NEW ISSUE - BOOK-ENTRY ONLY

Ratings: Moody's: Aa3
S&P: AA-
(See "RATINGS")

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, 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 2018 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 2018 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2018 Bonds. See "TAX MATTERS."

$60,025,000
OAKLAND JOINT POWERS FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(OAKLAND ADMINISTRATION BUILDING)
SERIES 2018

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

The Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds (Oakland Administration Building), Series 2018 (the "**2018 Bonds**"), are being sold, issued and delivered by the Oakland Joint Powers Financing Authority (the "**Authority**") for the purpose of providing funds to (i) refund all of the Authority's outstanding Lease Revenue Refunding Bonds (Oakland Administration Buildings) 2008 Series B (the "**Prior Bonds**") and (ii) pay certain costs associated with the issuance of the 2018 Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS." The 2018 Bonds will mature and bear interest as set forth on the inside cover page.

Interest on the 2018 Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., a national banking association, as trustee (the "**Trustee**"), on May 1 and November 1 of each year, commencing November 1, 2018. The 2018 Bonds will be delivered in fully registered book-entry form only and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"), which will act as securities depository for the 2018 Bonds. Upon receipt of payments of the principal of and premium, if any, and interest on the 2018 Bonds, DTC will remit such principal, premium, if any, and interest to its participants (as described herein) for subsequent disbursement to the beneficial owners of the 2018 Bonds. Purchasers of the 2018 Bonds will not receive physical bonds representing their interests in the 2018 Bonds purchased. See APPENDIX F – "DTC AND THE BOOK-ENTRY ONLY SYSTEM." The 2018 Bonds will be issued in denominations of $5,000 or any integral multiple thereof.

The 2018 Bonds are subject to extraordinary redemption prior to maturity as described herein. See "THE 2018 BONDS–Redemption Provisions."

The 2018 Bonds are payable from Revenues consisting primarily of Base Rental Payments to be made by the City to the Authority for the sublease of certain real property and improvements thereon under a Second Amended and Restated Sublease, dated as of May 1, 2018 (the "**Sublease**"), by and between the Authority and the City. The City covenants in the Sublease to take such action as may be necessary to include Base Rental Payments and Additional Payments due under the Sublease in its annual budget, and to make necessary annual appropriations therefor. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS." The Base Rental Payments are subject to abatement as described herein. See "RISK FACTORS."

THE 2018 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY AND WILL BE PAYABLE FROM AND SECURED SOLELY BY THE REVENUES AND AMOUNTS IN THE REVENUE FUND PLEDGED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BASE RENTAL PAYMENTS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2018 BONDS. THE AUTHORITY HAS NO TAXING POWER. NEITHER THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2018 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE SUBLEASE CONSTITUTES A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OR THE LAWS OF THE STATE OF CALIFORNIA.

This cover page contains information for general reference only. It is *not* intended to be a summary of the security or terms of the 2018 Bonds. Prospective purchasers are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2018 Bonds will be offered when, as and if issued, subject to the approval of validity by Orrick, Herrington & Sutcliff LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by Barbara Parker, Counsel to the Authority and City Attorney of the City of Oakland. Certain legal matters will be passed upon for the City and the Authority by Alexis S. M. Chiu, Esq., Disclosure Counsel, and for the Underwriters by Schiff Hardin LLP, Underwriters' Counsel. It is expected that the 2018 Bonds in book-entry only form will be delivered through the facilities of DTC on or about May 23, 2018.

Siebert Cisneros Shank & Co., L.L.C. **Blaylock Van, LLC**

Dated: May 8, 2018

MATURITY SCHEDULE

$60,025,000
OAKLAND JOINT POWERS FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(OAKLAND ADMINISTRATION BUILDING)
SERIES 2018

Base CUSIP No.†: 67227W

Maturity (November 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
2018	$5,120,000	5.000%	1.640%	CU7
2019	5,725,000	5.000	1.760	CV5
2020	6,015,000	5.000	1.880	CW3
2021	6,330,000	5.000	1.960	CX1
2022	6,650,000	5.000	2.030	CY9
2023	6,990,000	5.000	2.110	CZ6
2024	7,345,000	5.000	2.220	DA0
2025	7,725,000	5.000	2.300	DB8
2026	8,125,000	5.000	2.360	DC6

OAKLAND JOINT POWERS FINANCING AUTHORITY

GOVERNING BOARD

Libby Schaaf, *President*

Annie Campbell Washington, *Vice President*
Desley Brooks
Noel Gallo
Abel J. Guillen
Dan Kalb
Rebecca Kaplan
Lynette Gibson McElhaney
Larry Reid

CITY OF OAKLAND, CALIFORNIA

MAYOR AND CITY COUNCIL

Libby Schaaf, *Mayor*

Larry Reid, *President*
Abel J. Guillen, *President Pro Tem*
Desley Brooks
Noel Gallo
Annie Campbell Washington, *Vice Mayor*
Dan Kalb
Rebecca Kaplan
Lynette Gibson McElhaney

AUTHORITY AND CITY OFFICIALS

Sabrina B. Landreth, *Executive Director and City Administrator*
Barbara J. Parker, *City Attorney*
La Tonda Simmons, *Secretary and City Clerk*
Brenda D. Roberts, *City Auditor*
Katano Kasaine, *Treasurer/Auditor and City Director of Finance/Treasurer*

SPECIAL SERVICES

Orrick, Herrington & Sutcliffe LLP
San Francisco, California
Bond Counsel

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

Backstrom McCarley Berry & Co., LLC
San Francisco, California
Municipal Advisor

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

Causey Demgen & Moore P.C.
Denver, Colorado
Verification Agent

No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2018 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth in this Official Statement has been obtained from sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the 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 Authority or the City since the date hereof. This Official Statement is submitted in connection with the sale of the 2018 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 Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements contained in this Official Statement do not reflect historical facts but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "forecast," "project," "anticipate," "expect," "intend," "plan," "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the City with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

In connection with this offering, the Underwriters may overallot or effect transactions that stabilize or maintain the market price of the 2018 Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2018 Bonds to certain dealers and banks at prices lower than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

The 2018 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such Act. The 2018 Bonds have not been registered or qualified under the securities laws of any state. The 2018 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.

In making an investment decision, investors must rely on their own examination of the City and the terms of the offering, including the merits and risks involved. These securities have not been approved or disapproved by the Securities and Exchange Commission or any State securities commission nor has the Securities and Exchange Commission or any State securities commission passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

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$60,025,000
Oakland Joint Powers Financing Authority
Lease Revenue Refunding Bonds
(Oakland Administration Building)
Series 2018

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement. The offering of the 2018 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Official Statement and not otherwise defined herein shall have the respective meanings assigned to them in the Trust Agreement (defined below) or in APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS."

General

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the sale and delivery by the Oakland Joint Powers Financing Authority (the "**Authority**") of its Lease Revenue Refunding Bonds (Oakland Administration Building), Series 2018 (the "**2018 Bonds**").

The 2018 Bonds are being issued for the purpose of providing funds to (i) refund all of the Authority's outstanding Lease Revenue Refunding Bonds (Oakland Administration Buildings) 2008 Series B (the "**Prior Bonds**"), which were issued to refund bonds issued to refinance a portion of the design, construction, rehabilitation, and equipping of two buildings that are part of the administrative center of the City of Oakland, California (the "**City**"), and (ii) pay certain costs associated with the issuance of the 2018 Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS."

City of Oakland

The City was incorporated as a town in 1852 and became a charter city in 1889. The City is located in the County of Alameda, California (the "**County**"), on the eastern shore of the San Francisco Bay, approximately seven miles east of San Francisco. The City contains approximately 53.8 square miles in total area and had a population estimated at 426,074 as of January 1, 2017. See "THE CITY" and APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND."

The Authority

The Authority is a joint exercise of powers agency organized under the laws of the State of California (the "**State**") in February 1993, with the City and the former Redevelopment Agency of the City of Oakland (the "**Former Agency**") as its two constituent members. The Former Agency has since been succeeded by the Oakland Redevelopment Successor Agency ("**ORSA**"). See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND." The Authority was formed to assist in the financing and refinancing of public capital improvements, such as the Leased Property (defined below). The City and ORSA are each sometimes referred to herein as a "**Member**" of the Authority. See "THE AUTHORITY."

The Leased Property

The Leased Property, as more fully described herein, consists of an office building located at 150 Frank H. Ogawa Plaza (the "**Administration Building**") that is part of the administrative center of the City. Such building, consisting of a total of 185,000 square feet, provides office space for approximately 525 City employees, and includes 16,400 square feet of ground-floor leased retail space. See "THE LEASED PROPERTY."

Authority for Issuance of the 2018 Bonds

The 2018 Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title I of the Government Code of the State (the "**Act**"), and a Trust Agreement, dated as of May 1, 2018 (the "**Trust Agreement**"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., a national banking association, as trustee (the "**Trustee**"). The City and the Authority will enter into the Sublease (as defined below) pursuant to and in accordance with the City's charter, Ordinance No. 12596 passed by the Oakland City Council on April 20, 2004, Resolution No. 87141 C.M.S. adopted by the Oakland City Council on April 17, 2018, and Resolution No. 87142 J.P.F.A. adopted by the Governing Board of the Authority on April 17, 2018.

Security for the 2018 Bonds

The 2018 Bonds are special limited obligations of the Authority payable primarily from Revenues (as hereinafter defined) pledged therefor in the Trust Agreement, consisting primarily of certain sublease payments (the "**Base Rental Payments**") payable by the City, as lessee, to the Authority, as lessor, pursuant to a Second Amended and Restated Sublease, dated as of May 1, 2018 (the "**Sublease**"), by and between the Authority and the City. The City will lease the Leased Property to the Authority pursuant to a Second Amended and Restated Lease, dated as of May 1, 2018 (the "**Lease**"), by and between the City and the Authority, and the Authority will lease the Leased Property back to the City pursuant to the Sublease. The Base Rental Payments are designed to be sufficient in both time and amount to pay, when due, the principal of and interest on the 2018 Bonds. The Base Rental Payments are payable by the City from its General Fund for the right to the use and possession by the City of the Administration Building, the land upon which the Administration Building is located, and all other structures and fixtures thereon (collectively, the "**Leased Property**"). See "THE LEASED PROPERTY" and "SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS."

Bonds Constitute Limited Obligations: Sublease Payments Not Debt

The 2018 Bonds are special limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. Neither the full faith and credit nor the taxing power of the City, any Member of the Authority, the State of California or any subdivision thereof is pledged for the payment of the interest on, or principal or redemption price of the 2018 Bonds or for the payment of Base Rental Payments. Neither the payment of the principal of or interest on the 2018 Bonds nor the obligation of the City to make Base Rental Payments under the Sublease constitutes a debt, liability or obligation of the City, the State of California, any political subdivision thereof or any Member of the Authority for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

Continuing Disclosure

The Authority and the City have covenanted for the benefit of the Owners and the beneficial owners of the 2018 Bonds to provide certain financial information and operating data relating to the City and the Authority no later than nine months following the end of the City's fiscal year (presently June 30) (the "**Annual Report**"), commencing with the report for the 2017-18 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if deemed by the Authority or the City to be material under federal securities laws. The Annual Report and notices of material events will be filed by the City on behalf of both entities with MSRB through EMMA (defined below). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Within the last five years, certain filings relating to the public debt obligations of the City and its related entities were incomplete or not made in a timely manner, as required under then outstanding continuing disclosure obligations of the City and its related entities. The City has adopted procedures to enhance timely filing and to review and monitor compliance with all of its continuing disclosure undertakings.

Reference to Original Documents

Brief descriptions of the 2018 Bonds, the Authority, the City, and the Leased Property are included in this Official Statement, together with summaries of the Trust Agreement, the Lease and the Sublease. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the 2018 Bonds, the Trust Agreement, the Lease and the Sublease are qualified in their entirety by reference to the actual documents, or with respect to the 2018 Bonds, the forms thereof included in the Trust Agreement, copies of all of which are available for inspection at the corporate trust office of the Trustee at 100 Pine Street, Suite 3200, San Francisco, California 94111.

Additional Information

The City regularly prepares a variety of reports, including audits, budgets and related documents, as well as certain periodic activity reports. Any Owner may obtain a copy of any such report, as available, from the Trustee or the City. Additional information regarding this Official Statement may be obtained by contacting the Trustee or the Director of Finance/Treasurer, City of Oakland, Treasury Bureau, 150 Frank H. Ogawa Plaza, Suite 5330, Oakland, California 94612, phone: 510-238-3201.

PLAN OF REFUNDING

The Authority will apply a portion of the proceeds from the sale of the 2018 Bonds to refund all of the $65,675,000 Outstanding principal amount of the Prior Bonds. The Prior Bonds will be defeased on the date of issuance of the 2018 Bonds and redeemed on August 1, 2018.

The refunding of the Prior Bonds will be effected by depositing a portion of the proceeds of the 2018 Bonds into a special and irrevocable escrow fund (the "**Escrow Fund**") established for the Prior Bonds in accordance with that certain Escrow Agreement, dated as of May 1, 2018 (the "**Escrow Agreement**"), by and between the Authority and the trustee for the Prior Bonds, as escrow trustee thereunder (the "**Escrow Trustee**"). The amounts deposited in the Escrow Fund will be held as cash or will be invested in certain government securities (the "**Escrowed Securities**"). The Escrowed Securities will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that such amounts together with any amounts held as cash in the Escrow Fund, will provide sufficient monies to pay interest on the Prior Bonds as the same shall become due and to pay the redemption price (i.e., 100% of the principal amount of the Prior Bonds) or principal on the redemption or maturity date therefor as described above.

Upon such deposit and investment and compliance with or provision for compliance with certain notice requirements set forth in the trust agreement related to the Prior Bonds (the "**Prior Trust Agreement**"), the liability of the Authority therefor will cease and the Prior Bonds will no longer be outstanding under the Prior Trust Agreement, except that the Owners of such Prior Bonds will be entitled to payment thereof solely from the amounts on deposit in the Escrow Fund held by the Escrow Trustee.

Verification. Causey Demgen & Moore P.C., independent certified public accountants, will verify, from the information provided to them, the mathematical accuracy as of the date of delivery of the 2018 Bonds of computations relating to the adequacy of the maturing principal amounts of the Escrowed Securities deposited into the Escrow Fund pursuant to the Escrow Agreement and the interest to be earned thereon, together with any amounts held as cash in the Escrow Fund, to pay the interest coming due on the Prior Bonds and to pay, on the redemption or maturity date therefor, the redemption price or principal of such Prior Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

DEBT SERVICE SCHEDULE

The following table presents the estimated debt service requirements for the 2018 Bonds.

Payment Date	Principal	Interest	Total Debt Service
November 1, 2018	$5,120,000	$1,317,215.28	$6,437,215.28
May 1, 2019	-	1,372,625.00	1,372,625.00
November 1, 2019	5,725,000	1,372,625.00	7,097,625.00
May 1, 2020	-	1,229,500.00	1,229,500.00
November 1, 2020	6,015,000	1,229,500.00	7,244,500.00
May 1, 2021	-	1,079,125.00	1,079,125.00
November 1, 2021	6,330,000	1,079,125.00	7,409,125.00
May 1, 2022	-	920,875.00	920,875.00
November 1, 2022	6,650,000	920,875.00	7,570,875.00
May 1, 2023	-	754,625.00	754,625.00
November 1, 2023	6,990,000	754,625.00	7,744,625.00
May 1, 2024	-	579,875.00	579,875.00
November 1, 2024	7,345,000	579,875.00	7,924,875.00
May 1, 2025	-	396,250.00	396,250.00
November 1, 2025	7,725,000	396,250.00	8,121,250.00
May 1, 2026	-	203,125.00	203,125.00
November 1, 2026	8,125,000	203,125.00	8,328,125.00
TOTAL	$60,025,000	$14,389,215.28	$74,414,215.28

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds, including proceeds from the sale of the 2018 Bonds. See "PLAN OF REFUNDING."

<u>Sources of Funds</u>	
Principal Amount of 2018 Bonds	$60,025,000.00
Plus: Original Issue Premium	7,555,640.15
TOTAL SOURCES OF FUNDS	$67,580,640.15
<u>Uses of Funds</u>	
Deposit to Escrow Fund[(1)]	$67,075,115.53
Deposit to Costs of Issuance Fund[(2)]	355,258.25
Underwriters' Discount	150,266.37
TOTAL USES OF FUNDS	$67,580,640.15

(1) See "PLAN OF REFUNDING."
(2) Includes fees and expenses of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Verification Agent and the Trustee, printing costs, rating agency fees, title insurance premium, and other miscellaneous costs of issuance.

THE 2018 BONDS

General

The 2018 Bonds will be dated the date of delivery thereof and will mature on November 1 of the years shown on the inside cover page. The 2018 Bonds will be issued in fully registered form, individual purchases being made in book-entry form only, in denominations of $5,000 or any integral multiple thereof ("**Authorized Denominations**"). Principal of and interest on the 2018 Bonds are payable by the Trustee to The Depository Trust Company, New York, New York ("**DTC**"), as the registered Owner of the 2018 Bonds, which will in turn remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the 2018 Bonds. See APPENDIX F – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption Provisions

No Optional Redemption. The 2018 Bonds will not be subject to optional redemption.

Extraordinary Redemption. The 2018 Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, upon notice as described below, as a whole or in part by lot within each stated maturity in Authorized Denominations, from prepayments (from insurance or eminent domain proceeds) made by the City pursuant to the Sublease, at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the Redemption Date.

Whenever less than all of the Outstanding 2018 Bonds are to be redeemed on any one date, the Trustee will select, in accordance with written directions from the Authority, the 2018 Bonds to be redeemed in part from the Outstanding 2018 Bonds from such maturities selected by the Authority, provided that the aggregate annual debt service on 2018 Bonds which will be payable after such Redemption Date, will be as nearly proportional as practicable to the aggregate annual debt service on 2018 Bonds Outstanding prior to such redemption date.

Pursuant to the Sublease and the Trust Agreement, in the event of any damage to or destruction of any part of the Leased Property covered by insurance or condemnation proceeds, the Authority, except as otherwise provided in the Sublease and the Trust Agreement and described herein, will cause such insurance or condemnation proceeds to be used for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Property. Any balance of said proceeds not required for such repair, reconstruction or replacement will be treated by the Trustee as Base Rental Payments and applied in the manner provided by the Trust Agreement. Alternatively, if the proceeds of such insurance, together with any other moneys then available for the purpose, are at least sufficient to redeem an aggregate principal amount of Outstanding 2018 Bonds equal to the amount of Outstanding 2018 Bonds attributable to the portion of the Leased Property so destroyed or damaged (determined by reference to the proportion which the cost of such portion of the Leased Property bears to the aggregate cost of the Leased Property), the Authority may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon will cause said proceeds to be used for the redemption of Outstanding 2018 Bonds pursuant to the provisions of the Trust Agreement described above. The aggregate annual amounts of Base Rental Payments which will be payable after such prepayment date will be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date. Insurance or condemnation proceeds will not be used for a partial redemption of the 2018 Bonds unless the Base Rental Payments on the undamaged portion of the Leased Property will be sufficient to pay the initially-scheduled principal and interest on the 2018 Bonds remaining unpaid after such redemption. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS – Base Rental Payments" and " – Insurance."

Procedure for and Notice of Redemption. Notice of redemption will be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to the respective Owners of the 2018 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee. Each notice of redemption will state the date of such notice, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the 2018 Bonds of such maturity, to be redeemed and, in the case of 2018 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said 2018 Bonds the redemption price thereof and, in the case of 2018 Bonds to redeemed in part only, the specified portion of the principal amount to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such 2018 Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice will not invalidate any of the proceedings taken in connection with such redemption.

If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price, together with interest accrued to the date fixed for redemption, of the 2018 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice, 2018 Bonds so called for redemption will become due and payable, and from and after the date so designated interest on such 2018 Bonds will cease to accrue, and the Owners of such 2018 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

All 2018 Bonds redeemed as described above will be cancelled by the Trustee and will be destroyed with a certificate of destruction furnished to the Authority upon its request and will not be reissued.

SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS

General

The 2018 Bonds constitute limited obligations of the Authority, and are payable solely from and secured as to principal and interest thereon, and as to any premiums upon the redemption of any thereof, solely by (i) the Revenues, (ii) all amounts on deposit in the Revenue Fund, (iii) any other amounts (including proceeds of the sale of the 2018 Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than the Rebate Fund). The 2018 Bonds do not constitute an indebtedness of the Authority or the City within the meaning of any constitutional or statutory debt limitation or restriction and do not constitute obligations, nor evidence any indebtedness, of the City or of the State.

The term "**Revenues**," as used herein and as defined in the Trust Agreement, means (i) all Base Rental Payments paid by the City to the Authority pursuant to the Sublease (but not Additional Payments) and received by the Trustee, and (ii) all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement or the Sublease.

Pledge of Revenues

All Revenues and any other amounts held by the Trustee in the Revenue Fund are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the 2018 Bonds as provided in the Trust Agreement, and the Revenues will not be used for any other purpose while any of the 2018 Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied in such sums and for such purposes as are permitted under the Trust Agreement. This pledge will constitute a pledge of and charge and lien upon the Revenues and all other moneys on deposit in the Revenue Fund for the payment of the interest on and principal of the 2018 Bonds in accordance with the terms of the Trust Agreement.

The Authority has assigned to the Trustee all of its right, title and interest in the Lease and Sublease.

Receipt and Deposit of Revenues in the Revenue Fund; Assignment

To carry out and effectuate the pledge, charge and lien contained in the Trust Agreement, the Authority has agreed and covenanted as follows: (i) all Revenues are assigned by the Authority to the Trustee for the benefit of the Owners and will be deposited by the Trustee in the Revenue Fund, which fund the Authority agrees and covenants to maintain with the Trustee so long as any 2018 Bonds will be Outstanding; (ii) all Revenues will be accounted for through and held in trust in the Revenue Fund, and the Authority will have no beneficial right or interest in any of the Revenues except only as provided in the Trust Agreement; and (iii) all Revenues, whether received by the Authority in trust or deposited with the Trustee, will nevertheless be allocated, applied and disbursed solely to the purposes and uses set forth in the Trust Agreement, and will be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – TRUST AGREEMENT – Creation of Funds and Accounts"

Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund

Subject to any requirement for the deposit of money in the Rebate Fund, all money in the Revenue Fund will be set aside by the Trustee in the following respective special accounts within the Revenue Fund (each of which the Trustee has covenanted and agreed to cause to be maintained) in the following order of priority: (i) Interest Account and (ii) Principal Account. All money in each of such accounts will be held in trust by the Trustee.

Interest Account. On or before each May 1 and November 1, commencing on November 1, 2018, the Trustee will set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest coming due and payable on all Outstanding 2018 Bonds on such May 1 or November 1, as the case may be. No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest coming due and payable on all Outstanding 2018 Bonds on such Interest Payment Date. All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2018 Bonds as it will become due and payable (including accrued interest on any 2018 Bonds purchased or redeemed prior to maturity).

Principal Account. On or before each November 1, the Trustee will set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the principal amount (including the payment of principal with respect to any Mandatory Sinking Account Payments) of all Outstanding 2018 Bonds maturing or subject to Mandatory Sinking Account Payments on such November 1. No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding 2018 Bonds maturing by their terms on such November 1. All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the 2018 Bonds as they will become due and payable, whether at maturity or redemption.

Liability of Authority Limited to Revenues

Notwithstanding anything contained in the Trust Agreement, the Authority will not be required to advance any money derived from any source other than the Revenues as provided in the Trust Agreement for the payment of the interest on or principal of or redemption premiums, if any, on the 2018 Bonds or for the performance of any agreements or covenants therein contained.

The 2018 Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues as provided in the Trust Agreement and described herein, and the Authority is not obligated to pay them except from the Revenues. All the 2018 Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the 2018 Bonds as provided in the Trust Agreement. The 2018 Bonds are not a debt of the Authority, the State or any of its political subdivisions, and neither the Authority, the State nor any of its political subdivisions is liable thereon, nor in any event will the 2018 Bonds be payable out of any funds or properties other than those of the Authority as provided in the Trust Agreement and described herein. The 2018 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction. See "RISK FACTORS – Base Rental Payments Not City Debt; No Tax Pledge."

Base Rental Payments

The obligation of the City to make Base Rental Payments, when due, is a General Fund obligation of the City and does not constitute a debt of the City for which the City is obligated to pledge or levy any form of taxation or for which the City has levied or pledged any form of taxation. Base Rental Payments will be made from amounts included in the City's annual budget and appropriated therefor except to the extent payments are made from proceeds of the 2018 Bonds, rental interruption insurance, the net proceeds of insurance or condemnation awards or certain other moneys held under the Trust Agreement. The City covenants in the Sublease to take such action as may be necessary to include the Base Rental Payments and Additional Payments estimated by the City to be payable under the Sublease as a separate line item in its annual budget, and to make necessary annual appropriations (and to the extent necessary, supplemental appropriations) for the Base Rental Payments and Additional Payments. These appropriations will be made from the City's General Fund. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" and APPENDIX B – "CITY OF OAKLAND COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017" attached hereto for information on amounts historically available in the General Fund. In the event the City's General Fund revenue sources are less than its total obligations, the City could choose to fund other City services before making Base Rental Payments. The same result could occur if State constitutional and statutory limits on expenditures become enacted prohibiting the City from appropriating and spending all of its collected taxes. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

The Trustee, pursuant to the Trust Agreement and the Sublease, will receive Base Rental Payments for the benefit of the Bond Owners. The City is required under the Sublease to make Base Rental Payments from legally available funds on or before each Base Rental Due Date, being each Business Day that is at least ten (10) Business Days prior to the Interest Payment Dates and Principal Payment Dates with respect to the 2018 Bonds. The Base Rental Payments are scheduled to be sufficient to pay, when due, the principal of, redemption premium, if any, and interest on the 2018 Bonds. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – SUBLEASE."

The Trustee's obligation to make such payments to Bond Owners is limited to amounts designated as principal of, redemption premium, if any, and interest on the 2018 Bonds. Additional Payments due from the City under the Sublease include amounts sufficient to pay certain administrative costs, including the fees and expenses of the Trustee. Base Rental Payments and Additional Payments will be abated during any period in which by reason of any material damage or destruction there is substantial interference with the use of the Leased Property by the City in the proportion in which the value of the portion of the Leased Property rendered unusable bears to the value of the whole of the Leased Property. See "– Abatement Due to Damage or Destruction," "– Eminent Domain" and "RISK FACTORS – Abatement." The City is also responsible for repair and maintenance of the Leased Property during the term of the Sublease. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – SUBLEASE."

If the City defaults on its obligations to make Base Rental Payments with respect to the Leased Property, the Authority may (1) terminate the Sublease or, (2) without terminating the Sublease, (i) collect each installment of rent as it becomes due and enforce any other terms or provision of the Sublease, regardless of whether or not the City has abandoned the Leased Property, or (ii) re-enter the Leased Property and re-let the Leased Property as the agent and for the account of the City. Due to the specialized nature of the Leased Property, no assurance can be given that the Authority will be able to re-let the Leased Property so as to provide rental income sufficient to make Base Rental Payments in a timely manner. Any suit for rent or money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See "– Defaults and Remedies" below and APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – SUBLEASE."

The exercise of any rights or remedies under the Sublease do not permit acceleration of Base Rental Payments and are subject to the terms and provisions of the Trust Agreement.

Appropriations Covenant

The City has covenanted in the Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Payments as a separate line item in its annual budget and to make the necessary annual appropriations (and, to the extent necessary, supplemental appropriations) therefor. The City has agreed that the rentals and other payments provided for in the Sublease are to be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever. The Sublease provides that the covenants of the City thereunder are deemed duties imposed by law, and it further provides that it will be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants and agreements of the City contained in the Sublease.

The Sublease provides that the Authority and the City intend that the obligation of the City to pay Base Rental Payments and Additional Payments will constitute a current expense of the City and is not to be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor is anything contained in the Sublease intended to constitute a pledge of the general tax revenues, funds or moneys of the City. Base Rental Payments and Additional Payments due under the Sublease will be payable only from current funds which are budgeted and appropriated or otherwise legally available for the purpose of paying Base Rental Payments and Additional Payments or other payments due under the Sublease as consideration for the use of the Leased Property. The City has not pledged the full faith and credit of the City, the State or any agency or department thereof to the payment of the Base Rental Payments and Additional Payments or any other payments due under the Sublease.

Use of the Leased Property

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

Maintenance and Utilities. Throughout the term of the Sublease, all maintenance and repair, both ordinary and extraordinary, of the Leased Property will be the responsibility of the City, which will at all times maintain or otherwise arrange for the maintenance of the Leased Property in first class condition, and the City will pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and will pay for or otherwise arrange for payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof or any other cause and will pay for or otherwise arrange for the payment of all insurance policies required to be maintained with respect to the Leased Property.

Changes to the Leased Property. Subject to the Sublease, the City will, at its own expense, have the right to remodel the Leased Property or to make additions, modifications and improvements to the Leased Property. All such additions, modifications and improvements will thereafter comprise part of the Leased Property and be subject to the provisions of the Sublease. Such additions, modifications and improvements may not in any way damage the Leased Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made pursuant to the Sublease, must be of a value which is at least equal to the value of the Leased Property immediately prior to the making of such additions, modifications and improvements.

Installation of City's Equipment. The City and any sublessee may at any time and from time to time, in their sole discretion and at their own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items will remain the sole property of such party, in which neither the Authority nor the Trustee will have any interest, and may be modified or removed by such party at any time provided that such party will repair and restore any and all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in the Sublease prevents the City from purchasing items to be installed under a conditional sale or sublease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest will attach to any part of the Leased Property.

Liens. The City has covenanted in the Sublease not to grant or permit any encumbrances or liens upon the Leased Property except for Permitted Encumbrances or as expressly provided therein.

Sublease. The Leased Property may be subleased by the City, provided that any sublease complies with certain conditions set forth in the Sublease.

Insurance

The Sublease provides that all policies of insurance described below under "*– Hazard Insurance*" and "*– Rental Interruption or Use and Occupancy Insurance*" must be provided by an insurance company with a claims-paying ability rated at least "A" by Moody's and S&P (or unless the alternative method of self-insurance described below is utilized). The Sublease does not require the City to maintain rental interruption insurance on the Leased Property due to loss of use and occupancy of the Leased Property caused by earthquakes, flood or terrorism. See "RISK FACTORS."

Hazard Insurance. The Sublease provides that the City, at its own expense, will insure or have insured the Leased Property against such hazards as the Authority may require, including insurance for damage to the Leased Property, in an amount equal to the replacement cost (without deduction for depreciation) of all property constituting any part of the Leased Property, excluding the cost of excavations, of grading and filling, and of the land of said replacement cost for any one loss and except that such insurance may be subject to deductible clauses for any one loss of not to exceed $1,000,000 or a comparable deductible adjusted for inflation, or, in the alternative, will be in an amount and in a form sufficient, in the event of total or partial loss, to enable all 2018 Bonds then Outstanding to be redeemed. The City is not required to obtain earthquake, flood or terrorism insurance on the Leased Property.

In the event of any damage to or destruction of any part of the Leased Property caused by the perils covered by such insurance, or in the event of receipt of condemnation proceeds, the Authority, except as described below, will cause the proceeds of such insurance or condemnation proceeds to be used for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Property, and the Trustee will hold said proceeds under the Trust Agreement separate and apart from all other funds, in a special fund to be designated the "Insurance and Condemnation Fund," to the end that such proceeds will be applied to the repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. Any balance of said proceeds not required for such repair, reconstruction or replacement will be treated by the Trustee as Base Rental Payments and applied in the manner provided by the Trust Agreement. Alternatively, the Authority, if the proceeds of such insurance, together with any other moneys then available for the purpose, are at least sufficient to redeem an aggregate principal amount of Outstanding 2018 Bonds equal to the amount of Outstanding 2018 Bonds attributable to the portion of the Leased Property so destroyed or damaged (determined by reference to the proportion which the cost of such portion of the Leased Property bears to the aggregate cost of the Leased Property), may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon will cause said proceeds to be used for the redemption of Outstanding 2018 Bonds pursuant to the provisions of the Trust Agreement.

The Authority and the City will promptly apply for federal disaster aid or State disaster aid in the event that the Leased Property is damaged or destroyed as a result of an earthquake or other disaster occurring at any time. Any proceeds received as a result of such disaster aid will be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Leased Property, or to redeem Outstanding 2018 Bonds if such use of such disaster aid is permitted.

Liability Insurance. The Sublease also requires the City to procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Sublease a standard comprehensive general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees, and the Trustee, indemnifying said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Leased Property, with minimum liability limits of $5,000,000 for personal injury or death of each person and $10,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of $750,000 for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $10,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City.

As an alternative to providing the insurance described in the immediately preceding paragraph above, or any portion thereof, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection will afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. Before such other method or plan may be provided by the City, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of the Sublease, there will be filed with the Trustee a certificate of an Insurance Consultant or other qualified person setting forth the details of such substitute method or plan and stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements described above and, when effective, would afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee against loss and damage from the hazards and risks covered thereby.

Rental Interruption or Use and Occupancy Insurance. The Sublease requires the City to procure or cause to be procured and maintain or cause to be maintained throughout the term of the

Sublease, to the extent such insurance is commercially available, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Leased Property as the result of any of the hazards covered by the insurance described under "*–Hazard Insurance*" above, in an amount sufficient to pay Base Rental Payments under the Sublease for a 24-month period except that such insurance may be subject to a deductible clause of not to exceed an amount equal to 30 days of Base Rental Payments for the portion of the Leased Property damaged or destroyed. Any proceeds of such insurance will be used by the Trustee to reimburse to the City any rental theretofore paid by the City under the Sublease attributable to such structure for a period of time during which the payment of rental under the Sublease is abated, and any proceeds of such insurance not so used will be applied as Base Rental Payments or Additional Payments, as provided in the Sublease.

The Sublease does not require the City to maintain rental interruption insurance on the Leased Property due to loss of use and occupancy of the Leased Property caused by earthquakes, flood or terrorism. See "RISK FACTORS."

Worker's Compensation. The Sublease requires the City to maintain worker's compensation insurance issued by a responsible carrier authorized under the laws of the State to insure their employees against liability for compensation under the Worker's Compensation Insurance and Safety Act, or any act hereafter enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the City. Such insurance may be maintained by the City in the form of self-insurance.

Title Insurance. The Sublease requires the City to maintain throughout the term of the Sublease, title insurance on the Leased Property in an amount equal to the aggregate principal component of unpaid Base Rental Payments, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances.

Abatement Due to Damage or Destruction

Base Rental Payments and Additional Payments due under the Sublease will be abated during any period in which by reason of any material damage or destruction (other than by condemnation which is described in the following paragraph) there is substantial interference with the use of the Leased Property by the City in the proportion to which the value of the portion of the Leased Property rendered unusable bears to the value of the whole of the Leased Property. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Sublease will continue in full force and effect. The City has waived the benefits of California Civil Code Sections 1932(2) and 1933(4), and any and all other rights to terminate the Sublease by virtue of any such damage or destruction or interference. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Base Rental Payments in any of the funds and accounts established under the Trust Agreement, Base Rental Payments will not be abated as described above, but rather will be payable by the City as a special obligation payable solely from said funds and accounts.

Eminent Domain

If the whole of the Leased Property or so much thereof as to render the remainder unusable for the purposes for which it was used by the City is taken under the power or threat of eminent domain, the term of the Sublease will cease as of the day that possession is taken. If less than the whole of the Leased Property is taken under the power or threat of eminent domain and the remainder is usable for the purposes for which it was used by the City at the time of such taking, then the Sublease will continue in full force and effect as to such remainder, and in such event there will be a partial abatement of the rental due under the Sublease in an amount equivalent to the amount by which the annual payments of principal of and interest on the 2018 Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of Outstanding 2018 Bonds. So long as any of the 2018 Bonds will be Outstanding, any award made in eminent domain proceedings for taking the Leased Property or any portion thereof will be paid to the Trustee and applied to the prepayment of the Base Rental Payments as provided in the Sublease. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, will be paid to the City. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Eminent Domain."

The City has covenanted in the Sublease that it will not take the Authority's interest in the Leased Property under the power or threat of eminent domain unless the City prepays all Base Rental Payments pursuant to the Sublease. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Eminent Domain."

Ability to Sell or Dispose of Certain Portions of the Leased Property

Subject to certain conditions, the City may request the Authority to sell or exchange any part of the Leased Property, and release said part of the Leased Property from the Sublease if (i) in the opinion of the City the property so sold or exchanged is no longer required or useful in connection with the operation of the Leased Property, and (ii) the consideration to be received from the property is of a value substantially equal to the value of the property to be released or the property is being replaced with property which is of equal or greater value. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Sale of Property."

Defaults and Remedies

Events of default under the Sublease include: (1) failure of the City to pay any Base Rental Payment, Additional Payment or other amount payable thereunder when the same becomes due and payable as provided in the Sublease, (2) certain events of bankruptcy with respect to the City, (3) assignment of all or part of the City's interest in the Sublease without the prior written consent of the Authority, (4) abandonment of the Leased Property by the City, or (5) failure by the City to keep, observe or perform any other term, covenant or condition contained in the Sublease, for a period of 30 days (or for such additional time not to exceed 180 days as is reasonably required as requested by the City) after notice specifying such failure and requesting that it be remedied is given to the City by the Authority or the Trustee.

Upon the occurrence of an event of default, the Authority has the right, at its option, without any further demand or notice, to terminate the Sublease in the manner provided in the Sublease and to re-enter the Leased Property, or, without terminating the Sublease, to collect each installment of rent as it becomes due and enforce any other terms or provision thereof to be kept or performed by the City, regardless of whether or not the City has abandoned the Leased Property, or to exercise any and all rights of entry and re-entry upon the Leased Property. The Authority may re-let the Leased Property as the agent and for the account of the City upon such terms and conditions as the Authority may deem advisable (but only for the term of the Lease), in which event the rents received on such re-letting will be applied to the payment of Base Rental Payments in accordance with the Sublease and the Trust Agreement. In the event the Authority does not elect to terminate the Sublease as described above, the City will remain liable and has agreed to keep or perform all covenants and conditions set forth in the Sublease, if the Leased Property is not re-let, and to pay the full amount of the rent to the end of the term of the Sublease or, in the event that the Leased Property is re-let, to pay any deficiency in rent that results therefrom.

The Authority also has such other remedies as are legally available. In no event does the Authority have the right to accelerate the payment of any Base Rental Payments under the Sublease. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Defaults and Remedies."

Additional Bonds

The Authority may issue additional bonds under the Trust Agreement on a parity with Outstanding 2018 Bonds, subject to the terms and conditions set forth therein. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – TRUST AGREEMENT – Additional Bonds

THE LEASED PROPERTY

Description

The Leased Property consists of a City administration building located at 150 Frank H. Ogawa Plaza (the "**Administration Building**"), the land upon which such building is located, and all other structures and fixtures thereon. The Administration Building is located opposite the Oakland City Hall on the site bound by Broadway, San Pablo Avenue, Frank H. Ogawa Plaza and Kahn Alley.

The Leased Property is fully handicapped accessible. Elevators and stairways connect all components of the Administration Building to facilitate accessibility. Public safety enhancements, including sprinklers, smoke detection and removal systems, are incorporated throughout. The Leased Property meets or exceeds State and City Building Code requirements for earthquake resistance.

The centerpiece of the Administration Building is the restored eight-story historic Broadway Building (65,000 gross square feet) with an adjacent eight-story addition completed in 1998 with a gross square footage of 120,000, for a total of 185,000 square feet. This structure provides office space for approximately 525 City employees in seven departments and includes 20,000 square feet of ground floor retail space. City departments occupying space in the Administration Building include the Finance Department, the Fire Department, the Human Services Department, and the Human Resources Management Department. Currently, a total of approximately 16,400 square feet of retail space is leased to eight business establishments located on the ground floor with lease terms expiring in 2018 through 2027.

Seismic Considerations

When the Administration Building was renovated and constructed, the City and the contractor retained the services of geotechnical consultants located in Oakland, California, to conduct a preliminary geotechnical evaluation of the site on which the Administration Building is located and to act as geotechnical consultants to the project. According to the preliminary geotechnical evaluation report prepared for the City dated September 1992 and the final geotechnical engineering study prepared for the contractor dated December 1995 (collectively, the "**Geotechnical Reports**"), the geotechnical consultants concluded that the potential for liquefaction during a major earthquake at the site on which the Administration Building is located is "very low" and, therefore, the potential damage to the Leased Property resulting from a major earthquake due to soil liquefaction is expected to be very low. See "RISK FACTORS–Seismic Risks."

In addition to compliance with the seismic provisions of the City Building Code, the contractor was required during the renovation and construction of the Administration Building, to design the structure with the performance goal of being "fully operational" after an earthquake on the Hayward fault with a magnitude of 7.0 on the Richter scale. "Fully operational" is defined as the resumption of full operations within hours of a seismic event, with the expectation that some clean-up work would limit operations in some localized areas of the Leased Property. See "RISK FACTORS–Seismic Risks."

THE CITY

The City ranges from industrialized lands bordering the Bay in the west to suburban foothills in the east. Historically the industrial heart of the Bay Area, the City has developed into a financial, commercial and governmental center. The City is the hub of an extensive transportation network, which includes freeway systems and the western terminals of major railroads and trucking firms, as well as one of the largest container-ship ports in the United States. The City is also served by an active international airport and rapid-transit lines which connect it with most of the Bay Area. The City is the seat of government for the County and is the eighth most populous city in the State. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" and APPENDIX B – "CITY OF OAKLAND COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017."

THE AUTHORITY

The Authority was established pursuant to a Joint Exercise of Powers Agreement, dated as of February 1, 1993, by and between the City and the Former Agency. The Former Agency has since been succeeded by ORSA. The Authority is authorized pursuant to the Act to borrow money for the purpose of financing or refinancing the cost of any public capital improvement. The Authority functions as an independent entity and its policies are determined by its governing board. The governing board is comprised in its entirety of members of the City Council. The Authority has no employees and all staff work is done by the City staff or by consultants to the Authority. The current officers of the Authority are Sabrina B. Landreth, Executive Director, Katano Kasaine, Treasurer/Auditor, and La Tonda Simmons, Secretary.

RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the 2018 Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the 2018 Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the 2018 Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the 2018 Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Base Rental Payments Not City Debt; No Tax Pledge

The 2018 Bonds are special limited obligations of the Authority and will be payable from and secured solely by (i) the Revenues, (ii) all amounts on deposit in the Revenue Fund, (iii) any other amounts (including proceeds of the sale of the 2018 Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than the Rebate Fund). Neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to the payment of the Base Rental Payments or the principal or redemption price of or interest on the 2018 Bonds. The Authority has no taxing power. Neither the 2018 Bonds nor the obligation of the City to make Base Rental Payments under the Sublease constitutes a debt of the City, the State or any political subdivision thereof within the meaning of the Constitution or the laws of the State. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS – Liability of Authority Limited to Revenues."

Appropriation of Base Rental Payments

The obligation of the City to make Base Rental Payments, when due, is a General Fund obligation of the City and does not constitute a debt of the City for which the City is obligated to pledge or levy any form of taxation or for which the City has levied or pledged any form of taxation. Base Rental Payments will be made from amounts included in the City's annual budget and appropriated therefor except to the extent payments are made from rental interruption insurance, the net proceeds of insurance or condemnation awards, or certain other accounts, funds or moneys held under the Trust Agreement. The obligation of the City to make Base Rental Payments is in consideration of the right of the City to the continued beneficial use and possession of the Leased Property. In the event of failure of such beneficial use and possession, the obligation of the City may be abated in whole or in part as described herein.

Although the Sublease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Sublease to pay the Base Rental Payments and Additional Payments from any source of legally available funds and the City has covenanted in the Sublease that, for so long as the Leased Property is available for its use, it will make the necessary annual appropriations (and to the extent necessary, supplemental appropriations) within its budget for the Base Rental Payments and Additional Payments. The City is currently liable and may become liable on other obligations payable from its General Fund, some of which may have a priority over the Base Rental Payments.

The City has the capacity to enter into other obligations which may be payable from its General Fund. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. The same result could occur if, because of State constitutional and statutory limits on expenditures, the City is not permitted to appropriate and spend all of its collected taxes. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

The City relies on a number of revenue sources that are dependent on economic conditions and that could be reduced or eliminated by State legislation, including, among others, sales and use taxes, property taxes, and motor vehicle license fees. There can be no assurance that the State will not adopt legislation to reduce or eliminate one or more of these revenue sources. See "RISK FACTORS–Risks Involving State Budget and Legislation."

Additional Obligations

Subject to certain Charter restrictions, the City may incur other obligations, which may constitute additional charges against its revenues, without the consent of the Owners of the 2018 Bonds. To the extent that the City incurs additional obligations, the funds available to make payments of Base Rental Payments may be decreased. The City is currently liable on other obligations payable from its general revenues. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – DEBT OBLIGATIONS." See also APPENDIX B – "CITY OF OAKLAND COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017."

Abatement

Beneficial Use and Possession of the Leased Property. The obligation of the City under the Sublease to make Base Rental Payments is in consideration for the beneficial use and possession of the Leased Property. The obligation of the City to make Base Rental Payments (other than to the extent that funds are available in the Revenue Fund or from the proceeds of rental interruption insurance, if available) may be abated in whole or in part if the City does not have full use and possession of the Leased Property. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS – Abatement Due to Damage or Destruction." and APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – SUBLEASE."

Damage or Destruction: Eminent Domain. If damage or destruction or eminent domain proceedings with respect to the Leased Property result in abatement or adjustment of Base Rental Payments and the resulting Base Rental Payments (and in the event of damage or destruction, together with rental interruption insurance proceeds, if any) are insufficient to make all payments of principal of and interest on the 2018 Bonds during the period that the Leased Property is being restored, repaired or reconstructed, then such payments of principal and interest may not be made in full and no remedy is available to the Trustee or the Owners of the 2018 Bonds under the Sublease or Trust Agreement for nonpayment under such circumstances. Failure to pay principal, premium, if any, or interest evidenced and represented by the 2018 Bonds as a result of abatement of the City's obligation to make Base Rental Payments under the Sublease is not an event of default under the Trust Agreement or the Sublease. The City, however, is obligated under the Sublease to maintain hazard insurance, general liability insurance for which the City may provide self-insurance and, to the extent commercially available, rental interruption or use and occupancy insurance. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS – Insurance" and APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – SUBLEASE."

Labor Costs and Retirement Commitments

A substantial portion of the City's 2017-18 budget is allocable to the payment of salaries, pension benefits and Other Post-Employment Benefits ("**OPEB**") liabilities (including debt service on pension obligation bonds).

The City's unfunded long-term liabilities consist of obligations to its Police and Fire Retirement System ("**PFRS**"), to the California Public Employees' Retirement System ("**CalPERS**") and for OPEB. PFRS's unfunded liability as of July 1, 2017, is approximately $340.1 million. In addition, the City has unfunded liability to CalPERS in the amount of $1,578.2 million ($706.1 million for the Police and Fire Plan, for a funded ratio of 62.3%, and $872.1 million for the Miscellaneous Plan, for a funded ratio of 65.4%, as of June 30, 2016). Payments will be made to amortize unfunded liabilities over 20 years to bring CalPERS's fund to fully funded status over the long-term. The OPEB benefits are funded on a "pay as you go" basis, and the City's current net OPEB obligation is approximately $360.0 million, with a total accrued liability of approximately $862.9 million as of June 30, 2017. Various factors, including changes in investment assumptions and other actuarial assumptions, could significantly increase the size of this actuarial liability. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – OTHER FISCAL INFORMATION – Retirement Programs" and "– Other Post-Employment Benefits."

There can be no assurance that the City's labor costs, including its pension and OPEB commitments, will not have a material adverse impact on the financial condition of the City's General Fund.

Seismic Risks

The City is in an area considered to be seismically active. During the past 150 years, the San Francisco Bay Area has experienced several major and numerous minor earthquakes. The largest was the 1906 San Francisco earthquake along the San Andreas fault with an estimated magnitude of 8.3 on the Richter scale. The most recent major earthquake was the October 17, 1989, Loma Prieta Earthquake with a magnitude of 6.9 on the Richter scale and an epicenter near Santa Cruz, approximately 60 miles south of San Francisco. Both the San Francisco and Oakland area sustained major damage. The City experienced significant damage to several buildings within the City, especially unreinforced masonry buildings constructed prior to 1970 and prior to current building code requirements. The Leased Property does not include any unreinforced masonry building. Much of the damage resulting from the Loma Prieta earthquake was due to soil liquefaction. Liquefaction is a phenomenon during which loose, saturated, non-cohesive soils temporarily lose shear strength during ground shaking induced by severe earthquakes. According to the Geotechnical Reports, the liquefaction potential at the Leased Property sites is considered "very low," and therefore, the potential damage to the Leased Property resulting from a major earthquake due to soil liquefaction is very low. See "THE LEASED PROPERTY–Seismic Considerations." See also APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – OTHER MATTERS – Natural Hazard Risks."

On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more quakes of about magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2045. Such earthquakes may be very destructive. In April 2018, the U.S.G.S. and the U.S. Department of the Interior issued "The HayWired Earthquake Scenario – We Can Outsmart Disaster," which noted that on average, for the past 12 major earthquakes on the Hayward Fault, part of which lies beneath the City, the interval between events has been about 150 years plus or minus 60 years. The last major earthquake on the Hayward Fault was a magnitude 6.8 earthquake in 1868 – 150 years ago. In addition to the potential damage to City-owned buildings and facilities (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco Bay Area as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City's economy, tax receipts, and residential and business real property values.

The Leased Property lies close to three major active earthquake faults (the Hayward, Calaveras and San Andreas faults) and may sustain damage as a result of an earthquake. The City is not obligated under the Sublease to provide earthquake insurance on the Leased Property. In the event of damage or destruction to the Leased Property caused by perils for which the City is not required to provide insurance under the Sublease, the City will not be obligated to repair, replace or reconstruct the Leased Property or to make Base Rental Payments with respect to any damaged portion of the Leased Property. The obligation of the City to make Base Rental Payments may be abated if the Leased Property or any improvements thereon are damaged or destroyed by hazards such as earthquakes. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – SUBLEASE."

Climate Change, Risk of Sea Level Rise and Flooding Damage

Numerous scientific studies on global climate change show that sea levels will rise given the increasing temperature of the oceans and growing ocean volume, as land ice melts and runs off into the ocean. In the last century, the San Francisco Bay water levels have risen 8 inches. Such scientific studies also project accelerating sea level rise due to climate change over the coming century. As a result, Bayfront cities like the City are at risk of substantial flood damage over time, which will affect private development as well as public infrastructure, including highways, emergency services, transit stations, schools, wastewater infrastructure, and landfills. The City could lose considerable tax revenues and many residents, businesses and governmental operations along the waterfront could be displaced.

The City, including the Port of Oakland, is committed to planning for and adapting to these impacts and has a number of initiatives and policies already in place. For example, in Fall 2017, the City released a report entitled "Oakland Preliminary Sea-Level Rise Road Map," identifying geographic zones at risk of sea level rise and providing a framework for adaption strategies to confront these risks. That study shows upper range projections for sea levels offshore of Oakland to rise between 36 to 66 inches by 2100. The City is working on implementing the Road Map's proposed actions to provide the foundation for a citywide sea-level rise adaptation plan.

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

A scientific report issued in March 2018 by professors at UC Berkeley and the University of Arizona suggests that flooding risk from climate change could be exacerbated in the San Francisco Bay Area due to the sinking of soil, known as subsidence. Under the new projections in this report, damage due to flooding could be worse than estimated under earlier climate change studies.

Projections of the impacts of global climate change on the City are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast the amount and timing of sea level rise and its adverse impacts, including flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, neither the Authority nor the City is able to forecast when sea level rise or other adverse impacts of climate change (e.g., the occurrence and frequency of 100 year storm events and king tides) will occur. In particular the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse impacts on the business operations or financial condition of the City and the local economy during the term of the 2018 Bonds.

The City has filed a lawsuit against the five largest investor-owned oil companies to seek to have the companies pay into a fund to help fund investment in sea level rise adaptation infrastructure. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – OTHER MATTERS – Litigation – *Climate Change Litigation*."

Tsunamis

A tsunami is a series of waves generated in a body of water by a rapid disturbance that vertically displaces the water. Such changes can be caused by an underwater fault rupture (that generates an earthquake) or underwater landslides (typically triggered by earthquakes). In the 100 years between 1868 and 1968, 19 tsunamis were recorded at the Golden Gate tide gauge, with a maximum wave height of 7.4 feet. A tsunami having a wave height of 20 feet is estimated to arrive at the Golden Gate once every 200 years. For most tsunamis approaching the coast, several hours are available to evacuate residents and undertake other emergency preparations. However, tsunamis can also be generated by local earthquakes, in which case the first waves could reach shore mere minutes after the ground stops shaking, giving authorities no time to issue a warning.

According to the Safety Element of the City's General Plan, the scarcity of data makes it difficult to estimate the tsunami hazard in the City. However, past tsunamis have resulted in little damage around San Francisco Bay. Flooding from tsunamis would affect low-lying areas along San Francisco Bay and the Oakland Estuary, especially filled areas that are only a few feet above sea level. Facilities in an estimated tsunami inundation zone include the Port of Oakland's seaport, the Oakland International Airport, the Oakland Coliseum complex, the City of Oakland Corporation yard, two schools and two fire stations.

Cybersecurity

The City and the Authority, like many other large public and private entities, rely on large and complex technology environments to conduct their respective operations. As a recipient and provider of personal, private, or sensitive information, the City and the Authority face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on their computers and other sensitive digital networks and systems (collectively, "**Systems Technology**"). Cybersecurity incidents could result from unintentional events or from deliberate attacks by unauthorized entities or individuals attempting to gain unauthorized access to the City's and the Authority's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in multiple forms of cybersecurity and operational controls. The City has email-based protections and virus detection software. When cybersecurity threats are received or detected, the City's Information Technology Department disseminates information with respect to such threats to City personnel. Risks of attacks not initiated through emails are mitigated through the City's firewalls and other networking equipment. In addition, some data are encrypted. However, cybersecurity threats continue to evolve and become more complex.

While cybersecurity and operational controls are routinely reviewed and tested, no assurance can be given that such security and operational control measures will be completely successful in guarding against cybersecurity threats and attacks. Cybersecurity breaches could damage the City's and the Authority's Systems Technology and cause material disruption to the City's and the Authority's operations and the provision of City services. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the City to material litigation and other legal risks, which could cause the City to incur material costs related to such legal claims or proceedings.

Risk Management and Insurance

The Sublease obligates the City to maintain and keep in force various forms of insurance, subject to deductibles, on the Leased Property for repair or replacement in the event of damage or destruction to the Leased Property. The City is also required to maintain rental interruption or use and occupancy insurance in an amount equal to 24 months of Base Rental Payments, to the extent such insurance is commercially available. The Sublease allows the City to self-insure against any or all risks, except rental interruption or use and occupancy and title defects, through an alternative risk management program such as its risk management program. All of the City's 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 makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Sublease and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the 2018 Bonds when due.

For information concerning the self-insurance and risk management programs of the City, see APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – OTHER FISCAL INFORMATION – Insurance and Risk Management."

State Law Limitations on Appropriations

Article XIII B of the State Constitution limits the amount that local governments can appropriate annually. The ability of the City to make Base Rental Payments may be affected if the City should exceed its appropriations limit. The City does not anticipate exceeding its appropriations limit in the foreseeable future. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Article XIII B of the State Constitution."

Risks Involving State Budget and Legislation

The State has in prior years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State.

It is possible the State will again in the future face significant budget issues and balance its budget by requiring local political subdivisions, such as the City, to fund certain costs theretofore borne by the State.

Neither the Authority nor the City can predict the extent of the budgetary problems the State may encounter in this or in any future fiscal years, nor is it clear what measures could be taken by the State to balance its budget, as required by law.

Federal Funding

The City receives economic aid in the form of grants and direct payments from the federal government to fund a variety of municipal activities and programs, including law enforcement, early childhood education, fire, housing, and other City services. From time to time, anticipated federal funding may be denied, reduced, or withdrawn through administrative, legislative or executive action. If anticipated federal funds are not received by the City, the City Council may allocate general fund revenue to address the resulting budget shortfall.

There can be no assurance that the City will continue to receive federal funds at levels similar to the levels it has received such funds in the past or that any reduction of economic aid from the federal government will not adversely affect the financial condition of the City.

Limitation on Enforcement of Remedies; Limited Recourse on Default

The enforcement of any remedies provided in the Sublease and Trust Agreement could prove both expensive and time consuming. Although the Sublease provides that the Authority may take possession of the Leased Property then subject to the Sublease and lease such property if there is a default by the City and the Sublease further provides that the Authority may have such rights of access to the Leased Property as may be necessary to exercise any remedies, portions of such Leased Property may not be easily recoverable since they may be affixed to property not owned by the Authority and even if recovered, could be of little value to others. Furthermore, due to the essential nature to the governmental functions of the Leased Property, it is uncertain whether a court would permit the exercise of the remedies of repossession and leasing with respect thereto. See “THE LEASED PROPERTY.”

In the event of a default under the Sublease, there is no available remedy of acceleration of the total Base Rental Payments due over the term of the Sublease. The City will only be liable for Base Rental Payments on an annual basis as they come due, and the Trustee would be required to seek separate judgments for each annual Base Rental Payment. In addition, any such suit for rent or money damages could be expensive, time consuming and subject to limitations on legal remedies against public agencies in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

The Trustee is not empowered to sell the Leased Property for the benefit of the Owners. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2018 BONDS” and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – SUBLEASE –Defaults and Remedies.” IN NO EVENT DOES THE AUTHORITY OR ANY ASSIGNEE HAVE THE RIGHT TO ACCELERATE THE PAYMENT OF ANY BASE RENTAL PAYMENTS UNDER THE SUBLEASE.

Bankruptcy

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Trust Agreement and the Sublease may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors’ rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Sublease, and from taking any steps to collect amounts due from the City under the Sublease.

If a Bankruptcy Court were to determine that the Sublease is a lease for the purposes of the Bankruptcy Code, the City would have the right to reject (i.e., terminate) the Sublease. If the City elected to reject the Sublease, the Leased Property could be re-let for the benefit of the Owners for the remaining term of the Lease, but there can be no assurance that the Leased Property could be re-let for an amount sufficient to pay principal of and interest on the 2018 Bonds or that such re-letting will not adversely affect the exclusion of interest on the 2018 Bonds from federal or state income taxation. In addition, the Bankruptcy Code severely limits any claim for damages suffered as a result of rejection of a lease.

Changes in Law

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the funds legally available to the City to make Base Rental Payments, and, consequently, having an adverse effect on the source of payment for the 2018 Bonds.

Hazardous Substances

The City knows of no existing hazardous substances which require remedial action on or near the Leased Property. However, it is possible that such substances do currently or potentially exist and that the City is not aware of them. There are numerous laws which regulate the use or release of hazardous substances and the liability of an owner of property for any contamination. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "**CERCLA**" or the "**Superfund Act**," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly and adversely affect the operations and finances of the City and/or the value of the Leased Property. The City currently carries insurance with a coverage limit of $10 million and a deductible of $75,000 that covers the unplanned release of hazardous substances.

Investment of Funds

The funds held under the Trust Agreement are required to be invested in Permitted Investments at the Written Request of the Authority as provided under the Trust Agreement. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – DEFINITIONS OF CERTAIN TERMS" for a summary of the definition of Permitted Investments. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, decline in market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Trust Agreement or the funds and accounts held by the City could have a material adverse effect on the source of payment for the 2018 Bonds and/or the financial condition of the City.

No Liability of the Authority to the Owners

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1 % of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes levied to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978, or (2) any bond 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, reconstruction, acquisition, equipping or leasing of school facilities approved by 55 percent of the voters 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" (the "**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 the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors.

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 descried above.

The 1% property tax is automatically levied by the County of Alameda and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979. Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Section 51 of the California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in the Orange County Superior Court and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Article XIII A and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. In March 2004, the Court of Appeal held that the trial court erred in ruling that assessed value determinations are always limited to no more than 2% of the previous year's assessed value and reversed the judgment of the trial court. The ruling of the Court of Appeal was appealed to the State Supreme Court, which denied the appeal for review in August 2004.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings by persons over age 55 and by property owners whose original property has been destroyed in a declared disaster and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – GENERAL FUND REVENUES – Property Taxation."

Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIII B of the State Constitution, which effectively limits the amount of such revenues those entities are permitted to spend. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, city and county, school district, special district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, adjusted for changes in the cost of living, population and services rendered by the government entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Appropriations subject to Article XIII B include generally the "proceeds of taxes" levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the costs of providing the service or regulation) and (2) the investment of tax revenues. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Article XIII C and Article XIII D of the State Constitution

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

Article XIII C requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include a charter city (such as the City). Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995 and prior to November 6, 1996 will continue to be imposed only if approved by a majority vote in an election held within two years of November 6, 1996.

Article XIII C also extends the initiative power to reducing or repealing local property-related taxes, assessments, fees and charges. This extension of the initiative power is not limited by the terms of Proposition 218 to impositions after November 6, 1996 and, absent other legal authority, could result in retroactive reduction in any existing taxes, assessments, fees and charges. In addition, Proposition 218 limits the application of assessments, fees and charges and requires certain existing, new and increased assessments, fees and charges to be submitted to property owners for approval or rejection, after notice and public hearing.

The City is not able to predict whether Proposition 218 will be held to be constitutional in the courts or its application limited in certain respects. If upheld, Proposition 218 could substantially restrict the City's ability to raise future revenues, subject existing sources of revenue to reduction or repeal, and increase the City's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court.

The voter approval requirements of Article XIII C reduce the flexibility of the City to raise revenues for its General Fund, and no assurance can be given that the City will be able to impose, extend or increase taxes in the future to meet increased expenditure needs.

Article XIII D contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that the assessment must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred, and (iii) a majority protest procedure which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected property. "Assessment" in Article XIII D is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property.

In addition, Article XIII D adds several provisions affecting "fees" and "charges," defined for purposes of Article XIII D to mean "any levy other than an *ad valorem* tax, a special tax, or an assessment imposed by [a local government] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and, after June 30, 1998, 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 costs of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. This may require the City's General Fund to forego collecting some or all of the annual amounts it collects from the City's enterprise funds. 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 (these "property related" fee requirements also do not apply to 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 (essentially the same procedure required for approval of assessments) or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

As set forth above, Article XIII C also removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal certain local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. "Assessments," "fees" and "charges" are not defined in Article XIII C, and it is unclear whether these terms are intended to have the same meaning for purposes of Article XIII C as for Article XIII D (which are generally property-related, as described above). If not, the scope of the initiative power under Article XIII C potentially could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues. The interpretation and application of Proposition 218 will be determined by the courts and it is not possible to predict with certainty such future court decisions. Further analysis and future judicial interpretations may affect the City's estimate of the impact of Proposition 218 on its current General Fund revenues.

If upheld in full, Proposition 218 could substantially restrict the City's ability to raise future revenues, subject to existing sources of revenue to reduction or repeal, and increase the City's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court.

Proposition 62

A statutory initiative ("**Proposition 62**") was adopted by the voters in the State at the November 4, 1986 election which (1) requires that any tax for general governmental purposes imposed by local governmental entities, such as the City, be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity voting in an election on the tax, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction voting in an election on the tax, (3) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (4) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (6) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote of the electorate in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote by the electorate in order for a local government or district to impose any general tax. The *Guardino* decision did not address the question of whether or not Proposition 62 should be applied retroactively nor whether it applies to charter cities, such as the City. Two cases decided by the California Courts of Appeals in 1993, *Fielder v. City of Los Angeles*, and *Fisher v. County of Alameda*, have held that the restriction imposed by Proposition 62 on property transfer taxes did not apply to charter cities, because charter cities derive their power to enact such taxes under Article XI, Section 5 of the California Constitution relating to municipal affairs.

On December 15, 1997, the Court of Appeal for the State of California, Fourth Appellate District, in *McBrearty v. City of Brawley*, concluded that *Guardino* is to be applied retroactively to require voter approval of previously enacted taxes. On June 4, 2001, the California Supreme Court concluded in *Jarvis Taxpayers Association v. City of La Habra* that the three-year statute of limitations on court challenges to special taxes begins to run from each collection of the tax, not its original imposition.

In the opinion of the City Attorney, the City should be exempt from the provisions of Proposition 62 because, as a charter city under the California Constitution, it should not be affected by a statutory initiative such as Proposition 62.

Several questions raised by the *Guardino, McBrearty* and *La Habra* decisions remain unresolved. Proposition 62 provides that if a jurisdiction imposes a tax in violation of Proposition 62, the portion of the one percent general *ad valorem* property tax levy allocated to that jurisdiction is reduced by $1 for every $1 in revenue attributable to the improperly imposed tax for each year that such tax is collected. The practical applicability of this provision has not been fully determined. Potential future litigation and legislation may resolve some or all of the issues raised by these decisions.

Proposition 26

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

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

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

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

Proposition 1A

Proposition 1A, a constitutional amendment proposed by the State Legislature and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate, or change the allocation of local sales tax revenues, subject to certain exceptions. As set forth under the laws in effect as of November 3, 2004, Proposition 1A generally prohibits the State from shifting any share of property tax revenues allocated to local governments for any fiscal year to schools or community colleges. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the annual vehicle license fee rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing aid to cities and spending on other State programs, or other actions, some of which could be adverse to the City.

Proposition 22

Proposition 22 ("**Proposition 22**"), which was an initiative measure approved by California voters in November 2010, amends the State constitution to prohibit fuel tax revenues from being loaned to the State General Fund or any other State fund for cash-flow or budget balancing purposes and reduces State authority to use fuel tax revenues to pay for bonds. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools or other agencies, prohibits the State from borrowing or redirecting redevelopment property tax revenues, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies.

Due to the prohibition with respect to the State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 appears to supersede certain provisions of Proposition 1A.

Future Initiatives

Articles XIII A, XIII B, XIII C, and XIII D and Propositions 62, 26 and 22 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. The nature and impact of these measures cannot be anticipated by the City.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the 2018 Bonds and certain other legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Authority. Bond Counsel expects to deliver approval opinions at the time of issuance of the 2018 Bonds substantially in the form set forth in APPENDIX D hereto, subject to the matters discussed under "TAX MATTERS."

Certain legal matters will be passed on for the Authority and the City by Barbara Parker, Esq., Counsel to the Authority and Oakland City Attorney. Certain legal matters will be passed on for the City and the Authority by Alexis S. M. Chiu, Esq., Disclosure Counsel, and for the Underwriters by their counsel, Schiff Hardin LLP, San Francisco, California. Bond Counsel, Disclosure Counsel and the Counsel to the Authority and 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 2018 Bonds.

CONTINUING DISCLOSURE

The Authority and the City have covenanted for the benefit of the Owners and the beneficial owners of the 2018 Bonds to provide certain financial information and operating data relating to the City no later than nine months following the end of the City's fiscal year (presently June 30) (the "**Annual Report**"), commencing with the report for the 2017-18 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of certain enumerated events will be filed by the City on behalf of both entities 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 certain enumerated events and the text of the Continuing Disclosure Certificate are set forth below in APPENDIX E – "FORM OF CONTINUING

DISCLOSURE CERTIFICATE." A default under the Continuing Disclosure Certificate will not be an event of default under the Trust 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 have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Within the last five years, certain filings relating to the public debt obligations of the City and its related entities were incomplete or not made in a timely manner, as required under then outstanding continuing disclosure obligations of the City and its related entities. The City has adopted procedures to enhance timely filing and to review and monitor compliance with all of its continuing disclosure undertakings.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the Authority ("**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 2018 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 2018 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

2018 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 2018 Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2018 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 2018 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2018 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 2018 Bonds may adversely affect the value of, or the tax status of interest on, the 2018 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 2018 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 amounts treated as interest on, the 2018 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 2018 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 may otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2018 Bonds. Prospective purchasers of the 2018 Bonds should consult their own tax advisors regarding the potential impact of 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 2018 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 Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2018 Bonds ends with the issuance of the 2018 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the 2018 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their 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 Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2018 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 2018 Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of, among other things, the mathematical computations of the amounts deposited in the Escrow Fund to pay, when due, the redemption price of and accrued interest on the Prior Bonds will be verified by Causey Demgen & Moore P.C.

UNDERWRITING

The 2018 Bonds were purchased through negotiation by Siebert Cisneros Shank & Co., L.L.C., and Blaylock Van, LLC (the "**Underwriters**") at a price of $67,430,373.78 (which represents the principal amount of the 2018 Bonds, plus an original issue premium in the amount of $7,555,640.15, less an underwriters' discount in the amount of $150,266.37). The purchase contract pursuant to which the Underwriters are purchasing the 2018 Bonds provides that the Underwriters will purchase all of the 2018

Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in such purchase contract.

MUNICIPAL ADVISOR

Backstrom McCarley Berry & Co., LLC, San Francisco, California, has served as Municipal Advisor to the Authority and the City with respect to the sale of the 2018 Bonds. The Municipal Advisor has assisted the Authority and the City in the review and preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the 2018 Bonds. The Municipal Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Authority or 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 with respect to the 2018 Bonds contingent upon the sale and delivery of the 2018 Bonds.

FINANCIAL STATEMENTS

The audited Annual Financial Report of the City for its Fiscal Year ended June 30, 2017, is included in APPENDIX B – "CITY OF OAKLAND COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017." 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.

ABSENCE OF MATERIAL LITIGATION

The Authority

At the time of delivery of and payment for the 2018 Bonds, the Authority will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or regulatory authority, against the Authority affecting its existence or the titles of its officers or seeking to restrain or to enjoin the sale or delivery of the 2018 Bonds, the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the 2018 Bonds, the Trust Agreement, the Lease, the Sublease or any action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or its authority with respect to the 2018 Bonds or any action of the Authority contemplated by any of said documents, nor, to the knowledge of the Authority, is there any basis therefor.

The City

At the time of delivery of and payment for the 2018 Bonds, the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or regulatory authority, against the City affecting its existence or the titles of its officers or in any way contesting or affecting the validity or enforceability of the Lease, the Sublease or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of the information in this Official Statement or any amendment or supplement thereto under the captions "INTRODUCTION,"

"PLAN OF REFUNDING," "THE CITY," "ABSENCE OF MATERIAL LITIGATION," and contained in APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND," APPENDIX B – "CITY OF OAKLAND COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017," or contesting the powers of the City or its authority with respect to any action of the City contemplated by any of said documents, nor, to the knowledge of the City, is there any basis therefor.

RATINGS

Moody's Investors Service, Inc. ("**Moody's**"), and Standard & Poor's Ratings Services, a Standard and Poor's Financial Services LLC business ("**S&P**") have assigned municipal bond ratings of "Aa3" and "AA-," respectively, to the 2018 Bonds. Such ratings reflect only the views of the respective rating agencies, and do not constitute a recommendation to buy, sell or hold the 2018 Bonds. 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 they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of such rating agency, circumstances so warrant. Any such suspension, downward revision or withdrawal of a rating may have an adverse effect on the market price of and/or the ability to trade the 2018 Bonds. Neither the Authority nor the City undertakes any responsibility to oppose any such downward revision, suspension or withdrawal.

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MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof and do not purport to be complete or definitive and reference is hereby made to such documents and reports for a full and complete statement of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or registered owners of any of the 2018 Bonds. The delivery and distribution of this Official Statement have been duly authorized by the Authority.

OAKLAND JOINT POWERS FINANCING AUTHORITY

By: /s/ Sabrina B. Landreth
Executive Director

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 426,074 as of January 1, 2017.

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, 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.

In Oakland, Oakland and Bay Area residents enjoy a thriving restaurant scene, diverse entertainment and arts offerings and a vibrant nightlife. A wide range of dining options are available in the City, ranging from street eats like the "Art Murmur" to fine dining restaurants, including Michelin-starred avant-garde Commis. 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:

- No. 5 among Best Cities for Diversity in STEM – by SmartAsset, December 2017
- Oakland among "Top 18 For 2018" Travel Predictions – by British Airways, October 2017
- Oakland MSA among the 25 Happiest Cities in the United States – by National Geographic, October 2017
- No. 3 among Cities where Millennials are moving – by SmartAsset, September 2017
- No. 9 among the 10 Most Walkable Cities of 2017 – by Redfin, May 2017
- Ranked among the "top 30 healthiest cities in the United States" by *WalletHub,* February 2017
- Ranked No. 15 among "Super Cool U.S. Cities to Visit" by *Expedia Viewfinder,* March 2017
- Ranked 9th "Best City to Score Your Dream Job" by GoBanking, January 2017

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 B. 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 of 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:

- In 2017, CIM Group purchased "Uptown Station" a former department store being restored as 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.

- The Brooklyn Basin Project, located off the Embarcadero between Fallon Street and 10th Avenue, 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 256,000 square feet was completed in July 2017, the second warehouse totaling 188,000 square feet started construction in March 2018 and the third warehouse totaling 223,000 square feet is scheduled to start construction in May 2018 and is scheduled to be completed by early 2019.

Arts and Entertainment

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

- The Fox Theater, a national historic landmark, completed one of the nation's largest historic theater renovations in 2009 becoming a 3,000-person live performance venue and home to the Oakland School for the Arts. The Fox Theater is now one of the most active theaters of its size for live music in the nation. The theater hosted 97 concerts in 2016 attracting over 300,000 visitors to Downtown Oakland. The theater has been instrumental in attracting bars, restaurants and cafes to the area and expanding the nightlife.

- The Oakland Museum of California completed a $58 million, multi-year, multi-level renovation and expansion in 2013 with the reopening of the Gallery of California Natural Sciences. The Galleries of California Art and California History reopened to the public in 2010. The museum welcomed back visitors with a dramatically different presentation of its renowned collections, reviving its founding vision by introducing innovative exhibitions and setting a new paradigm for the way a museum engages the public.

Major Projects Recently Completed

- In 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 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 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.

- K&K Hotel Group purchased and renovated a long vacant hotel property in East Oakland, which opened in Spring 2017 as a 260-room full service Radisson Hotel.

- Children's Hospital Oakland Phase I, a $63 million construction project, including a new six-story outpatient care building with helistop and a central plant building and renovation of over 85,000 square feet in existing buildings, was completed in 2017.

- Oakland International Airport, Terminal 1 and International Arrivals Building, a $154 million multiphase renovation project, was completed December 2017, the latest phase of which included 13,000 square feet of additional space incorporating a new baggage carousel and an expanded passenger primary processing room.

- Impossible Foods Company opened a 68,000 square foot food production facility in East Oakland in May 2017. The new facility created close to 100 new jobs.

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 and hospital rebuilds to education, transportation, residential and mixed-use developments are moving forward to redefine Oakland. Oakland is becoming a major hub for Southwest Airlines which added 13 new domestic flights in 2016 and will add additional international bound flights in 2017.

The Oakland International Airport has reached a nearly decade high climb in passengers, driven in large part by the facility's expanded roster of international and domestic flights, with more than 12 million annual passengers. In April 2017, approximately 1.06 million passengers chose to fly to or from Oakland, marking a 12.8 percent increase from April 2016. Oakland International Airport is expected to become California's third busiest gateway to Europe with the introduction of eight non-stop flights at the airport in 2017, including flights from British Airways and Norwegian Air.

The table below lists some of Oakland's largest current construction projects:

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 – 5 projects completed, 8 projects under construction and 3 projects in for building permits	$1,000	2016-20
Highland Hospital	$439	2019
Mayor's Housing Initiative other major projects, 31 projects with 4,700 residential units under construction	$1,400	2018-20
Oakland Army Base Public Improvements	$262	April 2019
Oakland Global Trade & Logistics Private Development	$270	June 2020
MacArthur Transit Village, Phases III & IV	$250	2020
Uptown Station, a 356,000 square foot Office Building	$150	2018-19
1100 Broadway, an 18-story Class A office tower	$130	2019
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

Source: City of Oakland.

Housing

- Today, approximately 21,200 housing units throughout the City are in the development pipeline, including over 6,450 units under construction or recently completed. Development interest and activity in the City's central core continues.

- Construction of approximately 288 housing units on a formerly City-owned parcel in Oakland's City Center started in March 2018. 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, five projects consisting of 268 residential units and 256,000 square feet of retail and office have been completed and over 17 projects are in process, including: eight projects consisting of 1,635 residential units and 148,000 square feet of retail, which are under construction; three projects consisting of 703 residential units and 73,000 square feet of retail, for which building permits are being obtained; and six projects, which are in process or which have approved land use entitlements. In addition, 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. This project started construction in Summer 2017.

Mixed-Use Developments

- Four transit-oriented mixed use developments are in the planning, entitlement or construction phase. The MacArthur Transit Village project is expected to include up to 875 mixed income housing units and approximately 31,500 square feet of retail. Construction of the first phase of the project, which included the construction of a public parking garage for BART, was completed in July 2014. The second phase, 90 units of affordable housing, began construction in September 2013 and was completed in November 2015. The third phase, 402 dwelling units (of which 45 units will be affordable to households earning up to 80 percent of the area median income) and 13,000 square feet of ground-floor commercial uses, began construction in April 2017 and is expected to complete construction in Spring 2019. The final phase, 383 residential units and 23,389 square feet of retail space, is expected to begin construction in Spring 2018 and to complete construction in Summer 2020.

- 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. Such project is in the planning stages and going through the environmental review process.

- City Center Site T-12, 601 12th Street, started construction on a 600,000 square foot office tower with ground floor retail in May 2017. The project is scheduled to be completed in Spring 2019 with BlueCross Blue Shield as the anchor tenant.

- Construction started on a new 18-story Class A office tower at 1100 Broadway that is being combined with the historic Key System Building for a 334,000 square foot office building with 11,000 square feet of ground floor retail. Half of the building, 165,000 square feet in the lower floors, has been pre-committed for lease to UCOP.

- The Ridge Shopping Center, owned by Terramar Development, opened a 72,000 square foot lifestyle Safeway Store, as part of Phase 1 of its development; Phase 2 is underway. The Center is located at 51st Avenue & Broadway. Across Broadway, SRM Development built a 127-unit senior housing complex and has entitlements to build a multifamily housing development in the next block.

Transportation

- A $178 million Bus Rapid Transit (BRT) line is under construction along a 9.5 mile route connecting Downtown Oakland through International Boulevard to the neighboring city of San Leandro. The BRT line will provide bus service every seven minutes. Such project is expected to be completed in late 2019.

Population

The Demographic Research Unit of the California Department of Finance estimated the City's population on January 1, 2017 at 426,074. This figure represents approximately 25.90% of the corresponding County figure and 1.08% of the corresponding State figure. The City's population grew 0.68% between 2016 and 2017. The following Table 1 sets forth the estimated population of the City, the County, and the State for calendar years 2013 through 2017.

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

Calendar Year	City	County	State
2013	407,660	1,567,091	38,238,492
2014	412,290	1,588,348	38,572,211
2015	417,993	1,611,318	38,915,880
2016	423,191	1,629,233	39,189,035
2017	426,074	1,645,359	39,523,613

Note: Data reflect population estimates as of January 1 of each year.
Source: Source: State of California Department of Finance, Demographic Research Unit, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2017, with 2010 Census Benchmark,* released May 1, 2017, all as shown on its website on February 16, 2018.

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Industry and Employment

The following Table 2 sets forth estimates of the labor force, civilian employment, and unemployment for City residents, State residents and United States residents from calendar years 2013 through 2017. The California Employment Development Department has reported unemployment figures for January 2018 at 4.6% for the State and 4.4% for the City (not seasonally adjusted) and preliminary unemployment figures for February 2018 at 4.5% for the State and 4.2% for the City (not seasonally adjusted).

Table 2
City of Oakland, State of California and United States
Civilian Labor Force, Employment and Unemployment
Annual Average for Years 2013 through 2017[1]

Year and Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate (%)
2013				
City	207,100	188,700	18,400	8.9
State	18,624,300	16,958,700	1,665,600	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
City	207,800	192,800	14,900	7.2
State	18,755,000	17,348,600	1,406,400	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
City	209,900	197,600	12,200	5.8
State	18,893,200	17,723,300	1,169,900	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
City	213,400	202,200	11,200	5.3
State	19,102,700	18,065,000	1,037,700	5.4
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
City	214,033	204,233	9,825	4.6
California	19,224,100	18,302,800	921,300	4.8
United States	160,320,000	153,337,000	6,982,000	4.4

(1) All data presented as annual averages.

Source: For City and State information, State of California Employment Development Department, Labor Market Information Division, *California Historical Civilian Labor Force (Data Not Seasonally Adjusted), March 2016 Benchmark,* dated January 19, 2018, as shown on its website on February 23, 2018; LMI for Oakland-Hayward-Berkeley MD, California, *Unemployment Rates and Labor Force,* Labor Force Data Search Tool, Sub-County Place Oakland City, Year 2017, Time Period January-December, Data Not Seasonally Adjusted. For U.S. information, U.S. Department of Labor, Bureau of Labor Statistics, *Household Data Annual Averages 1. Employment status of the civilian noninstitutional population, 1946 to date,* last modified January 19, 2018, as shown on its website on February 23, 2018.

Commercial Activity

The following Table 3 sets forth a history of taxable sales for the City for Fiscal Years 2012-13 through 2016-17.

Table 3
City of Oakland
Trade Outlets and Taxable Sales
for Fiscal Years 2012-13 through 2016-17
($ In Thousands)

Taxable Retail Sales	2012-13	2013-14	2014-15	2015-16	2016-17
Auto & Transportation	$ 743,329	$ 838,029	$ 894,683	$ 933,844	$ 903,362
Business & Industry	655,454	653,875	558,343	578,225	617,380
General Customer Goods	559,941	574,519	605,914	586,743	554,885
Restaurants & Hotels	681,562	751,108	855,561	953,697	1,001,054
Building & Construction	374,421	434,677	456,964	474,895	514,481
Food & Drugs	402,383	417,291	440,323	490,278	511,093
Fuel & Service Stations	733,489	704,208	632,457	502,608	568,368
TOTAL ALL OUTLETS	$4,150,579	$4,373,707	$4,444,245	$4,520,290	$4,670,623

Source: HdL Companies, as shown in the City of Oakland, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2017.

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The following Table 4 sets forth the largest industries in the City in terms of employment in each respective industry, as estimated by the U.S. Census Bureau for calendar years 2012 through 2016.

Table 4
City of Oakland
Employment by Industry Group
Annual Averages 2012 through 2016[(1)]

Industry Employment	2012	2013	2014	2015	2016
Agriculture, forestry, fishing and hunting, and mining	622	674	857	1,072	1,060
Construction	11,359	11,042	10,666	11,300	12,033
Manufacturing	11,926	11,812	12,607	12,814	13,608
Wholesale trade	4,031	4,182	4,275	4,117	4,482
Retail trade	17,595	18,182	18,472	18,487	18,316
Transportation and warehousing, and utilities	9,004	9,283	9,336	9,634	10,038
Information	6,022	5,519	5,739	6,303	6,846
Finance and insurance, and real estate and rental and leasing	10,893	10,970	10,884	10,951	11,459
Professional, scientific, and management, and administrative and waste management services	28,285	29,254	30,123	32,098	35,113
Educational services, and health care and social assistance	45,527	45,844	46,900	48,655	48,299
Arts, entertainment, and recreation, and accommodation and food services	19,102	20,353	21,596	22,946	23,849
Other services, except public administration	11,843	11,840	12,437	13,225	13,656
Public administration	7,598	7,653	7,180	7,503	7,656
TOTAL[(2)]	183,807	186,608	191,072	199,105	206,415

(1) Most current information available.
(2) Total may not be precise due to rounding.
Source: U.S. Census Bureau, Industry by Occupation for the Civilian Employed Population 16 Years and Over, 2012-2016 American Community Survey 5-Year Estimates.

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The following Table 5 sets forth the top ten major employers in the City, whose employees represent approximately 21% of the City's labor force, as of June 30, 2017.

Table 5
City of Oakland
Principal Employers
as of June 30, 2017

Rank	Employer	Number of Employees	Percent of Total Employment
1	Kaiser Permanente/Kaiser Foundation	12,287	6.13%
2	Oakland Unified School District	5,080	2.53
3	County of Alameda	4,490	2.24
4	City of Oakland	3,500	1.75
5	Bay Area Rapid Transit	3,288	1.64
6	State of California	3,168	1.58
7	UCSF Children's Hospital Oakland	2,675	1.33
8	Alameda Health Systems (Highland Hospital)	2,300	1.15
9	Southwest Airlines	2,256	1.13
10	Sutter Hospitals, Medical Foundation & Support Services	2,257	1.13
	TOTAL	41,301	20.61%

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Year Ended June 30, 2017.

Construction Activity

The following Table 6 sets forth a summary of residential and commercial building permit valuations in the City for Fiscal Years 2012-13 through 2016-17.

