 31,789,840 | 1,925,481 | 47,676,125 | 4,288,050 | 10,353,808 | 33,034,267 | 5.527 | 182,580,394 | 18.09% |
| 2016 | 14,968,239 | 34,219,483 | 2,098,503 | 51,286,225 | 3,862,329 | 11,932,782 | 35,491,114 | 5.136 | 182,282,362 | 19.47% |

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**

| Fiscal Year | <u>City Direct Rates</u> | | | | <u>Overlapping Rates</u> | | | | | | | | |
|-------------|--------------------------|-------------------|------------------------|-------------------|--------------------------|-----------|----------------|---------------------|-----------|--------|---------------------------------|----------------------------------|-----------------------------------|
| | Basic Rate | Debt Service Fund | 1981 Pension Liability | Total Direct Rate | Alameda County | Education | Education Debt | BART and AC Transit | BART Debt | Other | East Bay Municipal Utility Debt | East Bay Regional Parks District | East Bay Reg. Parks District Debt |
| 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 |
| 2015 | 0.3485 | 0.0467 | 0.1575 | 0.5527 | 0.3086 | 0.2165 | 0.2157 | 0.0517 | 0.0045 | 0.0505 | 0.0047 | 0.0242 | 0.0085 |
| 2016 | 0.3485 | 0.0076 | 0.1575 | 0.5136 | 0.3086 | 0.2165 | 0.1876 | 0.0517 | 0.0026 | 0.0505 | 0.0034 | 0.0242 | 0.0067 |

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>2007 (1)</u> | | | <u>2016 (2)</u> | | |
|--|-------------------------------|--|-------------|-------------------------------|--|-------------|
| | <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> |
| Kaiser Foundation Hospitals | | | | \$ 583,440,396 | 1.230% | 1 |
| Digital 720 2ND LLC | | | | 500,388,017 | 1.055% | 2 |
| SIC Lakeside Drive LLC | \$ 195,518,292 | 0.546% | 2 | 222,308,130 | 0.469% | 3 |
| Broadway Franklin LLC | | | | 212,313,000 | 0.448% | 4 |
| CIM Oakland Center 21 LP | | | | 187,195,980 | 0.395% | 5 |
| Children Hospital Med Ctr of Northern California | | | | 171,516,198 | 0.362% | 6 |
| Kaiser Foundation Health Plan Inc | 143,883,711 | 0.402% | 3 | 161,470,905 | 0.340% | 7 |
| DWF IV 1999 Harrison LLC | | | | 142,797,199 | 0.301% | 8 |
| CIM Oakland 1 Kaiser Plaza LP | | | | 136,078,132 | 0.287% | 9 |
| 555 Oakland City Center LLC | | | | 135,810,337 | 0.286% | 10 |
| Oakland City Center Venture LLC | 210,683,258 | 0.588% | 1 | N/A | | |
| 1800 Harrison Foundation | 114,900,203 | 0.321% | 4 | N/A | | |
| Oakland Property LLC | 105,741,512 | 0.295% | 5 | N/A | | |
| Clorox Company | 93,590,595 | 0.261% | 6 | N/A | | |
| 555 Twelfth Street Venture LLC | 89,186,247 | 0.249% | 7 | N/A | | |
| Brandywine Ordway LLC | 89,151,972 | 0.249% | 8 | N/A | | |
| KSL Claremont Resort, Inc | 83,480,444 | 0.233% | 9 | N/A | | |
| SSR Western Multifamily LLC | 64,567,437 | 0.180% | 10 | N/A | | |
| Total | \$ 1,190,703,671 | 3.324% | | \$ 2,453,318,294 | 5.173% | |

Notes:

(1) 2007 based on total assessed value less tax-exempt property of \$35,819,878,951

(2) 2016 based on total assessed value less tax-exempt property of \$47,423,895,746

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 | |
| 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% | |
| 2015 | 92,969 | 91,419 | 98.33% | - | 91,419 | 98.33% | |
| 2016 | 101,746 | 99,849 | 98.14% | - | 99,849 | 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 | |
| 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% | |
| 2015 | 89,871 | 88,335 | 98.29% | - | 88,335 | 98.29% | |
| 2016 | 99,114 | 97,543 | 98.42% | - | 97,543 | 98.42% | |

Note: Collections in subsequent year data not available

Source: County of Alameda

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 11

TAXABLE SALES BY CATEGORY

(in thousands)

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Auto & Transportation | \$ 912,876 | \$ 840,330 | \$ 695,919 | \$ 580,398 | \$ 651,555 | \$ 674,154 | \$ 743,329 | \$ 838,029 | \$ 894,683 | \$ 933,844 |
| Business & Industry | 613,457 | 691,322 | 574,628 | 490,566 | 512,453 | 642,399 | 655,454 | 653,875 | 558,343 | 578,225 |
| General Consumer Goods | 549,394 | 536,955 | 505,460 | 480,781 | 496,571 | 548,072 | 559,941 | 574,519 | 605,914 | 586,743 |
| Restaurants and Hotels | 483,765 | 527,276 | 515,602 | 525,068 | 566,973 | 606,936 | 681,562 | 751,108 | 855,561 | 953,697 |
| Building & Construction | 495,607 | 465,797 | 416,701 | 344,171 | 325,085 | 378,922 | 374,421 | 434,677 | 456,964 | 474,895 |
| Food & Drugs | 330,643 | 341,677 | 342,922 | 366,461 | 359,148 | 386,236 | 402,383 | 417,291 | 440,323 | 490,278 |
| Fuel & Service Stations | 1,186,535 | 1,236,876 | 638,147 | 433,207 | 620,279 | 888,349 | 733,489 | 704,208 | 632,457 | 502,608 |
| Total | <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> | <u>\$ 4,444,245</u> | <u>\$ 4,520,290</u> |
| City direct sales taxrate | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 2.0% | 2.0% |

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> |
|------------------------|---------------------------------|--------------------------------|
| 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% |
| 2015 | 2.00% | 7.50% |
| 2016 | 2.00% | 7.50% |

Source: California State Board of Equalization

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 13

RATIOS OF OUTSTANDING DEBT BY TYPE

(in thousands)

| Fiscal Year | <u>Governmental Activities</u> | | | | | | | | | | | <u>Business-type Activities</u> | | | | |
|-------------|--------------------------------|----------------------|-------------------------------|---------------------|--------------------------|-------------------|--------------------------|---------------|----------------|-----------------------------------|----------------------------------|---------------------------------|------------------|--------------------------|-----------------------------------|------------|
| | 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 |
| 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 |
| 2015 | 206,530 | - | - | 109,955 | 330,433 | 165,290 | 6,020 | 3,150 | 65,645 | 25,989 | 49,445 | - | 41,431 | 1,003,888 | 7.27% | 3 |
| 2016 | 201,830 | - | - | 91,110 | 313,223 | 159,476 | 5,685 | 2,060 | 71,850 | 24,054 | 45,512 | - | 39,123 | 953,923 | 6.52% | 2 |

(1) Per capita income \$34,587 multiplied by population 422,856 gives personal income \$14,625,320,472

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 14

**RATIOS OF GENERAL BONDED
DEBT OUTSTANDING**

(in thousands)

General Bonded Debt Outstanding

| Fiscal Year | Net Bonded Debt (1) | Assessed Value (2) | Percentage of Actual Taxable Value of Property (%) | Per Capita (3) <i>(in dollars)</i> |
|------------------------|------------------------------------|-------------------------------|---|---|
| 2007 | \$ 1,792,471 | \$ 35,820,000 | 5.0041 | \$ 4,314.09 |
| 2008 | 1,732,650 | 39,319,000 | 4.4066 | 4,123.56 |
| 2009 | 1,651,021 | 41,274,000 | 4.0001 | 3,884.13 |
| 2010 | 1,634,120 | 39,877,000 | 4.0979 | 3,794.40 |
| 2011 | 1,596,287 | 38,484,140 | 4.1479 | 4,062.50 |
| 2012 | 973,570 | 38,856,435 | 2.5056 | 2,462.61 |
| 2013 | 1,147,758 | 39,515,578 | 2.9046 | 2,874.24 |
| 2014 | 1,085,098 | 40,796,490 | 2.6598 | 2,683.53 |
| 2015 | 962,457 | 43,388,075 | 2.2183 | 2,344.01 |
| 2016 | 914,800 | 47,423,896 | 1.9290 | 2,163.38 |

(1) Source: City of Oakland Annual Debt Service Roll Forward Schedule as of June 30, 2016

(2) Source: County of Alameda.

(3) Population 422,856 as of 1/1/16 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 | \$ 201,830,000 |
| City of Oakland Lease Revenue Bonds | 100 | 91,110,000 |
| City of Oakland Pension Obligations | 100 | 313,223,000 |
| City of Oakland 1915 Act Bond Obligations | 100 | 5,685,000 |
| City of Oakland Accreted Interest on Appreciation Bonds | 100 | 159,476,000 |
| City of Oakland Unamortized Premium and Discount | 100 | 24,054,000 |
| City of Oakland Notes and Capital Leases | 100 | 73,910,000 |
| City of Oakland and Coliseum Authority General Fund Obligations | 100 | 45,512,000 |
| Total Direct Bonded Debt: | | \$ 914,800,000 |
| Overlapping Bonded Debt | | |
| Alameda-Contra Costa Transit District Certificates of Participation | 23.835 | \$ 5,073,280 |
| Alameda County and Coliseum Authority General Fund Obligation | 20.121 | 171,436,353 |
| Alameda County Pension Obligations | 20.121 | 9,479,223 |
| Bay Area Rapid Transit District | 7.937 | 41,833,149 |
| East Bay Municipal Utility District, Special District #1 | 52.418 | 3,850,102 |
| East Bay Regional Park District | 12.160 | 18,233,312 |
| Chabot-Las Positas Community College District | 0.767 | 3,224,679 |
| Peralta Community College District | 55.243 | 226,891,287 |
| Peralta Community College District Pension Obligation | 55.243 | 90,573,018 |
| Berkeley & Castro Valley Unified School District | 0.003 & 0.129 | 88,072 |
| Oakland Unified School District | 99.999 | 932,535,675 |
| Oakland Unified School District Certificates of Participation | 99.999 | 36,044,640 |
| San Leandro Unified School District | 7.446 | 13,988,772 |
| San Leandro Unified School District General Fund Obligations | 7.446 | 372,300 |
| Castro Valley Unified School District Certificates of Participation | 0.129 | 6,979 |
| City of Emeryville 1915 Act Bonds | 4.183 | 185,307 |
| City of Piedmont 1915 Act Bonds | 4.792 | 139,447 |
| Total Overlapping Bonded Debt: | | \$ 1,553,955,595 |
| Total Direct and Overlapping Debt | | \$ 2,468,755,595 |
| Less: East Bay M.U.D. Special District #1 (100% self-supporting) | | 3,850,102 |
| Total Net Direct and Overlapping Bonded Debt | | \$ 2,464,905,493 |

Source: City of Oakland Treasury Division

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 16

LEGAL DEBT MARGIN INFORMATION

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Debt limit | \$ 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 | \$ 1,238,785,017 | \$ 1,330,916,765 |
| Total net debt applicable to limit | 345,214,363 | 331,528,315 | 317,188,697 | 366,247,851 | 349,430,620 | 326,608,202 | 309,791,916 | 290,448,558 | 206,530,000 | 201,830,000 |
| Legal debt margin | \$ 639,802,675 | \$ 784,698,938 | \$ 839,629,931 | \$ 763,364,531 | \$ 755,078,237 | \$ 783,735,534 | \$ 815,933,752 | \$ 878,477,944 | \$ 1,032,255,017 | \$ 1,129,086,765 |
| Total net debt applicable to the limit as a percentage of debt limit (%) | 35.05% | 29.70% | 27.42% | 32.42% | 31.64% | 29.42% | 27.52% | 24.85% | 16.67% | 15.16% |

Source: County of Alameda and City of Oakland Annual Debt Service Roll Forward (General Obligation Debt Total as of June 30, 2016).