Table 6
City of Oakland
Building Permit Valuation
2012-2013 through 2016-2017

	2012-13	2013-14	2014-15	2015-16	2016-17
Building Permits Issued	13,513	14,680	15,117	18,693	17,259
Authorized New Dwelling Units	486	420	806	1,641	3,101
Commercial Value (in thousands)	$ 65,152	$100,239	$238,592	$306,809	$211,874
Residential Value (in thousands)	$253,516	$181,087	$246,776	$495,481	$638,944

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Year Ended June 30, 2013 through June 30, 2017.

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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 variances in estimated revenues and revised mandates due to federal, State, or court actions. The City is currently operating under the Fiscal Year 2017-19 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 strong 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. 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 Emergency Reserve equal to 7.5 percent of total General Purpose Fund appropriations. For Fiscal Year 2017-18, this is approximately $43.9 million. Additionally, the Vital Services Stabilization Fund is projected to have a balance of approximately $14 million by the end of Fiscal Year 2017-18, bringing the combined total to just under $58 million.

City's Fiscal Year 2016-17 Year End

Revenue receipts in Fiscal Year 2016-17 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. Fiscal Year 2016-17 year-end expenditures for the General Purpose Fund were $594.1 million.

Fiscal Year 2017-19 Adopted Biennial Policy Budget

The Fiscal Year 2017-19 Adopted Biennial Policy Budget was approved by the City Council on June 29, 2017 for the period of July 1, 2017 through June 30, 2019. This balanced proposal was based on the Fiscal Year 2016-17 Midcycle Budget, as well as several voter approved initiatives from the November 2016 election. The budget began with a $32.5 million funding gap in the General Purpose Fund, as well as projected shortfalls in several special revenue funds due to expenditures rising faster than revenues at current service levels, particularly for medical and retirement costs. This budget is balanced without any major service impacts, while expanding essential services through fee based programs and through grant and capital funds. This budget provides additional set-asides into the City's Vital Services Stabilization (Rainy Day) Fund to support City operations in future years when the City might experience an economic contraction or other fiscal stresses.

The 2017-19 Biennial Budget is summarized as:

Category	**FY 2017-18**	**FY 2018-19**
Unrestricted General Purpose Fund (42%)	$584,072,049	$595,954,802
Restricted Special Funds (58%)	$825,438,352	$775,227,000
TOTAL - All Funds	**$1,409,510,401**	**$1,371,181,802**

The following Table 7 presents information regarding the City's Fiscal Year 2017-18 projected year-end and Adopted Biennial Policy Budget Fiscal Year 2018-19 General Purpose Fund revenues and expenditures.

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Table 7
City of Oakland
General Purpose Fund Revenues and Expenditures

	FY 2016-17 Year End (Audited)	FY 2017-18 Year End Forecast[(1)]	FY 2018-19 Adopted Budget[(5)]
REVENUES			
Property Tax[(2)]	$171,475,372	$183,525,896	$190,093,739
Sales Tax[(3)]	53,701,770	55,998,537	57,678,493
Vehicle License Fees	189,433	0	0
Business License Tax	75,840,294	82,010,000	81,834,879
Utility Consumption Tax	52,618,316	54,065,320	50,700,000
Real Estate Transfer Tax	79,069,794	77,209,753	77,962,496
Transient Occupancy Tax	22,367,662	23,933,398	23,333,435
Parking Tax	10,636,779	11,130,600	11,436,700
Local Tax	0	10,626,000	5,900,000
Licenses & Permits	1,801,800	2,060,303	2,064,974
Fines & Penalties	21,687,280	21,687,280	22,650,000
Interest Income	1,207,179	1,207,280	740,482
Service Charges	54,612,720	59,246,455	61,178,431
Grants & Subsidies	1,520,828	562,174	119,435
Miscellaneous	6,525,455	2,338,857	5,487,531
Interfund Transfers	2,274,207	3,964,207	4,774,207
Subtotal Revenues	$555,528,889	$589,566,060	$595,954,802
Transfers from Fund Balance[(4)]	38,528,038	8,679,441	0
Total Revenues	**$594,056,927**	**$598,245,501**	**$595,954,802**
EXPENDITURES			
Mayor	$2,514,544	$2,816,693	$2,977,409
City Council	4,621,846	4,914,888	5,343,238
City Administrator	16,087,353	15,289,531	12,460,134
City Attorney	5,862,869	11,987,429	12,399,925
City Auditor	1,843,015	1,685,702	2,022,192
City Clerk	3,244,846	2,360,718	2,748,279
Finance Department	23,083,540	25,971,259	26,607,931
Human Resource Management	4,543,095	5,654,499	6,045,741
Information Technology	11,640,885	10,451,826	9,950,781
Police Department	257,136,777	250,896,691	258,290,831
Police Commission	0	2,445,482	2,723,724
Fire Department	132,951,761	136,538,640	136,152,080
Human Services	7,938,407	13,002,644	14,316,564
Oakland Public Library	12,078,091	12,706,092	13,386,003
Oakland Parks & Recreation	15,878,615	15,931,129	16,833,108
Oakland Public Works	2,849,456	636,379	2,131,688
Department of Transportation	218,231	10,959,958	10,542,340
Economic & Workforce Development	4,985,162	3,215,280	4,674,260
Planning & Building	146,912	15,687	15,844
Housing and Community Development	1,298,757	0	300,000
Department of Violence Prevention	0	65,496	392,614
Race & Equity	219,923	432,393	446,555
Public Ethics Commission	940,266	1,019,933	966,466
Non-Departmental & CIP	83,972,576	66,953,542	54,227,095
Subtotal Expenditures	$594,056,927	$595,951,891	$595,954,802
Total Expenditures	**$594,056,927**	**$595,951,891**	**$595,954,802**

(1) Forecast as of close of second quarter of Fiscal Year 2017-18.
(2) 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.

(Footnotes continue on the following page.)

(3) Refers to Sales & Use Tax.
(4) Transfers from Fund Balance and any unspent carryforward funds.
(5) Budget as adopted by the City Council on June 29, 2017.
Source: City of Oakland.

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's Investment Policy for Fiscal Year 2017-18 is attached to this Official Statement as APPENDIX G. The City Council adopted its Investment Policy for Fiscal Year 2017-18 on July 18, 2017 (the "***2017-18 Investment Policy***"). The 2017-18 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 2017-18 Investment Policy and the 2016-17 Investment Policy differ only in that the 2017-18 Investment Policy clarifies and amends the statutory rating requirements in accordance with California Senate Bill 974.

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 2017-18

Permitted Investment Types	Maximum Investment	Maximum Maturity
U.S. Treasury Bills, Notes & Bonds[(1)]	20%	5 years
Federal Agencies	No Maximum	5 years
Bankers Acceptance	40%	180 days
Commercial Paper	25%	270 days
Asset-Backed Commercial Paper	25%	270 days
Local Government Investment Pools	20%	N/A
Medium Term Notes	30%	5 years
Negotiable CDs	30%	5 years
Repurchase Agreements	No Maximum	360 days
Reverse Repurchase Agreements[(2)]	20%	92 days
Money Market Mutual Funds	20%	N/A
Certificates of Deposit[(3)]	Prudent Person Standard Applies	360 days
Local Agency Investment Fund	$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 February 28, 2018.

Table 9
City of Oakland
Pooled Operating Portfolio
as of February 28, 2018

Investments	Market Value	Book Value	Percent of Portfolio	Days to Maturity	360 Day Equivalent
Federal Agency Issues–Coupon	$341,381,817.80	$344,580,995.92	37.89%	595	1.557
Federal Agency Issues–Discount	395,548,665.00	394,770,216.38	43.41	76	1.455
Medium Term Notes	6,934,268.00	6,997,176.36	0.77	597	2.128
Money Market	95,000,000.00	95,000,000.00	10.45	1	1.268
Local Agency Investment Funds	64,876,079.39	65,000,000.00	7.15	1	1.393
California State–GOB	3,083,580.00	3,084,569.00	0.34	275	1.115
TOTAL/AVERAGE	$906,824,410.19	$909,432,957.66	100.00%	264	1.474

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, 2013 through June 30, 2017 and sets forth the major General Fund revenues as of June 30, 2017 as a percentage of total General Fund revenues for Fiscal Year ended June 30, 2017.

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

Revenue Type	2013	2014	2015	2016	2017	2017 Percent of Total General Fund Revenues[2]
Property[1]	$214,495	$205,895	$228,072	$257,707	$271,985	38.59%
Sales & Use	48,818	46,956	48,827	52,192	53,702	7.62
Business License	60,371	62,905	66,677	75,504	75,840	10.76
Utility Consumption	50,752	50,422	50,594	51,006	52,618	7.47
Real Estate Transfer	47,406	59,060	62,665	89,594	79,070	11.22
Transient Occupancy	12,454	14,578	16,898	20,209	23,165	3.29
Parking	7,947	8,444	9,337	10,220	10,637	1.51
Fines and Penalties	22,971	22,809	23,146	21,648	21,738	3.08
Charges for Services	69,442	77,978	82,461	85,184	85,886	12.19
Subtotal	$534,656	$549,047	$590,692	$663,264	$674,641	95.73
Other	25,380	26,141	33,294	31,622	30,085	4.27
TOTAL	$560,036	$575,188	$623,986	$694,886	$704,726	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, 2013 through June 30, 2017.

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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 2017-18 are projected to be $183.53 million, or 30.85% of the City's total General Purpose Fund revenues for such fiscal year. Such tax revenues exclude tax override revenues for obligations relating to the Oakland Police and Fire Retirement System ("***PFRS***") and revenues collected to fund general obligation debt service.

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

Property taxes associated with future assessed valuation growth allowed under Article XIIIA 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, as provided in Article XVI of the State Constitution. Beginning with Fiscal Year 2012-13, following the dissolution of redevelopment agencies, tax revenues resulting from the increase in such property values were deposited by the County Auditor-Controller into the City's Redevelopment Property Tax Trust Fund ("RPTTF"). See "DEBT OBLIGATIONS – Redevelopment Agency of the City of Oakland" herein.

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The following Table 11 sets forth a five-year history of assessed valuations in the City for Fiscal Years 2013-14 through 2017-18:

Table 11
City of Oakland
Assessed Valuations
Fiscal Years 2013-14 through 2017-18
($ In Thousands)

Fiscal Year	Total Assessed Value	*Less:* Tax Exemptions	Total Taxable Assessed Value	*Less:* Assessed Value Subject to RPTTF Payments [1]	Net Taxable Assessed Value
2013-14	$45,042,337	$(4,245,848)	$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	51,286,225	(3,862,329)	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
2017-18	59,086,693	(4,439,303)	54,647,390	-- [2]	-- [2]

[1] Assessed valuation subject to division of taxes for payment to the City's RPTTF.
[2] The County has not provided the assessed valuation subject to division of taxes for RPTTF payments for Fiscal Year 2017-18, as only a portion of the tax revenues for such valuation will be remitted to the City's RPTTF.

Sources: Alameda County Auditor-Controller's annual reports 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 2012-13 through 2016-17. 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 2012-13 through 2016-17
($ In Thousands)

Fiscal Year	City's Share of 1%	Levy Voter-Approved Debt	Total	Total Collected[1]	Percent Collected
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
2016-17[2]	108,686	116,107	224,793	219,473	97.63

(1) As of June 30 of the related Fiscal Year.
(2) Most current information available.
Source: County of Alameda, as shown in the City of Oakland, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2017.

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Assessment Appeals. The following Table 13 sets forth resolved and unresolved pending assessment appeals in the City as of January 3, 2018.

Table 13
City of Oakland
Pending Appeals of Assessed Valuations
as of January 3, 2018*

Pending Appeals (2013-14 through 2017-18)	
Number of Pending Appeals	782
Total Assessed Value Under Appeal	$ 9,888,099,206
Owner's Opinion of Value	$ 4,593,033,900
Maximum Potential Loss(1)	$ 5,295,065,306
Maximum Potential Loss as Percent of Value under Appeal	53.55%
Resolved Appeals (Fiscal Year 2016-17)	
Number of Resolved Appeals	83
Total Appealed Value of Resolved Appeals	$ 264,054,208
Appeals Denied	27
Assessed Value of Denied Appeals	$ 83,137,824
Appeals Allowed with Change of Value	56
Original Assessed Value of Allowed Appeals	$ 180,916,384
Value Determined by Appeals Board	$ 154,031,441
Board Approved Reduction in Value	$ 26,884,943
Percent of Original Assessed Value of Allowed Appeals Reduced	14.86%
City of Oakland 2017-18 Taxable Value(2)	$54,647,390,086
Maximum Appeals Loss(1)	$ 5,295,065,306
Percent of Taxable Value	9.69%

* Most current information available.
(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 FY 2017-18 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 47 tax rate areas. The following Table 14 sets forth a five-year history of the property tax rates levied by the City and other local government agencies on properties in the City for Fiscal Years 2013-14 through 2017-18.

Table 14
City of Oakland
Property Tax Rates[1]
Fiscal Years 2013-14 through 2017-18

Fiscal Year	Countywide Tax	City of Oakland[2]	Others[3]	Total
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
2017-18	1.00	0.2045	0.1967	1.4012

(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 2017-18 being 1.3124%, 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, Berkeley Unified School District or San Leandro Unified School District, as applicable, Peralta Community College District or Chabot-Las Positas Community College District, as applicable, 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 20 largest secured taxpayers in the City in Fiscal Year 2017-18.

Table 15
City of Oakland
Top 20 Taxpayers
Fiscal Year 2017-18[(1)]

Property Taxpayer	Primary Land Use	Assessed Valuation	Percentage of Total Secured Assessed Valuation[(1)]
CIM Oakland	Office Building	$ 516,783,634	1.01%
SIC Lakeside Drive LLC	Office Building	226,751,060	0.44
CSHV 1999 Harrison LLC	Office Building	224,750,000	0.44
USPA City Center LLC	Office Building	212,160,000	0.41
Broadway Franklin LLC	Office Building	207,902,989	0.40
1221 Broadway Investors LLC	Office Building	168,708,918	0.33
Kaiser Foundation Health Plan Inc.	Office Building	159,392,453	0.31
1800 Harrison Foundation	Office Building	135,290,714	0.26
Zwuschen LLC	Office Building	125,970,000	0.25
Domain Residence LLC	Apartments	108,975,514	0.21
BEX FMCA LLC	Apartments	106,338,804	0.21
Claremont Hotel Properties LP	Hotel	104,596,410	0.20
AGRE DCP Oakland City Center Owner LLC	Hotel	86,500,000	0.17
Oak Knoll Venture Acquisition LLC	Residential Development	80,508,658	0.16
BA1 1330 Broadway LLC	Office Building	79,448,610	0.15
WM Allegro LLC	Apartments	76,035,189	0.15
Sparknight	Office Building	72,101,360	0.14
Eastmont Office Owner LLC	Office Building	71,313,345	0.14
Essex Portfolio LP	Apartments	69,834,324	0.14
Goodman Oakland SPE LLC	Industrial	69,756,960	0.14
TOTAL		$2,903,118,942	5.66%

(1) Based on the Assessed Value of $51,334,369,352. 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 2016-17 year-end results.

Sales & Use Taxes. The current sales & use tax ("***sales tax***") rate in the City is 9.25%. 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. The City's sales tax revenue for Fiscal Year 2017-18 is projected to be $56.00 million.

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.

Assembly Bill 1717 ("***AB1717***"), passed by the legislature in 2014, established the Prepaid Mobile Telephony Services Surcharge Collection and Local Prepaid Mobile Telephone Services Collection Act. AB1717 effectively closed a loophole whereby the sale of prepaid calling cards, cellphones and the like were not subject to the City's local UCT. The California Department of Tax and Fee Administration ("***CDTFA***") has been charged with establishing a surcharge rate that will be charged on the sales of all prepaid mobile telephone services, collected by the retailer, remitted to the CDTFA quarterly, and then remitted to the appropriate local taxing jurisdiction less an administrative fee. AB1717 generates approximately $500,000 annually. The City's UCT tax revenue for Fiscal Year 2017-18 is projected to be $54.07 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 City's BT revenue for Fiscal Year 2017-18 is projected to be $82.01 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 2017-18 is projected to be $77.21 million.

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 2017-18 is projected to be $23.93 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 2017-18 is projected to be $11.13 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 2017-18 is projected to be $21.69 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 2016-17 was Macias, Gini & O'Connell LLP, who will also perform the Fiscal Year 2017-18 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 2012-13 through 2016-17.

Table 16
City of Oakland
Revenues and Expenditures
General Fund
($ In Thousands)
Fiscal Years 2012-13 through 2016-17

Revenues	2012-13	2013-14	2014-15	2015-16	2016-17
Taxes					
Property[(1)]	$214,495	$205,895	$228,072	$257,707	$271,985
State[(2)]	48,818	46,956	49,004	52,358	53,891
Local[(3)]	194,759	211,810	224,092	264,854	259,810
Licenses and Permits	1,373	1,388	1,573	1,591	1,802
Fines and Penalties	22,971	22,809	23,146	21,648	21,738
Interest Income	458	1,401	1,088	1,873	-
Charges for Services[(4)]	69,442	77,978	82,461	85,184	85,886
Grant Revenue	1,391	4,911	8,003	5,953	2,751
Other Revenue, Including Transfers	6,329	-	3,899	2,622	2,487
Annuity Income	-[(5)]	2,040	2,648	1,096	4,376
TOTAL REVENUES	$560,036	$575,188	$623,986	$694,886	$704,726
Expenditures					
General Government[(6)]	$75,996	$65,160	$76,207	$85,732	$87,745
Public Safety[(7)]	281,875	297,224	331,696	372,297	389,977
Public Works	29,564	40,539	38,703	30,539	31,804
Life Enrichment[(8)]	30,974	34,248	35,147	40,652	42,422
Community and Economic Development[(4)(9)]	1,581[(10)]	9,523	10,607	13,416	13,923
Other[(11)]	49,145	16,331	17,346	20,557	19,402
TOTAL EXPENDITURES	$469,135	$463,025	$509,706	$563,193	$585,273
Other Financing Sources and Uses[(12)]	$(99,874)	$(106,130)	$(101,800)	$(87,888)	$(83,863)
Net Change in Fund Balance	$(10,286)[(13)]	$8,208[(14)]	$12,480	$43,805	$35,590
Fund Balance (deficit) - Ending	$245,643	$253,851	$266,331	$310,136	$345,726

(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, 2013 through June 30, 2017.

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, 2013 through June 30, 2017.

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

ASSETS	2013	2014	2015	2016	2017
Cash and investments	$186,526	$179,918	$182,127	$269,455	$342,911
Receivables					
Accrued interest	162	172	185	307	642
Property taxes	7,496	7,299	6,557	14,311	9,054
Accounts receivable	36,074	36,292	36,966	41,283	38,720
Grants Receivable	-	-	3,267	-	305
Due from component unit[1]	6,044	5,153	8,916	9,068	9,595
Due from other funds[2]	41,597	56,664	63,668	46,482	49,368
Notes and loans receivable	53	327	874	2,902	4,095
Restricted cash and investments	97,723	90,975	87,562	70,791	65,363
Other	513	90	35	35	35
TOTAL ASSETS	$376,188	$376,890	$390,157	$454,634	$520,088
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other accrued liabilities	$ 95,960	$ 93,291	$92,397	$113,929	$140,084
Due to other funds[2]	18,753	2,312	2,312	2,312	2,312
Due to other governments	873	1,304	920	1,020	1,127
Unearned/Deferred revenue	10,315	21,980	22,696	24,731	28,146
Other	4,644	4,152	5,501	2,506	2,693
TOTAL LIABILITIES	$130,545	$123,039	$123,826	$144,498	$174,362
Fund Balances:					
Restricted	$165,400	$156,462	$164,242	$186,804	$241,404
Committed	–	–	–	–	8,805
Assigned	58,452	73,843	64,680	58,203	30,802
Unassigned	21,791	23,546	37,409	65,129	64,715
TOTAL FUND BALANCES	$245,643	$253,851	$266,331	$310,136	$345,726
TOTAL LIABILITIES AND FUND BALANCES	$376,188	$376,890	$390,157	$454,634	$520,088

(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, 2013 through June 30, 2017.

DEBT OBLIGATIONS

General Obligation Debt

As of April 1, 2018, the City had outstanding a total of $317,605,000 aggregate principal amount of general obligation bonds. Such 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 such bonds. Table 18 below summarizes the City's outstanding General Obligation Bonds as of April 1, 2018.

Table 18
City of Oakland
General Obligation Bonds
as of April 1, 2018
($ 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	1/15/2033	$ 83,775	$ 68,695
General Obligation Refunding Bonds, Series 2015A	Refunded Series 2005, Series 2006 (Measure G) and Series 2009B (Measure DD)	6/2/2015	1/15/2039	128,895	109,265
General Obligation Bonds, Series 2017C (Measure DD)	Acquire and improve water quality-related infrastructure and facilities and properties for open space purposes, design and construction of parks, bridges and trails	1/26/2017	1/15/2047	26,500	25,990
General Obligation Bonds, Measure KK, Series 2017A-1 (Tax Exempt)	For street paving and construction; bicycle, pedestrian and traffic calming improvements; construction, purchase, improvement or rehabilitation of City facilities including fire, police, library, parks & recreation, and senior facilities; and water, energy and seismic improvements.	8/30/2017	1/15/2047	62,735	62,735
General Obligation Bonds, Measure KK, Series 2017A-2 (Taxable)	Provide for anti-displacement and affordable housing preservation projects, including acquisition.	8/30/2017	1/15/2035	55,120	50,920
TOTAL					$317,605

Source: City of Oakland.

The following Table 19 summarizes the voter-approved measures for which debt obligations have not yet been issued as of April 1, 2018.

Table 19
City of Oakland
General Obligation Bond Remaining Authorization
as of April 1, 2018
($ In Thousands)

Authorization	Date Passed	Use	Bond Total	Authorization Remaining
Measure DD	11/5/2002	Water quality-related infrastructure and facilities, open spaces, parks, bridges and trails, recreational and aquatic facilities.	$198,250	$ 35,755
Measure KK	11/8/2016	Infrastructure, affordable housing, and facility improvements.	600,000	482,100

Source: City of Oakland.

Short-Term Obligations

The City has issued short-term notes to finance general fund temporary cash flow deficits for most 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 2013-14 through 2017-18.

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

Fiscal Year	Principal Amount[(1)]
2013-14	$ 78,230
2014-15	55,000
2015-16	158,220
2017-18	70,605

(1) For Fiscal Years 2013-14 and 2014-15, the issued TRANs were tax-exempt. For Fiscal Year 2015-16, the issued TRANs were both taxable and tax-exempt ($49.245 million Series A (Tax-Exempt) and $108.97 million Series B (Federally Taxable)). There were no TRANs issued for Fiscal Year 2016-17. For Fiscal Year 2017-18, the issued TRANs were all taxable.
Source: City of Oakland.

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 April 1, 2018.

Table 21
City of Oakland
Lease Obligations
as of April 1, 2018 ($ 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, (Oakland Administration Buildings), 2008 Series B[1]	5/1/2008	8/1/2026	$113,450	$ 65,675	Oakland Administration Buildings
Oakland – Alameda County Coliseum Authority Lease Revenue Bonds, 2012 Refunding Series A[2]	5/31/2012	2/1/2025	61,408	37,050	Coliseum Stadium
Oakland – Alameda County Coliseum Authority Lease Revenue Bonds, (Arena Project) 2015 Refunding Series A[2]	4/29/2015	2/1/2026	39,868	31,168	Coliseum Arena
TOTAL				$133,893	

(1) The Oakland Joint Powers Financing Authority expects to issue its Lease Revenue Refunding Bonds (Oakland Administration Building) Series 2018 to refund these outstanding bonds.
(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.

<u>Series 1998 Bonds</u>. 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. At times, the counterparties could be obligated to make payments to the City under the swap agreement that are less than the payments the City would be obligated to make to the counterparties. At other times, the counterparties could be obligated to make payments to the City that are greater than the payments the City would be obligated to make to the counterparties. 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 Series 1998 Bonds.

Table 22
Summary of Series 1998 Bonds
Interest Rate Swap Agreement

Effective Date	Notional Amount	Counterparty/ Guarantor	Counterparty Credit Ratings (Moody's/S&P)	Fixed Rate Payable by City	Market Value to City	Expiration Date
2/28/18	$25,800,000	Goldman Sachs Mitsui Marine Derivative Products	Aa2/AA-[1]	5.6775%	($2,052,834.39)[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 as of March 21, 2018.
(2) Market Value information provided by Goldman Sachs on February 28, 2018.
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 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 such 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 Pension Obligation 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. For more information, 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 $97.4 million of tax override revenues to pay debt service on the 2001 Pension Obligation Bonds and 2012 Pension Obligation Bonds in Fiscal Year 2016-17.

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The following Table 23 summarizes the 2001 Pension Obligation Bonds and 2012 Pension Obligation Bonds as of April 1, 2018.

Table 23
City of Oakland
Pension Obligation Bonds
as of April 1, 2018
($ 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	12/15/2022	$195,636	$ 68,704
City of Oakland Taxable Pension Obligation Bonds, Series 2012	7/30/2012	12/15/2025	212,540	202,875
TOTAL				$271,579

Source: City of Oakland.

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 such 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 2017-18 through 2021-22

Fiscal Year	Series 2001	Series 2012
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
2021-22	51,620,000	18,140,385

Source: City of Oakland.

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

Master Lease Obligations

The City has entered into various long-term, master lease-purchase agreements to finance the acquisition of essential-use assets. As of April 1, 2018, the City's master lease-purchase agreements, which generally are backed by the City's General Fund, were outstanding in the principal amount of $64.6 million. The financings are fixed rate with interest rates ranging from 0%-5.46% and maturities between 2016 and 2027. As of April 1, 2018, the aggregate maximum annual debt service payment is $20.1 million in Fiscal

Year 2017-18. On August 1, 2017, the City entered into a master lease agreement, to finance the Public Safety IT systems, in the principal amount of $7.9 million which will fund on August 1, 2018.

Limited Obligations

The City, the Prior Redevelopment Agency (defined below) and the Oakland Redevelopment Successor Agency ("***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. Such 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 the Redevelopment Property Tax Trust Fund and 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 created ORSA to serve in the capacity of successor agency to the Prior Redevelopment Agency. 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 April 1, 2018.

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Table 25
Tax Allocation Bonds
as of April 1, 2018
($ In Thousands)

Central District Redevelopment Project Area

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T	11/21/2006	9/1/2021	$ 33,135	$ 9,760
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable)	5/20/2009	9/1/2020	38,755	18,000
Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013	10/3/2013	9/1/2022	102,960	59,780
TOTAL CENTRAL BUSINESS DISTRICT			$174,850	$ 87,540

Broadway/MacArthur/San Pablo Redevelopment Project Area

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds Series 2006C-T	10/12/2006	9/1/2032	$ 12,325	$ 8,765
Broadway/MacArthur/San Pablo Redevelopment Project Tax Second Lien Allocation Bonds Series 2010-T (RZEDB)	11/12/2010	9/1/2040	7,390	7,075
TOTAL BROADWAY/MACARTHUR/SAN PABLO DISTRICT			$ 19,715	$ 15,840

Central City East Redevelopment Project Area

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-T	10/12/2006	9/1/2034	$ 62,520	$ 46,715

Coliseum Area Redevelopment Project Area

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE(1)	10/12/2006	9/1/2036	$ 28,770	$ 17,985
Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-T	10/12/2006	9/1/2035	73,820	$ 58,035
TOTAL COLISEUM AREA DISTRICT			$102,590	$ 76,020

City-wide Housing

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Subordinated Housing Set-Aside Revenue Bonds, Series 2011A-T(1)	3/8/2011	9/1/2041	$ 46,980	$ 37,785

Multiple Project Areas and Housing

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Subordinated Tax Allocation Refunding Bonds, Series 2015-TE	9/2/2015	9/1/2036	$ 22,510	$ 22,510
Subordinated Tax Allocation Refunding Bonds, Series 2015-T	9/2/2015	9/1/2035	66,675	61,895
TOTAL MULTIPLE PROJECT AREAS AND HOUSING			$ 89,185	$ 84,405

(1) The Oakland Redevelopment Successor Agency expects to issue its Subordinated Tax Allocation Refunding Bonds, Series 2018-TE and Series 2018-T to refund all of these outstanding bonds.

Source: City of Oakland

Special Assessments

The City has debt outstanding for two 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 April 1, 2018.

Table 26
City of Oakland
Special Assessment Bonds
as of April 1, 2018
($ In Thousands)

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Oakland Utility Underground Assessment District No. 2007-232, Piedmont Pines Phase 1, Series 2010 Limited Obligation Improvement Bonds(1)	3/9/2010	9/2/2039	3,148	$2,700
City of Oakland 2012 Limited Obligation Refunding Improvement Bonds, Reassessment District No. 99-1	8/30/2012	9/2/2024	3,545	2,205
TOTAL				$4,905

(1) The City expects to issue its Limited Obligation Refunding Bonds Utility Underground Assessment District No. 2007-232, Piedmont Pines Phase 1 (Reassessment and Refunding of 2018) to refund these outstanding bonds.
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 $32,620,000, as of April 1, 2018 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 April 1, 2018, 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 April 1, 2018

2017-18 Assessed Valuation: $55,025,496,686

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/18
Bay Area Rapid Transit District	7.910%	$ 66,271,562
East Bay Regional Park District	12.367	23,327,872
Chabot-Las Positas Community College District	0.993	6,887,398
Peralta Community College District	55.561	211,226,254
Berkeley and Castro Valley Unified School Districts	0.003 & 0.118	126,176
Oakland Unified School District	99.999	900,680,993
San Leandro Unified School District	9.636	21,163,940
City of Oakland	**100.**	**317,605,000**[(1)]
City of Oakland 1915 Act Bonds	100.	4,970,000
City of Emeryville 1915 Act Bonds	4.183	117,542
City of Piedmont 1915 Act Bonds	4.792	125,311
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$1,552,502,048
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Alameda County and Coliseum Authority General Fund Obligations	20.302%	$170,153,600
Alameda County Pension Obligation Bonds	20.302	1,814,456
Alameda-Contra Costa Transit District Certificates of Participation	24.030	3,314,939
Peralta Community College District Pension Obligation Bonds	55.561	85,532,963
Oakland Unified School District Certificates of Participation	99.999	28,129,719
Castro Valley Unified School District Certificates of Participation	0.118	5,989
San Leandro Unified School District General Fund Obligations	9.636	436,511
City of Oakland and Coliseum Authority General Fund Obligations	**100.**	**142,889,323**
City of Oakland Pension Obligation Bonds	**100.**	**271,579,376**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$703,856,876
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	100. %	$348,305,000
COMBINED TOTAL DEBT		$2,604,663,924[(2)]

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

Ratios to 2017-18 Assessed Valuation:
Direct Debt ($317,605,000)..0.58%
Total Direct and Overlapping Tax and Assessment Debt..........2.82%
Total Direct Debt ($732,073,699)..1.33%
Combined Total Debt..4.73%

Ratio to Redevelopment Successor Agency Incremental Valuation ($14,541,583,368):
Total Overlapping Tax Increment Debt....................................2.40%

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, 2017, the amount of all self-insured general liability exposure determined to be probable of occurrence is valued at approximately $51.8 million. Of this amount, approximately $21.9 million is estimated to be due within one year. Payment of workers' compensation claims is provided through annual appropriations. As of June 30, 2017, the amount of workers' compensation liability determined to be payable is approximately $94.0 million. Of this amount, $17.6 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, 2017). The largest employee organization is the Service Employees International Union, Local 1021, which represents approximately fifty-five percent (55%) of City employees. Approximately ninety-five percent (95%) of City employees are covered by negotiated agreements, as detailed below. The Memoranda of Understanding ("***MOU***") for the International Association of Firefighters, Local 55, expired on October 31, 2017. The City is negotiating a successor MOU with this union. The expired MOU will continue to govern until a successor MOU is executed. The other MOUs between the City and the exclusive bargaining representatives for the indicated employees will expire on June 30, 2019.

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Table 28
City of Oakland
Labor Relations
as of June 30, 2017

Employee Organization / Representation Unit	Number of Represented Employees	Contract Expiration
Confidential Management Employees' Association, Unit U31	26	June 30, 2019
International Association of Fire Fighters Local 55, Unit FQ1	458	October 31, 2017
International Brotherhood of Electrical Workers Local 1245, Units IE1, TV1	19	June 30, 2019
International Federation of Professional and Technical Engineers (IFPTE)		
IFPTE Local 21, Units TA1, TF1, TL1, TM2, TW1	488	June 30, 2019
IFPTE Local 21, Units UH1 (Supervisors), UM1 and UM2 (Managers)	372	June 30, 2019
IFPTE Local 21, Unit TM1 (Deputy City Attorney I-IV)	29	June 30, 2019
IFPTE Local 21, Unit U41 (Deputy Attorney V & Special Counsel)	9	June 30, 2019
Service Employees International Union (SEIU) Local 1021		
SEIU Local 1021, Units SB1, SC1, SD1	1,168	June 30, 2019
SEIU Local 1021, Unit SI1 (Part Time)	1,367	June 30, 2019
Oakland Police Officers' Association, Unit PP1, PT1	772	June 30, 2019
Oakland Police Management Association, Unit UN2	13	June 30, 2019
TOTAL	**4,721**	

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, 2017 – Notes to the Basic Financial Statements."

Police and Fire Retirement System. PFRS is a defined benefit plan administered by a seven-member Board of Trustees (the "***Retirement Board***"). PFRS is a closed plan and covers uniformed employees hired prior to July 1, 1976. On December 12, 2000, the voters of the City amended the City Charter to give active members of PFRS the option to terminate their membership and transfer to CalPERS upon certain conditions. As a result, 126 former members transferred to CalPERS. See "*-California Public Employees' Retirement System*" below. As of June 30, 2017, PFRS covered no active employees and 886 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 such 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 was not 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 has resumed 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
2017(5)	673.4	333.4	353.2	340.1	49.5	52.4	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 was not 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.
(5) The reduction in the funded ratio is primarily the result of no contribution being made to the fund during the year and changes in the discount rate and mortality assumptions.
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 Valuation Report as of July 1, 2017.

As a result of the 2012 Funding Agreement, the City was not required to make any payments to PFRS through June 30, 2017. The Oakland Police and Fire Retirement System Actuarial Report as of July 1, 2017 contains an estimate of the annual contributions required commencing in Fiscal Year 2018-19. These assumptions and estimated contributions are set forth in Table 30 below.

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Table 30
City of Oakland
Police and Fire Retirement System
Projection of Future Contributions
as of July 1, 2017

	Valuation Assumptions
Investment Return	6.0%
Wage Growth	3.25%
Annual City Contribution for FY 2018-19 Amount	$44.82 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, 2017.

In June 2012, the Governmental Accounting Standards Board ("***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 Pension Plan implemented the provisions of GASB Statement No. 67 for Fiscal Year 2013-14. 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 Pension Plan 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.

In Fiscal Year 2015-16, the PFRS Pension Plan adopted GASB Statement No. 72, *Fair Value Measurement and Application*. Such statement requires the use of valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. It also establishes a hierarchy of inputs used to measure fair value.

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 the Oakland Municipal Employees Retirement System ("***OMERS***") which was terminated effective March 31, 2015. 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 from 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 2018-19 are estimated to be 38.81% for miscellaneous employees and 42.66% 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***").

	Employee Organization	
Tier Pension Plans	**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)	Receive 2.7% at age 57. Pension benefits are based on the final average salary of 3 years subject to established cap.	Receive 2% at 62. Pension benefits are based on the final average salary of 3 years subject to established cap.

Source: City Oakland

The following Table 31 sets forth the City's employer contribution rates and amounts as determined by CalPERS for Fiscal Years 2014-15 through 2018-19, and CalPERS's projections for Fiscal Years 2019-20 and 2023-24. 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. On December 21, 2016, the CalPERS Board of Administration (the "***CalPERS Board***") lowered the discount rate from 7.50 percent to 7.00 percent using a three year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2018-19, as set forth in Table 31, were calculated using a discount rate of 7.375 percent. The projected minimum employer contributions for Fiscal Year 2019-20 were calculated assuming that the discount rate will be lowered to 7.25 percent and, for each of the following fiscal years, such projected calculations were calculated assuming that the discount rate will be lowered to 7.00 percent as adopted by the CalPERS Board.

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Table 31
City of Oakland
California Public Employees' Retirement System Contribution Rates and Amounts
Fiscal Years 2014-15 through 2018-19 and Projected Fiscal Years 2019-20 and 2023-24

	2014-15	2015-16	2016-17	2017-18[1]	2018-19[2]	2019-20 (Projected)[2]	2023-24 (Projected)[2]
Safety Plan							
Total Required Employer Contribution (as percentage of payroll)	35.15%	37.69%	40.67%	40.58%	42.66%[3]	47.4%	59.2%
Employer Normal Cost Rate (as percentage of payroll)	19.02%	18.84%	19.17%	18.29%	18.15%	19.0%	20.7%
Employer Unfunded Accrued Liability Contribution Amount	$20,956,824	$24,069,190	$27,369,357	$32,173,315	$38,748,282	$46,295,000	$70,504,000
Miscellaneous Plan							
Total Required Employer Contribution (as percentage of payroll)	30.16%	32.94%	34.23%	36.35%	38.81%[3]	42.7%	51.5%
Employer Normal Cost Rate (as percentage of payroll)	10.99%	11.20%	11.32%	11.08%	11.30%	11.8%	12.9%
Employer Unfunded Accrued Liability Contribution Amount	$38,664,921	$43,547,018	$48,748,259	$55,380,769	$64,318,649	$74,412,000	$104,517,000

(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 7.375 percent investment return for Fiscal Year 2016-17, 7.25 percent for Fiscal Year 2017-18 and 7.00 percent for Fiscal Year 2018-19 and each year thereafter.
(3) Estimated.
Source: CalPERS Annual Valuation Reports as of June 30, 2012, through June 30, 2016. Most current information available.

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 Fiscal Year 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 was expected to have a long-term blended return that continued to support a discount rate assumption of 7.5%. The Board also approved several changes to the demographic assumptions that more closely aligned with actual experience. The most significant of these was mortality improvement to acknowledge the greater life expectancies seen in CalPERS's membership and expected continued improvements. The new actuarial assumptions were 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% to 3% of normal cost as a percent of payroll for most miscellaneous retirement plans, and 2% to 5% 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. 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 2011 through 2016 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
2016[3]	1,872.5	1,166.4	706.1	N.A.[4]	62.3	144.7	488.0

(1) Actuarial Value of Assets are shown for valuations prior to 2013. Beginning with the June 30, 2013 valuation, Market Value of Assets are shown.
(2) As of June 30, 2012, the market value of assets was $905,555,632. Discount rate was reduced from 7.75% in 2011 valuation to 7.50% in 2012 valuation and to 7.375% in 2016 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, 2016. Most current information available.

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
2016[3]	2,519.7	1,647.5	872.1	N.A.[4]	65.4	214.0	407.5

(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 and to 7.375% in 2016 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, 2016. Most current information available.

For Fiscal Year 2016-17, the City's annual CalPERS pension costs were $58.7 million for the Safety plan and $57.7 million for the Miscellaneous plan.

The following Table 34 represents the City's annual contribution to CalPERS for Fiscal Years 2012-13 through 2016-17.

Table 34
City of Oakland
California Public Employees' Retirement System
Annual Pension Cost
Fiscal Years 2012-13 through 2016-17
($ In Millions)

Fiscal Year Ended June 30	Annual Cost[1]
2013	$ 89.4
2014	98.6
2015	107.9
2016	111.7
2017	116.4

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, 2013 through June 30, 2017.

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 $862.89 million, and the Unfunded Actuarial Accrued Liability (the "***UAAL***"), which is the AAL less actuarial value of assets, was $859.99 million. As of June 30, 2017, 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 $359.98

million after a pay-as-you-go amount of approximately $20.42 million for Fiscal Year 2016-17. 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 March 31, 2018, the City has deposited approximately $15.7 million into CERBT for its OPEB obligations.

The following Table 35 sets forth certain information with respect to the City's OPEB obligations for the Fiscal Years ended June 30, 2013, through June 30, 2017.

Table 35
City of Oakland
Post-Employment Benefits Other than Pensions
Fiscal Years 2012-13 through 2016-17

Fiscal Year Ended June 30	Accrued Liability	Unfunded Liability	Annual OPEB Cost	Employer Contribution	Net OPEB Obligation
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
2017	862,891,642[(1)]	859,990,296[(1)]	75,386,000	20,425,000	359,985,000

(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, 2013 through June 30, 2017.

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.

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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 2012-13 through 2016-17
($ In Thousands)

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$10,984	100%	$10,453
2014	12,789	100	10,414
2015	12,780	100	10,249
2016	13,653	100	10,121
2017	13,654	101	9,979

Sources: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2013 through June 30, 2017.

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. Another major earthquake was the October 17, 1989 Loma Prieta earthquake, also on the San Andreas Fault, with a magnitude of 6.9 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. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake. The last major earthquake on the Hayward Fault was a magnitude 6.8 earthquake in 1868. According to the U.S. Geological Survey, on average, for the past 12 major earthquakes on such fault, the interval between events has been about 150 years plus or minus 60 years.

A substantial portion of the City is built in partially-wooded hillside areas, which are naturally prone to wildfire. While 16.5 square miles in the Oakland Hills is designated a very high severity zone by the California State Fire Marshall's Office, fire dangers exist at various levels throughout the City. 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 since established a vegetation management program pursuant to which fire hazard inspections, brush and debris removal, and public education are conducted.

The City is unable to predict when seismic events, fires or other natural events, such as tsunamis, searise or other impacts of climate change or flooding from a major storm, could occur, when they may occur, and, if any such events were to occur, whether they would have a material adverse effect on the business operations or financial condition of the City or the local economy.

Litigation

The City is involved in certain litigation and disputes relating to its operation. The following matters in which the City is a defendant, if determined by the court against the City, could have significant impact on the financial condition and/or business operations of the City. Upon the basis of information presently available, the City Attorney believes that (1) there are substantial defenses to such litigation in which the City is a defendant 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 2018 Bonds (as defined in the Official Statement to which this Appendix A is attached).

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. adopted by the Oakland City Council on July 19, 2016, and Resolution No. 86234 C.M.S. adopted by the Oakland City Council on June 27, 2016, prohibiting storing and handling of coal at the Oakland Bulk & Oversized Terminal to be located in 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.