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 17

**PLEGGED-REVENUE COVERAGE,
PORT OF OAKLAND, OAKLAND REDEVELOPMENT AGENCY AND
OAKLAND REDEVELOPMENT SUCCESSOR AGENCY**

(thousands of dollars)

| Fiscal Year | Net Revenue Available for Debt Service | Principal | Interest | Total | Coverage |
|--|--|-----------|-----------|-----------|----------|
| <u>PORT OF OAKLAND</u> | | | | | |
| 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 | 160,769 | 42,661 | 56,615 | 99,276 | 161.94% |
| 2015 | 164,643 | 46,471 | 54,813 | 101,284 | 162.56% |
| 2016 | 158,738 | 50,236 | 52,786 | 103,022 | 154.08% |
| <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: (from Port of Oakland)

(1) Revised from 130.15% to reflect the application of \$9.5 million bond reserve funds from Series F, Series K, Series L and Series N to debt service.

(2) Revised from 148.85% to reflect the application of unspent Series M bond proceeds to debt service.

(3) Revised from 161.41% to reflect additional Net Revenue Available for Debt Service.

Source: Port of Oakland

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 18

DEMOGRAPHIC AND ECONOMIC STATISTICS

| Calendar Year | Population | Personal Income <i>(thousands of dollars)</i> | Per Capita Personal Income | Median Age | School Enrollment | Unemployment Rate (%) |
|------------------|-------------|---|----------------------------------|---------------|----------------------|--------------------------|
| 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 | 12,402,660 | 31,030 | 36.6 | 36,180 | 11.3 |
| 2014 | 405,703 | 13,154,920 | 32,425 | 36.4 | 37,040 | 9.0 |
| 2015 | 419,539 (1) | 14,100,286 | 33,609 | 36.2 | 37,147 | 5.7 |
| 2016 | 422,856 | 14,625,320 | 34,587 | 36.2 | 37,075 | 5.8 |

Source: Population - State of California Department of Finance

Per Capita Income and Median Age - DemographicsNow.com (2006-2013), U.S. Census Bureau (2014-2016)

School Enrollment - Oakland Unified School District

Unemployment Rate - State of California Employment Development Department

(1) 2015 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>2016</u> | | | <u>2008⁽¹⁾</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> |
| Kaiser Permanente/Kaiser Foundation | 12,287 | 1 | 6.13% | 8,885 | 1 | 5.09% |
| Oakland Unified School District | 5,080 | 2 | 2.53% | 5,723 | 2 | 3.28% |
| County of Alameda | 4,490 | 3 | 2.24% | N/A | | |
| City of Oakland | 3,500 | 4 | 1.75% | 3,804 | 3 | 2.18% |
| Bay Area Rapid Transit | 3,288 | 5 | 1.64% | 3,166 | 4 | 1.81% |
| State of California | 3,168 | 6 | 1.58% | N/A | | |
| UCSF Children's Hospital Oakland | 2,675 | 7 | 1.33% | 2,526 | 5 | 1.45% |
| Alameda Health Systems (Highland Hospital) | 2,300 | 8 | 1.15% | N/A | | |
| Southwest Airlines | 2,256 | 9 | 1.13% | 2,328 | 7 | 1.33% |
| Sutter Hospitals, Medical Foundation, & Support Services | 2,257 | 10 | 1.13% | 2,072 | 8 | 1.19% |
| U. S. Postal Service | N/A | | | 2,413 | 6 | 1.38% |
| East Bay Municipal Utility District | N/A | | | 1,596 | 9 | 0.91% |
| Federal Express | N/A | | | 1,556 | 10 | 0.89% |
| Total | 41,301 | | | 34,069 | | |

Source: City of Oakland Economic and Workforce Development Department and County of Alameda
Total employment of 200,500 from State of California Employment Development Department is used to calculate the percentage of employment in 2016.

Note:

(1) Data pertaining to principal employers for 2007 was not readily available. As such, the City used 2008 data as its base year.

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 20

**FULL-TIME-EQUIVALENT CITY GOVERNMENT
EMPLOYEES 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> | <u>2015</u> | <u>2016</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Aging, Health & Human Services | 213 | 208 | 204 | 217 | 231 | 218 | 219 | 219 | 214 | 213 |
| Community & Economic Development Agency | 262 | 419 | 380 | 364 | 241 | N/A | N/A | N/A | N/A | N/A |
| Economic & Workforce Development Department | N/A | 46 | 44 | 42 |
| Fire | | | | | | | | | | |
| Firefighters and officers | 456 | 462 | 448 | 434 | 427 | 411 | 410 | 393 | 426 | 427 |
| Civilians | 81 | 82 | 77 | 78 | 69 | 64 | 68 | 96 | 67 | 102 |
| General Government | | | | | | | | | | |
| Management services | 222 | 211 | 204 | 184 | 169 | 280 | 280 | 169 | 205 | 224 |
| Finance | 210 | 209 | 196 | 176 | 172 | 63 | 55 | 124 | 128 | 134 |
| Retirement Services | 7 | 5 | 5 | 5 | 5 | N/A | N/A | N/A | N/A | N/A |
| Personnel Resources Management | 41 | 53 | 47 | 35 | 35 | 33 | 29 | 40 | 42 | 37 |
| Contracts and Purchasing | N/A | 22 | 22 | 22 | 23 | N/A | N/A | N/A | N/A | N/A |
| Neighborhood Services | N/A | N/A | N/A | N/A | N/A | N/A | 4 | N/A | N/A | N/A |
| Information Technology | 76 | 92 | 88 | 67 | 62 | 60 | 55 | 59 | 54 | 70 |
| Library | 160 | 150 | 140 | 133 | 135 | 134 | 138 | 139 | 136 | 132 |
| Cultural Arts/KTOP | 22 | 21 | 20 | 12 | 12 | 8 | 8 | 8 | 8 | N/A |
| Museum | 58 | 55 | 51 | 42 | 38 | N/A | N/A | N/A | N/A | N/A |
| Parks and Recreation | 81 | 76 | 92 | 82 | 87 | 83 | 84 | 82 | 85 | 88 |
| Planning, Building & Neighborhood Preservation | N/A | N/A | N/A | N/A | N/A | 119 | 111 | 111 | 107 | 118 |
| Police | | | | | | | | | | |
| Officers | 725 | 746 | 791 | 763 | 627 | 634 | 621 | 633 | 710 | 760 |
| Civilians | 335 | 432 | 303 | 305 | 279 | 311 | 350 | 458 | 458 | 423 |
| Public Works | 727 | 561 | 546 | 482 | 593 | 593 | 588 | 611 | 623 | 622 |
| Housing & Community Development | N/A | N/A | N/A | N/A | N/A | 44 | 43 | 45 | 45 | 44 |
| Total | 3,676 | 3,804 | 3,614 | 3,401 | 3,205 | 3,055 | 3,063 | 3,233 | 3,352 | 3,436 |