The federal claims are under submission as of January 10, 2018 (by means of cross-motions for summary judgment on OBOT's dormant Commerce Clause and preemption claims). The trial on the breach of contract claim was held the week of January 16, 2018. Thereafter, the parties submitted post-trial filings (briefs, proposed findings of fact, and Defendants' motion for judgment on the ground that the Ordinance not conflict with any pre-DA regulation and thus, pursuant to Cal. Gov't Code § 65866, the Ordinance applies to OBOT and the City did not need to utilize DA section 3.4.2 to abrogate any vested right). The District Court set a hearing for April 5 for oral argument on the post-trial motion for judgment, but has indicated it will likely vacate the hearing and rule on the evidence and argument previously submitted. A decision by the District Court on each of OBOT's claims could be issued at any time, which decision could be subject to appeal to the Ninth Circuit Court of Appeals.

It is possible that in the future, OBOT will pursue an action for damages in connection with the City's actions to prohibit OBOT from storing and handling coal. 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 has been named as a defendant in 55 lawsuits arising from the tragic fire at an Oakland warehouse that resulted in the deaths of 36 persons on December 2, 2016. The City filed a demurrer in response to the First Amended Complaint which was sustained in part and denied in part. Thereafter, the Plaintiffs filed a Second Amended Complaint and the City filed a second Demurrer. The Demurrer is scheduled to be heard on May 2, 2018. The City's Demurrer is premised upon its strong immunity defenses. The City has incurred significant defense fees and costs and it will continue to incur significant defense fees and costs. If the City does not prevail on its dispositive motions, then it could be found liable for damages. The City is unable to assess its liability exposure at this time.

2551 San Pablo Fire Related Litigation. A fire occurred at an apartment building located at 2551 San Pablo on March 27, 2017. On January 17, 2018, the City was named in 8 lawsuits arising from the fire. The lawsuits include 53 claims for personal injury and 3 wrongful death claims. The City anticipates that it will file a Demurrer and has tentatively scheduled the hearing on its Demurrer for July 17, 2018. If the City does not prevail on its Demurrer, then it could be found liable for damages. The City is unable to assess its liability exposure at this time.

Climate Change Litigation. The City has filed a lawsuit against the five largest investor-owned oil companies that is pending in United States District Court, Northern District of California, Case No. 3:17-cv-06011-WHA, entitled The People of the State of California, acting by and through the Oakland City Attorney, Barbara J. Parker, v. BP P.L.C, et al. In that lawsuit, the City Attorney is seeking to have the companies pay into an equitable abatement fund to help fund investment in sea level rise adaptation infrastructure. While the City believes that its claim is meritorious, the City can give no assurance regarding whether it will be successful and obtain the requested relief from the courts or contributions to the abatement fund from the defendant oil companies.

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APPENDIX B

CITY OF OAKLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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CITY OF OAKLAND
CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

CITY OF OAKLAND

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017

PREPARED BY THE FINANCE DEPARTMENT

KATANO KASAINE. FINANCE DIRECTOR/TREASURER
KIRSTEN LACASSE, CONTROLLER

PRINTED ON RECYCLED PAPER

CITY OF OAKLAND

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INTRODUCTORY SECTION

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CITY OF OAKLAND

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

Office of the City Administrator (510) 238-3301
Sabrina B. Landreth FAX (510) 238-2223
City Administrator

December 22, 2017

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). The Controller's Bureau has prepared this report to present the financial position and the changes in net position for the year ended June 30, 2017, 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, 2017 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), and the Oakland Redevelopment Successor Agency, are included as fiduciary component units. The operations of the Port of Oakland (including the Oakland International Airport) are presented discretely. The Oakland-Alameda County Coliseum Authority (Authority) is a Joint Venture owned and operated by the City and the County of Alameda. The Joint Venture agreement and operations are disclosed on Note 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 (EBMUD).

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 2016-17 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 2017 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 Oakland Army Base Project: The City and Port of Oakland are leveraging significant public and private investment by transforming approximately 300 acres of the former Oakland Army Base into a modern logistics center. Planned to shift traffic from trucks to trains on site, thereby reducing truck trips through cities within Alameda County to the Central Valley, the project will help improve the City’s air quality, roadway safety, and will create a significant number of direct and indirect job opportunities.

    - In 2016, The Alameda Transportation Commission approved a $41 million grant for the construction of public roadway improvements at the former Oakland Army Base.
    - Prologis, a global industrial real estate development and logistics firm, completed construction in 2017 on the first of three state of the art logistics facilities to be developed at the former Oakland Army Base. The completed phase one is a 256,000 square foot facility and the next two phases will total approximately 494,000 square feet.
    - The Port of Oakland is opening a 370,000 square foot refrigerated “Cool Port” warehouse and distribution facility in early 2018.

- The Brooklyn Basin Project: Brooklyn Basin will transform 65 acres of waterfront property along the Oakland Estuary with 3,100 residential units and approximately 200,000 square feet of retail and commercial space, which is scheduled to be completed in phases with the first 400 units entering the market in 2018, 300 units in 2019, and the balance completed between 2020 and 2030. The project also includes 465 units of affordable housing. The first project, the 241-unit Brooklyn Basin Terraces Apartments, was approved and broke ground in the fall of 2016.

- The Coliseum City Project: Coliseum City is the largest transit-oriented development project in California and will transform an entire area of East Oakland, creating thousands of new jobs and a regional destination. While the Coliseum Specific Plan was completed in 2015, this project is still in a very preliminary stage, and therefore there is no scheduled completion date at the time. Certain aspects of the project are also contingent upon the long-term location plans of the Oakland Athletics sports team.
- 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. Phase two, 90 units of affordable housing was completed in November 2015 and phase three, 383 residential units and 20,000 square feet of commercial space, began construction in December 2016. The last phase, 402 residential units including 45 affordable units, is expected to start construction in 2018 and completion for the project is estimated to be in 2020.
- Two major office projects are under construction or about to start construction downtown, including: 1) 601 12th Street, a 600,000 square foot high-rise tower that started construction in April 2017; and 2) 1100 Broadway, a 320,000 square foot high-rise tower that is expected to start construction in January 2018.
- The Hive is a $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 21,000 housing units throughout the City are in the development pipeline, including over 6,000 units under construction or recently completed.

On June 29, 2017, the City Council adopted a two-year balanced FY 2017-19 policy budget that includes no layoffs, invests in growing the City's permanent revenue base through strategic investments that improve public safety, foster economic development, and enhance quality of life. Based on public opinion survey results, across all demographic groups, the key priorities for Oaklanders are housing affordability and public safety. Other key priority areas include investing in education/job training, maintaining City infrastructure and roads, and addressing the challenges created by homelessness. This budget preserves many vital services, while making substantial investments in housing affordability and public safety, the top two priorities identified by Oaklanders.

The adopted biennial budget focused on the following goals:

- **A Safe City**: that invests in Holistic Community Safety strategies.
- **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.

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, improving the funded ratios of CalPERS Safety and Miscellaneous pension plans (funded ratios of 62.3% and 64.4%, respectively as of June 30, 2016); prefunding the annual required contributions to the California Employer's Retiree Benefit Trust (CERBT) for other post-employment benefits by allocating $20 million over the next two fiscal years; implementing 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 emerged 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, 2017, include the following:

- 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.
- July 15, 2016: – The Downtown Oakland Senior Center (DOSC) celebrated its 35th Anniversary. DOSC, Oakland's oldest and largest senior center, opened back in July 1981 after the City purchased the beautiful and historic Veterans Memorial Building from the County for $1.
- July 28, 2016: – The City of Oakland, partnering with the Downtown Oakland Association, hosted a Grand Re-Opening Celebration marking the completion of the $7 million Latham Square project. The transformative project nearly quadrupled the size of this public gathering space in the heart of downtown Oakland, where Broadway and Telegraph intersect.
- October 4, 2016: The City of Oakland released a strategic plan for the newly created Department of Transportation (OakDOT). The 56-page document, which follows the creation of OakDOT in June, sets out a long-term vision for Oakland's streets based on Mayor Schaaf's core priorities, and includes detailed 1- and 3-year goals to repair and update city streets, provide more equitable access to jobs and services, and expand transportation options.
- October 10, 2016: The City of Oakland secured more than $360,000 in Phase I grant funding from the Federal Emergency Management Agency (FEMA) to develop two seismic retrofit programs: (1) the Earthquake-Safe Homes Program for owner-occupied, single-family homes and (2) the Safer Housing for Oakland Program for soft-story apartment buildings. If the retrofit programs are approved by FEMA after Phase I, the City will be eligible for $5.4 million in Phase II grant funding for engineering and construction activities.
- October 24, 2016: – The City of Oakland announced that nearly $50 million in grants and financing was recently awarded to three affordable housing and transportation projects located in Oakland. The grant funds will ensure the creation of approximately 340 affordable housing units, and will support the development of key transportation and infrastructure amenities, all of which will make Oakland's communities healthier, more resilient and more affordable.

- November 4, 2016: Oakland is participated in SunShares, a program where Oakland residents and City employees and retirees can purchase solar power (and now zero-emission vehicles) at a discounted rate. Bay Area SunShares pools the buying power of individual participants to get more competitive pricing from solar companies and vehicle manufacturers. The City of Oakland participated in the program to help support its clean energy and climate goals, reduce pollution and make it easier for all members of our community to save energy and money.
- 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.
- December 19, 2016: – After months of hard work the City went live with several large-scale Information Technology projects including: the reimplementation of Oracle Release 12, online HDL Business Tax System, and Hyperion PBCS among others.
- June 29, 2017: The Oakland City Council passed a $2.7 billion two-year budget for fiscal years 2017 through 2019. This budget includes major investments in supportive services for the City's unsheltered residents, infrastructure improvements, and affordable housing, while closing an estimated $32.5 million funding gap The Oakland City Council approved the biennial policy budget for fiscal years 2017-2019.

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 February 2017, 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 in the local economy. This economic growth will be reflected in subsequent reports on City revenues and expenditures.

In February of 2019 the City will release a new Five-Year Financial Forecast in preparation for the FY 2019-21 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 2018.

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 per the City Charter. In June 2017, the City Council approved the City's FY 2017-19 Adopted 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 to add the Rainy Day Policy and consolidate all 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, 2017, the Vital Services Stabilization Reserve has a balance of $8.8 million, while $18.8 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, 2016. 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 27 years. The City's Fiscal Year 2016-17 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

Katano Kasaine

KATANO KASAINE
Finance Director/Treasurer

Kirsten LaCasse

KIRSTEN LACASSE
Controller

DRAFTv2

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

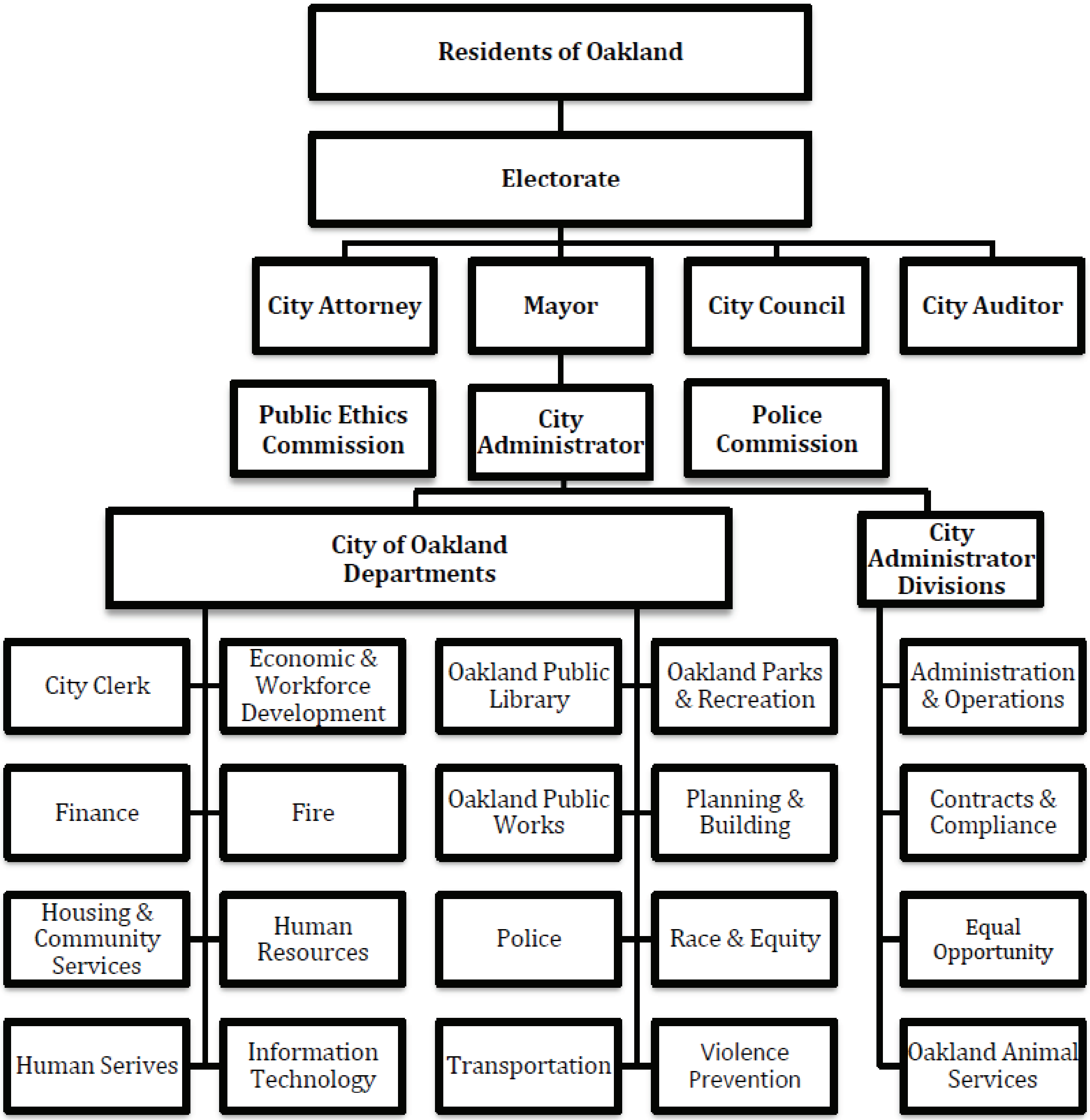
City of Oakland
California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

CITY OF OAKLAND ORGANIZATION CHART



LIST OF ELECTED AND APPOINTED OFFICIALS
MAYOR/COUNCIL FORM OF GOVERNMENT
June 30, 2017

MAYOR

Libby Schaaf

MEMBERS OF THE CITY COUNCIL

Larry Reid, *President (District 7)*
Annie Campbell Washington, *Vice-Mayor (District 4)*

Dan Kalb
District 1

Abel J. Guillen
District 2
(President Pro Tem)

Lynette Gibson McElhaney
District 3

Noel Gallo
District 5

Desley Brooks
District 6

Rebecca Kaplan
At Large

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

Jason Mitchell
Public Works

Darin White
(Chief)
Fire Department

Mark Sawicki
Economic & Workforce Development

Gerald Garzon
Oakland Public Library

Katano Kasaine
Finance Department

Anne E. Kirkpatrick
(Chief)
Police Department

William Gilchrist
Planning & Building

Michele Byrd
Housing & Community Development

Ian Appleyard
Human Resources Management

Andrew Peterson
Information Technology

Sara Bedford
Human Services Department

Nicholas Williams
Oakland Parks & Recreation

Ryan Russo
Transportation

Darleen Flynn
Race & Equity

Peter Kim
(Interim)
Violence Prevention

CITY OF OAKLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

PROJECT TEAM

Katano Kasaine
Finance Director / Treasurer

Kirsten LaCasse
Controller

AUDIT/FINANCIAL STATEMENT COORDINATOR

Kirsten LaCasse, *Controller*

FINANCIAL STATEMENT PREPARATION

Financial Statement Leaders

Theresa Woo
Financial Analyst

Connie L. Chu
Accountant III

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Timothy Turner	Felipe Kiocho	Rogelio Medalla
Lilian Falkin	Young Shin	

SPECIAL ASSISTANCE

Dawn Hort
David Jones
Sharon Holman

SPECIAL ASSISTANCE - DEPARTMENTS & OFFICES

City Administrator's Office
City Attorney's Office
Finance Department - Treasury Bureau
Human Resources Department

FINANCIAL SECTION

Certified Public Accountants

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, 2017, 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, 2017, 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.

Macias Gini & O'Connell LLP
2121 N. California Boulevard, Suite 750
Walnut Creek, CA 94596

www.mgocpa.com

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 postemployement 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 22, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 22, 2017

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited)
Year Ended June 30, 2017

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, 2017. 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, 2017, the total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $115.0 million compared to a net position of $44.3 million at June 30, 2016:

- $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.
- $599.3 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 $278.4 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 $1.5 billion.
- $62.4 million increase in the net position was derived from governmental activities predominantly from increases in property tax, sales and use tax, transient occupancy tax, business license, and program revenues. These increases were off-set by increases in expenses of $94.4 million primarily in Public Safety, Community Services and General Government.
- $8.2 million increase in the net position was derived from the Business-type activities, mainly the Sewer related activities.

The City's governmental cumulative fund balances increased by 15.0 percent or $100.3 million to $768.1 million compared to $667.8 million for the prior fiscal year. This increase is primarily attributed to the increase in property tax revenues, revenue associated with licenses and permits, and the issuance of General Obligation Bonds (Series 2017C, Measure DD).

The City's uncommitted fund balance met the requirements of the City Council's 7.5% reserve policy based on the total General Purpose Fund expenditures for fiscal year 2016-17 (See Note (II).I).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements
- Required 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 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 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 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.portofoakland.com.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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, 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) (continued)
Year Ended June 30, 2017

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of the City's financial condition. As of June 30, 2017, the City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $115.0 million compared to a net position of $44.3 million at June 30, 2016, which represents an increase in net position of $70.6 million. Cash and investments are higher by $165.2 million primarily due to higher property tax, licenses and permit revenues as well as the issuance of bonds. Additionally, capital assets increased by $56.6 million. These amounts were off-set by the net increases in the net pension liability and net OPEB obligation. 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, $599.3 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 $19.9million for business-type activities.

Condensed Statement of Net Position
June 30, 2017 and 2016
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	$ 1,395,418	$ 1,236,051	$ 63,157	$ 58,851	$ 1,458,575	$ 1,294,902
Capital assets	1,415,433	1,372,798	225,348	211,354	1,640,781	1,584,152
TOTAL ASSETS	2,810,851	2,608,849	288,505	270,205	3,099,356	2,879,054
Deferred Outflows of Resources:						
Loss on refunding of debt	17,314	18,798	-	-	17,314	18,798
Outflows related to pensions	283,417	95,780	10,335	3,368	293,752	99,148
TOTAL OUTFLOWS	300,731	114,578	10,335	3,368	311,066	117,946
Liabilities:						
Long-term liabilities	1,079,286	1,109,675	36,735	39,123	1,116,021	1,148,798
Other liabilities	234,850	187,390	4,419	915	239,269	188,305
Net OPEB obligation	353,583	305,024	6,402	-	359,985	305,024
Net pension liability	1,503,250	1,207,032	39,011	31,133	1,542,261	1,238,165
TOTAL LIABILITIES	3,170,969	2,809,121	86,567	71,171	3,257,536	2,880,292
Deferred Inflows of Resources:						
Gain on refunding of debt	-	-	474	513	474	513
Outflows related to pensions	33,658	69,768	3,780	2,089	37,438	71,857
TOTAL INFLOWS	33,658	69,768	4,254	2,602	37,912	72,370
Net Position:						
Net Investment in capital assets,	1,141,058	1,079,164	188,139	171,743	1,329,197	1,250,907
Restricted	599,324	555,205	-	-	599,324	555,205
Unrestricted (deficit)	(1,833,427)	(1,789,831)	19,880	28,057	(1,813,547)	(1,761,774)
TOTAL NET POSITION	$ (93,045)	$ (155,462)	$ 208,019	$ 199,800	$ 114,974	$ 44,338

Governmental activities: The City's net position in governmental activities increased by $62.4 million.

Total assets increased by $202.0 million, or 7.74%, to $2.8 billion. The significant changes in assets occurred in the following areas:

- *Capital Assets* increased by $42.6 million. The increase due to additional construction in progress.
- *Current and Other Assets* increased by $159.4 million mainly due to changes in cash and investments.

Total liabilities increased by $361.8 million, or 12.88% to $3.3 billion. The significant changes in liabilities occurred in the following areas:

- *Long-term liabilities* decreased by $30.4 million primarily attributed to the reduction of bonds and notes payable in the amount of $94.0 million. The decrease was partially off-set by an increase in long-term debt with a $11.4 million issuance in capital leases for equipment, $26.5 million in general obligation bonds (Measure DD), $8.0 million in a draw-down loan for the Oakland Army Base, and an accretion of interest on appreciation bonds of $17.2 million.
- *Net pension liability* increased $296.2 million compared to the balance at June 30, 2016.
- *Net OPEB Obligations* increased by $48.6 million compared to the balance at June 30, 2016.
- *Other liabilities* increased by $47.5 million.

The net position increased by $62.4 million to a deficit $93.0 million as of June 30, 2017. 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.
- $599.3 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, annual other postemployment benefits cost, and other unfunded long-term liabilities.

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2017

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

Condensed Statement of Activities
For the Years Ended June 30, 2017 and 2016
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 203,153	$ 178,309	$ 60,820	$ 59,414	$ 263,973	$ 237,723
Operating grants and contributions	95,032	90,090	-	-	95,032	90,090
Capital grants and contributions	34,911	54,043	-	-	34,911	54,043
General revenues:						
Property taxes	312,078	279,764	-	-	312,078	279,764
State taxes:						
Sales and use taxes	79,866	77,365	-	-	79,866	77,365
Gas tax and Motor Vehicle in-lieu	8,163	8,819	-	-	8,163	8,819
Local taxes:						
Business license	75,840	75,504	-	-	75,840	75,504
Utility consumption	52,618	51,006	-	-	52,618	51,006
Real estate transfer	79,070	89,594	-	-	79,070	89,594
Transient occupancy	29,049	25,671	-	-	29,049	25,671
Parking	20,886	20,175	-	-	20,886	20,175
Voter approved special tax	37,962	37,793	-	-	37,962	37,793
Franchise	18,763	18,609	-	-	18,763	18,609
Interest and investment income	3,046	4,596	164	233	3,210	4,829
Other	19,935	20,987	-	-	19,935	20,987
Total revenues	1,070,372	1,032,325	60,984	59,647	1,131,356	1,091,972
Expenses:						
General government	127,344	99,183	-	-	127,344	99,183
Public safety	470,798	432,862	-	-	470,798	432,862
Community services	146,398	134,799	-	-	146,398	134,799
Community and economic development	92,048	85,396	-	-	92,048	85,396
Public works	122,540	114,597	-	-	122,540	114,597
Interest on long-term debt	56,471	54,335	-	-	56,471	54,335
Sewer	-	-	44,391	39,270	44,391	39,270
Parks and recreation	-	-	730	872	730	872
Total expenses	1,015,599	921,172	45,121	40,142	1,060,720	961,314
Changes in net position before tranfers	54,773	111,153	15,863	19,505	70,636	130,658
Transfers	7,644	2,144	(7,644)	(2,144)	-	-
Change in net position	62,417	113,297	8,219	17,361	70,636	130,658
Net position at beginning of year	(155,462)	(268,759)	199,800	182,439	44,338	(86,320)
Net position at end of year	$ (93,045)	$ (155,462)	$ 208,019	$ 199,800	$ 114,974	$ 44,338

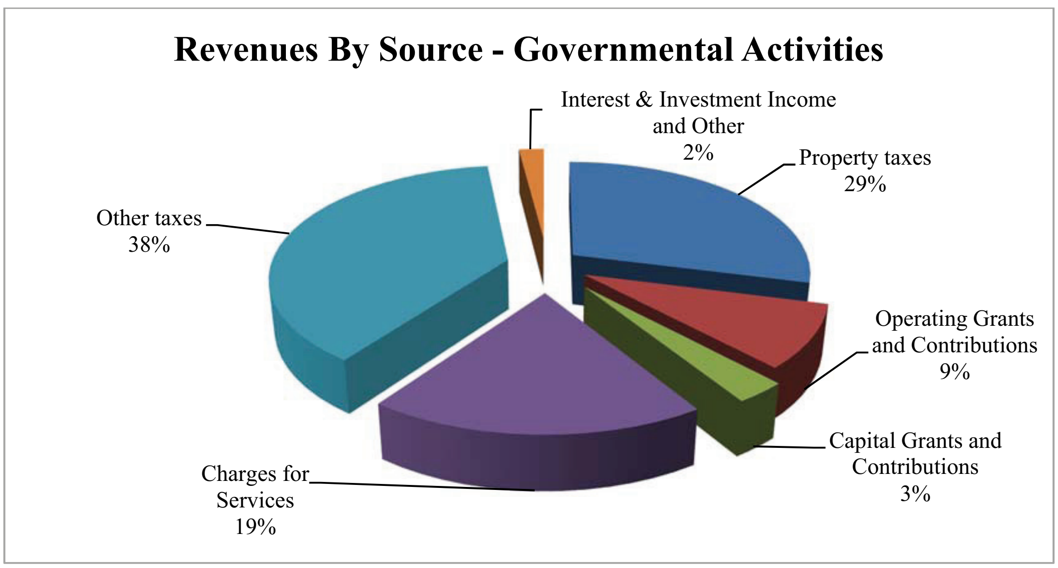
CITY OF OAKLAND

Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2017

Governmental activities: Net position for governmental activities, increased by $62.4 million during fiscal year 2016-17. Total revenue increased by 3.6 percent and expenses increased by 10.3 percent. During FY 2015-16, revenues increased at a rate of 5.0 percent and expenses increased by 10.3 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 $32.3 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. Charges for services increased by $24.8 million or 13.93 percent due to increasing licensing and permitting for development services. Transient occupancy taxes increased by $3.4 million or 13.16 percent due to thriving local hotel demand. Other factors contributing to revenue increase include: sales and use tax by $2.5 million or 3.23 percent and utility consumption tax by $1.6 million or 3.16%.
- Contributing factors resulting in a decrease in certain revenue categories are as follows: Capital grants and contributions decreased by $19.1 million from the conclusion of the Trade Corridor Improvement Fund (TCIF) grant for the Oakland Army Base development, and real estate transfer tax decreased by $10.5 million or 11.75 percent primarily due to the decrease in large property transactions. Real estate transfer tax is highly volatile and revenues can increase and decrease rapidly with changing market conditions because of the sale of high value properties.



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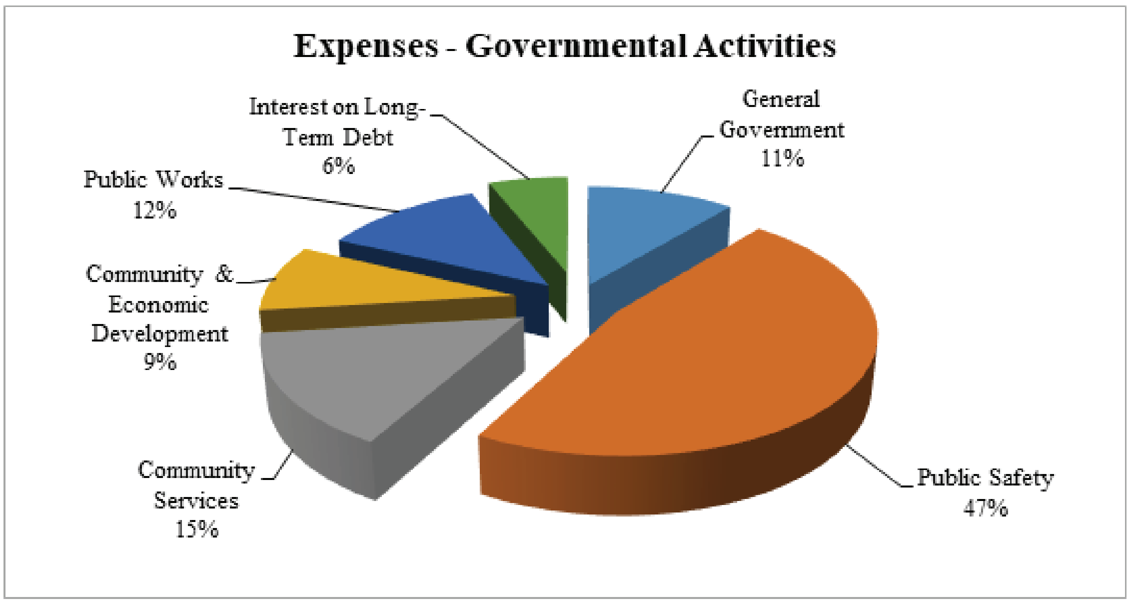
CITY OF OAKLAND

Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2017

- *General government* expenses increased by $14.5 million or 14.63 percent when compared to the previous year primarily due to the increase in pension expense as well as the negotiated compensation increases for all bargaining units in general government.
- *Public safety* expenses increased by $42.7 million or 9.86 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, and pension expenses.
- *Community services* expenses increased by $15.0 million or 11.13 percent primarily due to multi-year funding expenses and negotiated compensation increases.
- *Community and economic development* expenses increased by $7.3 million or 8.52 percent primarily due to negotiated compensation increases and increased pension expenses.
- *Public works* expenses increased by $12.8 million or 11.18 percent from the prior year primarily due to the negotiated compensation increases and increased overtime.
- *Interest on long-term debt* decreased by $2.1 million or 3.93 percent primarily due to an overall decrease in outstanding debt.



Business-type activities: Business-type activities ended the fiscal year with a positive change in its net position of $8.2 million compared to $17.4 million the previous fiscal year.

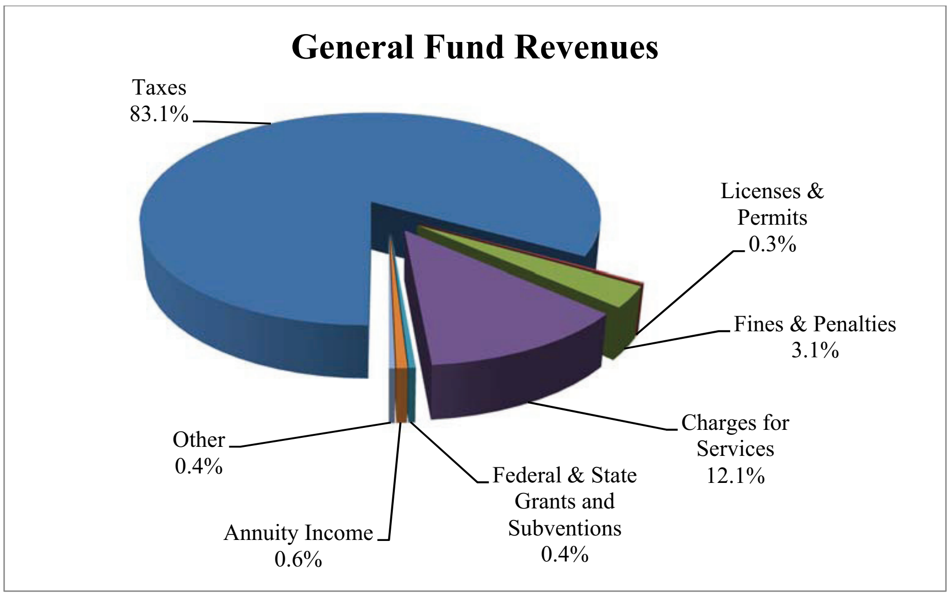
CITY OF OAKLAND

Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2017

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, 2017, its unassigned fund balance is $64.7 million or 18.7 percent of the $345.7 million total General Fund balance.



CITY OF OAKLAND

Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2017

For the year ended June 30, 2017 and 2016, revenues for the General Fund by revenue source are distributed as follows (in thousands):

	General Fund		Increase / (Decrease)	
	2017	2016	Amount	%
Revenues:				
Taxes:				
Property taxes	$ 271,985	$ 257,707	$ 14,278	5.54%
State taxes:				
Sales and use taxes	53,702	52,192	1,510	2.89%
Motor vehicles in-lieu tax	189	166	23	13.86%
Local taxes:				
Business license	75,840	75,504	336	0.45%
Utility consumption	52,618	51,006	1,612	3.16%
Real estate transfer	79,070	89,594	(10,524)	-11.75%
Transient occupancy	23,165	20,209	2,956	14.63%
Parking	10,637	10,220	417	4.08%
Franchise	18,480	18,321	159	0.87%
Licenses and permits	1,802	1,591	211	13.26%
Fines and penalties	21,738	21,648	90	0.42%
Charges for services	85,886	85,184	702	0.82%
Federal and state grants and subventions	2,751	5,953	(3,202)	-53.79%
Annuity income	4,376	2,969	1,407	47.39%
Other	2,487	2,622	(135)	-5.15%
Total revenues	**$ 704,726**	**$ 694,886**	**$ 9,840**	**1.42%**

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

- *Property taxes* increased by $14.3 million or 5.54 percent. This mainly due to increases in assessed values.
- *Real estate transfer tax* decreased by $10.5 million or 11.75 percent primarily due to a decrease in large property sales.
- *Utility consumption tax* increased by $1.6 million or 3.16 percent as a result of PG&E rate increases.
- *Transient occupancy tax* increased by $3.0 million mainly due to thriving local hotel demand.
- *Annuity income* increased by $1.4 million over FY 2015-16.

CITY OF OAKLAND

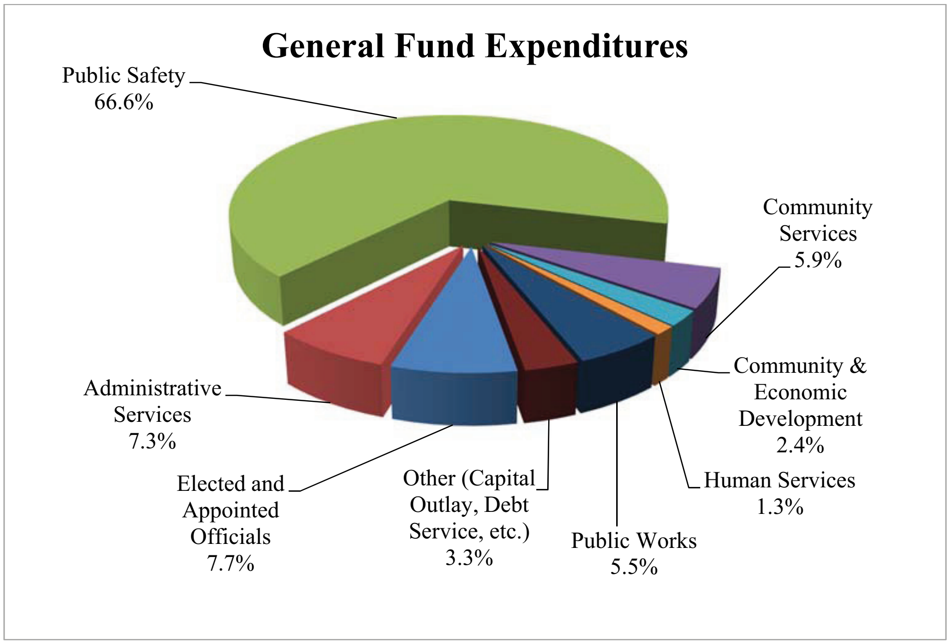
Management's Discussion and Analysis (unaudited) (continued)

Year Ended June 30, 2017

For the years ended June 30, 2017 and 2015, expenditures for the General Fund by function are distributed as follows (in thousands):

	General Fund		Increase/(Decrease)	
	2017	2016	Amount	%
Expenditures:				
Current:				
Elected and Appointed Officials:				
Mayor	$ 2,456	$ 2,197	$ 259	11.79%
Council	4,587	4,513	74	1.64%
City Administrator	16,588	15,831	757	4.78%
City Attorney	13,574	15,296	(1,722)	-11.26%
City Auditor	1,800	1,760	40	2.27%
City Clerk	5,029	3,326	1,703	51.20%
Public Ethics Commission	917	587	330	N/A
Departments:				
Administrative Services Department				
Human Resource Management	6,428	6,655	(227)	-3.41%
Financial Services	24,385	23,879	506	2.12%
Information Technology	11,771	11,604	167	1.44%
Race & Equity Department	210	84	126	N/A
Public Safety				
Oakland Police Department	256,972	245,628	11,344	4.62%
Oalkand Fire Department	133,005	126,669	6,336	5.00%
Community Service Department:				
Parks and Recreation	22,745	23,199	(454)	-1.96%
Library	11,901	11,220	681	6.07%
Human Services Department	7,776	6,233	1,543	24.76%
Community and Economic Development				
Planning & Building	355	109	246	225.69%
Economic & Workforce Development	9,476	8,891	585	6.58%
Housing & Community Development	4,092	4,416	(324)	-7.34%
Oakland Public Works	31,804	30,539	1,265	4.14%
Other	11,607	12,086	(479)	-3.96%
Capital outlay	2,320	2,277	43	1.89%
Debt Service				
Principal repayment	5,100	5,432	(332)	-6.11%
Bond issuance costs	-	240	(240)	-100.00%
Interest charges	375	522	(147)	-28.16%
Total Expenditures	**$ 585,273**	**$ 563,193**	**$ 22,080**	**3.92%**

CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2017



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

- *Public safety* increased by $17.7 million or 4.7 percent due to the negotiated cost of living adjustment 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 $4.4 million or 2.3% in expenditures mainly due to cost of living adjustments for all bargaining units of up to 4 percent for FY 2016-17.

Federal and State Grant Fund: The Federal and State Grant Fund had a deficit fund balance of $15.2 million as of June 30, 2017 that represents an increase in deficit of $7.1 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 $6.0 million as of June 30, 2017.

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, 2017 was $48.5 million and the fund's net loan receivable balance was $227.8 million.

Municipal Capital Improvement Fund: The Municipal Capital Improvement Fund had a fund balance of $219.8 million as of June 30, 2017 that represents an increase of $5.6 million or 2.6 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 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.

CITY OF OAKLAND

Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2017

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, 2017 was $101.8 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 $188.1 million as of June 30, 2017, compared to $171.7 million for the previous fiscal year. The $16.4 million or 9.6 percent increase is related to proceeds spent from debt issued to finance sewer projects.

General Fund Budgetary Highlights

During the year ended June 30, 2017, the General Fund had a $249 thousand increase in budgeted revenues between the original and final amended operating budget. Actual budgetary basis revenues of $704.3 million were $53.6 million higher than the final amended budget. The variance is due primarily to increases in property tax revenue, business license, utility consumption tax, and charges for services.

In addition, there was a $20.4 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.

Actual budgetary basis expenditures of $585.3 million were $25.7 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 $1.64 billion as of June 30, 2017 compared to $1.58 billion as of June 30, 2016, an increase of $56.6 million or 3.57 percent. Governmental activities additions of $102.1 million in capital assets from construction in progress which met the City's threshold for capitalization.

These additions were offset by retirements and depreciation, the net effect of which was an increase of $42.7 million net increase of capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by $14.0 million, net of retirements and depreciation. See Note (II) part D to the financial statements for more details on capital assets.

Construction Commitments

The City has committed to funding in the amount of $200.5 million for a number of capital improvement projects for fiscal year 2017-18 through fiscal year 2018-19. 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) part C.1. for more details in construction commitments.

CITY OF OAKLAND

Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2017

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, 2017 were as follows:

	Ratings		
Type of Bond	**Moody's**	**S&P**	**Fitch**
General Obligation Bonds	Aa2	AA/Stable	N/A
Pension Obligation Bonds	Aa3	AA-/Stable	A/Stable
Tax Allocation Bonds	A3[1]:Baa[2]	AA2; AA-; A+; A; A-/Stable	N/A

[1] Insured Rating
[2] Ratings vary by series

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 $1.4 billion. The total amount of debt applicable to the debt limit was $216.7 million. The resulting legal debt margin was $1.2 billion.

CITY OF OAKLAND

Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2017

Long-Term Obligations

As of June 30, 2016, the City had total long-term obligations of $1.1 billion compared to $1.2 billion outstanding for the prior fiscal year, a decrease of 2.85 percent. Of this amount, $216.7 million is general obligation bonds backed by the full faith and credit of the City. The remaining $899.4 million 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	
	2017	2016	2017	2016	2017	2016
General obligation bonds	$ 216,655	$ 201,830	$ -	$ -	$ 216,655	$ 201,830
Lease revenue bonds	71,335	91,110	-	-	71,335	91,110
Pension obligation bonds	296,854	313,223	-	-	296,854	313,223
Special assessment debt with government commitments	5,335	5,685	-	-	5,335	5,685
Accreted interest on appreciation bonds	149,896	159,476	-	-	149,896	159,476
Sewer-bonds and notes payable	-	-	32,620	34,665	32,620	34,665
Less: deferred amounts Bond issuance premiums	23,246	24,054	4,115	4,458	27,361	28,512
Total Bonds Payable	**763,321**	**795,378**	**36,735**	**39,123**	**800,056**	**834,501**
Notes & Leases payable	75,823	73,909	-	-	75,823	73,909
Other long-term liabilities	240,142	240,388	-	-	240,142	240,388
Total Long Term Obligations	**$ 1,079,286**	**$ 1,109,675**	**$ 36,735**	**$ 39,123**	**$ 1,116,021**	**$ 1,148,798**

The City's overall bonds, notes and lease payables decreased by $32.8 million compared to the prior fiscal year balance. The decrease is primarily attributable to net debt repayment, off-set by $45.9 million issuance of an equipment lease of $11.4 million, drawdowns of $8.0 million on the Oakland Army Base loan, issuance of general obligation bonds of $26.5 million (Measure DD), and an accretion of interest on appreciation bonds of $17.2 million.

Current Year Long-Term Debt Financing:

- On December 15, 2016, the City entered into a Master Lease-Purchase Agreement in the principal amount of $11,414,000 This financing provides funding to replace vehicles and related equipment in the City's mission-critical vehicle fleet which have reached or exceeded their useful service lives. The equipment groups enhance operational efficiency and greatly reduce excessive and ongoing vehicle maintenance costs.
- On January 26, 2017, the City issued $26,500,000 in General Obligation Bonds, Series 2017C to be used (i) for the construction and reconstruction of various improvements as described in Measure DD and (ii) to pay for certain costs related to the issuance of the Bonds.
- On February 16, 2017, the City entered into a draw-down term loan of $24,500,000 million which will be used (i) for construction of public improvements at the former Oakland Army Base and (ii) to pay for certain costs related to the issuance of the Loan. The Loan will be funded by JPMorgan in increments from February 16, 2017 through February 28, 2018. The amount drawn as of June 30, 2017 totaled $8,020,000.