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> | <u>2015</u> | <u>2016</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General Government | | | | | | | | | | |
| Building permits issued | 16,488 | 14,957 | 13,055 | 12,951 | 13,648 | 13,696 | 13,513 | 14,680 | 15,117 | 18,693 |
| Building inspections conducted | 89,388 | 95,064 | 77,845 | 71,931 | 70,016 | 48,500 | 55,951 | 58,844 | 56,414 | 39,947 |
| Authorized new dwelling units | 2,035 | 704 | 395 | 555 | 528 | 237 | 486 | 420 | 806 | 1,641 |
| Commercial value (in thousands) | 171,157 | 213,696 | 117,876 | 95,851 | 108,767 | 150,613 | 65,152 | 100,239 | 238,592 | 306,809 |
| Residential value (in thousands) | 611,036 | 258,617 | 196,362 | 168,872 | 179,374 | 159,723 | 253,516 | 181,087 | 246,776 | 495,481 |
| Police | | | | | | | | | | |
| Dispatched calls | 299,283 | 289,032 | 315,522 | 265,277 | 236,517 | 221,775 | 249,050 | 226,275 | 252,550 | 253,877 |
| Field Contacts | 7,221 | 9,641 | 8,393 | 20,220 | 23,391 | 16,638 | 21,280 | 33,570 | 34,418 | 39,240 |
| Physical arrests | 14,908 | 16,866 | 18,183 | 15,056 | 15,029 | 10,617 | 7,908 | 7,577 | 12,224 | 12,911 |
| Parking violations | 470,008 | 459,459 | 496,655 | 450,656 | 386,494 | 368,641 | 326,030 | 331,692 | 323,542 | 330,615 |
| Traffic violations | 39,098 | 44,897 | 51,019 | 33,484 | 20,731 | N/A | N/A | 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 | 58,413 | 59,254 |
| Fires extinguished | 2,021 | 3,800 | 2,601 | 1,143 | 1,073 | 1,207 | 1,108 | 1,783 | 1,282 | 1,782 |
| Inspections | 2,631 | 3,062 | 3,258 | 2,087 | 2,211 | 2,390 | 3,292 | 3,292 | 2,398 | 2,862 |
| 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 | 15,204,325 | 15,154,727 |
| 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> | <u>17,663,308</u> | <u>15,848,375</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 | 32,867,633 | 31,003,102 |
| 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 | 1,359,195 | 1,294,532 |
| Other public works | | | | | | | | | | |
| Street resurfacing (miles) | 14.58 | 13.83 | 18.63 | 18.50 | 11.50 | 21.21 | 3.95 | 16.95 | 9.60 | 9.40 |
| Potholes repaired | 12,574 | 11,758 | 8,515 | 10,062 | 8,262 | 11,614 | 12,005 | 9,719 | 13,751 | 14,117 |
| Parks and recreation | | | | | | | | | | |
| Athletic field permits issued | 543 | 330 | 340 | 346 | 378 | 409 | 409 | 409 | 429 | 450 |
| 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 | 698,273 | 1,174,383 |
| 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 | 1,130,583 | 1,120,958 |
| 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 | 2,421,548 | 2,560,066 |
| Water | | | | | | | | | | |
| New connections | 389 | 474 | 297 | 192 | 111 | 127 | 167 | 132 | 139 | 184 |
| Water main breaks | 261 | 251 | 410 | 242 | 263 | 260 | 278 | 303 | 339 | 336 |
| Average daily consumption (gallons/fam) | 203 | N/A |
| Peak daily consumption (thousands of gallons) | 385,000 | 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 | 55,000 | 57,000 |

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> | <u>2015</u> | <u>2016</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Aviation facilities | | | | | | | | | | |
| Airports operated | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Paved airport runways | 4 | 4 | 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 | 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 | 2,600 | 2,600 |
| Police | | | | | | | | | | |
| Stations | 7 | 8 | 8 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Patrol units | 630 | 622 | 633 | 602 | 592 | 634 | 610 | 600 | 619 | 697 |
| Fire stations | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Harbor facilities | | | | | | | | | | |
| Miles at waterfront | 19 | 19 | 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 | 23,233 | 23,233 |
| Harbor area (in acres) | 786 | 786 | 786 | 786 | 779 | 779 | 779 | 779 | 779 | 779 |
| Hospitals | 2 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Library branches | 16 | 15 | 15 | 15 | 16 | 16 | 16 | 16 | 16 | 16 |
| Museums | 2 | 1 | 1 | 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 | 1,965 | 1,965 |
| Streetlights | 33,952 | 36,219 | 36,219 | 36,219 | 37,000 | 37,000 | 37,000 | 37,000 | 37,000 | 38,000 |
| Traffic signals | 680 | 671 | 688 | 688 | 688 | 720 | 632 | 635 | 639 | 642 |
| Parks and recreation | | | | | | | | | | |
| Acreage | 2,500 | 2,500 | 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 | 4 | 6 |
| Tennis courts | 36 | 44 | 44 | 44 | 44 | 44 | 44 | 44 | 44 | 44 |
| Playgrounds | 89 | 106 | 106 | 106 | 106 | 106 | 106 | 106 | 106 | 106 |
| Baseball/softball diamonds | 46 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| Soccer/football fields | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Community centers | 29 | 34 | 34 | 34 | 33 | 33 | 33 | 33 | 33 | 33 |
| Water | | | | | | | | | | |
| Water mains (miles) | N/A |
| Fire hydrants | 6,705 | 6,719 | 6,733 | 6,738 | 6,759 | 6,697 | 6,812 | 6,823 | 6,720 | 6,735 |
| Storage capacity (thousands of gallons) | N/A |
| Wastewater | | | | | | | | | | |
| Sanitary sewers (miles) | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 |
| Treatment capacity (million gallons per day) | 120 | 320 | 320 | 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 422,800, 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 over 100 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.

CITY GOVERNMENT

The City of Oakland has a Mayor-Council form of government. The Mayor is elected at-large for a four-year term, and can be re-elected only once. The Mayor is not a member of the City Council; however, he or she has the right to vote as one if the Councilmembers are evenly divided.

The City Council is the legislative body of the City and is comprised of eight Councilmembers. One Councilmember is elected “at-large”, while the other seven Councilmembers represent specific districts. All Councilmembers are elected to serve four-year terms. Each year the Councilmembers elect one member as President of the Council and one member to serve as Vice Mayor.

The City Administrator is appointed by the Mayor and is subject to confirmation by the City Council. The City Administrator is responsible for the day-to-day administrative and fiscal operations of the City.

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 areas continue to grow; as evidenced by Oakland’s 10 Business

CITY OF OAKLAND STATISTICS

Improvement Districts. While manufacturing remains an important segment of the City's economy, some industrial areas have been converted into live/work use.

A variety of incentives are available to companies located in the City's Foreign Trade and Recycling Market Development Zones. The Economic Development staff links businesses with the many services available to them throughout the area and serves as an ombudsman for companies dealing with the City. City staff works 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 422,856 residents per capita income in 2016 averaged \$34,587. Portions of Oakland are among the wealthiest consumer markets in California; average household income for this area was over \$72,000. Estimated annual taxable sales were \$4.5 billion in 2016. 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.

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 is:

- "...Nation's best City for Foodies." (San Francisco Chronicle, 2016);
- "...ranked 3rd best place for Tech Careers." (Value Penguin, 2016);
- "...most diverse large city in the U.S." (WalletHub, 2016);
- "...5th Best City for Basketball Fans." (WalletHub, 2016);
- "...ranked no.13 among America's Fastest-Growing Cities 2016." (Forbes, 2016);
- "...among the 52 Places to Go in 2016." (New York Times, 2016)
- "...9th Best City for Baseball Fans." (WalletHub, 2015);
- "...no. 14 among most Bikeable Cities of 2015." (Redfin, 2015);
- "...no. 4 on Trulia's top 5 most pet-friendly rental markets." (Trulia, 2015);
- "...no. 2 Overall in Mid-Sized American Cities of the Future and no. 1 in Connectivity." (fDiIntelligence.com, 2015);
- "...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);

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HISTORY

Oakland's first inhabitants, the Ohlone Indians, arrived about 1200 B.C. and lived in small tribal groups on the edge of the hills surrounding the Bay. The Ohlone Indians were a stocky hunting and gathering group who lived in such harmony with nature that they left no permanent mark on the landscape. They maintained such a peaceful attitude with each other that they had no word for war.

Spanish explorers first entered the area that is now Oakland by land in 1772. They reported the natural geography as possibly the most perfect on earth. Near the shore were magnificent oaks; on the hills stood acres of giant redwoods. In the spring, wildflowers filled the valley with golden poppies and purple iris. Deer, rabbits, bears and wildcats roamed the woods. Creeks tumbled into a Bay filled with salmons, crabs, sturgeons, smelts, lobsters, clams, and mussels. The marsh that would become Lake Merritt was alive with wildfowls.

Spain established a Presidio and a Mission on the west side of the Bay in 1776, and Mission San Jose (south of Oakland) is now Fremont. Mission San Jose had jurisdiction over Oakland, the area the Spaniards called Encinal, "grove of evergreen oaks." European diseases and settler hostility obliterated the Ohlones and most of their culture within a few years.

Development as a commercial and transportation center began with the California Gold Rush of 1849, when Oakland became the mainland staging point for passengers and cargo traveling between the Bay and the Sierra foothills.

Oakland was incorporated as a city in 1852, and construction of shipping wharfs began immediately. Ferry service between Oakland and San Francisco had existed for years, but by building large wharfs and dredging a shipping channel, Oakland became an independent destination. Oakland grew steadily through the 19th century. After the devastating earthquake in 1906, many people and businesses chose to relocate from San Francisco to Oakland. Oakland's population more than doubled between 1900 and 1910.

Oakland benefited from the general prosperity of the area through the 1920s. California farms expanded their markets, contributing to canning, processing and shipping companies based in Oakland. Automakers and steel companies led the industrial expansion throughout the East Bay. Construction businesses had plenty of work as homes went up south and east of the inner city and new high-rise office buildings were built in downtown Oakland.

World War II brought tremendous changes to Oakland. Huge numbers of workers moved to the Bay Area to work in local shipyards and many of these people, as well as large numbers of military personnel who mustered out at Treasure Island and the Oakland Army Base, chose to remain in the Bay Area. The population grew by almost one third between 1940 and 1950.

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.

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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, marine, aviation, freeways (I-880, I-580, Hwy 13, and Hwy 24) guarantees ease of travel for local residents and efficient channels of commerce for businesses relying on the City's easy access. Oakland is the headquarters of the Alameda-Contra Costa Transit District (AC Transit), and the Bay Area Rapid Transit (BART) system. Oakland's Port is a primary sea terminal for transporting cargo between the Western United States and the Pacific Rim, Latin America, and Europe. Air cargo service is minutes away at the Oakland International Airport.

The Port of Oakland

The Port of Oakland is located on the east (or mainland) side of San Francisco Bay, one of the most beautiful natural harbors in the world. The Port is the fifth busiest container port in the United States and among the top 30 in the world. It is served by two railroad companies: the Burlington Northern Santa Fe (BNSF) and the Union Pacific.

The Port handles over 98 percent of Northern California's container traffic, which includes service by over 30 container lines. It has technically advanced facilities available not only for containers but for break-bulk, heavy-lift, and other specialized cargo. The Port has approximately 1,000 acres of developed terminal facilities and container storage and handling areas with 35 ship-to-shore container cranes in operation at these facilities. All Vision 2000 terminal facilities are open and operating. They consist of the 120 acre Hanjin container terminal, the 150 acre Stevedoring Services of America container terminal and the 85 acre intermodal rail terminal operated by the BNSF. The Port of Oakland is the only California container port that handles more exports than imports. It is the premier seaport for exporting agricultural goods from the Central Valley and the gateway for 90 percent of California's wine exports.