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

CITY OF OAKLAND

Management's Discussion and Analysis (unaudited) (continued)

Year Ended June 30, 2017

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 2016-17.

The City's economy continues to grow, which is resulting in a steady growth of 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 years 2017-19 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 February 2017, 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 in the local economy. This economic growth will be reflected in subsequent reports on City revenues and expenditures.

In February of 2019 the City will release a new Five-Year Financial Forecast in preparation for the FY 2019-21 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 2018.

The City of Oakland's unemployment rate decreased to 4.9 percent in June 2017 compared to an average unemployment rate of 5.8 percent for June 2016.

The Bay Area's consumer price index for all urban consumers in October 2017 was 277,570 compared to 259,117 in October 2016 and to the U.S. city average consumer price index for all urban consumers at 246,667 (Base period: 1982 – 84 = 100).

Estimated population for January 1, 2016 is 426,074 with an estimated total number of households of 158,084, an average household size of 2.7 persons, and a per capita personal income of $38,198.

PERS pension rates, and health care costs have been factored into the City's mid-cycle budget for Fiscal Year 2017-19.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

City of Oakland
Statement of Net Position
June 30, 2017
(In thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Port of Oakland
ASSETS				
Cash and investments	$ 557,556	$ 48,719	$ 606,275	$ 329,455
Receivables (net of allowance for uncollectibles of $15,894 for City and $1,088 for Port):				
Accrued interest	1,020	101	1,121	-
Property taxes	15,661	-	15,661	-
Accounts receivable	48,775	13,859	62,634	27,939
Grants receivable	32,778	-	32,778	-
Due from Port	10,258	-	10,258	-
Due from Oakland Redevelopment Successor Agency (ORSA)	6,059	-	6,059	-
Due from pension trust fund	215	-	215	-
Internal balances	246	(246)	-	-
Due from other governments	10,766	-	10,766	-
Inventories	738	-	738	-
Restricted assets:				
Cash and investments	180,594	684	181,278	80,356
Receivables	-	-	-	3,495
Property held for resale	162,657	-	162,657	-
Notes and loans receivable (net of allowance for uncollectibles of $150,489 for the City)	367,095	-	367,095	-
Prepaid expenses	1,000	40	1,040	4,155
Other	-	-	-	42,123
Capital assets:				
Land and other capital assets not being depreciated	555,725	58,370	614,095	692,483
Facilities, infrastructure, and equipment, net of depreciation	859,708	166,978	1,026,686	1,482,359
TOTAL ASSETS	2,810,851	288,505	3,099,356	2,662,365
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized losses on refunding of debts	17,314	-	17,314	8,989
Deferred outflows of resources related to pensions	283,417	10,335	293,752	41,742
TOTAL DEFERRED OUTFLOWS OF RESOURCES	300,731	10,335	311,066	50,731
LIABILITIES				
Accounts payable and other current liabilities	180,423	4,351	184,774	35,381
Accrued interest payable	23,282	62	23,344	8,319
Due to other governments	1,148	-	1,148	-
Due to primary government	-	-	-	10,258
Due to Oakland Redevelopment Successor Agency (ORSA)	2,312	-	2,312	-
Unearned revenue	4,859	-	4,859	32,744
Other	22,826	6	22,832	26,920
Non-current liabilities:				
Due within one year	174,773	2,468	177,241	73,899
Due in more than one year	904,513	34,267	938,780	1,103,542
Net pension liability	1,503,250	39,011	1,542,261	204,078
Other postemployment benefits obligation	353,583	6,402	359,985	9,979
TOTAL LIABILITIES	3,170,969	86,567	3,257,536	1,505,120
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt	-	474	474	-
Deferred inflows of resources related to pensions	33,658	3,780	37,438	6,240
TOTAL DEFERRED INFLOWS OF RESOURCES	33,658	4,254	37,912	6,240
NET POSITION				
Net investment in capital assets	1,141,058	188,139	1,329,197	1,106,547
Restricted for:				
Debt service	17,169	-	17,169	-
Housing and community development	254,115	-	254,115	-
Low and moderate income housing redevelopment	278,429	-	278,429	-
Other purposes	49,611	-	49,611	22,392
Unrestricted (deficit)	(1,833,427)	19,880	(1,813,547)	72,797
TOTAL NET POSITION	$ (93,045)	$ 208,019	$ 114,974	$ 1,201,736

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

City of Oakland
Statement of Activities
Year Ended June 30, 2017
(In thousands)

		Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Unit
					Primary Government			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Port of Oakland**
Primary government:								
Governmental activities:								
General government	$ 113,697	$ 46,030	$ 3,016	$ -	$ (64,651)	$ -	$ (64,651)	
Public safety	475,552	19,867	10,959	-	(444,726)	-	(444,726)	
Community services	149,804	7,841	35,469	-	(106,494)	-	(106,494)	
Community and economic development	92,671	89,130	18,187	34,540	49,186	-	49,186	
Public works	127,404	40,285	27,401	371	(59,347)	-	(59,347)	
Interest on long-term debt	56,471	-	-	-	(56,471)	-	(56,471)	
TOTAL GOVERNMENTAL ACTIVITIES	1,015,599	203,153	95,032	34,911	(682,503)	-	(682,503)	
Business-type activities:								
Sewer	44,391	60,548	-	-	-	16,157	16,157	
Parks and recreation	730	272	-	-	-	(458)	(458)	
TOTAL BUSINESS-TYPE ACTIVITIES	45,121	60,820	-	-	-	15,699	15,699	
TOTAL PRIMARY GOVERNMENT	$ 1,060,720	$ 263,973	$ 95,032	$ 34,911	(682,503)	15,699	(666,804)	
Component unit:								
Port of Oakland	$ 352,981	$ 358,707	$ 1,001	$ 13,694				20,421
General revenues:								
Property taxes					312,078	-	312,078	-
State taxes:								
Sales and use taxes					79,866	-	79,866	-
Gas tax					7,974	-	7,974	-
Motor vehicle in-lieu					189	-	189	-
Local taxes:								
Business license					75,840	-	75,840	-
Utility consumption					52,618	-	52,618	-
Real estate transfer					79,070	-	79,070	-
Transient occupancy					29,049	-	29,049	-
Parking					20,886	-	20,886	-
Voter approved special tax					37,962	-	37,962	-
Franchise					18,763	-	18,763	-
Interest and investment income					3,046	164	3,210	2,713
Gain on long-term lease termination					-	-	-	5,526
Other					19,935	-	19,935	30,530
Transfers					7,644	(7,644)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					744,920	(7,480)	737,440	38,769
Changes in net position					62,417	8,219	70,636	59,190
Net position - beginning					(155,462)	199,800	44,338	1,142,546
NET POSITION - ENDING					$ (93,045)	$ 208,019	$ 114,974	$ 1,201,736

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

City of Oakland
Balance Sheet
Governmental Funds
June 30, 2017
(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	$ 342,911	$ 53	$ 16,677	$ 6,097	$ 116,893	$ 62,582	$ 545,213
Receivable (net of allowance for uncollectibles of $14,552)							
Accrued interest and dividends	642	-	8	11	221	119	1,001
Property taxes	9,054	-	-	-	3,265	3,342	15,661
Accounts receivable	38,720	-	2	42	4,926	4,983	48,673
Grants receivable	305	30,924	-	-	315	1,234	32,778
Due from Port	9,595	-	-	-	-	663	10,258
Due from ORSA trust fund	1,790	-	1,978	2,291	-	-	6,059
Due from pension trust fund	215	-	-	-	-	-	215
Due from other funds	36,597	2	-	-	-	-	36,599
Due from other governments	10,766	-	-	-	-	-	10,766
Notes and loans receivable (net of allowance for uncollectibles of $150,489)	4,095	129,714	227,817	4,633	836	-	367,095
Restricted cash and investments	65,363	152	1,508	86,190	-	9,194	162,407
Property held for resale	-	-	30,677	131,980	-	-	162,657
Other assets	35	89	-	-	29	56	209
TOTAL ASSETS	$ 520,088	$ 160,934	$ 278,667	$ 231,244	$ 126,485	$ 82,173	$ 1,399,591
LIABILITIES							
Accounts payable and accrued liabilities	$ 140,084	$ 17,642	$ 234	$ 1,689	$ 8,130	$ 8,120	$ 175,899
Due to other funds	-	20,452	-	-	-	2,537	22,989
Due to ORSA trust fund	2,312	-	-	-	-	-	2,312
Due to other governments	1,127	-	-	-	21	-	1,148
Unearned revenue	4,859	-	-	-	-	-	4,859
Other	2,693	2,318	4	2,975	13,302	1,527	22,819
TOTAL LIABILITIES	151,075	40,412	238	4,664	21,453	12,184	230,026
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property tax	4,817	-	-	-	2,155	2,484	9,456
Unavailable revenue - notes and loans	4,095	129,714	227,950	4,633	836	-	367,228
Unavailable revenue - mandated claims	10,308	-	-	-	-	-	10,308
Unavailable revenue - grants and others	4,067	6,046	-	-	196	-	10,309
Unavailable revenue - loans to OSRA	-	-	1,978	2,164	-	-	4,142
TOTAL DEFERRED INFLOWS	23,287	135,760	229,928	6,797	3,187	2,484	401,443
FUND BALANCES							
Restricted	241,404	-	48,501	218,171	-	65,916	573,992
Committed	8,805	-	-	-	18,326	1,746	28,877
Assigned	30,802	-	-	1,612	83,519	1,636	117,569
Unassigned	64,715	(15,238)	-	-	-	(1,793)	47,684
TOTAL FUND BALANCES (DEFICIT)	345,726	(15,238)	48,501	219,783	101,845	67,505	768,122
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 520,088	$ 160,934	$ 278,667	$ 231,244	$ 126,485	$ 82,173	$ 1,399,591

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, 2017

(In thousands)

Fund balances - total governmental funds (page 23)		$ 768,122
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	1,415,433	
Less: internal service funds' capital assets, net of depreciation	(52,124)	1,363,309
Prepaid insurance premiums on long-term debt are not financial resources and, therefore, are not reported in the governmental funds.		789
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	(23,282)	
Less: interest payable on long-term debt of the internal service funds	398	(22,884)
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.		401,443
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	(1,079,286)	
Net other post employment benefits obligation	(353,583)	
Less: long-term liabilities for internal service funds	54,472	(1,378,397)
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.		17,314
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	(1,458,026)	
Deferred outflows of resources related to pensions	271,230	
Deferred inflows of resources related to pensions	(29,251)	(1,216,047)
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.		(26,694)
NET POSITION OF GOVERNMENTAL ACTIVITIES (page 21)		$ (93,045)

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, 2017

(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	$ 271,985	$ -	$ -	$ -	$ 16,013	$ 22,341	$ 310,339
Sales and use	53,702	-	-	-	-	26,164	79,866
Motor vehicle in-lieu	189	-	-	-	-	-	189
Gas	-	-	-	-	-	7,974	7,974
Local taxes:							
Business license	75,840	-	-	-	-	-	75,840
Utility consumption	52,618	-	-	-	-	-	52,618
Real estate transfer	79,070	-	-	-	-	-	79,070
Transient occupancy	23,165	-	-	-	5,884	-	29,049
Parking	10,637	-	-	-	10,249	-	20,886
Voter approved special tax	-	-	-	-	18,785	19,177	37,962
Franchise	18,480	283	-	-	-	-	18,763
Licenses and permits	1,802	-	-	-	42,988	112	44,902
Fines and penalities	21,738	439	-	-	486	910	23,573
Interest and investment income	-	390	1,501	341	491	276	2,999
Charges for services	85,886	160	5,978	2,335	39,700	619	134,678
Federal and state grants and subventions	2,751	103,385	-	-	3,325	19,213	128,674
Annuity income	4,376	-	-	-	-	-	4,376
Other	2,487	3,159	10,234	1,311	-	2,647	19,838
TOTAL REVENUES	704,726	107,816	17,713	3,987	137,921	99,433	1,071,596
EXPENDITURES							
Current:							
Elected and Appointed Officials:							
Mayor	2,456	464	-	-	-	384	3,304
Council	4,587	-	-	-	-	-	4,587
City Administrator	16,588	285	-	175	1,276	26	18,350
City Attorney	13,574	64	-	-	1,697	36	15,371
City Auditor	1,800	-	-	-	-	-	1,800
City Clerk	5,029	-	-	-	-	-	5,029
Public Ethics Commission	917	-	-	-	-	-	917
Departments:							
Administrative Service Department:							
Human Resource Management	6,428	-	-	-	-	-	6,428
Financial Services	24,385	394	-	4	975	103	25,861
Information Technology	11,771	42	-	108	989	-	12,910
Race and Equity Department	210	-	-	-	-	-	210
Public Safety:							
Oakland Police Department	256,972	3,863	-	-	15,334	1,010	277,179
Oakland Fire Department	133,005	5,484	-	-	5,911	1,148	145,548
Community Service Department:							
Parks and Recreation	22,745	79	-	-	197	2,644	25,665
Library	11,901	136	-	-	15,367	164	27,568
Human Services Department	7,776	39,131	75	-	25,647	2,244	74,873
Community and Economic Development:							
Planning and Building	355	185	-	-	26,283	-	26,823
Economic & Workforce Development	9,476	9,921	-	2,114	906	891	23,308
Housing & Community Development	4,092	10,963	6,947	-	2,596	-	24,598
Oakland Public Works	31,804	4,324	-	2,691	5,852	42,379	87,050
Other	11,607	-	-	1	4,647	60	16,315
Capital outlay	2,320	42,868	1	20,583	267	13,438	79,477
Debt service:							
Principal repayment	5,100	2,060	-	-	-	49,497	56,657
Bond issuance cost	-	-	-	-	-	659	659
Interest charges	375	53	-	-	-	53,864	54,292
TOTAL EXPENDITURES	585,273	120,316	7,023	25,676	107,944	168,547	1,014,779
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	119,453	(12,500)	10,690	(21,689)	29,977	(69,114)	56,817
OTHER FINANCING SOURCES (USES)							
Issuance of bonds	-	-	-	26,500	-	-	26,500
Proceeds from loan	-	-	-	-	-	8,021	8,021
Premiums on issuance of bonds	-	-	-	-	-	809	809
Proceeds from sale of capital assets	1,488	-	-	-	-	-	1,488
Insurance claims and settlements	3,004	-	-	970	-	-	3,974
Transfers in	3,317	5,355	-	-	15,052	71,265	94,989
Transfers out	(91,672)	-	-	(207)	-	(418)	(92,297)
TOTAL OTHER FINANCING SOURCES (USES)	(83,863)	5,355	-	27,263	15,052	79,677	43,484
NET CHANGE IN FUND BALANCES	35,590	(7,145)	10,690	5,574	45,029	10,563	100,301
Fund balances (deficit) - beginning	310,136	(8,093)	37,811	214,209	56,816	56,942	667,821
FUND BALANCES (DEFICIT) - ENDING	$ 345,726	$ (15,238)	$ 48,501	$ 219,783	$ 101,845	$ 67,505	$ 768,122

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, 2017

(In thousands)

Net change in fund balances - total governmental funds (page 25)		$ 100,301
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	106,415	
Capital asset retirement	(17)	
Depreciation	(63,763)	
Less: net changes of capital assets within internal service funds	(6,929)	35,706
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.		8,707
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.		(6,931)
The issuance of long-term debt provides current financial resources to governmental funds. This is the amount by which bond proceeds increases the liabilities in the statement of net position.		(34,521)
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.		83,431
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	808	
Amortization of prepaid bond insurance premium on long-term debt	(161)	
Amortization of deferred outflows of refunding loss	(1,484)	
Accreted interest on appreciation bonds	(17,194)	
Changes in accrued interest on bonds and notes payable	(596)	
Changes in Coliseum Authority pledged obligation	4,128	
Changes in mandated environmental remediation obligations	717	
Changes in net pension liability	(286,794)	
Changes in deferred outflows of resources related to pensions	179,277	
Changes in deferred inflows of resources related to pensions	38,227	
Changes on postemployment benefits other than pension benefits (OPEB)	(40,999)	
Changes on fair value of the interest swap agreement	2,332	(121,739)
Net expenses of activities of internal service funds is reported with governmental activities		(2,537)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 22)		$ 62,417

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, 2017
(In thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	$ 48,719	$ -	$ 48,719	$ 12,343
Interest receivable	101	-	101	19
Accounts receivable (net of allowance for uncollectibles of $1,344 for the enterprise funds)	13,855	4	13,859	102
Inventories	-	-	-	738
Restricted cash and investments	-	684	684	18,187
Prepaid expenses	40	-	40	2
Total current assets	62,715	688	63,403	31,391
Capital assets:				
Land and other assets not being depreciated	57,421	949	58,370	27,135
Facilities, equipment and infrastructure, net of depreciation	165,702	1,276	166,978	24,989
Total capital assets	223,123	2,225	225,348	52,124
TOTAL ASSETS	285,838	2,913	288,751	83,515
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	10,267	68	10,335	12,187
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	4,343	8	4,351	4,524
Accrued interest payable	62	-	62	398
Due to other funds	2	244	246	13,364
Other liabilities	6	-	6	7
Bonds, capital leases, notes and other payables	2,468	-	2,468	12,122
Total current liabilities	6,881	252	7,133	30,415
Non-current liabilities:				
Bonds, capital leases, notes and other payables	34,267	-	34,267	34,790
Net pension liability	38,752	259	39,011	45,224
Other postemployment benefit obligations	6,357	45	6,402	7,560
Total non-current liabilities	79,376	304	79,680	87,574
TOTAL LIABILITIES	86,257	556	86,813	117,989
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	3,755	25	3,780	4,407
Unamortized gain on refunding of debt	474	-	474	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,229	25	4,254	4,407
NET POSITION				
Net investment in capital assets	185,914	2,225	188,139	23,399
Unrestricted (deficit)	19,705	175	19,880	(50,093)
TOTAL NET POSITION	$ 205,619	$ 2,400	$ 208,019	$ (26,694)

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, 2017
(In thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
OPERATING REVENUES				
Rental	$ -	$ 272	$ 272	$ -
Sewer services	60,505	-	60,505	-
Charges for services	-	-	-	73,893
Other	43	-	43	40
TOTAL OPERATING REVENUES	60,548	272	60,820	73,933
OPERATING EXPENSES				
Personnel	21,038	135	21,173	24,483
Supplies	828	222	1,050	9,514
Depreciation and amortization	5,771	313	6,084	7,966
Contractual services and supplies	2,220	-	2,220	4,609
Repairs and maintenance	490	-	490	6,449
General and administrative	6,648	47	6,695	7,631
Rental	1,371	8	1,379	2,317
Other	4,810	5	4,815	6,513
TOTAL OPERATING EXPENSES	43,176	730	43,906	69,482
OPERATING INCOME (LOSS)	17,372	(458)	16,914	4,451
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment income (loss)	165	(1)	164	47
Interest expense	(1,215)	-	(1,215)	(896)
Federal and State grants	-	-	-	6
Insurance claims and settlements	-	-	-	817
Other	-	-	-	129
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,050)	(1)	(1,051)	103
INCOME/(LOSS) BEFORE TRANSFERS	16,322	(459)	15,863	4,554
Transfers out	(7,605)	(39)	(7,644)	(7,091)
Change in net position	8,717	(498)	8,219	(2,537)
Net position - beginning	196,902	2,898	199,800	(24,157)
NET POSITION - ENDING	$ 205,619	$ 2,400	$ 208,019	$ (26,694)

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, 2017
(In thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
		Nonmajor Fund		Internal
	Sewer Service	Parks and Recreation	Total	Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	$ 60,360	$ -	$ 60,360	$ 73,962
Cash received from tenants for rents	-	273	273	-
Cash from other sources	43	-	43	40
Cash paid to employees	(17,560)	(109)	(17,669)	(20,285)
Cash paid to suppliers	(12,834)	(274)	(13,108)	(35,659)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	30,009	(110)	29,899	18,058
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from interfund loans	2	127	129	607
Repayment of interfund loans	-	-	-	(2,829)
Other	-	-	-	1,039
Transfers out	(2,144)	-	(2,144)	(548)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(2,142)	127	(2,015)	(1,731)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(20,035)	(43)	(20,078)	(14,895)
Long-term debt:				
Proceeds from issuance of debt	-	-	-	11,415
Repayment of long-term debt	(2,045)	-	(2,045)	(9,034)
Bond issuance cost	(39)	-	(39)	-
Interest paid on long-term debt	(1,562)	-	(1,562)	(871)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(23,681)	(43)	(23,724)	(13,385)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	120	(1)	119	37
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,306	(27)	4,279	2,979
Cash and cash equivalents - beginning	44,413	711	45,124	27,551
CASH AND CASH EQUIVALENTS - ENDING	$ 48,719	$ 684	$ 49,403	$ 30,530
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	$ 17,372	$ (458)	$ 16,914	$ 4,451
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Depreciation and amortization	5,771	313	6,084	7,966
Changes in assets, liabilities, and deferred outflows and inflows of resources:				
Receivables	(145)	1	(144)	69
Inventories	-	-	-	(163)
Other assets	33	-	33	5
Accounts payable and accrued liabilities	3,500	8	3,508	1,532
Net pension liability and related pension deferred items	896	6	902	3,181
Other postemployment benefit obligations	2,582	20	2,602	1,017
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 30,009	$ (110)	$ 29,899	$ 18,058
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and investments	$ 48,719	$ -	$ 48,719	$ 12,343
Restricted cash and investments	-	684	684	18,187
TOTAL CASH AND CASH EQUIVALENTS	$ 48,719	$ 684	$ 49,403	$ 30,530
NON CASH ITEMS:				
Amortization of bond premiums	$ 343	$ -	$ 343	$ -

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, 2017
(In thousands)

	Pension Trust Fund	Private Purpose Trust Funds
ASSETS		
Cash and investments	$ 3,382	$ 60,741
Receivables:		
Accrued interest and dividends	583	418
Accounts receivable	-	2,715
Investments and others	6,672	-
Due from other funds of the City	-	2,312
Prepaid expenses	-	1,994
Restricted:		
Cash and investments:		
Short-term investments	5,576	17,179
U.S. corporate bonds and mutual funds	63,600	-
Domestic equities and mutual funds	168,467	-
International equities and mutual funds	44,590	-
Alternative investments	70,511	-
Total restricted cash and investments	352,744	17,179
Securities lending collateral	31,042	-
Loans receivable, net of allowance for uncollectibles of $46,675	-	16,798
Property held for resale	-	2,818
TOTAL ASSETS	394,423	104,975
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunding of debt	-	6,051
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	10,186	258
Accrued interest payable	-	7,082
Due to other funds of the City	-	6,274
Securities lending liabilities	31,034	-
Other	-	147
Total current liabilities	41,220	13,761
Non-current liabilities:		
Due within one year	-	31,107
Due in more than one year	-	354,193
Total noncurrent liabilities	-	385,300
TOTAL LIABILITIES	41,220	399,061
NET POSITION RESTRICTED FOR:		
Employees' pension benefits	353,203	-
Redevelopment dissolution and other purposes	-	(288,035)
TOTAL NET POSITION	$ 353,203	$ (288,035)

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, 2017
(In thousands)

	Pension Trust Fund	Private Purpose Trust Funds
ADDITIONS:		
Trust receipts	$ -	$ 70,356
Investment income:		
Net appreciation in fair value of investments	45,374	-
Interest	1,740	569
Dividends	4,117	-
Securities lending	194	-
TOTAL INVESTMENT INCOME	51,425	569
Less investment expenses:		
Investment expenses	(1,266)	-
NET INVESTMENT INCOME	50,159	569
Federal and state grants	-	2,381
Other income	70	1,256
TOTAL ADDITIONS	50,229	74,562
DEDUCTIONS:		
Benefits to members and beneficiaries:		
Retirement	35,050	-
Disability	20,551	-
Death	1,775	-
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	57,376	-
Administrative expenses	1,250	3,966
Oakland Police Department	-	67
Human Services	-	137
Economic & Workforce Development	-	17,498
Other	11	7,328
Interest on debt	-	20,814
TOTAL DEDUCTIONS	58,637	49,810
Change in net position	(8,408)	24,752
Net position - beginning	361,611	(312,787)
NET POSITION - ENDING	$ 353,203	$ (288,035)

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF OAKLAND
Notes to the Basic Financial Statements
Year Ended June 30, 2017

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.

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 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, 2017

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

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, 2017

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

The City's adoption of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78*, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, 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 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.

- 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.

- In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The requirements of this statement are effective for the City's fiscal year ending June 30, 2019.

- In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement provides recognition and measurement guidance for situations in which a government is a beneficiary of these agreements. The requirements of this statement are effective for the City's fiscal year ending June 30, 2020.

- In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of the statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for the City's fiscal year ending June 30, 2018.

- In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of the statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this statement are effective for the City's fiscal year ending June 30, 2018.

- In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of the statement is to improve the accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the consistency of information about governments' leasing activities. The requirements of this statement are effective for the City's fiscal year ending June 30, 2021.

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, 2017.

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.

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 acquisition value at the date of donation. Capital outlay is recorded as expenditures in the governmental funds and as assets in the government-wide and proprietary financial statements to the extent the City's capitalization threshold is met. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life 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
Systems and structures	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 resourc*es. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources related to pension 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.

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

CITY OF OAKLAND

Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

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 three 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. Fund balances for all the major and nonmajor governmental funds as of June 30, 2017, were distributed as follows (in thousands):

	General	Federal/State Grant Fund	LMIHF[1]	Municipal Capital Improvement	Other Special Revenue	Other Governmental Funds	Total
Restricted for:							
Capital projects	$ -	$ -	$ 1,508	$ 86,191	$ -	$ 49,461	$ 137,160
Pension obligations annuity	65,363	-	-	-	-	-	65,363
Pension obligations PFRS	176,041	-	-	-	-	-	176,041
Debt service	-	-	-	-	-	16,455	16,455
Property held for resale	-	-	30,677	131,980	-	-	162,657
Housing projects	-	-	16,316	-	-	-	16,316
Total restricted	241,404	-	48,501	218,171	-	65,916	573,992
Committed for:							
Reserve stabilization fund	8,805	-	-	-	-	-	8,805
Library, Kids First and museum trust	-	-	-	-	18,326	1,746	20,072
Subtotal	8,805	-	-	-	18,326	1,746	28,877
Assigned for:							
Capital projects	30,802	-	-	1,612	83,519	1,636	117,569
Unassigned	64,715	(15,238)	-	-	-	(1,793)	47,684
Total	**$ 345,726**	**$ (15,238)**	**$ 48,501**	**$ 219,783**	**$ 101,845**	**$ 67,505**	**$ 768,122**

[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, 2017

(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:

Investment Type	Maximum Maturity	Maximum Portfolio Exposure	Maximum Issuer Exposure	Credit Requirement
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	Collaterial 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, 2017

As of June 30, 2017, total City cash, deposits, and investments at fair value are as follows (in thousands):

	Primary Government		Fiduciary Funds			Component Unit
	Governmental Activities	Business-type Activities	Pension Trust Fund	Private Purpose Trust Funds	Total	Port
Cash and investments	$ 557,556	$ 48,719	$ 3,382	$ 60,741	$ 670,398	$ 329,455
Restricted cash and investments	180,594	684	352,744	17,179	551,201	80,356
Securities lending collateral	-	-	31,042	-	31,042	-
Total	**$ 738,150**	**$ 49,403**	**$ 387,168**	**$ 77,920**	**$ 1,252,641**	**$ 409,811**
City pooled deposits					$ 8,736	$ -
City pooled investments					607,908	348,052
City restricted investments					180,640	-
PFRS restricted investments					383,786	-
ORSA deposits					2,449	-
ORSA investments					69,122	-
Port's cash and investments					-	61,759
Total					**$ 1,252,641**	**$ 409,811**

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, 2017 (in thousands):

	Level One	Level Two	Level Three	Total
Investments by fair value level:				
U.S government agency securities	$ -	$ 807,062	$ -	$ 807,062
Medium term notes	-	7,005	-	7,005
State bonds	-	3,880	-	3,880
Commercial paper	-	365	-	365
Annuity contracts	-	-	63,000	63,000
Total investments by fair value level	**$ -**	**$ 818,312**	**$ 63,000**	881,312
Investments measured at net asset value (NAV):				
Money market mutual funds				190,357
Investments not subject to fair value hierarchy:				
Local agency investment fund (LAIF)				64,931
Total investments measured at fair value				**$ 1,136,600**

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

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, 2017, the carrying amount of the City's deposits was $8.7 million. Deposits include checking accounts, interest earning savings accounts and money market accounts. The bank balance of $21.8 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.

The following tables show the City's credit risk for the pooled and restricted investment portfolios as of June 30, 2017 (in thousands):

Pooled Investments

		Ratings as of June 30, 2017				
	Fair Value	**AAA**	**AA**	**A**	**P-1**	**Not Rated**
U.S. Government Agency Securities	$ 235,299	$ -	$ 235,299	$ -	$ -	$ -
U.S. Government Agency Securities (Discount)	525,845	-	525,845	-	-	-
Medium Term Notes	7,005	-	2,994	4,011	-	-
Money Market Mutual Funds	119,000	119,000	-	-	-	-
Local Agency Investment Fund (LAIF)	64,931	-	-	-	-	64,931
State of California, General Obligation Bonds	3,171	-	3,171	-	-	-
State of California, Revenue Bonds	709	-	-	709	-	-
Total pooled investments	**$ 955,960**	**$ 119,000**	**$ 767,309**	**$ 4,720**	**$ -**	**$ 64,931**

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

Restricted Investments

		Ratings as of June 30, 2017		
	Fair Value	AAA	AA	Not Rated
U.S. Government Agency Securities	$ 11,963	$ -	$ 11,963	$ -
U.S. Government Agency Securities (Discount)	33,955	-	33,955	-
Money Market Mutual Funds	71,357	69,116	-	2,241
Commercial Paper (Discount)	365	365	-	-
Annuity Contract	63,000	-	-	63,000
Total restricted investments	**$ 180,640**	**$ 69,481**	**$ 45,918**	**$ 65,241**

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, 2017 are as follows (in thousands):

Investment Type / Issuer	Amount	Percent of City's Investment Portfolio
U.S. Government Agency Securities:		
Federal Farm Credit Bank	$ 89,647	7.89%
Federal Home Loan Bank	501,946	44.16%
Federal Home Loan Mortgage Corporation (Freddie Mac)	194,524	17.11%
Annuity Contract:		
New York Life Insurance Company	63,000	5.54%

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, 2017

The City uses the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2017, the City had the following investments and original maturities (in thousands):

Pooled Investments

			Maturity		
Investment Type	Fair Value	Interest Rates (%)	12 Months or Less	1 - 3 Years	3 - 5 Years
U.S. Government Agency Securities	$ 235,299	0.76 - 2.24	$ 43,936	$ 164,443	$ 26,920
U.S. Government Agency Securities (Discount)	525,845	0.50 - 2.08	525,845	-	-
Medium Term Notes	7,005	1.38 - 1.86	1,997	5,008	-
Money Market Mutual Funds	119,000	0.84 - 0.85	119,000	-	-
Local Agency Investment Fund (LAIF)	64,931	0.98	64,931	-	-
State of California, General Obligation Bonds	3,171	2.29	-	3,171	-
State of California, Revenue Bonds	709	0.95	709	-	-
Total pooled investments	**$ 955,960**		**$ 756,418**	**$ 172,622**	**$ 26,920**

Restricted Investments

			Maturity			
Investment Type	Fair Value	Interest Rates (%)	12 Months or Less	1 - 3 Years	3 - 5 Years	5 Years or More
U.S. Government Agency Securities	$ 11,963	1.27 - 1.59	$ 5,983	$ 5,980	$ -	$ -
U.S. Government Agency Securities (Discount)	33,955	1.06	33,955	-	-	-
Money Market Mutual Funds	71,357	0.00 - 1.16	71,357	-	-	-
Commercial Paper (Discount)	365	1.18	365	-	-	-
Annuity Contracts	63,000	2.50	-	-	-	63,000
Total restricted investments	**$ 180,640**		**$ 111,660**	**$ 5,980**	**$ -**	**$ 63,000**

Other Disclosures: As of June 30, 2017, the City's investment in LAIF is $64.9 million. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately $77.6 billion, 97.11% is invested in non-derivative financial products and 2.89% 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.

Oakland Police and Fire Retirement System (PFRS)

Deposits in the City's Investment Pool

As of June 30, 2017, 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, 2017, PFRS' share of the City's investment pool totaled $3.4 million. As of June 30, 2017, PFRS also had cash and cash deposits not held in the City's investment pool that totaled $18 thousand.

Investments

PFRS' investment policy authorizes investment in U.S. equities, international equities, U.S. fixed income 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, 2017, the number of external investment managers was twelve.

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

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

The following was the Board's adopted investment policy as of June 30, 2017:

Asset Class	**Target Allocation**
Fixed income	31%
Credit	2%
Covered calls	5%
Domestic equity	40%
International equity	12%
Crisis risk offset	10%
Total	**100%**

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

Hierarchy of Inputs: The PFRS has the following recurring fair value measurements as of June 30, 2017 (in thousands):

	Level One	Level Two	Level Three	Total
Investments by fair value level:				
Short-term investments	$ -	$ 13	$ -	$ 13
Bonds	-	55,328	-	55,328
Domestic equities and mutual funds	113,139	-	-	113,139
International equities and mutual funds	30,966	-	2	30,968
Alternative investments	70,511	-	-	70,511
Total investments by fair value level	**$ 214,616**	**$ 55,341**	**$ 2**	269,959
Investments measured at net asset value (NAV):				
Short-term investments				5,563
Fixed income funds				7,272
Domestic equities and mutual funds				55,327
International equities and mutual funds				13,623
Securities lending collateral				31,042
Total investments measured at NAV				112,827
Total investments measured at fair value				**$ 382,786**

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 5.36 years as of June 30, 2017.

As of June 30, 2017, PFRS had the following fixed income investments by category (in thousands):

Investment Type	Fair Value	Modified Duration (Years)
Short-Term Investment Funds	$ 5,576	n/a
Total short-term investment duration	**$ 5,576**	
Fixed income investments:		
Government bonds:		
U.S. Treasuries	$ 14,782	6.44
U.S. Government Agency Securities	18,609	7.54
Total government bonds	33,391	
U.S. corporate bonds		
Corporate bonds	30,209	3.48
Total long-term investment duration	**$ 63,600**	**5.36**
Securities Lending	**$ 31,042**	

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, 2017 (in thousands):

Securities Name	Weighted Average Coupon Rate	Weighted Average Maturity (Years)	Fair Value	Percent of Total Investment
Mortgage-backed securities	3.26%	20.8	$ 12,396	3.23%

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.

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, 2017 concerning credit risk of fixed income securities (in thousands):

Investment Type	S&P/ Moody's Rating	Fair Value
Short-Term Investment Funds	Not Rated	$ 5,576

The following tables provide information as of June 30, 2017 concerning the credit risk of fixed income investments by long-term investment rating (in thousands):

S & P/Moody's Rating	Fair Value	Percent of Total Fair Value
AAA/Aaa	$ 34,300	53.9%
AA /Aa	4,103	6.5%
A/A	7,703	12.1%
BBB/Baa	9,982	15.7%
BB/Ba	240	0.4%
CCC/Caa	7,272	11.4%
Total fixed income investments	**$ 63,600**	**100.0%**

As of June 30, 2017, the securities lending collateral of $31.0 million was not rated.

Concentrations: Accounting standards require the disclosure of investments in any one organization that represent 5% or more of the PFRS's fiduciary net position. As of June 30, 2017, the PFRS had commingled funds issued by State Street Global Advisors that represent 19.5% of its fiduciary net position.

Rate of return: The money-weighted rate of return is a measure of the rate of return for an asset or portfolio of assets that incorporates the size and timing of cash flows. For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.57%.

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

The following summarizes PFRS' investments denominated in foreign currencies as of June 30, 2017 (in thousands):

Foreign Currency		
Australian Dollar	$	327
Brazilian Real		118
British Pound		4,057
Canadian Dollar		639
Danish Krone		884
Euro		9,573
Hong Kong Dollar		2,626
Indonesian Rupiah		494
Japanese Yen		3,958
Mexican Peso		707
Singapore Dollar		229
Swedish Krona		362
Swiss Franc		1,928
Total foreign currency	**$**	**25,902**

Securities Lending Transactions: PFRS's investment policy authorizes participation in securities lending transactions, which are short-term collateralized loans of PFRS's securities to brokers-dealers with a simultaneous agreement allowing PFRS to invest and receive earnings on the collateral received. 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 administrator of the PFRS's securities lending activities 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, 2017, 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 administrator 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, 2017

The following table summarizes investments in securities lending transactions and collateral received as of June 30, 2017 (in thousands):

	Securities Lending		
	Fair Value of Loaned Securities		
	For Cash Collateral	For Non-Cash Collateral	Total
Securities on loan:			
U.S. government and agencies	$ 7,677	$ 2,721	$ 10,398
U.S. corporate bonds	2,139	-	2,139
U.S. equity	20,579	2,230	22,809
Non-U.S. equity	-	230	230
Total securities on loan	**$ 30,395**	**$ 5,181**	**$ 35,576**
Collateral received	**$ 31,034**	**$ 5,304**	**$ 36,338**

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, 2017, 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.

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, 2017 (in thousands):

Derivative Type/Contract	Notional Amount	Fair Value	Net Appreciation in Fair Value
Options			
Equity contracts	$ -	$ (262)	$ 257
Swaps			
Credit contracts	190	14	1
Total	**$ 190**	**$ (248)**	**$ 258**

Counterparty Credit Risk – As of June 30, 2017, PFRS is not exposed to credit risk on non-exchange traded derivative instruments that are in asset positions.

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, 2017, 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, 2017 (in thousands):

		Maturities	
Derivative Type/Contract	**Fair Value**	**Less than 1 Year**	**1 - 5 years**
Options			
Equity contracts	$ (262)	$ (262)	$ -
Swaps			
Credit contracts	14	-	14
Total	**$ (248)**	**$ (262)**	**$ 14**

Foreign Currency Risk - At June 30, 2017, PFRS is not exposed to foreign currency risk.

Contingent Features - At June 30, 2017, PFRS held no positions in derivatives containing contingent features.

<u>Oakland Redevelopment Successor Agency</u>

The ORSA's cash and investment consists of the following at June 30, 2017 (in thousands):

Cash and Investments	**Amount**
Unrestricted cash and investments:	
Demand deposits	$ 2,449
Investments	51,943
Total unrestricted cash and investments	54,392
Restricted cash and investments	17,179
Total cash and investments	**$ 71,571**

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.

CITY OF OAKLAND

Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

Hierarchy: The hierarchy is based on the valuation inputs used to measure fair value of the assets. At June 30, 2017, 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, 2017 (in thousands):

	Significant other observable inputs (Level 2)	Investments measured at the net asset value (NAV)
Unrestricted investments:		
U.S. Government Agency Securities (Discount)	$ 46,943	$ -
Money Market Mutual Funds	-	5,000
Restricted investments:		
U.S. Government Agency Securities (Discount)	5,984	-
Money Market Mutual Funds	-	11,195
Total	$ 52,927	$ 16,195

Custodial Credit Risk: As of June 30, 2017, the carrying amount of the ORSA's deposits was $2.4 million. The deposits are insured by the FDIC insurance coverage limit of $0.25 million, and the remaining bank balance 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.

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.

CITY OF OAKLAND

Notes to the Basic Financial Statements (continued)

Year Ended June 30, 2017

As of June 30, 2017, ORSA had the following investments, credit risk ratings, and maturities (in thousands):

Type of Investment	Current Yield (%)	Credit Ratings (S&P)	Maturities Less than 1 Year	Maturities 1 - 3 Years
Unrestricted investments:				
U.S. Government Agency Securities (Discount)	0.90-0.99	AA	$ 46,943	$ -
Money Market Mutual Funds	0.85	AAA	5,000	-
Total unrestricted investments			**$ 51,943**	**$ -**
Restricted investments:				
U.S. Government Agency Securities (Discount)	0.89-1.71	AA	$ 2,999	$ 2,985
Money Market Mutual Funds	0.82-0.84	AAA	11,195	-
Total restricted investments			**$ 14,194**	**$ 2,985**

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, 2017 (in thousands):

Type of Investment/Issuer	Amount	% of ORSA's Unrestricted Portfolio
U.S. Government Agency Securities		
Federal Home Loan Bank	$ 46,943	90.4%

Type of Investment/Issuer	Amount	% of ORSA's Restricted Portfolio
U.S. Government Agency Securities		
Federal Home Loan Bank	$ 2,999	17.5%
Federal Farm Credit	2,985	17.4%

CITY OF OAKLAND

Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

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, 2017 (in thousands):

Deposits in escrow	$	3,680
City investment pool		348,052
Federal Home Loan Mortgage Note		57,576
Government Securities Money Market Mutual Funds		503
Total cash and investments	**$**	**409,811**

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.

*A*t June 30, 2017, the Port had the following investments (in thousands):

						Maturity	
		Fair Value	**Fair Value Hierarchy**	**Credit Ratings per Moody's**		**Less than 1 Year**	
Federal Home Loan Mortgage Note	$	57,576	Level 2	Aaa	$	57,576	
Government Securities Money Market Mutual Funds		503	Exempt	Aaa		503	
City investment pool		348,052	Exempt	Not Rated		348,052	
Total investments	**$**	**406,131**			**$**	**406,131**	

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**.**

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 $58.1 million at June 30, 2017.

The carrying amount of the Port's deposits in escrow was $3.7 million at June 30, 2017. Of this amount, bank balances and escrow deposits of $0.5 million on June 30, 2017 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, 2017

Primary Governments

1. Due from/Due to other funds

The composition of interfund balances as of June 30, 2017, with explanations of transactions, is as follows (dollars in thousands):

Receivables	Payable Fund	Amount
General Fund	Federal/State Grant Funds	$ 20,452
	Other Governmental Funds	2,537
	Parks and Recreation Enterprise Fund	244
	Internal Service Funds	13,364
	Subtotal	36,597
Low and Moderate Income Housing Asset Fund	Sewer Service Enterprise Fund	2
	Total	**$ 36,599**

In addition, the General Fund has $0.2 million as of June 30, 2017 due from the Private Pension Trust Fund to cover its overdraft position.