Oakland International Airport

Oakland International is San Francisco Bay Area's most convenient airport and was ranked #1 for on-time arrivals in North America as measured by FlightStats.com in 2009. Strategically located at the center of the region, Oakland International handles over 9 million passengers and 1,000,000 metric tons of air cargo annually. It is the fourth largest international airport in California, and the second largest airport in the Bay Area, it offers approximately 150 commercial passenger flights daily to domestic and international destinations. The airport is comprised of two airfields: South Field (the main commercial airfield) and North Field (primarily used by general and corporate aviation and some cargo companies). Oakland offers flights to more than 40 destinations in the U.S., including services to four Hawaiian Islands as well as service to Mexico and Europe. The Port is also partnering with Bay Area Rapid Transit to operate the Oakland Airport Connector, a 3.2-mile extension of BART from the Coliseum/Oakland Airport BART Station to Oakland International Airport.

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.

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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 192,000 daily riders, AC Transit operates a network of more than 149 bus lines, 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 and Zipcar. There are over 90 miles of bike lanes, routes and paths for the public. Oakland was one of the first cities to pilot the “sharrow” lane – shared-lane pavement markings to indicate road lanes shared by cyclists and motorists.

EDUCATION

The Oakland Unified School District is governed by the Board of Education consisting of seven elected members and three mayoral appointees. The day-to-day operations are managed by the Superintendent of Schools.

The District operates 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, Samuel Merritt University offers degrees in nursing, occupational therapy, physical therapy, physician assistant, and podiatric medicine and is the largest source of new registered nurses in California. Also, 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.

CITY OF OAKLAND STATISTICS

PUBLIC SAFETY

Oakland's public safety providers actively engage all segments of the City's diverse residential and business communities in efforts to increase public safety and quality of life. Current police initiative partner law enforcement agencies with local community-based social service organizations to create/enhance programs that offer ex-offenders services (training and education) and support (substance abuse recovery and mental health counseling), while maintaining strict accountability and supervision of parolees and those on probations.

Oakland's first responders, committed to proactive emergency preparedness, response, and mitigation, continue to develop and enhance their skills, assess local risks, and prepare strategies to ensure the safety and security of the City's residential and commercial sectors in the event of a natural disaster or terrorist attack.

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. Five 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.

Oakland is at the heart of the East Bay Regional Park District, a splendid system of 65 parks covering more than 119,000 acres and 29 regional hiking trails stretching 1,200 miles in Alameda and Contra Costa Counties.

CULTURAL ARTS

Oakland is home to one of the most vibrant visual, performing and cultural arts communities in the West Coast. It is experiencing a dynamic cultural renaissance and economic revitalization throughout downtown, the waterfront, and neighborhoods. There are more than 5,000 professional artists living and working in Oakland; 25 dance companies; 36 music groups and organizations; 12 theater companies; 40 visual arts galleries and 15 historic and museum sites.

The 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

CITY OF OAKLAND STATISTICS

artists that collectively provide more than 5,000 arts and cultural activities to Oakland residents and visitors.

Public Art Program—The City of Oakland Public Art Program serves Oakland residents and visitors of all ages by commissioning permanent and temporary works of art to help create a positive vision and identity for the City and its neighborhoods. The Public Art Program supports downtown and neighborhood revitalization by engaging a diverse range of artists in contributing to the quality of the visual environment while communicating Oakland’s historical, social and cultural significance. Public Art Program Staff administers a variety of programs, including site-specific public art connected to City capital improvements.

Special Projects—The City collaborates with other community organizations, businesses, public institutions, and City agencies to produce programs, events, festivals, and celebrations that promote Oakland’s art and culture. Current projects include: Oakland Artisan Marketplace, Art & Soul Oakland Festival, and support for 20 major festivals citywide.

Galleries—Three new exhibition spaces downtown showcase high quality art by Oakland Bay Area visual artists in a variety of expressive mediums. They include the Craft and Cultural Arts City of Oakland/State of California Gallery, established through a ‘partnership in the arts’ collaboration, the Oakland Art Gallery, and the Galleries of Oakland space in City Hall. The Third Thursday Oakland Art Night, through which art patrons can tour downtown galleries until 8pm on the third Thursdays, is a newly created program.

Oakland Museum of California—It brings together collections of art, history and natural science under one roof to tell the extraordinary stories of California and its people. Oakland Museum of California connects collections and programs across disciplines, advancing an integrated, multilayered understanding of this ever-evolving state. With more than 1.8 million objects, the Museum is a leading cultural institution of the Bay Area and a resource for the research and understanding of California’s dynamic cultural and environmental heritage.

Paramount Theater—This 1931 movie place, authentically restored in 1973, is Oakland’s premiere live performance facility. The theater hosts an impressive variety of popular attractions, including the Oakland East Bay Symphony and the Oakland Ballet, hosts classical performance, Broadway shows, R&B concerts, gospel musicals, comedy performances and many special engagements.

Malonga Casquelourd Center for the Arts—The beautifully restored turn-of-the-century Arts Center, formerly known as the Alice Arts Center, is one of the area’s busiest performing arts facilities. Patrons can participate in a variety of arts programs or rent spaces for arts events and activities. This restored 1920s building is a popular multicultural, multidisciplinary performing arts complex sponsored by the city. The 400-seat theater and five performance spaces showcase drama, ballet, and African and contemporary dance.

The Oakland School for the Arts—It is a California Distinguished School and has been recognized by the national Arts Schools Network as an Exemplary School. Oakland School for the Arts (OSA) is part of the revitalization of uptown Oakland. Located in the recently restored historic Fox Theater, OSA anchors the uptown arts movement with its shows, productions and performances.

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SPORTS

Oakland is a magnet for sports fans of all types. Whatever the season, Oakland pro and amateur games frequently garner large crowds and broad national media coverage. In the last three decades, Oakland's professional sports teams have won six world championships in three major sports.

- Golden State Warriors – The Warriors continue to showcase exciting basketball. In 2015, the Warriors won their first NBA Championship in 40 years. The celebratory parade and rally marking the victory was held in downtown Oakland on June 19.
- 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.

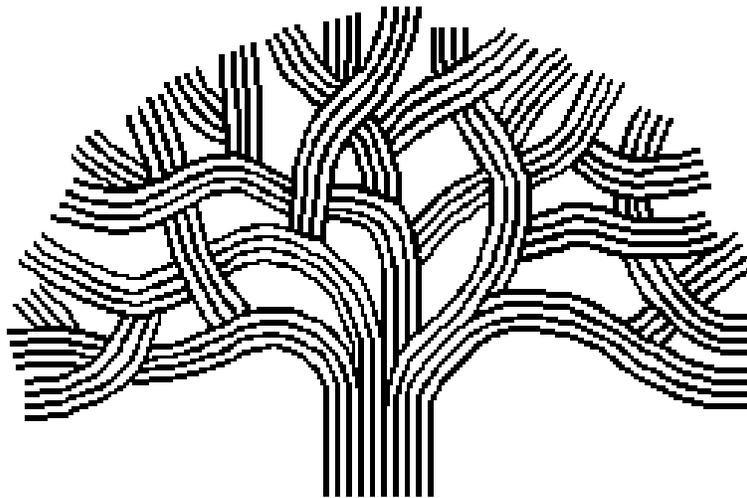
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APPENDIX C

FORM OF CITY INVESTMENT POLICY

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**City of Oakland
Investment Policy
For
Fiscal Year 2016-2017**



**Prepared by
Treasury Bureau
Adopted by the City Council
On June 21, 2016
(Effective July 1, 2016)**

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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”) 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 June 21, 2016 and will serve as the City of Oakland’s Investment Policy for Fiscal Year 2016-17 and until it’s further revised.

2.0 SCOPE

The Investment Policy applies to the operating funds of the City of Oakland, 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.

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 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. The Assistant Controller-Treasury and/or Investment Officer may execute investment transactions in the absence of the Treasurer or designee per the Treasurer's instructions or prior authorization.

An Assistant Controller-Treasury or Investment Officer 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, and 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 effective December 16, 1988, 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 adopted by Council on July 14,1998, 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

On June 17, 2014, Council adopted Resolution No. 85053 C.M.S. which prohibits the Investment or ownership stake in any companies that extract, produce, refine, burn or distribute fossil fuels. Treasury Bureau is in full compliance with this resolution

9.5 Firearm or Gun Manufacturer Divestiture Resolution

On March 5, 2013, Council adopted Resolution No. 84242 C.M.S which prohibits investment or ownership stake in any manufacturer of firearms or ammunition. Treasury Bureau does not have any direct investment exposure to firearms or ammunition manufacturer.

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 cash management 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 for every two years 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 GENERAL CREDIT QUALITY

Short- term debt shall be rated at least “A-1” by Standard & Poor’s Corporation, “P-1” by Moody’s Investor Service, Inc., “F-1” by Fitch. Long-term debt shall be rated at least “A” by Standard & Poor’s Corporation, Moody’s Investors Service, Inc., or Fitch.

The minimum credit requirement for each security is further defined within the Permitted Investments section of the policy. If securities which are purchased for the Fund are downgraded below the credit quality required by the Fund. The Treasurer, will determine whether to retain or to sell the security. Evaluation of divestiture of securities will be determined on a case-by-case basis.

15.0 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.

15.1 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

15.2 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.

15.3 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.

15.4 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.

15.5 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 rating listed above.
- Eligibility: Issued by special purpose corporations ("SPC") organized and operating in the United States with assets exceeding \$500 million. Restricted to programs sponsored by commercial banks or finance companies organized and operated in the United States.
- Program must have credit facility that provides at least 100% liquidity
- Serialized ABCP programs are not eligible
- Ratings are to be routinely monitored. The Treasurer is to perform his/her own due diligence as to creditworthiness.

15.6 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

15.7 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

15.8 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.

15.9 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.

15.10 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.

15.11 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

15.12 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.

15.13 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

15.14 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 \$65 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.

- Maximum Maturity N/A
- Maximum Portfolio Exposure None

15.15 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

15.16 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

15.17 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

15.18 Deposits- Private Placement

Prudent to Government Code Section 53601.8 and 53635.8, local agencies are

authorized to invest their surplus funds in deposits, certificates of deposits including negotiable certificate of 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, 2021

15.19 Supranationals

U.S dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by any of the supranational institutions such as International Bank of Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the Inter-American Development Bank (IADB). Eligible for purchase and sale within the United States.

- Maximum Maturity: 5 years
- Maximum Portfolio Exposure: 30%
- Credit Requirement: Rated “AA” or better by NRSRO

16.0 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.

17.0 GLOSSARY

Definitions of investment-related terms are listed in Exhibit A.

EXHIBIT A

GLOSSARY

ACCRETION: Adjustment of the difference between the prices 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 issuer 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.

NATIONALLY RECOGNIZED RATING ORGANIZATION (NRSRO): is a credit rating agency that issues credit rating that U.S Securities and Exchange Commission permits other financial firms to use for certain regulatory purposes.

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.

RATING SCALE:

| Moody's | | S&P | | Fitch | | Rating description | | |
|-----------|------------|-----------|--------------------|-----------|------------|--|------------------|----------------------------------|
| Long-term | Short-term | Long-term | Short-term | Long-term | Short-term | | | |
| Aaa | P-1 | AAA | A-1+ | AAA | F1+ | Prime | Investment-grade | |
| Aa1 | | AA+ | | AA+ | | High grade | | |
| Aa2 | | AA | | AA | | | | |
| Aa3 | | AA- | | AA- | | | | |
| A1 | | A+ | A-1 | A+ | F1 | Upper medium grade | | |
| A2 | A | | A | | | | | |
| A3 | P-2 | A- | A-2 | A- | F2 | | | |
| Baa1 | | BBB+ | | BBB+ | | Lower medium grade | | |
| Baa2 | P-3 | BBB | A-3 | BBB | F3 | | | |
| Baa3 | | BBB- | | BBB- | | | | |
| Ba1 | | BB+ | | B | | BB+ | B | Non-investment grade speculative |
| Ba2 | BB | BB | | | | | | |
| Ba3 | BB- | BB- | | | | | | |
| B1 | B+ | B+ | Highly speculative | | | | | |
| B2 | B | B | | | | | | |
| B3 | B- | B- | | | | | | |
| Caa1 | Not prime | CCC+ | C | CCC | C | Substantial risks | | |
| Caa2 | | CCC | | | | Extremely speculative | | |
| Caa3 | | CCC- | | | | Default imminent with little prospect for recovery | | |
| Ca | | CC | | | | | | |
| | | C | | | | | | |
| C | | | | | | DDD | | |
| / | | | | | | D | / | DD |
| | | | | D | | | | |

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.