2. Interfund Transfers:

The following schedule summarizes the City's transfer activities for the year ended June 30, 2017 (dollars in thousands):

Transfer Out	Transfer In	Amount	
General Fund	Other Governmental Funds	$ 71,265	(1)
	Federal/State Grant Fund	5,355	(2)
	Other Special Revenue Fund	15,052	(3)
Municipal Capital Improvement Fund	General Fund	207	(4)
Other Governmental Funds	General Fund	418	(5)
Sewer Service Fund	General Fund	2,144	(6)
	Governmental Activities	5,461	(7)
Nonmajor Enterprise Fund	Governmental Activities	39	(7)
Internal Service Funds	General Fund	548	(6)
	Governmental Activities	6,543	(7)
	Total	**$ 107,032**	

Significant transfers for the year ended June 30, 2017 include the following:

(1) Transfers of $71.3 for debt service payments.
(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) Repayment of bridge funds for West Oakland Job Resource Center.
(5) Transfers to provide additional funds to cover the City's self-insurance programs.
(6) Transfers for the City's claims and liability payments.
(7) Transfer of net OPEB obligation.

3. Due from the City

As of June 30, 2017, 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, 2016. 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 million 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, 2017, ORSA has a payable to the City in the amount of $6.1 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 $1.9 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, treasury, 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 $7.5 million and are included in operating expenses. At June 30, 2017, $7.2 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, 2017, the Port accrued approximately $1.9 million 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 $1.1 million to reimburse the City for General Services for net City expenditures for Lake Merritt Tideland Trust properties in fiscal year 2017. 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, 2017

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, 2017, is as follows (in thousands):

Type of Loan	General Fund	Federal/ State Grant Fund	LMIHF[1]	Municipal Capital Improve- ment	Other Govern- mental Funds	Total
HUD loans	$ -	$ 70,202	$ 337,798	$ 4,633	$ -	$ 412,633
Economic development loans and other	4,216	99,356	-	-	1,379	104,951
Less: allowance for uncollectable accounts	(121)	(39,844)	(109,981)	-	(543)	(150,489)
Total notes and loans receivables, net	**$ 4,095**	**$ 129,714**	**$ 227,817**	**$ 4,633**	**$ 836**	**$ 367,095**

[1] Low and Moderate Income Housing Asset Fund

As of June 30, 2017, the City has a total of $367.1 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, 2017, loans receivable relating to the LMIHF program totaled approximately $227.8 million, net of allowance for uncollectible accounts.

Oakland Redevelopment Successor Agency (ORSA)

Composition of loans receivable as of June 30, 2017 is as follows (in thousands):

Type of Loan	Amount
Housing developments project	$ 1,463
Economic development	62,010
Gross notes and loans receivable	63,473
Less: allowance for uncollectible	(46,675)
Total notes and loans receivables, net	**$ 16,798**

CITY OF OAKLAND

Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

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, 2017 (in thousands):

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 87,076	$ -	$ -	$ 87,076
Intangibles (easements)	2,607	-	-	2,607
Museum collections	793	-	-	793
Construction in progress	363,179	102,070	-	465,249
Total capital assets, not being depreciated	453,655	102,070	-	555,725
Capital assets, being depreciated:				
Facilities and improvements	828,665	318	-	828,983
Furniture, machinery, and equipment	224,932	3,872	477	228,327
Infrastructure	799,264	155	-	799,419
Total capital assets, being depreciated	1,852,861	4,345	477	1,856,729
Less accumulated depreciation:				
Facilities and improvements	423,387	24,334	4	447,717
Furniture, machinery, and equipment	180,349	13,072	456	192,965
Infrastructure	329,982	26,357	-	356,339
Total accumulated depreciation	933,718	63,763	460	997,021
Total capital assets, being depreciated, net	919,143	(59,418)	17	859,708
Governmental Activities - capital assets, net	**$ 1,372,798**	**$ 42,652**	**$ 17**	**$ 1,415,433**

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

The following is a summary of business-type activities capital assets activity for the fiscal year ended June 30, 2017 (in thousands):

	Balance June 30, 2016	Additions	Transfers	Balance June 30, 2017
Business-Type Activities:				
Sewer Service Fund:				
Capital assets, not being depreciated:				
Land	$ 4	$ -	$ -	$ 4
Construction in progress	40,943	18,310	(1,836)	57,417
Total capital assets, not being depreciated	40,947	18,310	(1,836)	57,421
Capital assets, being depreciated:				
Facilities and improvements	311	155	-	466
Furniture, machinery and equipment	7,176	1,248	-	8,424
Sewer and storm drains	275,585	322	1,836	277,743
Total capital assets, being depreciated	283,072	1,725	1,836	286,633
Less accumulated depreciation:				
Facilities and improvements	280	24	-	304
Furniture, machinery and equipment	4,188	1,073	-	5,261
Sewer and storm drains	110,692	4,674	-	115,366
Total accumulated depreciation	115,160	5,771	-	120,931
Total capital assets, being depreciated, net	167,912	(4,046)	1,836	165,702
Sewer Service Fund, capital assets, net	**$ 208,859**	**$ 14,264**	**$ -**	**$ 223,123**
Parks and Recreation Fund:				
Capital assets, not being depreciated:				
Land	$ 361	$ -	$ -	$ 361
Construction in progress	545	43	-	588
Total capital assets, not being depreciated	906	43	-	949
Capital assets, being depreciated:				
Facilities and improvements	4,433	-	-	4,433
Furniture, machinery and equipment	468	-	-	468
Infrastructure	85	-	-	85
Total capital assets, being depreciated	4,986	-	-	4,986
Less accumulated depreciation:				
Facilities and improvements	2,927	280	-	3,207
Furniture, machinery and equipment	422	27	-	449
Infrastructure	48	6	-	54
Total accumulated depreciation	3,397	313	-	3,710
Total capital assets, being depreciated, net	1,589	(313)	-	1,276
Parks and Recreation Fund, capital assets, net	**$ 2,495**	**$ (270)**	**$ -**	**$ 2,225**
Business-Type Activities - capital assets, net	**$ 211,354**	**$ 13,994**	**$ -**	**$ 225,348**

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

2. Depreciation

Depreciation expense was charged to various governmental and business-type activities of the City for the fiscal year ended June 30, 2017 is as follows (in thousands):

Governmental Activities:		
General Government	$	6,258
Public Safety		3,652
Community Services		7,235
Community and Economic Development		9,672
Public Works		28,980
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets		7,966
Total	**$**	**63,763**
Business-Type Activities:		
Sewer	$	5,771
Parks and Recreation		313
Total	**$**	**6,084**

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

Component Unit – Port of Oakland

1. Summary Schedule

A summary of changes in capital assets for the year ended June 30, 2017, is as follows (in thousands):

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Capital assets, not being depreciated:					
Land	$ 523,374	$ -	$ -	$ -	$ 523,374
Intangibles (noise easements and air rights)	25,852	-	-	-	25,852
Construction in progress	181,907	84,523	(3,166)	(120,007)	143,257
Total capital assets, not being depreciated	731,133	84,523	(3,166)	(120,007)	692,483
Capital assets, being depreciated:					
Building and improvements	852,054	-	-	219	852,273
Container cranes	148,697	-	-	-	148,697
Systems and structures	1,943,951	-	(137)	117,956	2,061,770
Intangibles (software)	13,738	29	(1)	76	13,842
Other equipment	97,895	845	(516)	1,756	99,980
Total capital assets, being depreciated	3,056,335	874	(654)	120,007	3,176,562
Less accumulated depreciation:					
Building and improvements	571,379	21,864	-	-	593,243
Container cranes	98,820	4,817	(2)	-	103,639
Systems and structures	844,290	73,097	-	-	917,387
Intangibles (software)	6,837	1,401	-	-	8,238
Other equipment	67,122	5,076	502	-	71,696
Total accumulated depreciation	1,588,448	106,255	500	-	1,694,203
Total capital assets, being depreciated, net	1,467,887	105,381	(154)	120,007	1,482,359
Port - capital assets, net	**$ 2,199,020**	**$ (20,858)**	**$ (3,320)**	**$ -**	**$ 2,174,842**

2. Capital Assets Under Operating Leases as Lessor

The capital assets leased to others at June 30, 2017, consist of the following (in thousands):

Land	$ 298,940
Container cranes	148,697
Buildings and improvements	182,843
Infrastructure	979,494
	1,609,974
Less accumulated depreciation	(713,234)
Net capital assets, on lease	**$ 896,740**

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.

A summary of revenues from long-term leases for the year ended June 30, 2017, is as follows (in thousands):

Minimum non-cancelable rentals, including preferential assignments	$	141,284
Contingent rentals in excess of minimums		36,939
Total	**$**	**178,223**

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	
2018	$	135,633
2019		130,556
2020		128,127
2021		131,534
2022		130,671
2023 - 2027		294,107
2028 - 2032		257,966
2033 - 2037		95,947
2038 - 2042		24,682
2043 - 2047		17,207
2048 - 2052		10,729
Thereafter		30,977
Total	**$**	**1,388,136**

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

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	Lease Payments
2018	$ 438
2019	452
2020	465
2021	479
2022	493
2023 - 2027	2,699
2028 - 2032	3,128
2033 - 2037	3,627
2038 - 2042	4,204
2043 - 2047	4,874
2048 - 2052	5,650
Thereafter	2,287
Total	**$ 28,796**

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, 2017, the City has a total of $162.7 million of property held for resale.

Oakland Redevelopment Successor Agency (ORSA)

As of June 30, 2017, 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, 2017

F. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2017, for the City are as follows (in thousands):

Primary Government – Governmental Activities

Accounts payable and accrued liabilities for the governmental and business-type activities at June 30, 2017, are as follows (in thousands):

	Accounts Payable	Accrued Payroll/ Employee Benefits	Total
Governmental Activities:			
Governmental Funds:			
General Fund	$ 35,431	$ 104,653	$ 140,084
Federal/State Grant Fund	17,642	-	17,642
Low and Moderate Income Housing Asset Fund	234	-	234
Municipal Capital Improvement Fund	1,689	-	1,689
Other special revenue funds	8,130	-	8,130
Other governmental funds	8,120	-	8,120
Total governmental funds	71,246	104,653	175,899
Internal service funds	4,524	-	4,524
Total governmental activities	$ 75,770	$ 104,653	$ 180,423
Business-type Activities:			
Sewer Service Fund	$ 4,343	$ -	$ 4,343
Nonmajor Fund - Parks & Recreation	8	-	8
Total business-type activities	$ 4,351	$ -	$ 4,351

Accounts payable and accrued liabilities for the pension trust fund at June 30, 2017, are as follows (in thousands):

Pension Trust Fund	
Accounts payable	$ 23
Member benefits payable	4,763
Investments payable	5,118
Accrued investment management fees	282
Total pension trust fund	$ 10,186

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

G. 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, 2017 (in thousands):

Governmental Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates		Amount
Bonds payable:				
General obligation bonds	2047	2.00 - 5.00%	$	216,655
Lease revenue bonds	2027	4.00 - 5.25%		71,335
Pension obligation bonds	2026	2.37 - 6.89%		296,854
Accreted interest on appreciation bonds	2023	n/a		149,896
City guaranteed special assessment district bonds	2039	3.00 - 6.70%		5,335
Unamortized premiums and discounts, net				23,246
Total bonds payable			**$**	**763,321**
Loans payable and capital leases:				
Loans payable	2020	2.44%	$	8,021
Capital leases	2025	1.17 - 5.46%		67,802
Total notees payable and capital leases			**$**	**75,823**

Business-Type Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates		Amount
Bonds payable:				
Sewer revenue bonds	2029	2.00 - 5.00%	$	32,620
Unamortized bond premium				4,115
Total bonds payable			**$**	**36,735**

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, 2017:

Calculation period (July 31)	Notional Amount	Fixed Rate To Counterparty	65% of LIBOR[1]	Net Rate
2017	$ 32,500,000	5.6775%	0.7977%	4.8798%
2018	25,800,000	5.6775%	0.7977%	4.8798%
2019	19,300,000	5.6775%	0.7977%	4.8798%
2020	12,800,000	5.6775%	0.7977%	4.8798%
2021	6,400,000	5.6775%	0.7977%	4.8798%

[1] The 1-month LIBOR rate is 1.2272% as of June 30, 2017. 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, 2017 of $32.5 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 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 $3.7 million as of June 30, 2017.

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, 2017. 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, 2017

3. Summary of Changes in Long-term Obligations

Primary Government

The changes in long-term obligations for the year ended June 30, 2017, are as follows (in thousands):

	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017	Amounts due within one year
Governmental activities:					
Bonds payable:					
General obligation bonds (A)	$ 201,830	$ 26,500	$ 11,675	$ 216,655	$ 12,705
Lease revenue bonds (B)	91,110	-	19,775	71,335	5,660
Pension obligation bonds (C)	313,223	-	16,369	296,854	25,274
Accreted interest on appreciation bonds (B) and (C)	159,476	17,194	26,774	149,896	28,807
City guaranteed special assessment district bonds (C)	5,685	-	350	5,335	365
Unamortized premium and discounts	24,054	809	1,617	23,246	1,293
Total bonds payable	795,378	44,503	76,560	763,321	74,104
Loans, notes and lease payable:					
Loans and notes payable (B) and (D)	2,060	8,021	2,060	8,021	2,250
Capital leases (B) and (D)	71,849	11,415	15,462	67,802	18,200
Total notes payable and capital leases	73,909	19,436	17,522	75,823	20,450
Other long-term liabilities:					
Accrued vacation and sick leave (E)	47,051	55,013	52,977	49,087	34,861
Pledge obligation for Coliseum Authority debt (B)	45,512	-	4,128	41,384	4,335
Estimated environmental cost (B)	873	-	717	156	50
Self-insurance liability - workers' compensation (B)	99,955	19,388	25,315	94,028	17,618
Self-insurance liability - general liability (B)	40,978	37,059	26,237	51,800	21,855
Interest rate swap agreement	6,019	-	2,332	3,687	1,500
Total other long-term liabilities	240,388	111,460	111,706	240,142	80,219
Total governmental activities	**$ 1,109,675**	**$ 175,399**	**$ 205,788**	**$ 1,079,286**	**$ 174,773**
Business-type activities:					
Sewer fund - bonds payable	$ 34,665	$ -	$ 2,045	$ 32,620	$ 2,125
Unamortized bond premium	4,458	-	343	4,115	343
Total business-type activities	**$ 39,123**	**$ -**	**$ 2,388**	**$ 36,735**	**$ 2,468**

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, 2017, $46.9 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, 2017

4. Annual Requirements to Maturity

Primary Government

The annual repayment schedules for governmental activities' long-term debt as of June 30, 2017, are as follows (in thousands):

Governmental Activities [1]

Year Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Special Assessment District Bonds Principal	Special Assessment District Bonds Interest
2018	$ 12,705	$ 10,156	$ 5,660	$ 3,398	$ 365	$ 237
2019	13,320	9,566	5,935	3,125	370	225
2020	13,990	8,915	6,230	2,831	400	211
2021	13,560	8,215	6,545	2,512	395	197
2022	14,250	7,537	6,885	2,176	390	183
2023-2027	47,500	28,786	40,080	5,211	1,455	715
2028-2032	50,605	17,531	-	-	595	516
2033-2037	30,590	7,230	-	-	775	311
2038-2042	13,600	2,220	-	-	590	57
2043-2047	6,535	702	-	-	-	-
Total	**$ 216,655**	**$ 100,858**	**$ 71,335**	**$ 19,253**	**$ 5,335**	**$ 2,652**

Year Ending June 30	Loan Payable Principal	Loan Payable Interest	Capital Leases Principal	Capital Leases Interest
2018	$ 2,250	$ 55	$ 18,200	$ 1,461
2019	4,125	101	16,184	1,079
2020	13,875	338	13,039	740
2021	4,250	104	7,825	479
2022	-	-	5,654	284
2023-2027	-	-	6,900	363
Subtotal	24,500	598	67,802	4,406
Less: amount not withdrawn	(16,479)	-	-	-
Total	**$ 8,021**	**$ 598**	**$ 67,802**	**$ 4,406**

Year Ending June 30	Pension Obligation Bonds Principal	Pension Obligation Bonds Accreted Interest	Pension Obligation Bonds Interest	Total Principal	Total Accreted Interest	Total Interest
2018	$ 25,274	$ 28,807	39,162	$ 64,454	$ 28,807	$ 54,469
2019	24,708	30,841	41,001	64,642	30,841	55,097
2020	24,316	32,801	42,710	71,850	32,801	55,745
2021	23,992	34,778	44,390	56,567	34,778	55,897
2022	23,758	36,728	46,002	50,937	36,728	56,182
2023-2027	174,806	37,926	58,430	270,741	37,926	93,505
2028-2032	-	-	-	51,200	-	18,047
2033-2037	-	-	-	31,365	-	7,541
2038-2042	-	-	-	14,190	-	2,277
2043-2047	-	-	-	6,535	-	702
Subtotal	296,854	201,881	271,695	682,481	201,881	399,462
Less: unaccreted interest	-	(51,985)	-	-	(51,985)	-
Less: amount not withdrawn	-	-	-	(16,479)	-	-
Total	**$ 296,854**	**$ 149,896**	**$ 271,695**	**$ 666,002**	**$ 149,896**	**$ 399,462**

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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

The annual repayment schedules for business-type activities' long-term debt as of June 30, 2017, are as follows (in thousands):

Business-Type Activities

Year Ending	Sewer Revenue Bonds	
June 30	Principal	Interest
2018	$ 2,125	$ 1,519
2019	2,235	1,413
2020	2,275	1,368
2021	2,370	1,277
2022	2,490	1,159
2023-2027	14,345	3,893
2028-2031	6,780	513
Total	**$ 32,620**	**$ 11,142**

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 $43.8 million. The principal and interest payments made in 2017 were $3.6 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2017 were $23.3 million.

5. New Debt Issuance

General Obligation Bonds - Series 2017C, Measure DD

On November 5, 2002, the City voters approved Measure DD 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, the City issued $71,450,000 General Obligation Bonds (Series 2003A, Measure DD) and in 2009, the City issued $64,545,000 General Obligation Bonds (Series 2009B, Measure DD).

On January 12, 2017, the City issued General Obligation Bonds Series 2017 C, Measure DD (Series 2017C Bonds) in the amount of $26,500,000 with interest rates ranging from 2.0% to 5.0% and maturity from January 15, 2018 to January 15, 2047. After the issuance of the Series 2017C Bonds, authorization for the issuance of $35,755,000 of authorized bonds will remain. The debt service payments on these bonds are funded through ad valorem taxes on property.

General Obligation Bonds - Measure KK

At June 30, 2017, the City has $600.0 million (Measure KK) General Obligation Bonds authorized and unissued. The voters, in a City election on November 8, 2016, authorized these bonds. The bonds are to be issued by the City in general obligation 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

Loan Payable - Oakland Army Base Credit Agreement

Pursuant to Ordinance No. 13381 adopted by the City Council on July 19, 2016, the City is authorized to incur indebtedness secured by an assignment of the City's rights under the Alameda County Transportation Commission (ACTC) Administered Funds to provide interim bridge financing in an amount not to exceed $53.2 million for certain capital infrastructure expenditures to support the redevelopment of the former Oakland Army Base (OAB Project).

On February 16, 2017, the City entered into a credit agreement with JPMorgan Chase Bank, N.A. (JPMorgan) whereby JPMorgan agreed to loan the City an amount not to exceed $24.5 million to support the OAB Project. The loan, evidenced by a promissory note, bears interest at 2.44% on scheduled amounts funded, has an unused fee rate of seven basis points per annum, and has interest payments on the fifteenth day of each January, April, July and October, and matures July 15, 2020. As of June 30, 2017, the City has a principal balance of $8.0 million advanced under the JPMorgan loan.

The JPMorgan loan is secured by the pledge of revenues under the Alameda CTC Administered Funds received by the City until the final maturity date of the loan. At June 30, 2017, the total principal and interest remaining on this loan is approximately $8.6 million. For the year ended June 30, 2017, the City collected $12.6 million in ACTC Administered Funds and made total debt service payments in the amount of $35 thousand.

Master Lease – Vehicle and Equipment Lease 2016

On December 15, 2016, the City entered into a Master Lease-Purchase Agreement to provide financing to purchase vehicles and equipment as follows (in thousands):

Governmental Activities			
Equipment Group	Final Maturity Year	Interest Rates	Amount
No. 1 - Vehicle Replacements	2020	1.37%	$ 4,056
No. 2 - Vehicle Replacements	2022	1.48%	3,504
No. 3 - Vehicle Replacements	2024	1.62%	1,510
No. 4 - Vehicle Replacements	2027	1.77%	2,345
Total			**$ 11,415**

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

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, 2017 (in thousands):

Oakland Redevelopment Successor Agency			
Type of Obligation	**Final Maturity Year**	**Remaining Interest Rates**	**Amount**
Bonds payable:			
Tax Allocation Bonds	2041	4.00 - 8.50%	$ 249,765
Subordinated Housing Set-Aside Bonds	2042	5.38 - 9.25%	39,720
ORSA Subordinated Tax Allocation Refunding Bonds	2037	1.33 - 5.00%	88,745
Unamortized premiums and discounts, net			7,070
Total bonds payable			**$ 385,300**

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, 2017, the total principal and interest remaining on these TABs was estimated at $356.0 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.

As of June 30, 2017, the total principal and interest remaining on the Housing set-aside bonds was estimated at $93.2 million and the property tax revenues are pledged until the year 2042, the final

CITY OF OAKLAND

Notes to the Basic Financial Statements (continued)

Year Ended June 30, 2017

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, 2017, are as follows (in thousands):

Oakland Redevelopment Successor Agency

	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017	Amounts due within one year
Tax allocation bonds	$ 273,060	$ -	$ 23,295	$ 249,765	$ 23,650
Housing set-aside bonds	45,225	-	5,505	39,720	1,935
Subordinated tax allocation refunding bonds	89,185	-	440	88,745	4,340
Unamortized premium and discounts:					
Issuance premiums	10,232	-	1,319	8,913	1,318
Issuance discounts	(1,979)	-	(136)	(1,843)	(136)
Total ORSA	**$ 415,723**	**$ -**	**$ 30,423**	**$ 385,300**	**$ 31,107**

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, 2017, including mandatory sinking fund payments, are as follows (in thousands):

Oakland Redevelopment Successor Agency

Year Ending	Tax Allocation Bonds		Housing Set-Aside Bonds		Subordinate Refunding Tax Allocation Bonds	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 23,650	$ 13,366	$ 1,935	$ 3,389	$ 4,340	$ 3,710
2019	25,520	11,973	2,075	3,239	4,425	3,622
2020	26,700	10,479	2,235	3,077	4,515	3,509
2021	28,175	8,871	2,400	2,897	4,645	3,373
2022	24,330	7,416	2,515	2,701	4,795	3,216
2023-2027	37,930	28,687	5,620	11,530	13,440	14,137
2028-2032	44,075	18,217	210	10,527	12,850	11,484
2033-2037	33,925	6,354	35	10,504	39,735	6,204
2038-2042	5,460	828	22,695	5,618	-	-
Total	**$ 249,765**	**$ 106,191**	**$ 39,720**	**$ 53,482**	**$ 88,745**	**$ 49,255**

CITY OF OAKLAND

Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

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, 2017 (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	3.375 - 5.125%	$	979,565
Notes and loans	2030	0.42 - 4.50%		102,272
Unamortized bond discounts and premiums, net				38,784
Total bonds, notes, and loans payable			**$**	**1,120,621**

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 2017 pledged revenues amounted to $361.3 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 2017.

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.

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, 2017, only one DBW Loan remained outstanding with a balance of $4.4 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 June 13, 2017, the Port substituted its then-outstanding JPMorgan Chase Bank National Association (JPMorgan) LOC supporting its DEF Series of commercial paper notes, with a new LOC supported by Bank of America National Association (BANA) in the amount of $54.4 million (principal of $50.0 million and interest of $4.4 million). This is equal to the prior JPMorgan LOC and represents the second LOC the Port has entered into with BANA. On June 13, 2016, the Port entered into a LOC with BANA amounting to $163.3 million (principal of $150.0 million and interest coverage of $13.3 million) supporting its ABC Series of commercial paper notes. Both BANA LOCs expire on June 30, 2019.

As of June 30, 2017, the outstanding balance of CP Notes under the Port's ABC Series of CP is $51.4 million, while the outstanding balance of CP Notes under the Port's DEF Series of CP is $46.4 million.

The Port covenants in both of its LOC and Reimbursement Agreements with BANA 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, 2017

3. Summary of Changes in Long-Term Obligations

The changes in the Port's long-term obligations for the year ended June 30, 2017, are as follows (in thousands):

Component Unit - Port of Oakland

	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017	Amounts due within one year
Bonds and notes payable:					
Senior and intermediate lien bonds	$ 1,028,550	$ -	$ 48,985	$ 979,565	$ 52,950
Notes and loans payable	89,269	17,250	4,247	102,272	268
Unamortized premium and discounts, net	44,367	(80)	5,503	38,784	5,185
Total bonds and notes payable	1,162,186	17,170	58,735	1,120,621	58,403
Other long-term liabilities:					
Accrued vacation, sick leave, and compensatory time	6,511	1,738	1,544	6,705	5,660
Environmental remediation	15,062	4,315	4,038	15,339	3,256
Self -insurance liability - workers' compensation	12,249	312	1,279	11,282	1,280
Other long-term liabilities	24,908	1,045	2,459	23,494	5,300
Total other long-term liabilities	58,730	7,410	9,320	56,820	15,496
Total component unit	**$ 1,220,916**	**$ 24,580**	**$ 68,055**	**$ 1,177,441**	**$ 73,899**

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, 2017, are as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2018	$ 85,822 (1)	$ 54,117	$ 139,939
2019	90,013	49,614	139,627
2020	87,366	44,288	131,654
2021	56,415	40,032	96,447
2022	60,618	37,434	98,052
2023-2027	349,575	137,645	487,220
2028-2032	315,088	49,732	364,820
2033	36,940	1,800	38,740
Total	**$ 1,081,837**	**$ 414,662**	**$ 1,496,499**

(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 2018-2020 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, 2017

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, 2017, the City's debt limit (3.75% of valuation subject to taxation) was $1.4 billion. The total amount of debt applicable to the debt limit was $216.7 million. The resulting legal debt margin was $1.2 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, 2017, the principal amount of defeased debt outstanding is $55.9 million.

4. 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, 2017 (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2017
Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	$ 19,800	07/01/33	$ 13,155

H. 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, 2017

As of June 30, 2017, the City has $77.5 million in the GPF fund balance. Of this amount, $42.8 million is set aside to meet the mandated 7.5% required reserve, and is reported in the assigned fund balance of the General Fund.

I. 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 $94.0 million in claims liabilities as of June 30, 2017, approximately $17.6 million is estimated to be due within one year.

Changes in self-insurance workers' compensation for the years ended June 30, 2017 and 2016 are as follows (in thousands):

	2017	2016
Self-insurance liability - workers' compensation, beginning of year	$ 99,955	$ 86,726
Current year claims and changes in estimates	19,388	34,654
Claims payments	(25,315)	(21,425)
Self-insurance liability - workers' compensation, end of year	$ 94,028	$ 99,955

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, 2017

3. General Liability

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2017, the amount of liability determined to be probable of occurrence is approximately $51.8 million. Of this amount, claims and litigation approximating $21.9 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, 2017 and 2016 are as follows (in thousands):

	2017	2016
Self -insurance liability - general liability, beginning of year	$ 40,978	$ 36,768
Current year claims and changes in estimates	37,059	25,127
Claims payments	(26,237)	(20,917)
Self -insurance liability - general liability, end of year	$ 51,800	$ 40,978

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, 2016, the self-insured retention levels and purchased insurance per occurrence are as follows:

Type of Coverage	Limits	Purchased Insurance Per Occurrence
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

5. Warehouse Fire Related Litigation

Litigation has been filed against the City arising from the tragic fire at an Oakland warehouse that resulted in the deaths of 36 persons on December 2, 2016. Initially, on May 24, 2017, plaintiffs in In Re Ghost Ship Fire Litigation, Case No. RG16843631 (And Related Cases) filed a Master Claim against the City. The Master Claims were deemed denied on June 14, 2017. Following the denial of the claims, fifty-one suits have been filed against the City, all via adoption of a common First Amended Master Complaint. The City could be found liable for damages and incur significant defense costs. However, the City has strong immunity defenses and will vigorously defend litigation against it, including seeking judgments in favor of the City through dispositive motions. The litigation is in the very early stages and 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.

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 $11.3 million at June 30, 2017 is based upon an actuarial study performed as of June 30, 2017 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):

	2017	2016
Self -insurance liability - workers' compensation, beginning of year	$ 12,249	$ 12,661
Current year claims and changes in estimates	312	876
Claims payments	(1,279)	(1,288)
Self -insurance liability - workers' compensation, end of year	$ 11,282	$ 12,249

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 2017, 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 Owner Protective Professional Indemnity Insurance Program (OPPI) 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 OPPI protects the Port from the potential error and omission of consultants working on Port CIP projects. Consultants must meet minimum insurance requirements of $1,000,000 to $2,000,000. If minimum insurance is not provided or does not respond, the Port would be responsible for $100,000 self-insured retention. There is no actuarial forecast for this coverage.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

4. Gain on Long-Term Lease Terminations

92A Special Facility Bond Redemptions - In 1992 the Port issued special facilities bonds in connection with a Preferential Assignment Agreement for Berth 30 with Mitsui that obligated Mitsui to pay the debt service on these bonds. The debt service payments were recognized as rental income over the lease term. In 2004, the Port was instructed by Mitsui to call all outstanding bonds and paid the Port $34.1 million to fund the early redemption. The payment from Mitsui was being amortized over the remaining lease term through 2019. The lease agreement was then assigned to TraPac, an affiliate of Mitsui. In October 2016, TraPac entered into a new lease agreement with the Port that terminated the original lease agreement in its entirety, effective November 1, 2016, and established an independent contract directly with TraPac with new terms and conditions. In fiscal year 2017, the Port recognized a gain on the lease termination for the unamortized 92A Special Facility Bond Redemption at November 1, 2016 of $5.5 million.

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. As of June 30, 2017, the Port estimated the cost to complete significant repairs and deferred maintenance over the next few years is approximately $20.0 million. 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	**$**	**35,200**

J. 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 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 $12 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 $24 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.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

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.

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, 2017 is as follows (in thousands):

Type of Indebtedness	Maturity	Interest Rate	Authorized and Issued	Outstanding as of June 30, 2017
Stadium Bonds:				
2012 Refunding Series A	February 1, 2025	2.0% - 5.0%		
Lease revenue bonds			$ 122,815	$ 82,770
Arena Bonds:				
2015 Refunding Series A	February 1, 2025	1.0% - 4.0%		
Lease revenue bonds			79,735	68,535
Total			$ 202,550	$ 151,305

Debt payments during the year ended June 30, 2017 were as follows (in thousands):

	Stadium	Arena	Total
Principal	$ 8,255	$ 5,800	$ 14,055
Interest	4,551	2,168	6,719
Total	$ 12,806	$ 7,968	$ 20,774

CITY OF OAKLAND

Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

The following is a summary of long-term debt transactions for the year ended June 30, 2017 (in thousands):

Outstanding lease revenue bonds, beginning of year	$	165,360
Principal repayments		(14,055)
Outstanding lease revenue bonds, end of year	$	151,305

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

Year	Stadium Bonds		Arena Bonds		Total	
Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
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	1,838	16,555	5,088
2021	10,035	2,772	7,600	1,650	17,635	4,422
2022	10,535	2,271	8,200	1,426	18,735	3,697
2023-2025	34,875	3,544	32,935	2,774	67,810	6,318
Total	$ 82,770	$ 19,681	$ 68,535	$ 11,775	$ 151,305	$ 31,456

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, 2017, the City made contributions of $12.0 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 $24.0 million obligated, for the year ending June 30 2018, it is estimated that the City will have to contribute $12.0 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 $41.4 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.

(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, 2017

The CalPERS' provisions and benefits in effect at June 30, 2017, are summarized as follows:

Tier Pension Plans	CalPERS Miscellaneous Plan	CalPERS Safety Plan
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, 2017, the following employees were covered by the benefit terms of each pension plan:

	PFRS Plan	CalPERS Miscellaneous Plan	CalPERS Safety Plan
Inactive employees or beneficiaries currently receiving benefits	886	3,411	1,135
Inactive employees entitled to but not yet receiving benefits	-	1,679	385
Active employees	-	2,620	1,200
Total	**886**	**7,710**	**2,720**

3. Contributions

For the years ended June 30, 2017 and 2016, the City's actuarial determined contributions were as follows (in thousands):

	2017	2016
PFRS Plan	$ -	$ -
CalPERS Miscellaneous Plan	57,696	65,399
CalPERS Safety Plan	58,730	46,264
Total	**$ 116,426**	**$ 111,663**

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 using various assumptions as to salary progression, inflation, and rate of return on investments. The City's contributions are based on a level percentage of all uniformed employees' compensation. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefits.

CITY OF OAKLAND

Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

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) G 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, 2017, is distributed (in thousands).

Governmental Activities	$	1,503,250
Business-type Activities		39,011
Component Unit - Port of Oakland		204,078
Total	**$**	**1,746,339**

As of June 30, 2017, the City's net pension liability is comprised of the following (in thousands):

PFRS Plan	$	308,475
CalPERS Miscellaneous Plan		800,863
CalPERS Safety Plan		637,001
Total	**$**	**1,746,339**

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, 2016, using an annual actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2015 (valuation date)	$ 635,588	$ 419,253	$ 216,335
Changes for the year:			
Interest on the total pension liability	42,480	-	42,480
Changes in assumptions	43,480	-	43,480
Differences between expected and actual experience	6,978	-	6,978
Claims and settlements	-	3,593	(3,593)
Net investment income	-	(1,419)	1,419
Administrative expenses	-	(1,376)	1,376
Benefit payments, including refunds of employee contributions	(58,441)	(58,441)	-
Net changes	34,497	(57,643)	92,140
Balance at June 30, 2016 (measurement date)	**$ 670,085**	**$ 361,610**	**$ 308,475**

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

	CalPERS Miscellaneous Plan			CalPERS Safety Plan		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2015 (valuation date)	$ 2,385,420	$ 1,693,856	$ 691,564	$ 1,688,298	$ 1,180,828	$ 507,470
Changes for the year:						
Service cost	37,856	-	37,856	36,434	-	36,434
Interest on the total pension liability	177,626	-	177,626	129,920	-	129,920
Changes in assumptions	-	-	-	-	-	-
Differences between expected and actual experience	(16,210)	-	(16,210)	32,162	-	32,162
Contributions from the employer	-	65,067	(65,067)	-	47,172	(47,172)
Contributions from employees	-	17,291	(17,291)	-	16,221	(16,221)
Plan to plan movement	-	-	-	-	-	-
Net investment income	-	8,647	(8,647)	-	6,311	(6,311)
Administrative expenses	-	(1,032)	1,032	-	(719)	719
Benefit payments, including refunds of employee contributions	(132,473)	(132,473)	-	(80,752)	(80,752)	-
Net changes	66,799	(42,500)	109,299	117,764	(11,767)	129,531
Balance at June 30, 2016 (measurement date)	**$2,452,219**	**$1,651,356**	**$ 800,863**	**$ 1,806,062**	**$1,169,061**	**$ 637,001**

CITY OF OAKLAND

Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

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

For the year ended June 30, 2017, the City and the Port recognized pension expense of $206.6 million. At June 30, 2017, the City deferred outflows of resources and deferred inflows of resources related to pension items are from the following sources (in thousands):

	Total	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Pension contributions subsequent to measurement date	$ 135,334	$ -
Change in assumptions	-	(30,646)
Differences between expected and actual experiences	28,948	(13,032)
Net differences between projected and actual earnings on plan investments	171,212	-
Total	**$ 335,494**	**$ (43,678)**

At June 30, 2017, the City reported $116.4 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

Year Ending June 30	**Deferred Outflows/(Inflows) of Resources**
2018	$ 3,100
2019	18,202
2020	81,228
2021	52,132
2022	1,820
Total	$ 156,482

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

6. Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2016 is provided below, including any assumptions that differ from those used in the July 1, 2015 actuarial valuation.

	PFRS Plan	CalPERS Miscellaneous and Safety Plans
Valuation date	July 1, 2016	June 30, 2015
Measurement date	June 30, 2016	June 30, 2016
Actuarial cost method	Entry-age normal cost method	Entry-age normal cost method
Actuarial cost method:		
Discount rate	6.44%	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%	Contract cost of living adjustment up to 2.75% until 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, 2016 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 – For the PFRS Plan, the City entered into new Memorandums of Understanding (MOU) for Police members between the valuation date and the measurement date, increasing Police retirees' Cost of Living Adjustments (COLAs). The updated procedures included the additional liability due to the new Police MOUs, and the addition of interest cost from the reduction in the discount rate 6.54% to 6.44%, offset by actual benefit payments.

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, 2017

Best estimates of geometric real rates of return for each major class included in the PFRS's target asset allocation as of June 30, 2016 measurement date are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.90%
Domestic Equity	6.25%
International Equity	7.25%
Real Return	4.10%
Covered Calls	6.21%
Private Equity	8.50%
Cash	2.25%

The discount rate used to measure the total pension liability was 6.44 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, the tests revealed the assets would not run out. 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, 2017

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, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 [1]	Real Return Years 11+ [2]
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	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	1.00%	-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 the Net Pension Liability to Changes in the Discount Rate

The following presents the City's net pension liability for each of the City's retirement plans, calculated using the discount rate, as well as what the City's 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 (in thousands).

	1% Decrease at 5.54%	Measurement Date at 6.54%	1% Increase at 7.54%
PFRS Plan	$ 373,903	$ 308,475	$ 252,938

	1% Decrease at 6.65%	Measurement Date at 7.65%	1% Increase at 8.65%
CalPERS Miscellaneous Plan	$ 1,098,436	$ 800,863	$ 552,568
CalPERS Safety Plan	894,512	637,001	427,111

CITY OF OAKLAND

Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

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 $20.4 million for retirees under this program for the year ended June 30, 2017.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

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, 2017 were as follows (in thousands):

Annual Required Contribution (ARC)	$	77,740
Interest on net OPEB obligation		12,201
Adjustment to ARC		(14,555)
Annual OPEB cost		75,386
Employer contribution		(20,425)
Increase in net OPEB obligation		54,961
Net OPEB obligation, beginning of year		305,024
Net OPEB obligation, end of year	**$**	**359,985**

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
2015	$ 41,585	47.5%	$ 256,922
2016	68,584	29.9%	305,324
2017	75,386	27.1%	359,985

4. 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. 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.

5. 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, 2017 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.

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

CITY OF OAKLAND

Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

Changes in Actuarial Assumptions from the City's prior valuation dated July 1, 2014 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.

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:

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

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, 2017, there were approximately 575 employees who had retired from the Port and were participating in the Port's Retiree Health Plan. During the year ended June 30, 2017, 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, and changes in the net OPEB obligation to the Plan as of June 30, 2017 (in thousands):

Annual Required Contribution (ARC)	$ 13,725
Interest on net OPEB obligation	708
Adjustment to ARC	(779)
Annual OPEB cost	13,654
Employer Contribution	(13,796)
Increase in net OPEB obligation	(142)
Net OPEB obligation, beginning of year	10,121
Net OPEB obligation, end of year	**$ 9,979**

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

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
2015	$ 12,780	101.2%	$ 10,249
2016	13,653	100.9%	10,121
2017	13,654	101.0%	9,979

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%

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 2017 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

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

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.

C. COMMITMENTS AND CONTINGENCIES

1. Construction Commitments

As of June 30, 2017, 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	$ 124	$ 1,579	$ 7,965	$ 103	$ 42,897	$ 1,132	$ 53,800
Parks and open space	-	831	23,957	812	2,082	-	27,682
Sewers and storm drains	-	158	-	-	-	-	158
Streets and sidewalks	1,016	12,878	27,088	46	12,602	-	53,630
Technology enhancements	7,489	100	1,930	-	166	4,704	14,389
Traffic improvements	-	2,413	3,582	14	7,393	-	13,402
Total	**$ 8,629**	**$ 17,959**	**$ 64,522**	**$ 975**	**$ 65,140**	**$ 5,836**	**$ 163,061**

	Sewer Fund	Nonmajor Parks and Recreation	Total Business-Type Activities
Parks and open space	$ 13	$ -	$ 13
Sewers and storm drains	35,937	-	35,937
Streets and sidewalks	1,128	-	1,128
Traffic improvements	398	-	398
Total	**$ 37,476**	**$ -**	**$ 37,476**

2. Other Commitments and Contingencies

ORSA Encumbrances

As of June 30, 2017, the ORSA had encumbered $818.3 million for contracted obligations, per the Recognized Obligations Payment Schedule covering the period July 1, 2017 through June 30, 2018, which was approved by the California Department of Finance on May 17, 2017.

Component Unit – Port of Oakland

As of June 30, 2017, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

Aviation	$ 69,784
Maritime	76
Total	**$ 69,860**

The most significant projects for which the Port has contractual commitments for construction are the Runway 12/30 Rehabilitation project of $49.6 million and the International Arrivals Building upgrades for $16.4 million.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

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, 2017, multiple forward power purchase contracts totaling approximately $3.9 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, 2017, is as follows (in thousands):

Obligating Event	Liability	Estimated Recovery
Pollution poses an imminent danger to the public or environment	$ 1,525	$ -
Identified as responsible to clean up pollution	11,322	2
Begins or legally obligates to clean up or post-clean up activities	2,492	-
Total by obligating event	**$ 15,339**	**$ 2**

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.

D. DEFICIT FUND BALANCES/NET POSITION

As of June 30, 2017, the following funds reported deficits in fund balance/net position (in thousands):

Special Revenue Funds:		
Federal/State Grant Fund	$	(15,238)
Landscape and Lighting Assessment District		(1,468)
Debt Service Fund:		
JPFA Fund		(3)
Internal Service Funds:		
Equipment		(2,096)
Facilities		(27,578)
Reproduction		(2,967)
Central Stores		(5,146)
Purchasing		(2,138)
Other Private Purpose Trust Funds:		
Oakland Redevelopment Successor Agency Trust Fund		(294,078)
Private Pension Trust Fund		(215)

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 is expected to be cured from collections from special assessments. The City's equipment, 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, 2017, ORSA has a negative net position of $294.1 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). The deficit in the Private Pension Trust Fund will be cured by future revenues and reduction in costs.

E. SUBSEQUENT EVENTS

Debt Issuance – City

Tax and Revenue Anticipation Notes Payable - On July 20, 2017, the City issued a $70.6 million tax and revenue anticipation notes in advance of property tax collections. The notes were issued as one taxable series bearing an interest rate of 1.69% per annum and maturing on June 29, 2018. The notes were issued to finance the prepayment of the City's Employer Unfunded Accrued Liability contribution to CalPERS for fiscal year 2017-18. The City received a 3.55% prepayment discount from CalPERS for pre-funding.

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2017

Master Lease-Purchase Agreement, Public Safety IT Systems Lease 2017, Schedule No. 1 - On August 1, 2017, the City entered into a Master Lease-Purchase Agreement in the principal amount of $4,900,000. This financing provides funding to upgrade, replace, and implement mission-critical public safety IT systems including 1) 911 Computer Aided Dispatch, the Records Management System, and the Fire Station Alerting System, as well as, 2) the Oakland Police Department's Performance, Reporting, and Information & Metrics Environment 2.0 (PRIME 2.0) enterprise platform. The aim of the project is to produce accurate, reliable, efficient, and modern next-generation public safety IT systems. The final maturity is August 1, 2023 and has an interest rate of 1.765%.

General Obligation Bonds, Series 2017A-1 and 2017A-2 - On August 30, 2017, City issued General Obligation Bonds Series 2017 A-1 (Tax-Exempt) and Series 2017 A-2 (Taxable) in the amount of $62.7 million and $55.1 million, respectively. These bonds were issued to (i) finance Measure KK projects per City Council Resolution 86773 C.M.S., 86815 C.M.S., and 86816 C.M.S.; (ii) finance Measure KK projects per City Council Resolution 86774 C.M.S. and 86814 C.M.S.; and (iii) pay for certain costs related to the issuance of the bonds. The bonds mature from January 2018 through January 2047 with interest rates ranging from 2.0% to 4.0%. Debt service payments for these bonds are funded through ad valorem taxes on property.

Debt Issuance – Port

On August 3, 2017, the Port issued Intermediate Lien Refunding Revenue Bonds 2017 Series D (Private Activity/AMT) , Series E (Governmental/Non-AMT), Series F (Private Activity/Non-AMT) and Series G (Federally Taxable), collectively referred to as Series 2017, in the aggregate principal amount of $254 million. Proceeds from the Series 2017, together with certain additional funds provided by the Port, were used to effect the refunding and defeasance of $323.6 million of Intermediate Lien Revenue Bonds Series 2007 Series A (AMT), B (Non-AMT), and C (Non-AMT). The Series D and Series E mature on November 1, 2029 with a coupon of 5%. The Series F mature on November 1, 2019 with a coupon of 5%. The Series G matures on November 1, 2029 with coupon rates from 1.65-3.3%. The gross debt services savings through fiscal year 2030 is $43.6 million with a present value savings of $38.8 million.

On August 16, 2017, the Port issued $5,584,000 of Series A (AMT) commercial paper notes, to reimburse prior capital expenditures for the Port's International Arrivals Building Upgrade project. This transaction is part of a larger plan to finance PFC-eligible Airport projects by utilizing debt when the rate of project expenditure exceeds the rate of PFC collections. In its fiscal year 2018 Capital Budget, the Port has estimated that a total of $24.3 million will be issued for this purpose over the 5-Year Capital Improvement Plan period.

Additional Contributions to OPEB

On August 8, 2017, the City contributed the first of two one-time payments of $10.0 million into the California Employers' Benefit Trust (CERBT) Fund to partially prefund the annual required contribution for OPEB. The FY 2017-19 Adopted Policy Budget allocated $10.0 million each year, for a total of $20.0 million, for this purpose.

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REQUIRED SUPPLEMENTARY INFORMATION

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 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	$ 37,856	$ 37,347	$ 37,135
Interest on the total pension liability	177,626	172,693	166,822
Changes of assumptions	-	(39,092)	-
Differences between expected and actual experience	(16,210)	(7,769)	-
Benefit payments, including refunds of employee contributions	(132,473)	(126,730)	(121,423)
Net change in total pension liability	66,799	36,449	82,534
Total pension liability, beginning	2,385,420	2,348,971	2,266,437
Total pension liability, ending	**$ 2,452,219**	**$ 2,385,420**	**$ 2,348,971**
Plan fiduciary net position			
Contributions, employer	$ 65,067	$ 63,531	$ 52,556
Contributions, employee	17,291	16,904	17,431
Plan ot plan resource movement	-	24	-
Net investment income	8,647	37,833	256,552
Administrative expenses	(1,032)	(1,919)	-
Benefit payments, including refunds of employee contributions	(132,473)	(126,730)	(121,423)
Net change in plan fiduciary net position	(42,500)	(10,357)	205,116
Plan fiduciary net position, beginning	1,693,856	1,704,213	1,499,097
Plan fiduciary net position, ending	**$ 1,651,356**	**$ 1,693,856**	**$ 1,704,213**
Plan net pension liability	**$ 800,863**	**$ 691,564**	**$ 644,758**
Plan fiduciary net position as a percentage of the total pension liability	**67.3%**	**71.0%**	**72.6%**
Covered payroll	**$ 200,132**	**$ 200,562**	**$ 188,886**
Plan net pension liability as a percentage of covered payroll	**400.2%**	**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, 2015 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 - In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts were based on the 7.50% discount rate.

* 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 Safety Plan
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	$ 36,434	$ 32,899	$ 34,590
Interest on the total pension liability	129,920	121,444	115,261
Changes of assumptions	-	(31,738)	-
Differences between expected and actual experience	32,162	4,892	-
Benefit payments, including refunds of employee contributions	(80,752)	(74,198)	(68,751)
Net change in total pension liability	117,764	53,299	81,100
Total pension liability, beginning	1,688,298	1,634,999	1,553,899
Total pension liability, ending	**$ 1,806,062**	**$ 1,688,298**	**$ 1,634,999**
Plan fiduciary net position			
Contributions, employer	$ 47,172	$ 44,366	$ 37,007
Contributions, employee	16,221	15,027	14,598
Plan to plan resource movement	-	(24)	-
Net investment income	6,311	26,057	175,344
Administrative expenses	(719)	(1,337)	-
Benefit payments, including refunds of employee contributions	(80,752)	(74,198)	(68,751)
Net change in plan fiduciary net position	(11,767)	9,891	158,198
Plan fiduciary net position, beginning	1,180,828	1,170,937	1,012,739
Plan fiduciary net position, ending	**$ 1,169,061**	**$ 1,180,828**	**$ 1,170,937**
Plan net pension liability	**$ 637,001**	**$ 507,470**	**$ 464,062**
Plan fiduciary net position as a percentage of the total pension liability	**64.7%**	**69.9%**	**71.6%**
Covered payroll	**$ 125,299**	**$ 119,980**	**$ 120,396**
Plan net pension liability as a percentage of covered payroll	**508.4%**	**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, 2015 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 - In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts were based on the 7.50% discount rate.

* 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 –
Police and Fire Retirement System
Last Four Fiscal Years*
(In Thousands)

Oakland Police and Fire Retirement System

Fiscal year ended June 30	2017 *	2016	2015	2014
Actuarially determined contributions (ADC)	$ -	$ -	$ -	$ 20,300
Contributions in relation to the ADC	-	-	-	-
Contribution deficiency (excess)	**$ -**	**$ -**	**$ -**	**$ 20,300**
Covered payroll	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	n/a	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 Four Fiscal Years*
(In Thousands)

Miscellaneous Plan

Fiscal year ended June 30	2017	2016	2015**	2014
Actuarially determined contributions (ADC)	$ 76,602	$ 65,399	$ 59,468	$ 52,556
Contributions in relation to the ADC	(76,602)	(65,399)	(63,531)	(52,556)
Contribution deficiency (excess)	**$ -**	**$ -**	**$ (4,063)**	**$ -**
Covered payroll	$ 168,584	$ 200,132	$ 200,562	$ 188,886
Contributions as a percentage of covered payroll	45.44%	32.68%	31.68%	27.82%

Safety Plan

Fiscal year ended June 30	2017	2016	2015**	2014
Actuarially determined contributions	$ 58,730	$ 46,264	$ 43,747	$ 37,007
Contributions in relation to the ADC	(58,730)	(46,264)	(44,366)	(37,007)
Contribution deficiency (excess)	**$ -**	**$ -**	**$ (619)**	**$ -**
Covered payroll	$ 153,139	$ 125,299	$ 119,980	$ 120,396
Contributions as a percentage of covered payroll	38.35%	36.92%	36.98%	30.74%

* 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)
Schedule of Employer Pension Contributions – CalPERS Plans
Last Four Fiscal Years*
(In Thousands)

Methods and assumptions used to determine FY 2016-17 contribution rates to CalPERS plans

ADC for fiscal year........	June 30, 2017
Actuarial valuation date....	June 30, 2014
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 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.

Methods and assumptions used to determine FY 2015-16 contribution rates to CalPERS plans

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 administrative expenses.
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 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.

Methods and assumptions used to determine FY 2014-15 contribution rates to CalPERS plans

ADC for fiscal year........	June 30, 2015
Actuarial valuation date....	June 30, 2012
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 administrative expenses.
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 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.

Methods and assumptions used to determine FY 2013-14 contribution rates to CalPERS plans

ADC for fiscal year........	June 30, 2014
Actuarial valuation date....	June 30, 2011
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 administrative expenses.
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 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.

CITY OF OAKLAND

Required Supplementary Information (unaudited)
Schedules of Funding Progress – Other Postemployment Benefits
Year Ended June 30, 2017
(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)
7/1/2011	$ 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%

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%

* 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.

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 234,805	$ 234,805	$ 271,985	$ 37,180
Sales and use	50,359	50,359	53,702	3,343
Motor vehicle in-lieu	-	-	189	189
Local taxes:				
Business license	72,241	72,241	75,840	3,599
Utility consumption	50,500	50,500	52,618	2,118
Real estate transfer	69,851	69,851	79,070	9,219
Transient occupancy	19,379	19,379	23,165	3,786
Parking	12,138	12,138	10,637	(1,501)
Franchise	18,239	18,239	18,480	241
Licenses and permits	2,345	2,344	1,802	(542)
Fines and penalities	24,516	24,515	21,738	(2,777)
Interest and investment income	715	715	-	(715)
Charges for services	81,070	81,322	85,886	4,564
Federal and state grants and subventions	4,267	4,267	2,751	(1,516)
Annuity income	8,462	8,462	3,993	(4,469)
Other	1,559	1,558	2,487	929
TOTAL REVENUES	650,446	650,695	704,343	53,648
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	2,719	2,804	2,456	348
Council	4,807	4,941	4,587	354
City Administrator	16,755	19,268	16,588	2,680
City Attorney	13,358	15,048	13,574	1,474
City Auditor	1,916	1,952	1,800	152
City Clerk	4,643	5,480	5,029	451
Public Ethics Commission	918	941	917	24
Departments:				
Administrative Service Department:				
Human Resource Management	6,744	7,503	6,428	1,075
Financial Services	29,339	30,795	24,385	6,410
Information Technology	11,405	13,206	11,771	1,435
Race and Equity Department	331	402	210	192
Public Safety:				
Oakland Police Department	240,421	252,217	256,972	(4,755)
Oakland Fire Department	128,319	130,497	133,005	(2,508)
Community Service Department:				
Parks and Recreation	23,387	24,306	22,745	1,561
Library	12,573	12,231	11,901	330
Human Services Department	8,142	10,084	7,776	2,308
Community and Economic Development:				
Planning and Building	317	554	355	199
Economic & Workforce Development	10,161	10,992	9,476	1,516
Housing & Community Development	3,931	8,585	4,092	4,493
Oakland Public Works	37,306	42,333	31,804	10,529
Other	25,831	4,713	11,607	(6,894)
Capital outlay	673	6,545	2,320	4,225
Debt service:				
Principal repayment	6,095	5,243	5,100	143
Interest charges	522	372	375	(3)
TOTAL EXPENDITURES	590,613	611,012	585,273	25,739
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	59,833	39,683	119,070	27,909
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	4,452	4,452	1,488	(2,964)
Insurance claims and settlements	-	88	3,004	2,916
Transfers in	68,897	70,849	3,317	(67,532)
Transfers out	(134,191)	(174,900)	(91,672)	83,228
TOTAL OTHER FINANCING SOURCES (USES)	(60,842)	(99,511)	(83,863)	15,648
NET CHANGE IN FUND BALANCE	(1,009)	(59,828)	35,207	43,557
Fund balance (deficit) - beginning	312,718	312,718	312,718	-
FUND BALANCE (DEFICIT) - ENDING	$ 311,709	$ 252,890	$ 347,925	$ 43,557

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CITY OF OAKLAND

Required Supplementary Information (unaudited)
Budgetary Comparison Schedule – Other Special Revenue Fund
For the Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 16,290	$ 16,290	$ 16,013	$ (277)
Local taxes:				
Transient occupancy	5,285	5,285	5,884	599
Parking	10,318	10,318	10,249	(69)
Voter approved special tax	19,627	19,627	18,785	(842)
Licenses and permits	16,014	16,014	42,988	26,974
Fines and penalities	1,109	1,109	486	(623)
Interest and investment income	10	10	491	481
Charges for services	23,100	25,452	39,700	14,248
Federal and state grants and subventions	2,122	2,256	3,325	1,069
Other	759	759	-	(759)
TOTAL REVENUES	94,634	97,120	137,921	40,801
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	89	172	-	172
City Administrator	1,456	3,163	1,276	1,887
City Attorney	1,965	2,102	1,697	405
Departments:				
Administrative Service Department:				
Financial Services	680	704	975	(271)
Information Technology	841	892	989	(97)
Public Safety:				
Oakland Police Department	16,183	16,618	15,334	1,284
Oakland Fire Department	7,459	9,389	5,911	3,478
Community Service Department:				
Parks and Recreation	-	227	197	30
Library	17,275	17,595	15,367	2,228
Human Services Department	24,944	34,249	25,647	8,602
Community and Economic Development:				
Planning and Building	59,189	38,631	26,283	12,348
Economic & Workforce Development	761	1,440	906	534
Housing & Community Development	2,165	4,155	2,596	1,559
Oakland Public Works	6,213	8,540	5,852	2,688
Other	4,625	4,625	4,647	(22)
Capital outlay	623	4,528	267	4,261
TOTAL EXPENDITURES	144,468	147,030	107,944	39,086
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(49,834)	(49,910)	29,977	1,715
OTHER FINANCING SOURCES (USES)				
Transfers in	24,352	20,815	15,052	(5,763)
Transfers out	(1,508)	(1,500)	-	1,500
TOTAL OTHER FINANCING SOURCES (USES)	22,844	19,315	15,052	(4,263)
NET CHANGE IN FUND BALANCE	(26,990)	(30,595)	45,029	(2,548)
Fund balance (deficit) - beginning	56,816	56,816	56,816	-
FUND BALANCE (DEFICIT) - ENDING	$ 29,826	$ 26,221	$ 101,845	$ (2,548)

CITY OF OAKLAND
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

(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 2015-17 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, 2017

(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, 2017, was $0.3 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	$ 35,590
Amortization of debt service deposit agreement	(383)
Net change in fund balance - Budgetary basis	$ 35,207

The General Fund's fund balance on a GAAP Basis is reconciled to a Budgetary Basis as of June 30, 2017, which is as follows (in thousands):

	General Fund
Fund balance as of June 30, 2017 - GAAP basis	$ 345,726
Unamortized debt service deposit agreement	2,199
Fund balance as of June 30, 2017 - Budgetary basis	$ 347,925

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COMBINING FINANCIAL STATEMENTS AND SCHEDULES

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Total
ASSETS			
Cash and investments	$ 47,459	$ 15,123	$ 62,582
Receivable, net:			
Accrued interest and dividends	93	26	119
Property taxes	2,200	1,142	3,342
Accounts receivable	4,983	-	4,983
Grants receivable	1,234	-	1,234
Due from component units	663	-	663
Restricted cash and investments	8,307	887	9,194
Other assets	56	-	56
TOTAL ASSETS	$ 64,995	$ 17,178	$ 82,173
LIABILITIES			
Accounts payable and accrued liabilities	$ 8,111	$ 9	$ 8,120
Due to other funds	2,534	3	2,537
Other	1,527	-	1,527
TOTAL LIABILITIES	12,172	12	12,184
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	1,770	714	2,484
FUND BALANCES			
Restricted	49,461	16,455	65,916
Committed	1,746	-	1,746
Assigned	1,636	-	1,636
Unassigned	(1,790)	(3)	(1,793)
TOTAL FUND BALANCES	51,053	16,452	67,505
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 64,995	$ 17,178	$ 82,173

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Eliminations	Total
REVENUES				
Taxes:				
Property	$ -	$ 22,341	$ -	$ 22,341
Sales and use	26,164	-	-	26,164
Gas	7,974	-	-	7,974
Voter approved special tax	19,177	-	-	19,177
Licenses and permits	112	-	-	112
Fines and penalities	840	70	-	910
Interest and investment income	178	98	-	276
Charges for services	352	267	-	619
Federal and state grants and subventions	19,213	-	-	19,213
Other	1,953	694	-	2,647
TOTAL REVENUES	75,963	23,470	-	99,433
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	384	-	-	384
City Administrator	26	-	-	26
City Attorney	36	-	-	36
Departments:				
Administrative Service Department:				
Financial Services	102	1	-	103
Public Safety:				
Oakland Police Department	1,010	-	-	1,010
Oakland Fire Department	1,148	-	-	1,148
Community Service Department:				
Parks and Recreation	2,644	-	-	2,644
Library	164	-	-	164
Human Services Department	2,244	-	-	2,244
Community and Economic Development:				
Economic & Workforce Development	891	-	-	891
Oakland Public Works	42,379	-	-	42,379
Other	2	58	-	60
Capital outlay	13,438	-	-	13,438
Debt service:				
Principal repayment	-	49,497	-	49,497
Bond issuance cost	-	659	-	659
Interest charges	35	53,829	-	53,864
TOTAL EXPENDITURES	64,503	104,044	-	168,547
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,460	(80,574)	-	(69,114)
OTHER FINANCING SOURCES (USES)				
Proceeds from loan	8,021	-	-	8,021
Premiums on issuance of bonds	-	809	-	809
Transfers in	1,059	71,639	(1,433)	71,265
Transfers out	(1,784)	(67)	1,433	(418)
TOTAL OTHER FINANCING SOURCES (USES)	7,296	72,381	-	79,677
NET CHANGE IN FUND BALANCES	18,756	(8,193)	-	10,563
Fund balances - beginning	32,297	24,645	-	56,942
FUND BALANCES - ENDING	$ 51,053	$ 16,452	$ -	$ 67,505

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds account for certain revenue sources that are legally restricted or committed to be spent for specified purposes. Other restricted sources are accounted for in fiduciary, debt service, and capital projects funds.

Traffic Safety and Control Fund accounts for monies received from 3-5% parking meter collections and from fines and forfeitures for misdemeanor violations of vehicle codes which are expended or disbursed for purposes immediately connected with traffic safety and control.

State Gas Tax Fund accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code. State gas taxes are restricted to uses related to local streets and highways and would include acquisitions of real property, construction and improvements, and repairs and maintenance of streets and highways.

The **Landscape and Lighting Assessment District Fund** is an assessment district fund that is used to account for monies restricted to installing, maintaining and servicing public lighting, landscaping and park facilities.

Assessment Districts Fund accounts for monies restricted to specific improvements that beneficially affect a well defined and limited area of land.

Parks, Recreation, and Cultural Fund accounts for monies held for the general betterment and beautification of city parks, recreation centers, the Oakland Public Museum, and the Oakland Public Library.

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds
June 30, 2017
(In Thousands)

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessment District	Assessment Districts	Parks, Recreation, and Cultural	Total
ASSETS						
Cash and investments	$ 36,963	$ 2,402	$ -	$ 2,709	$ 5,385	$ 47,459
Receivable, net:						
Accrued interest and dividends	72	5	-	6	10	93
Property taxes	-	-	1,914	62	224	2,200
Accounts receivable	4,438	134	389	22	-	4,983
Grants receivable	1,234	-	-	-	-	1,234
Due from component units	-	-	663	-	-	663
Restricted cash and investments	7,984	-	322	-	1	8,307
Other assets	56	-	-	-	-	56
TOTAL ASSETS	$ 50,747	$ 2,541	$ 3,288	$ 2,799	$ 5,620	$ 64,995
LIABILITIES						
Accounts payable and accrued liabilities	$ 6,306	$ 324	$ 659	$ 264	$ 558	$ 8,111
Due to other funds	-	-	2,534	-	-	2,534
Other	-	-	-	-	1,527	1,527
TOTAL LIABILITIES	6,306	324	3,193	264	2,085	12,172
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property tax	-	-	1,563	55	152	1,770
FUND BALANCES						
Restricted	44,441	2,217	322	2,480	1	49,461
Committed	-	-	-	-	1,746	1,746
Assigned	-	-	-	-	1,636	1,636
Unassigned	-	-	(1,790)	-	-	(1,790)
TOTAL FUND BALANCES (DEFICIT)	44,441	2,217	(1,468)	2,480	3,383	51,053
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 50,747	$ 2,541	$ 3,288	$ 2,799	$ 5,620	$ 64,995

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, 2017
(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	$ 26,164	$ -	$ -	$ -	$ -	$ 26,164
Gas	-	7,974	-	-	-	7,974
Voter approved special tax	-	-	19,026	151	-	19,177
Licenses and permits	-	-	112	-	-	112
Fines and penalities	840	-	-	-	-	840
Interest and investment income	134	6	6	13	19	178
Charges for services	140	1	210	-	1	352
Federal and state grants and subventions	17,831	138	10	-	1,234	19,213
Other	1,867	8	23	4	51	1,953
TOTAL REVENUES	46,976	8,127	19,387	168	1,305	75,963
EXPENDITURES						
Current:						
Elected and Appointed Officials:						
Mayor	339	-	-	-	45	384
City Administrator	-	-	22	4	-	26
City Attorney	36	-	-	-	-	36
Departments:						
Administrative Service Department:						
Financial Services	50	-	33	19	-	102
Public Safety:						
Oakland Police Department	1,010	-	-	-	-	1,010
Oakland Fire Department	-	-	-	1,148	-	1,148
Community Service Department:						
Parks and Recreation	-	-	2,643	-	1	2,644
Library	-	-	-	-	164	164
Human Services Department	2,244	-	-	-	-	2,244
Community and Economic Development:						
Economic & Workforce Development	256	-	1	-	634	891
Oakland Public Works	16,715	8,808	16,752	21	83	42,379
Other	2	-	-	-	-	2
Capital outlay	12,224	390	229	55	540	13,438
Debt service:						
Interest charges	35	-	-	-	-	35
TOTAL EXPENDITURES	32,911	9,198	19,680	1,247	1,467	64,503
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14,065	(1,071)	(293)	(1,079)	(162)	11,460
OTHER FINANCING SOURCES (USES)						
Proceeds from loan	8,021	-	-	-	-	8,021
Transfers in	153	-	906	-	-	1,059
Transfers out	-	-	(1,784)	-	-	(1,784)
TOTAL OTHER FINANCING SOURCES (USES)	8,174	-	(878)	-	-	7,296
NET CHANGE IN FUND BALANCES	22,239	(1,071)	(1,171)	(1,079)	(162)	18,756
Fund balances (deficit) - beginning	22,202	3,288	(297)	3,559	3,545	32,297
FUND BALANCES (DEFICIT) - ENDING	$ 44,441	$ 2,217	$ (1,468)	$ 2,480	$ 3,383	$ 51,053

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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, 2017
(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	$ 25,363	$ 25,363	$ 26,164	$ 801	$ -	$ -	$ -	$ -
Gas	-	-	-	-	8,361	8,361	7,974	(387)
Fines and penalities	2,727	2,727	840	(1,887)	-	-	-	-
Interest and investment income	11	11	134	123	-	-	6	6
Charges for services	115	-	140	140	20	20	1	(19)
Federal and state grants and subventions	1,638	-	17,831	17,831	141	141	138	(3)
Other	-	84	1,867	1,783	-	-	8	8
TOTAL REVENUES	29,854	28,185	46,976	18,791	8,522	8,522	8,127	(395)
EXPENDITURES								
Current:								
Elected and Appointed Officials:								
Mayor	226	191	339	(148)	-	-	-	-
City Attorney	32	32	36	(4)	-	-	-	-
Departments:								
Administrative Service Department:								
Financial Services	42	42	50	(8)	-	-	-	-
Public Safety:								
Oakland Police Department	2,343	2,343	1,010	1,333	-	-	-	-
Community Service Department:								
Human Services Department	2,455	3,901	2,244	1,657	-	-	-	-
Community and Economic Development:								
Economic & Workforce Development	-	439	256	183	-	-	-	-
Oakland Public Works	13,537	14,169	16,715	(2,546)	8,996	9,168	8,808	360
Other	-	-	2	(2)	-	-	-	-
Capital outlay	12,943	71,973	12,224	59,749	150	2,781	390	2,391
Debt service:								
Interest charges	-	-	35	(35)	-	-	-	-
TOTAL EXPENDITURES	31,578	93,090	32,911	60,179	9,146	11,949	9,198	2,751
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,724)	(64,905)	14,065	78,970	(624)	(3,427)	(1,071)	2,356
OTHER FINANCING SOURCES (USES)								
Proceeds from loan	-	-	8,021	8,021	-	-	-	-
Transfers in	-	-	153	153	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	8,174	8,174	-	-	-	-
NET CHANGE IN FUND BALANCES	(1,724)	(64,905)	22,239	87,144	(624)	(3,427)	(1,071)	2,356
Fund balances (deficit) - beginning	22,202	22,202	22,202	-	3,288	3,288	3,288	-
FUND BALANCES (DEFICIT) - ENDING	$ 20,478	$ (42,703)	$ 44,441	$ 87,144	$ 2,664	$ (139)	$ 2,217	$ 2,356

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, 2017
(In Thousands)

	Landscape and Lighting Assessment District				Assessment District			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES								
Taxes:								
Voter approved special tax	$ 19,300	$ 19,300	$ 19,026	$ (274)	$ 134	$ 134	$ 151	$ 17
Licenses and permits	53	13	112	99	-	-	-	-
Interest and investment income	-	-	6	6	-	-	13	13
Charges for services	172	172	210	38	-	-	-	-
Federal and state grants and subventions	-	-	10	10	-	-	-	-
Other	-	-	23	23	3	3	4	1
TOTAL REVENUES	19,525	19,485	19,387	(98)	137	137	168	31
EXPENDITURES								
Current:								
Elected and Appointed Officials:								
City Administrator	26	26	22	4	3	6	4	2
Departments:								
Administrative Service Department:								
Financial Services	29	29	33	(4)	131	-	19	(19)
Public Safety:								
Oakland Fire Department	-	-	-	-	1,397	2,560	1,148	1,412
Community Service Department:								
Parks and Recreation	2,630	2,631	2,643	(12)	-	-	-	-
Community and Economic Development:								
Economic & Workforce Development	1	-	1	(1)	-	-	-	-
Oakland Public Works	15,677	16,197	16,752	(555)	-	21	21	-
Capital outlay	15	394	229	165	-	61	55	6
TOTAL EXPENDITURES	18,378	19,277	19,680	(403)	1,531	2,648	1,247	1,401
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,147	208	(293)	(501)	(1,394)	(2,511)	(1,079)	1,432
OTHER FINANCING SOURCES (USES)								
Transfers in	906	906	906	-	1,394	1,176	-	(1,176)
Transfers out	(2,053)	(2,053)	(1,784)	269	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,147)	(1,147)	(878)	269	1,394	1,176	-	(1,176)
NET CHANGE IN FUND BALANCES	-	(939)	(1,171)	(232)	-	(1,335)	(1,079)	256
Fund balances (deficit) - beginning	(297)	(297)	(297)	-	3,559	3,559	3,559	-
FUND BALANCES (DEFICIT) - ENDING	$ (297)	$ (1,236)	$ (1,468)	$ (232)	$ 3,559	$ 2,224	$ 2,480	$ 256

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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, 2017
(In Thousands)

	Parks, Recreation, and Cultural			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Interest and investment income	$ -	$ -	$ 19	$ 19
Charges for services	-	-	1	1
Federal and state grants and subventions	-	123	1,234	1,111
Other	180	180	51	(129)
TOTAL REVENUES	180	303	1,305	1,002
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	-	112	45	67
Departments:				
Community Service Department:				
Parks and Recreation	69	410	1	409
Library	111	526	164	362
Community and Economic Development:				
Economic & Workforce Development	-	1,177	634	543
Oakland Public Works	-	160	83	77
Other	799	799	-	799
Capital outlay	-	783	540	243
TOTAL EXPENDITURES	979	3,967	1,467	2,500
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(799)	(3,664)	(162)	3,502
OTHER FINANCING SOURCES (USES)				
Transfers in	799	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	799	-	-	-
NET CHANGE IN FUND BALANCES	-	(3,664)	(162)	3,502
Fund balances (deficit) - beginning	3,545	3,545	3,545	-
FUND BALANCES (DEFICIT) - ENDING	$ 3,545	$ (119)	$ 3,383	$ 3,502

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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.

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds – Debt Service Funds
June 30, 2017
(In Thousands)

	General Obligation Bonds	Lease Financing	JPFA Fund	Other Assessment Bonds	Special Revenue Bonds	Total
ASSETS						
Cash and investments	$ 7,840	$ 438	$ -	$ 1,218	$ 5,627	$ 15,123
Receivables, net:						
Accrued interest and dividends	13	1	-	2	10	26
Property taxes	1,092	-	-	50	-	1,142
Restricted cash and investments	151	-	-	673	63	887
TOTAL ASSETS	$ 9,096	$ 439	$ -	$ 1,943	$ 5,700	$ 17,178
LIABILITIES						
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ 9	$ -	$ 9
Due to other funds	-	-	3	-	-	3
TOTAL LIABILITIES	-	-	3	9	-	12
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property tax	675	-	-	39	-	714
FUND BALANCES						
Restricted	8,421	439	-	1,895	5,700	16,455
Unassigned	-	-	(3)	-	-	(3)
TOTAL FUND BALANCES	8,421	439	(3)	1,895	5,700	16,452
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 9,096	$ 439	$ -	$ 1,943	$ 5,700	$ 17,178

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, 2017
(In Thousands)

	General Obligation Bonds	Lease Financing	JPFA Fund	Other Assessment Bonds	Special Revenue Bonds	Total
REVENUES						
Property taxes	$ 22,341	$ -	$ -	$ -	$ -	$ 22,341
Fines and penalties	70	-	-	-	-	70
Interest and investment income	1	1	-	29	67	98
Grants	-	267	-	-	-	267
Other	-	-	-	694	-	694
TOTAL REVENUES	22,412	268	-	723	67	23,470
EXPENDITURES						
Current:						
Agencies/Departments:						
Finance	-	-	-	1	-	1
Other	8	-	-	43	7	58
Debt service:						
Principal repayment	11,675	1,327	5,395	350	30,750	49,497
Bond issuance cost	659	-	-	-	-	659
Interest charges	9,716	373	3,665	249	39,826	53,829
TOTAL EXPENDITURES	22,058	1,700	9,060	643	70,583	104,044
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	354	(1,432)	(9,060)	80	(70,516)	(80,574)
OTHER FINANCING SOURCES (USES)						
Premiums on issuance of bonds	809	-	-	-	-	809
Transfers in	-	1,433	9,060	-	61,146	71,639
Transfers out	-	-	-	(67)	-	(67)
TOTAL OTHER FINANCING SOURCES (USES)	809	1,433	9,060	(67)	61,146	72,381
NET CHANGE IN FUND BALANCES	1,163	1	-	13	(9,370)	(8,193)
Fund balances - beginning	7,258	438	(3)	1,882	15,070	24,645
FUND BALANCES - ENDING	$ 8,421	$ 439	$ (3)	$ 1,895	$ 5,700	$ 16,452

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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, 2017
(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	$ 21,412	$ 21,412	$ 22,341	$ 929	$ -	$ -	$ -	$ -
Fines and penalties	-	-	70	70	-	-	-	-
Interest and investment income	-	-	1	1	-	-	1	1
Grants	-	-	-	-	-	-	267	267
Other	-	-	-	-	21,500	21,500	-	(21,500)
TOTAL REVENUES	21,412	21,412	22,412	1,000	21,500	21,500	268	(21,232)
EXPENDITURES								
Current:								
Agencies/Departments:								
Other	21	21	8	13	2	2	-	2
Debt service:								
Principal repayment	11,675	11,675	11,675	-	22,827	22,827	1,327	21,500
Bond issuance cost	-	-	659	(659)	-	-	-	-
Interest charges	9,716	9,716	9,716	-	372	372	373	(1)
TOTAL EXPENDITURES	21,412	21,412	22,058	(646)	23,201	23,201	1,700	21,501
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	354	354	(1,701)	(1,701)	(1,432)	269
OTHER FINANCING SOURCES (USES)								
Premiums (discounts) on issuance of bonds	-	-	809	809	-	-	-	-
Transfers in	-	-	-	-	1,701	1,701	1,433	(268)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	809	809	1,701	1,701	1,433	(268)
NET CHANGE IN FUND BALANCES	-	-	1,163	1,163	-	-	1	1
Fund balances - beginning	7,258	7,258	7,258	-	438	438	438	-
FUND BALANCES - ENDING	$ 7,258	$ 7,258	$ 8,421	$ 1,163	$ 438	$ 438	$ 439	$ 1

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, 2017
(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	$ -	$ -	$ -	$ -	$ -	$ -	$ 29	$ 29
Other	-	-	-	-	716	716	694	(22)
TOTAL REVENUES	-	-	-	-	716	716	723	7
EXPENDITURES								
Current:								
Agencies/Departments:								
Finance	-	-	-	-	1	1	1	-
Other	5	5	-	5	56	50	43	7
Debt service:								
Principal repayment	5,395	5,395	5,395	-	350	350	350	-
Interest charges	3,666	3,666	3,665	1	251	251	249	2
TOTAL EXPENDITURES	9,066	9,066	9,060	6	658	652	643	9
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,066)	(9,066)	(9,060)	6	58	64	80	16
OTHER FINANCING SOURCES (USES)								
Transfers in	9,066	9,066	9,060	(6)	37	37	-	(37)
Transfers out	-	-	-	-	(96)	(102)	(67)	35
TOTAL OTHER FINANCING SOURCES (USES)	9,066	9,066	9,060	(6)	(59)	(65)	(67)	(2)
NET CHANGE IN FUND BALANCES	-	-	-	-	(1)	(1)	13	14
Fund balances - beginning	(3)	(3)	(3)	-	1,882	1,882	1,882	-
FUND BALANCES - ENDING	$ (3)	$ (3)	$ (3)	$ -	$ 1,881	$ 1,881	$ 1,895	$ 14

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, 2017
(In Thousands)

	Special Revenue Bonds			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Interest and investment income	$ -	$ -	$ 67	$ 67
TOTAL REVENUES	-	-	67	67
EXPENDITURES				
Current:				
Agencies/Departments:				
Other	19	19	7	12
Debt service:				
Principal repayment	30,749	30,749	30,750	(1)
Interest charges	39,936	39,936	39,826	110
TOTAL EXPENDITURES	70,704	70,704	70,583	121
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(70,704)	(70,704)	(70,516)	188
OTHER FINANCING SOURCES				
Transfers in	70,704	70,704	61,146	(9,558)
NET CHANGE IN FUND BALANCES	-	-	(9,370)	(9,370)
Fund balances - beginning	15,070	15,070	15,070	-
FUND BALANCES - ENDING	$ 15,070	$ 15,070	$ 5,700	$ (9,370)

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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, 2017
(In Thousands)

	Equipment	Radio	Facilities	Reproduction	Central Stores	Purchasing	Information Technology	Total
ASSETS								
Current assets:								
Cash and investments	$ 4,576	$ 6,376	$ -	$ -	$ -	$ -	$ 1,391	$ 12,343
Interest receivable	9	10	-	-	-	-	-	19
Accounts receivable	-	17	81	4	-	-	-	102
Inventories	738	-	-	-	-	-	-	738
Restricted cash and investments	12,489	2,451	-	-	-	-	3,247	18,187
Prepaid expenses	-	-	2	-	-	-	-	2
Total current assets	17,812	8,854	83	4	-	-	4,638	31,391
Non-current assets:								
Capital assets:								
Land and other assets not being depreciated	3	9,095	4,169	-	-	-	13,868	27,135
Facilities and equipment, net of depreciation	18,657	5,125	1,207	-	-	-	-	24,989
Total capital assets	18,660	14,220	5,376	-	-	-	13,868	52,124
TOTAL ASSETS	36,472	23,074	5,459	4	-	-	18,506	83,515
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows of resources related to pensions	3,856	846	6,408	293	293	491	-	12,187
LIABILITIES								
Current liabilities:								
Accounts payable and accrued liabilities	1,295	218	1,471	194	-	6	1,340	4,524
Accrued interest payable	181	55	16	-	-	-	146	398
Due to other funds	-	-	6,882	1,668	4,240	573	1	13,364
Other liabilities	-	-	7	-	-	-	-	7
Capital leases, notes and other payables	5,953	3,238	275	-	-	-	2,656	12,122
Total current liabilities	7,429	3,511	8,651	1,862	4,240	579	4,143	30,415
Non-current liabilities:								
Capital leases, notes and other payables	16,953	7,348	586	-	-	-	9,903	34,790
Net pension liability	14,303	3,470	23,825	1,124	913	1,589	-	45,224
Other postemployment benefit obligations	2,341	493	4,057	169	195	305	-	7,560
Total non-current liabilities	33,597	11,311	28,468	1,293	1,108	1,894	9,903	87,574
TOTAL LIABILITIES	41,026	14,822	37,119	3,155	5,348	2,473	14,046	117,989
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows of resources related to pensions	1,398	327	2,326	109	91	156	-	4,407
NET POSITION								
Net investment in capital assets	8,243	6,085	4,515	-	-	-	4,556	23,399
Unrestricted (deficit)	(10,339)	2,686	(32,093)	(2,967)	(5,146)	(2,138)	(96)	(50,093)
TOTAL NET POSITION	$ (2,096)	$ 8,771	$ (27,578)	$ (2,967)	$ (5,146)	$ (2,138)	$ 4,460	$ (26,694)

CITY OF OAKLAND
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2017
(In Thousands)

	Equipment	Radio	Facilities	Reproduction	Central Stores	Purchasing	Information Technology	Total
OPERATING REVENUES								
Charges for services	$ 24,459	$ 7,219	$ 30,857	$ 1,212	$ 355	$ 722	$ 9,069	$ 73,893
Other	13	-	27	-	-	-	-	40
TOTAL OPERATING REVENUES	24,472	7,219	30,884	1,212	355	722	9,069	73,933
OPERATING EXPENSES								
Personnel	7,454	1,946	12,896	554	568	1,065	-	24,483
Supplies	5,590	450	913	103	2	4	2,452	9,514
Depreciation and amortization	5,873	1,950	143	-	-	-	-	7,966
Contractual services and supplies	190	446	604	2	-	-	3,367	4,609
Repairs and maintenance	1,957	468	4,015	8	-	-	1	6,449
General and administrative	2,263	280	3,948	230	19	55	836	7,631
Rental	939	194	444	518	6	8	208	2,317
Other	449	-	5,936	31	26	71	-	6,513
TOTAL OPERATING EXPENSES	24,715	5,734	28,899	1,446	621	1,203	6,864	69,482
OPERATING INCOME (LOSS)	(243)	1,485	1,985	(234)	(266)	(481)	2,205	4,451
NON-OPERATING REVENUES (EXPENSES)								
Interest and investment income (loss)	44	45	(39)	(10)	(18)	(2)	27	47
Interest expense	(315)	(166)	(40)	-	-	-	(375)	(896)
Federal and state grants	-	-	6	-	-	-	-	6
Insurance claims and settlements	578	-	239	-	-	-	-	817
Other	81	-	47	-	-	1	-	129
TOTAL NON-OPERATING REVENUES (EXPENSES)	388	(121)	213	(10)	(18)	(1)	(348)	103
INCOME (LOSS) BEFORE TRANSFERS	145	1,364	2,198	(244)	(284)	(482)	1,857	4,554
Transfers out	(2,546)	(401)	(3,573)	(144)	(170)	(257)	-	(7,091)
Change in net position	(2,401)	963	(1,375)	(388)	(454)	(739)	1,857	(2,537)
Net position - beginning	305	7,808	(26,203)	(2,579)	(4,692)	(1,399)	2,603	(24,157)
NET POSITION - ENDING	$ (2,096)	$ 8,771	$ (27,578)	$ (2,967)	$ (5,146)	$ (2,138)	$ 4,460	$ (26,694)

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CITY OF OAKLAND
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017
(In Thousands)

	Equipment	Radio	Facilities	Reproduction	Central Stores	Purchasing	Information Technology	Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from customers and users	$ 24,497	$ 7,291	$ 30,820	$ 1,208	$ 355	$ 722	$ 9,069	$ 73,962
Cash from other sources	13	-	27	-	-	-	-	40
Cash paid to employees	(6,054)	(1,783)	(10,597)	(460)	(460)	(931)	-	(20,285)
Cash paid to suppliers	(10,813)	(1,792)	(16,035)	(822)	(53)	(136)	(6,008)	(35,659)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	7,643	3,716	4,215	(74)	(158)	(345)	3,061	18,058
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Proceeds of interfund loans	-	-	-	84	176	346	1	607
Repayment of interfund loans	-	-	(2,829)	-	-	-	-	(2,829)
Other	746	-	292	-	-	1	-	1,039
Transfers out	(513)	-	(35)	-	-	-	-	(548)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	233	-	(2,572)	84	176	347	1	(1,731)
CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES								
Acquisition of capital assets	(2,301)	(5,421)	(1,295)	-	-	-	(5,878)	(14,895)
Lease proceeds	11,415	-	-	-	-	-	-	11,415
Repayment of long-term debt	(3,476)	(3,194)	(264)	-	-	-	(2,100)	(9,034)
Interest paid on long-term debt	(242)	(183)	(45)	-	-	-	(401)	(871)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	5,396	(8,798)	(1,604)	-	-	-	(8,379)	(13,385)
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest received (paid)	35	43	(39)	(10)	(18)	(2)	28	37
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,307	(5,039)	-	-	-	-	(5,289)	2,979
Cash and cash equivalents - beginning	3,758	13,866	-	-	-	-	9,927	27,551
CASH AND CASH EQUIVALENTS - ENDING	$ 17,065	$ 8,827	$ -	$ -	$ -	$ -	$ 4,638	$ 30,530

CITY OF OAKLAND
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2017
(In Thousands)

	Equipment	Radio	Facilities	Reproduction	Central Stores	Purchasing	Information Technology	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES								
Operating income (loss)	$ (243)	$ 1,485	$ 1,985	$ (234)	$ (266)	$ (481)	$ 2,205	$ 4,451
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES								
Depreciation	5,873	1,950	143	-	-	-	-	7,966
Changes in assets, liabilities, and deferred outflows and inflows of resources:								
Receivables	38	72	(37)	(4)	-	-	-	69
Inventories	(163)	-	-	-	-	-	-	(163)
Other assets	-	-	5	-	-	-	-	5
Accounts payable and accrued liabilities	738	46	(180)	70	-	2	856	1,532
Net pension liability and related pension deferred items	1,092	71	1,780	69	83	86	-	3,181
Other postemployment benefit obligations	308	92	519	25	25	48	-	1,017
Total adjustments	7,886	2,231	2,230	160	108	136	856	13,607
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 7,643	$ 3,716	$ 4,215	$ (74)	$ (158)	$ (345)	$ 3,061	$ 18,058
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF FUND NET POSITION								
Cash and investments	$ 4,576	$ 6,376	$ -	$ -	$ -	$ -	$ 1,391	$ 12,343
Restricted cash and investment	12,489	2,451	-	-	-	-	3,247	18,187
TOTAL CASH AND CASH EQUIVALENTS	$ 17,065	$ 8,827	$ -	$ -	$ -	$ -	$ 4,638	$ 30,530

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.