SUPRANATIONALS: are international institutions that provide development financing, advisory services and/or financial services to their member countries to achieve the overall goal of improving living standards through sustainable economic growth. The Government Code allows local agencies to purchase the United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

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.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

CITY OF OAKLAND GENERAL OBLIGATION BONDS (SERIES 2017C, MEASURE DD)

This Continuing Disclosure Certificate (the “Disclosure Certificate”) dated January __, 2017, is executed and delivered by the City of Oakland (the “City”) in connection with the issuance of \$26,500,000 aggregate principal amount of the above-named bonds (the “Bonds”). The Bonds are issued under provisions of the Constitution of the State of California (the “State”), Article 1 of Chapter 4 of Division 4 of Title 4 (commencing with Section 43600) of the Government Code of the State, the Charter of the City, and other applicable laws of the State. The specific terms and conditions for issuance of the Bonds are contained in a Resolution adopted by the City Council of the City on December 13, 2016 (the “Resolution”). Bonds are being issued by the City pursuant to a Fiscal Agent Agreement, dated as of January 1, 2017 (the “Fiscal Agent Agreement”), between the City and Wilmington Trust, National Association, as fiscal agent (together with any successors, the “Fiscal Agent”). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter (as herein after defined) in complying with Securities and Exchange Commission (“S.E.C.”) Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which 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:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person, which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Holder” shall mean the person in whose name any Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

“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 S.E.C., 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>.

“Official Statement” shall mean the official statement relating to the Bonds, dated January 12, 2017.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City’s fiscal year (currently ending June 30), commencing with the report for the 2016-17 Fiscal Year (which is due not later than March 31, 2018), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) Not later than 15 business days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City), file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The City’s Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the City for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the City’s audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial

statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the City, the Annual Report shall also include the following additional items for the prior fiscal year:

1. The assessed valuation of taxable property in the City;
2. Property taxes due, property taxes collected and property taxes delinquent;
3. Property tax levy rate per \$1,000 (or other amount) of assessed valuation;
and
4. Outstanding general obligation debt of the City.

(c) Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not 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 or 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 occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing 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, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional fiscal agent or the change of name of a fiscal agent.

(c) The City shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a), as provided in Section 3(b).

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(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 5(a), or determines that knowledge of a Listed Event described in Section 5(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, accompanied by such identifying information as prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Fiscal Agent Agreement.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the City.

SECTION 8. 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 Sections 3(a), 4, 5(a) or 5(b), 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 Bonds, 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 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the

basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure 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 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 Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Alameda (the "County") or in U.S. Federal Court in or nearest to the County. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity. This Disclosure Certificate is not intended to create any monetary rights on behalf of any person based upon the Rule.

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IN WITNESS WHEREOF, the undersigned has executed and delivered this Continuing Disclosure Certificate on the date as first written above.

CITY OF OAKLAND, CALIFORNIA

By: _____
City Administrator

CONTINUING DISCLOSURE EXHIBIT A

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT**

Name of City: CITY OF OAKLAND
Name of Bond Issue: CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2017C, MEASURE DD)
Date of Issuance: _____, 2017

NOTICE IS HEREBY GIVEN that the City of Oakland, California (the “City”), has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City, dated the Date of Issuance. [The City anticipates that the Annual Report will be filed by _____.]

Dated: _____

CITY OF OAKLAND, CALIFORNIA

By _____ [to be signed only if filed]

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

The information in numbered paragraphs 1 through 10 of this APPENDIX E has been provided by DTC for use in securities offering documents, and the City takes no responsibility for the accuracy or completeness thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the beneficial owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. 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. As used in this appendix, "Securities" means the Bonds, "Issuer" means the City, and "Agent" means the Fiscal Agent.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated herein by reference.

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

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

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

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

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

8. Redemption proceeds, principal, and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable dates 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this Appendix E 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.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest and other payments with respect to the Bonds to Direct Participants, Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Bonds and other related transactions by and between DTC, the Direct Participants, the Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the Participants, as the case may be. The City will not have any responsibility or obligation to Direct Participants and Indirect Participants or the persons for whom they act as nominees with respect to the Bonds.

THE CITY, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES FOR OWNERS TO ONLY DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE

REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS" HEREIN) SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). If the City determines not to continue the DTC book-entry only system, or DTC discontinues providing its services with respect to the Bonds and the City does not select another qualified securities depository, the City will deliver physical Bond certificates to the Beneficial Owners. The Bonds may thereafter be transferred upon the books of the Fiscal Agent in accordance with the Fiscal Agent Agreement.

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, proposes to render its opinion with respect to the Bonds in substantially the following form:

[Closing Date]

City Council
City of Oakland
Oakland, California

City of Oakland
General Obligation Bonds
(Series 2017C, Measure DD)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Oakland (the “City”) in connection with issuance of \$26,500,000 aggregate principal amount of City of Oakland General Obligation Bonds (Series 2017C, Measure DD) (the “Bonds”), issued pursuant to a resolution of the City Council of the City adopted on December 13, 2016 (the “Resolution”) and a fiscal agent agreement, dated as of January 1, 2017 (the “Fiscal Agent Agreement”), by and between the City and Wilmington Trust, National Association, as fiscal agent (the “Fiscal Agent”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Fiscal Agent Agreement.

In such connection, we have reviewed the Resolution, the Fiscal Agent Agreement, the Tax Certificate of the City, dated the date hereof (the “Tax Certificate”), an opinion of the counsel to the City, certificates of the City, the Fiscal Agent and others, and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or

certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution, the Fiscal Agent Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolution, the Fiscal Agent Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Fiscal Agent Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the City.
2. The Fiscal Agent Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City.
3. The City Council of the City has power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property within the City's boundaries subject to taxation by the City (except certain personal property) for the payment of the Bonds and the interest thereon.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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