CITY OF OAKLAND
Combining Statement of Fiduciary Net Position
Private Purpose Trust Funds
June 30, 2017
(In Thousands)

	Oakland Redevelopment Successor Agency Trust Fund	Private Purpose Trust Fund	Private Pension Trust Fund	Total
ASSETS				
Cash and investments	$ 54,392	$ 6,349	$ -	$ 60,741
Receivables:				
Accrued interest and dividends	406	12	-	418
Accounts receivable	2,704	11	-	2,715
Due from other funds of the City	2,312	-	-	2,312
Prepaid expenses	1,994	-	-	1,994
Restricted:				
Cash and investments:				
Short-term investments	17,179	-	-	17,179
Notes and loans receivable (net of allowance for uncollectable of $46,675)	16,798	-	-	16,798
Property held for resale	2,818	-	-	2,818
TOTAL ASSETS	98,603	6,372	-	104,975
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt	6,051	-	-	6,051
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	244	14	-	258
Accrued interest payable	7,082	-	-	7,082
Due to other funds of the City	6,059	-	215	6,274
Other	47	100	-	147
Total current liabilities	13,432	114	215	13,761
Non-current liabilities:				
Due within one year	31,107	-	-	31,107
Due in more than one year	354,193	-	-	354,193
Total noncurrent liabilities	385,300	-	-	385,300
TOTAL LIABILITIES	398,732	114	215	399,061
NET POSITION				
RESTRICTED FOR REDEVELOPMENT DISSOLUTION DISSOLUTION AND OTHER PURPOSES	$ (294,078)	$ 6,258	$ (215)	$ (288,035)

CITY OF OAKLAND

Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Year Ended June 30, 2017
(In Thousands)

	Oakland Redevelopment Successor Agency Trust Fund	Private Purpose Trust Fund	Private Pension Trust Fund	Total
ADDITIONS				
Trust receipts	$ 68,760	$ 1,596	$ -	$ 70,356
Interest	549	20	-	569
Federal and state grants	2,381	-	-	2,381
Other income	1,256	-	-	1,256
TOTAL ADDITIONS	72,946	1,616	-	74,562
DEDUCTIONS:				
Administrative expenses	3,788	-	178	3,966
Oakland Police Department	-	67	-	67
Human Services	-	137	-	137
Economic & Workforce Development	17,498	-	-	17,498
Other	7,048	280	-	7,328
Interest on debt	20,814	-	-	20,814
TOTAL DEDUCTIONS	49,148	484	178	49,810
Change in net position	23,798	1,132	(178)	24,752
Net position - beginning	(317,876)	5,126	(37)	(312,787)
NET POSITION - ENDING	$ (294,078)	$ 6,258	$ (215)	$ (288,035)

STATISTICAL SECTION

CITY OF OAKLAND
STATISTICS

INDEX TO STATISTICAL SECTION

This part of the City of Oakland's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplemental information says about the City's overall financial health.

Financial Trends

Schedules one through five contain trend information to assist in understanding how the City's financial performance and well-being have changed over times.

Revenue Capacity

Schedules six through twelve report tax revenues by sources which include: property taxes, state taxes and local taxes.

Debt Capacity

Schedules thirteen through sixteen present information that helps in understanding the City's current level of outstanding debt, the legal debt margin, and the ability to issue additional debt in the future.

Pledged Revenue Coverage

Schedule seventeen contains pledged revenue coverage for the City and the Port of Oakland, a component unit of the City. This schedule assists in understanding the revenues pledged for repayment of debt service.

Demographic and Economic Information

Schedules eighteen and nineteen provide the demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

Schedules twenty through twenty-two contain service and infrastructure data to assist in understanding how the City's financial reports relate to the services the City provides and the activities it performs.

Sources: The City's Comprehensive Annual Financial Report for the relevant years.

CITY OF OAKLAND
STATISTICS

SCHEDULE 1

NET POSITION BY COMPONENT
(in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	$ 401,881	$ 442,793	$ 478,689	$ 538,815	$ 663,785	$ 712,606	$ 876,703	$ 1,025,789	$ 1,079,164	$ 1,141,058
Restricted	432,630	451,087	488,251	517,454	559,393	425,786	433,080	547,286	555,205	599,324
Unrestricted	(213,693)	(268,904)	(417,504)	(469,662)	(304,010)	(334,451)	(327,965)	(1,841,834)	(1,789,831)	(1,833,427)
Total net position - governmental activities	$ 620,818	$ 624,976	$ 549,436	$ 586,607	$ 919,168	$ 803,941	$ 981,818	$ (268,759)	$ (155,462)	$ (93,045)
Business-type activities										
Net investment in capital assets	$ 111,881	$ 113,961	$ 113,718	$ 114,297	$ 122,911	$ 129,542	$ 143,295	$ 155,257	$ 171,743	$ 188,139
Unrestricted	7,731	15,037	26,126	37,429	44,061	53,341	53,039	27,182	28,057	19,880
Total net position - business-type activities	$ 119,612	$ 128,998	$ 139,844	$ 151,726	$ 166,972	$ 182,883	$ 196,334	$ 182,439	$ 199,800	$ 208,019
Primary government										
Net investment in capital assets	$ 513,762	$ 556,754	$ 592,407	$ 653,112	$ 786,696	$ 842,148	$ 1,019,998	$ 1,181,046	$ 1,250,907	$ 1,329,197
Restricted	432,630	451,087	488,251	517,454	559,393	425,786	433,080	547,286	555,205	599,324
Unrestricted	(205,962)	(253,867)	(391,378)	(432,233)	(259,949)	(281,110)	(274,926)	(1,814,652)	(1,761,774)	(1,813,547)
Total net position - primary government	$ 740,430	$ 753,974	$ 689,280	$ 738,333	$ 1,086,140	$ 986,824	$ 1,178,152	$ (86,320)	$ 44,338	$ 114,974

Source: City of Oakland Statement of Net Position

CITY OF OAKLAND
STATISTICS

SCHEDULE 2

CHANGES IN NET POSITION
(in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	$ 102,218	$ 94,957	$ 83,295	$ 75,381	$ 83,131	$ 93,942	$ 79,806	$ 82,493	$ 99,183	$ 113,697
Public safety	412,050	424,435	411,333	372,587	351,566	363,597	379,809	383,904	432,862	475,552
Life enrichment	115,315	119,659	119,254	123,538	-	-	-	-	-	-
Community services	-	-	-	-	122,829	107,779	116,961	121,740	134,799	149,804
Community and economic development	203,406	182,327	222,226	158,209	138,596	81,182	83,657	75,268	85,396	92,671
Public works	79,348	74,081	70,757	88,321	101,892	75,158	109,177	105,619	114,597	127,404
Interest on long-term debt	74,545	71,552	73,735	93,618	68,948	62,744	59,026	68,033	54,335	56,471
Total governmental activities expenses	$ 986,882	$ 967,011	$ 980,600	$ 911,654	$ 866,962	$ 784,402	$ 828,436	$ 837,057	$ 921,172	$ 1,015,599
Business-type activities:										
Sewer	$ 30,502	$ 25,530	$ 26,899	$ 27,971	$ 31,227	$ 34,504	$ 37,306	$ 36,957	$ 39,270	$ 44,391
Parks and recreation	384	652	520	740	492	643	855	681	872	730
Total business-type activities	$ 30,886	$ 26,182	$ 27,419	$ 28,711	$ 31,719	$ 35,147	$ 38,161	$ 37,638	$ 40,142	$ 45,121
Total primary government expenses	$ 1,017,768	$ 993,193	$ 1,008,019	$ 940,365	$ 898,681	$ 819,549	$ 866,597	$ 874,695	$ 961,314	$ 1,060,720
Program Revenues (see schedule 3)										
Governmental activities:										
Charges for services:										
General government	$ 22,276	$ 21,128	$ 24,382	$ 20,360	$ 19,924	$ 17,756	$ 54,509	$ 55,148	$ 49,540	$ 46,030
Public safety	10,331	15,733	14,900	13,573	13,283	7,610	15,472	18,329	21,104	19,867
Life enrichment	5,110	11,084	8,128	8,483	-	-	-	-	-	-
Community services	-	-	-	-	8,302	6,342	6,326	7,375	7,454	7,841
Community and economic development	45,466	47,223	48,765	42,418	41,507	19,025	39,413	61,022	58,439	89,130
Public works	27,113	30,887	39,283	84,834	83,017	76,098	36,954	40,419	41,772	40,285
Operating grants and contributions	91,278	94,353	97,177	123,149	89,620	89,424	119,063	92,865	90,090	95,032
Capital grants and contributions	-	-	-	-	30,607	26,179	42,148	70,322	54,043	34,911
Total governmental activities program revenues	$ 201,574	$ 220,408	$ 232,635	$ 292,817	$ 286,260	$ 242,434	$ 313,885	$ 345,480	$ 322,442	$ 333,096
Business-type activities:										
Charges for services:										
Sewer	$ 33,264	$ 35,382	$ 39,329	$ 41,832	$ 48,200	$ 52,919	$ 52,946	$ 57,544	$ 58,703	$ 60,548
Parks and recreation	487	796	286	118	575	372	503	295	711	272
Total business-type activities program revenues	$ 33,751	$ 36,178	$ 39,615	$ 41,950	$ 48,775	$ 53,291	$ 53,449	$ 57,839	$ 59,414	$ 60,820
Total primary government program revenues	$ 235,325	$ 256,586	$ 272,250	$ 334,767	$ 335,035	$ 295,725	$ 367,334	$ 403,319	$ 381,856	$ 393,916
Net (Expense)/Revenue										
Governmental activities	$ (735,868)	$ (746,603)	$ (747,965)	$ (618,837)	$ (580,702)	$ (541,968)	$ (514,551)	$ (491,577)	$ (598,730)	$ (682,503)
Business-type activities	(356)	9,996	12,196	13,239	17,056	18,144	15,288	20,201	19,272	15,699
Total primary government net expense	$ (736,224)	$ (736,607)	$ (735,769)	$ (605,598)	$ (563,646)	$ (523,824)	$ (499,263)	$ (471,376)	$ (579,458)	$ (666,804)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 358,338	$ 359,851	$ 346,859	$ 324,516	$ 288,923	$ 256,333	$ 240,779	$ 267,534	$ 279,764	$ 312,078
Sales and use taxes	73,928	67,642	57,745	65,068	66,940	70,498	71,997	63,718	77,365	79,866
Motor vehicle in-Lieu tax	-	-	-	-	-	-	-	177	166	189
Gas tax	-	-	-	-	-	-	-	12,030	8,653	7,974
Local taxes	235,470	214,266	216,072	220,684	222,237	244,207	263,017	275,496	318,352	314,188
Interest and investment income	47,852	25,917	10,894	8,592	7,078	6,358	6,653	6,362	4,596	3,046
Other	50,153	81,885	58,374	35,672	53,172	7,076	19,671	12,745	20,987	19,935
Transfers	600	1,200	1,463	1,476	1,893	1,911	2,002	2,002	2,144	7,644
Special and extraordinary items	-	-	-	-	273,020	(156,902)	88,309	107,696	-	-
Total governmental activities	$ 766,341	$ 750,761	$ 691,407	$ 656,008	$ 913,263	$ 429,481	$ 692,428	$ 747,760	$ 712,027	$ 744,920
Business-type activities:										
Interest and investment income	$ 1,434	$ 590	$ 113	$ 119	$ 83	$ (24)	$ 165	$ 142	$ 233	$ 164
Other	-	-	-	-	-	-	-	-	-	-
Transfers	(600)	(1,200)	(1,463)	(1,476)	(1,893)	(1,911)	(2,002)	(2,002)	(2,144)	(7,644)
Total business-type activities	$ 834	$ (610)	$ (1,350)	$ (1,357)	$ (1,810)	$ (1,935)	$ (1,837)	$ (1,860)	$ (1,911)	$ (7,480)
Total primary government	$ 767,175	$ 750,151	$ 690,057	$ 654,651	$ 911,453	$ 427,546	$ 690,591	$ 745,900	$ 710,116	$ 737,440
Change in Net Position										
Governmental activities	$ 129,743	$ (18,967)	$ 4,158	$ 37,171	$ 332,561	$ (112,487)	$ 177,877	$ 256,183	$ 113,297	$ 62,417
Business-type activities	791	3,699	9,386	10,846	11,882	15,246	16,209	13,451	18,341	8,219
Total primary government	$ 130,534	$ (15,268)	$ 13,544	$ 48,017	$ 344,443	$ (97,241)	$ 194,086	$ 269,634	$ 131,638	$ 70,636

Source: City of Oakland Statement of Activities

CITY OF OAKLAND
STATISTICS

SCHEDULE 3

PROGRAM REVENUES BY FUNCTION/PROGRAM
(in thousands)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Charges for services:										
General government	$ 22,276	$ 21,128	$ 24,382	$ 20,360	$ 19,924	$ 17,756	$ 54,509	$ 55,148	$ 49,540	$ 46,030
Public safety	10,331	15,733	14,900	13,573	13,283	7,610	15,472	18,329	21,104	19,867
Life enrichment	5,110	11,084	8,128	8,483	-	-	-	-	-	-
Community services	-	-	-	-	8,302	6,342	6,326	7,375	7,454	7,841
Community and economic development	45,466	47,223	48,765	42,418	41,507	19,025	39,413	61,022	58,439	89,130
Public works	27,113	30,887	39,283	84,834	83,017	76,098	36,954	40,419	41,772	40,285
Operating grants and contributions	91,278	94,353	97,177	123,149	89,620	89,424	119,063	92,865	90,090	95,032
Capital grants and contributions	-	-	-	-	30,607	26,179	42,148	70,322	54,043	34,911
Subtotal governmental activities	$ 201,574	$ 220,408	$ 232,635	$ 292,817	$ 286,260	$ 242,434	$ 313,885	$ 345,480	$ 322,442	$ 333,096
Business-type activities:										
Charges for services:										
Sewer	$ 33,264	$ 35,382	$ 39,329	$ 41,832	$ 48,200	$ 52,919	$ 52,946	$ 57,544	$ 58,703	$ 60,548
Parks and recreation	487	796	286	118	575	372	503	295	711	272
Subtotal business-type activities	$ 33,751	$ 36,178	$ 39,615	$ 41,950	$ 48,775	$ 53,291	$ 53,449	$ 57,839	$ 59,414	$ 60,820
Total primary government	$ 235,325	$ 256,586	$ 272,250	$ 334,767	$ 335,035	$ 295,725	$ 367,334	$ 403,319	$ 381,856	$ 393,916

Source: City of Oakland Statement of Activities

CITY OF OAKLAND
STATISTICS

SCHEDULE 4

FUND BALANCES
GOVERNMENTAL FUNDS
(in thousands)

	2008	2009	2010
General Fund			
Reserved	$ 126,575	$ 116,543	$ 103,372
Unreserved	121,109	120,406	129,678
Total general fund	$ 247,684	$ 236,949	$ 233,050

	2011	2012	2013	2014	2015	2016	2017
General Fund (1)							
Restricted	$ 106,692	$ 110,708	$ 165,400	$ 156,462	$ 164,242	$ 186,804	$ 241,404
Committed	3,890	70,284	-	-	-	-	8,805
Assigned	65,985	6,256	58,452	73,843	64,680	58,203	30,802
Unassigned	48,794	68,681	21,791	23,546	37,409	65,129	64,715
Total general fund	$ 225,361	$ 255,929	$ 245,643	$ 253,851	$ 266,331	$ 310,136	$ 345,726

	2008	2009	2010
All Other Governmental Funds			
Reserved	$ 828,314	$ 788,476	$ 761,679
Unreserved, reported in:			
Special revenue funds	8,129	9,553	(16,486)
Capital projects funds	73,147	41,322	66,136
Total all other governmental funds	$ 909,590	$ 839,351	$ 811,329

	2011	2012	2013	2014	2015	2016	2017
All Other Governmental Funds (1)							
Restricted	$ 481,124	$ 264,460	$ 248,517	$ 270,055	$ 333,665	$ 303,631	$ 332,588
Committed	139,178	13,420	16,075	13,902	13,527	18,610	20,072
Assigned	188,722	179,063	61,373	90,647	33,603	45,335	86,767
Unassigned	(2,669)	(1,416)	(9,849)	(5,236)	(7,997)	(9,891)	(17,031)
	$ 806,355	$ 455,527	$ 316,116	$ 369,368	$ 372,798	$ 357,685	$ 422,396

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

Source: City of Oakland Balance Sheet, Governmental Funds

CITY OF OAKLAND
STATISTICS

SCHEDULE 5

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes (see Schedule 6)	$ 648,153	$ 641,086	$ 622,901	$ 612,328	$ 578,100	$ 569,193	$ 576,744	$ 619,821	$ 684,334	$ 712,556
Licenses and permits	19,319	14,467	12,124	13,297	12,079	13,331	16,694	22,451	29,362	44,902
Fines and penalties	23,497	29,348	31,220	29,440	27,204	26,657	26,958	25,612	23,972	23,573
Interest/investment net income	49,894	27,520	11,495	9,147	7,558	6,330	6,738	6,409	4,579	2,999
Charges for services	76,735	77,285	82,289	124,707	126,750	86,842	109,022	134,230	125,580	134,678
Other intergovernmental revenues	33,561	35,588	45,116	-	-	-	-	-	-	-
Federal and State grants										
and subventions	94,428	87,971	98,850	121,184	115,046	102,802	152,062	167,045	140,119	128,674
Other revenues	24,200	40,587	32,116	32,290	34,427	39,278	19,641	18,025	12,334	24,214
Total revenues	969,787	953,852	936,111	942,393	901,164	844,433	907,859	993,593	1,020,280	1,071,596
Expenditures										
General Government	45,600	40,838	35,710	33,781	50,992	71,990	36,733	41,454	47,208	49,358
Finance and Human Resource	35,761	34,863	30,943	28,756	27,371	15,337	26,137	29,967	31,906	32,289
Information Technology	13,666	12,975	9,137	8,276	7,746	7,753	9,080	9,597	12,261	12,910
Contracting and Purchasing	2,280	1,959	2,100	2,082	-	-	-	-	-	-
Race and Equity	-	-	-	-	-	-	-	-	84	210
Police Department	225,893	231,789	218,129	205,292	220,115	331,382	225,959	242,999	270,594	277,179
Fire Department	118,429	119,711	111,583	111,339	125,585	200,054	114,561	130,533	137,802	145,548
Community Service Department:										
Parks & Recreation	20,872	20,308	20,259	20,914	20,465	21,260	23,094	25,326	26,386	25,665
Library	23,833	21,824	20,927	21,633	22,704	22,623	25,612	26,215	26,725	27,568
Museum	6,883	6,584	6,146	6,749	-	-	-	-	-	-
Human Services	56,239	62,382	59,441	63,031	61,851	60,978	66,883	68,707	71,916	74,873
Community & Economic Development	206,908	197,285	227,505	175,750	96,407	-	-	-	-	-
Planning and Building	-	-	-	-	11,170	22,616	24,882	23,408	25,451	26,823
Economic & Workforce Development	-	-	-	-	-	-	21,190	19,316	19,395	23,308
Cultural and community services	-	-	-	-	-	431	-	-	-	-
Housing & Community Development	-	-	-	-	19,132	43,420	33,650	23,047	27,173	24,598
Oakland Public Works	71,971	64,288	57,133	71,099	69,763	72,497	96,208	85,041	82,156	87,050
Other	10,597	20,099	8,328	27,062	18,460	13,243	16,043	13,300	18,594	16,315
Capital outlay	46,312	44,418	61,233	63,532	71,703	103,905	98,316	123,433	99,609	79,477
Debt service										
Bond issuance costs	4,210	864	1,558	828	359	1,958	209	829	251	659
Other refunding cost	5,674	-	-	-	-	3,110	-	11,213	-	-
Principal	92,940	138,854	105,742	86,965	125,570	74,886	80,559	129,906	48,932	56,657
Interest	71,528	65,157	69,097	89,514	67,175	58,208	59,314	56,737	51,589	54,292
Total expenditures	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	1,014,779
Excess of revenues over (under)										
expenditures	(89,809)	(130,346)	(108,860)	(74,210)	(115,404)	(281,218)	(50,571)	(67,435)	22,248	56,817
Other Financing Sources (Uses)										
Issuance of debt/bond	-	40,228	67,693	56,870	83,775	-	-	-	-	34,521
Issuance of refunding bonds	241,410	-	-	-	-	216,085	-	128,895	-	-
Capital leases	-	-	-	-	-	16,150	14,901	-	-	-
Premiums/discounts on issuance of bonds	11,313	(779)	908	(2,052)	8,538	(1,129)		15,472	(78)	809
Payment to refund bond escrow	-	-	-	-	-	-	-	-	-	-
agent	(221,250)	-	-	-	(57,998)	(3,018)	-	(143,717)	-	-
Property sale proceeds	4,045	8,723	5,013	4,481	32,213	67	5,442	309	66	1,488
Insurance claims and settlements	-	-	1,641	548	1,627	3,726	865	5,477	4,314	3,974
Transfers in	98,691	130,095	106,409	103,786	344,831	119,617	115,397	113,270	109,259	94,989
Transfers out	(98,091)	(128,895)	(104,725)	(102,086)	(342,843)	(117,473)	(112,883)	(110,756)	(107,117)	(92,297)
Total other financing sources (uses)	36,118	49,372	76,939	61,547	70,143	234,025	23,722	8,950	6,444	43,484
Special and extraordinary items	-	-	-	-	(274,999)	(102,504)	88,309	74,395	-	-
Net change in fund balances	(53,691)	(80,974)	(31,921)	(12,663)	(320,260)	(149,697)	61,460	15,910	28,692	100,301
Total fund balance - beginning	1,210,965	1,157,274	1,076,300	1,044,379	1,031,716	711,456	561,759	623,219	639,129	667,821
Total fund balance - ending	$ 1,157,274	$ 1,076,300	$ 1,044,379	$ 1,031,716	$ 711,456	$ 561,759	$ 623,219	$ 639,129	$ 667,821	$ 768,122
Debt service as a percentage of										
noncapital expenditures	17.00%	20.33%	18.13%	18.85%	20.97%	13.74%	17.06%	20.56%	11.53%	12.21%

Note: Debt ratio was calculated by dividing principal and interest by total government expenditures excluding capital outlay $106,415 for fiscal year 2017.
General government include Mayor, Council, City Administrator, City Attorney, City Auditor and City Clerk

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

CITY OF OAKLAND
STATISTICS

SCHEDULE 6

TAX REVENUES BY SOURCE
GOVERNMENTAL FUNDS
(in thousands)

Fiscal Year	Property	Sales & Use	Motor Vehicle in-lieu	Gas	Business License	Utility Consumption	Real Estate Transfer	Transient Occupancy	Parking	Voter Approved	Franchise	Total
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
2017	310,339	79,866	189	7,974	75,840	52,618	79,070	29,049	20,886	37,962	18,763	712,556
Change 2008-2017	-13.3%	23.2%	-89.6%	9.2%	44.3%	0.2%	118.4%	134.3%	32.6%	15.2%	36.1%	9.9%

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 - FY2017

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

CITY OF OAKLAND
STATISTICS

SCHEDULE 7

ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
(in thousands)

Fiscal Year	Land	Improvements	Personal Property	Total Assessed Value	Less: Tax-Exempt Property	Less: Redevelopment Tax Increments	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Taxable Assessed Value	Taxable Assessed Value as a Percentage of Estimated Taxable Value
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%
2017	16,037,959	36,557,232	2,524,869	55,120,060	4,139,277	13,171,622	37,809,161	5.446	205,908,691	18.36%

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

Source: County of Alameda

SCHEDULE 8

DIRECT AND OVERLAPPING PROPERTY TAX RATES

	City Direct Rates				Overlapping Rates								
Fiscal Year	Basic Rate	Debt Service Fund	1981 Pension Liability	Total Direct Rate	Alameda County	Education	Education Debt	BART and AC Transit	BART Debt	Other	East Bay Municipal Utility Debt	East Bay Regional Parks District	East Bay Reg. Parks District Debt
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	-	0.0505	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
2017	0.3485	0.0386	0.1575	0.5446	0.3086	0.2165	0.1407	0.0517	0.0080	0.0505	0.0028	0.0242	0.0032

Note: Rates per $1,000 assessed value

Source: County of Alameda

CITY OF OAKLAND
STATISTICS

SCHEDULE 9

PRINCIPAL PROPERTY TAXPAYERS

Taxpayer	2008 (1) Taxable Assessed Value	2008 (1) Percentage of Total City Taxable Assessed Value	2008 (1) Rank	2017 (2) Taxable Assessed Value	2017 (2) Percentage of Total City Taxable Assessed Value	2017 (2) Rank
Kaiser Foundation Hospitals				$ 603,618,386	1.184%	1
SIC Lakeside Drive LLC	$ 199,428,657	0.507%	1	258,888,750	0.508%	2
CIM Oakland Center 21 LP				215,551,782	0.423%	3
Broadway Franklin LLC				215,550,773	0.423%	4
1221 Broadway Investors LLC				165,400,900	0.324%	5
Kaiser Foundation Health Plan Inc	150,845,907	0.384%	4	158,399,693	0.311%	6
CIM Oakland 1 Kaiser Plaza LP				155,920,054	0.306%	7
DWF IV 1999 Harrison LLC				144,978,270	0.284%	8
USPA City Center LLC				137,880,819	0.270%	9
1800 Harrison Foundation	117,197,866	0.298%	5	132,638,485	0.260%	10
Oakland City Center Venture LLC	193,371,119	0.492%	2	N/A		
Oakland Property LLC	159,120,000	0.405%	3	N/A		
Clorox Company	93,865,620	0.239%	8	N/A		
555 Twelfth Street Venture LLC	105,113,958	0.267%	6	N/A		
Brandywine Ordway LLC	104,040,000	0.265%	7	N/A		
KSL Claremont Resort, Inc	85,149,410	0.217%	9	N/A		
SSR Western Multifamily LLC	71,004,400	0.181%	10	N/A		
Total	$ 1,279,136,937	3.253%		$ 2,188,827,912	4.293%	

Notes:
(1) 2008 based on total assessed value less tax-exempt property of $39,318,818,006
(2) 2017 based on total assessed value less tax-exempt property of $50,980,782,695

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
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%
2017	108,686	106,799	98.26%	-	106,799	98.26%

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
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%
2017	116,107	112,674	97.04%	-	112,674	97.04%

Note: Collections in subsequent year data not available

Source: County of Alameda

CITY OF OAKLAND
STATISTICS

SCHEDULE 11

TAXABLE SALES BY CATEGORY
(in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Auto & Transportation	$ 840,330	$ 695,919	$ 580,398	$ 651,555	$ 674,154	$ 743,329	$ 838,029	$ 894,683	$ 933,844	$ 903,362
Business & Industry	691,322	574,628	490,566	512,453	642,399	655,454	653,875	558,343	578,225	617,380
General Consumer Goods	536,955	505,460	480,781	496,571	548,072	559,941	574,519	605,914	586,743	554,885
Restaurants and Hotels	527,276	515,602	525,068	566,973	606,936	681,562	751,108	855,561	953,697	1,001,054
Building & Construction	465,797	416,701	344,171	325,085	378,922	374,421	434,677	456,964	474,895	514,481
Food & Drugs	341,677	342,922	366,461	359,148	386,236	402,383	417,291	440,323	490,278	511,093
Fuel & Service Stations	1,236,876	638,147	433,207	620,279	888,349	733,489	704,208	632,457	502,608	568,368
Total	$ 4,640,233	$ 3,689,379	$ 3,220,652	$ 3,532,064	$ 4,125,068	$ 4,150,579	$ 4,373,707	$ 4,444,245	$ 4,520,290	$ 4,670,623
City direct sales tax rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	2.0%	2.0%	2.0%

Source: HdL Companies

CITY OF OAKLAND
STATISTICS

SCHEDULE 12

DIRECT AND OVERLAPPING SALES TAX RATES

Fiscal Year	City Direct Rate	State of California
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%
2017	2.00%	7.25%

Source: California State Board of Equalization

CITY OF OAKLAND
STATISTICS

SCHEDULE 13

RATIOS OF OUTSTANDING DEBT BY TYPE
(in thousands)

	Governmental Activities											Business-type Activities				
Fiscal Year	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Lease Revenue Bonds	Pension Obligation Bonds	Accreted Interest	Special Assessment Bonds	Notes and Loans 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	Per Capita
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	15.93%	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	14.85%	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	9.08%	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	9.65%	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	8.54%	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	7.12%	2
2016	201,830	-	-	91,110	313,223	159,476	5,685	2,060	71,849	24,054	45,512	-	39,123	953,922	6.52%	2
2017	216,655	-	-	71,335	296,854	149,896	5,335	8,021	67,802	23,246	41,384	-	36,735	917,263	5.64%	2

Source: Notes to Basic Financial Statements

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) *(in dollars)*
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	4,181.93
2011	1,596,287	38,484,140	4.1479	4,068.70
2012	973,570	38,856,435	2.5056	2,465.78
2013	1,147,758	39,515,578	2.9046	2,871.56
2014	1,085,098	40,796,490	2.6598	2,674.61
2015	962,457	43,388,075	2.2183	2,294.08
2016	914,799	47,423,896	1.9290	2,161.67
2017	880,528	50,980,783	1.7272	2,066.61

(1) Source: City of Oakland Annual Debt Service Roll Forward Schedule as of June 30, 2017
(2) Source: County of Alameda.
(3) Population 426,074 as of 1/1/17 per State of California Demographic Information by City.

CITY OF OAKLAND
STATISTICS

SCHEDULE 15

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

Governmental Unit	Estimated Percentage Applicable		City Share of Debt
Direct Bonded Debt			
City of Oakland General Obligation Bonds	100.000	$	216,665,000
City of Oakland Lease Revenue Bonds	100.000		71,335,000
City of Oakland Pension Obligations	100.000		296,854,000
City of Oakland 1915 Act Bond Obligations	100.000		5,335,000
City of Oakland Accreted Interest on Appreciation Bonds	100.000		149,896,000
City of Oakland Unamortized Premium and Discount	100.000		23,246,000
City of Oakland Notes, Loans and Capital Leases	100.000		75,823,000
City of Oakland and Coliseum Authority General Fund Obligations	100.000		41,384,000
Total Direct Bonded Debt:		$	880,538,000
Overlapping Bonded Debt			
Alameda-Contra Costa Transit District Certificates of Participation	23.938	$	4,219,073
Alameda County and Coliseum Authority General Fund Obligation	20.213		173,173,362
Alameda County Pension Obligations	20.213		5,602,940
Bay Area Rapid Transit District	7.950		70,845,233
East Bay Municipal Utility District, Special District #1	52.693		1,852,159
East Bay Regional Park District	12.262		15,154,606
Chabot-Las Positas Community College District	0.978		5,246,628
Peralta Community College District	55.433		218,672,098
Peralta Community College District Pension Obligation	55.433		88,492,047
Berkeley & Castro Valley Unified School District	0.003 & 0.109		125,756
Oakland Unified School District	99.999		928,315,717
Oakland Unified School District Certificates of Participation	99.999		32,164,678
San Leandro Unified School District	9.5		21,462,856
San Leandro Unified School District General Fund Obligations	9.5		453,625
Castro Valley Unified School District Certificates of Participation	0.109		5,575
City of Emeryville 1915 Act Bonds	4.183		152,261
City of Piedmont 1915 Act Bonds	4.792		134,895
Total Overlapping Bonded Debt:		$	1,566,073,509
Total Direct and Overlapping Debt		$	2,446,611,509
Less: East Bay M.U.D. Special District #1 (100% self-supporting)			1,852,159
Total Net Direct and Overlapping Bonded Debt		$	2,444,759,350

Source: City of Oakland Treasury Division

CITY OF OAKLAND
STATISTICS

SCHEDULE 16

LEGAL DEBT MARGIN INFORMATION

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	$ 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	$ 1,417,843,532
Total net debt applicable to limit	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	216,665,000
Legal debt margin	$ 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	$ 1,201,178,532
Total net debt applicable to the limit as a percentage of debt limit (%)	29.70%	27.42%	32.42%	31.64%	29.42%	27.52%	24.85%	16.67%	15.16%	15.28%

Source: County of Alameda and City of Oakland Annual Debt Service Roll Forward (General Obligation Debt Total as of June 30, 2017).

CITY OF OAKLAND
STATISTICS

SCHEDULE 17

PLEDGED-REVENUE COVERAGE, PORT OF OAKLAND, OAKLAND REDEVELOPMENT AGENCY AND OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

(thousands of dollars)

Fiscal Year	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
PORT OF OAKLAND					
2008	$ 144,931	$ 19,800	$ 70,474	$ 90,274	160.55%
2009	130,173	19,724	75,578	95,302	136.59%
2010	147,860	35,593	78,018	113,611	141.96% (1)
2011	155,502	36,500	69,378	105,878	146.87%
2012	161,254	48,763	59,571	108,334	149.68% (2)
2013	170,128	45,812	61,612	107,424	158.37%
2014	160,769	42,661	56,615	99,275	161.94% (3)
2015	164,643	46,471	54,813	101,284	162.56%
2016	158,738	50,236	52,786	103,022	154.08%
2017	172,552	53,232	50,834	104,066	165.81%
OAKLAND REDEVELOPMENT AGENCY					
2009	3,456,253	505,595	343,747	849,342	406.93%
2010	3,100,961	488,900	316,344	805,244	385.10%
2011	3,041,760	523,905	378,570	902,475	337.05%
OAKLAND REDEVELOPMENT SUCCESSOR AGENCY					
2012	2,949,755	503,540	348,207	851,747	346.32%
2013	2,856,580	480,995	318,894	799,889	357.12%

Notes: (from Port of Oakland)
(1) Revised from 130.15% to reflect the application of $9.5 million bond reserve funds from Series F, Series K, Series L and Series N to debt service.
(2) Revised from 148.85% to reflect the application of unspent Series M bond proceeds to debt service.
(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 *(thousands of dollars)*	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate (%)
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	14,100,286	33,609	36.2	37,147	5.7
2016	423,191 (1)	14,636,907	34,587	36.2	37,075	5.8
2017	426,074	16,275,175	38,198	36.5	36,668	4.9

Source: Population - State of California Department of Finance
Per Capita Income and Median Age - DemographicsNow.com (2006-2013), U.S. Census Bureau (2014-2017)
School Enrollment - Oakland Unified School District
Unemployment Rate - State of California Employment Development Department

(1) 2016 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

	2016			2008 [1]		
Employer	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Aging, Health & Human Services	208	204	217	231	218	219	219	214	213	187
Community & Economic Development Agency	419	380	364	241	N/A	N/A	N/A	N/A	N/A	N/A
Economic & Workforce Development Department	N/A	N/A	N/A	N/A	N/A	N/A	46	44	42	43
Fire										
Firefighters and officers	462	448	434	427	411	410	393	426	427	462
Civilians	82	77	78	69	64	68	96	67	102	72
General Government										
Management services	211	204	184	169	280	280	169	205	224	239
Finance	209	196	176	172	63	55	124	128	134	132
Retirement Services	5	5	5	5	N/A	N/A	N/A	N/A	N/A	N/A
Personnel Resources Management	53	47	35	35	33	29	40	42	37	37
Contracts and Purchasing	22	22	22	23	N/A	N/A	N/A	N/A	N/A	N/A
Neighborhood Services	N/A	N/A	N/A	N/A	N/A	4	N/A	N/A	N/A	N/A
Information Technology	92	88	67	62	60	55	59	54	70	76
Library	150	140	133	135	134	138	139	136	132	154
Cultural Arts/KTOP	21	20	12	12	8	8	8	8	N/A	N/A
Museum	55	51	42	38	N/A	N/A	N/A	N/A	N/A	N/A
Parks and Recreation	76	92	82	87	83	84	82	85	88	85
Planning, Building & Neighborhood Preservation	N/A	N/A	N/A	N/A	119	111	111	107	118	121
Police										
Officers	746	791	763	627	634	621	633	710	760	761
Civilians	432	303	305	279	311	350	458	458	423	367
Public Works	561	546	482	593	593	588	611	623	622	632
Housing & Community Development	N/A	N/A	N/A	N/A	44	43	45	45	44	50
Total	**3,804**	**3,614**	**3,401**	**3,205**	**3,055**	**3,063**	**3,233**	**3,352**	**3,436**	**3,418**

Source: City of Oakland Payroll Division

CITY OF OAKLAND
STATISTICS

SCHEDULE 21

OPERATING INDICATORS BY FUNCTION/PROGRAM

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Building permits issued	14,957	13,055	12,951	13,648	13,696	13,513	14,680	15,117	18,693	17,259
Building inspections conducted	95,064	77,845	71,931	70,016	48,500	55,951	58,844	56,414	39,947	41,771
Authorized new dwelling units	704	395	555	528	237	486	420	806	1,641	3,101
Commercial value (in thousands)	213,696	117,876	95,851	108,767	150,613	65,152	100,239	238,592	306,809	211,874
Residential value (in thousands)	258,617	196,362	168,872	179,374	159,723	253,516	181,087	246,776	495,481	638,944
Police										
Dispatched calls	289,032	315,522	265,277	236,517	221,775	249,050	226,275	252,550	253,877	259,494
Field Contacts	9,641	8,393	20,220	23,391	16,638	21,280	33,570	34,418	39,240	30,032
Physical arrests	16,866	18,183	15,056	15,029	10,617	7,908	7,577	12,224	12,911	12,047
Parking violations	459,459	496,655	450,656	386,494	368,641	326,030	331,692	323,542	330,615	313,222
Traffic violations	44,897	51,019	33,484	20,731	N/A	N/A	N/A	N/A	N/A	N/A
Fire										
Emergency responses	49,784	51,255	49,887	51,041	46,672	55,334	55,284	58,413	59,254	55,144
Fires extinguished	3,800	2,601	1,143	1,073	1,207	1,108	1,783	1,282	1,782	1,469
Inspections	3,062	3,258	2,087	2,211	2,390	3,292	3,292	2,398	2,862	3,143
Port of Oakland										
Imports (in tonnage)	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	16,436,308
Exports (in tonnage)	16,191,383	16,258,547	17,357,582	17,647,626	18,429,153	18,370,822	18,473,839	17,663,308	15,848,375	17,720,336
Total tonnage	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	34,156,644
Containers	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	1,336,298
Other public works										
Street resurfacing (miles)	13.83	18.63	18.5	11.50	21.21	3.95	16.95	9.60	9.40	8.80
Potholes repaired	11,758	8,515	10,062	8,262	11,614	12,005	9,719	13,751	14,117	17,733
Parks and recreation										
Athletic field permits issued	330	340	346	378	409	409	409	429	450	450
Community center admissions	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	1,174,383
Library										
Volumes in collection	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	1,193,188
Total volumes borrowed	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	2,130,170
Water										
New connections	474	297	192	111	127	167	132	139	184	247
Water main breaks	251	410	242	263	260	278	303	339	336	314
Average daily consumption (gallons/fam	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Peak daily consumption (thousands of gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater										
Average daily sewage treatment (thousands of gallons)	75,000	66,000	68,000	70,000	63,000	61,000	56,000	55,000	57,000	67,000

Source: City of Oakland, Port of Oakland, and East Bay Municipal Utility District
Note: Port of Oakland data based on prior calendar year; fiscal year data unavailable.

CITY OF OAKLAND
STATISTICS

SCHEDULE 22

CAPITAL ASSET STATISTICS
BY FUNCTION/PROGRAM

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	8	8	7	7	7	7	7	7	7	7
Patrol units	622	633	602	592	634	610	600	619	697	745
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	23,233	23,233	23,233	23,233	23,233	23,233	23,233	23,233	23,233
Harbor area (in acres)	786	786	786	779	779	779	779	779	779	779
Hospitals	4	4	4	4	4	4	4	4	4	4
Library branches	15	15	15	16	16	16	16	16	16	16
Museums	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (in lane miles)	2,288	2,323	1,963	1,965	1,965	1,965	1,965	1,965	1,965	1,965
Streetlights	36,219	36,219	36,219	37,000	37,000	37,000	37,000	37,000	38,000	38,050
Traffic signals	671	688	688	688	720	632	635	639	642	643
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	7	5	5	4	4	4	4	4	6	6
Tennis courts	44	44	44	44	44	44	44	44	44	44
Playgrounds	106	106	106	106	106	106	106	106	106	106
Baseball/softball diamonds	40	40	40	40	40	40	40	40	40	40
Soccer/football fields	15	15	15	15	15	15	15	15	15	15
Community centers	34	34	34	33	33	33	33	33	33	33
Water										
Water mains (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire hydrants	6,719	6,733	6,738	6,759	6,697	6,812	6,823	6,720	6,735	6,818
Storage capacity (thousands of gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater										
Sanitary sewers (miles)	29	29	29	29	29	29	29	29	29	29
Treatment capacity (million gallons per day)	320	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.

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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 426,000, 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 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 426,074 residents per capita income in 2017 averaged $38,198. 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 $4.6 billion in 2017. 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:

- No. 9 among the 10 Most Walkable Cities of 2017 – Redfin, May 2017
- No. 5 among the Top 10 Vegan Cities in America – VegNews, May 2017
- 2017's 3rd Best City for Basketball Fans – WalletHub, May 2017
- 8th Happiest Place to Live – WalletHub, March 2017
- 15th among super cool U.S. cities to visit – Expedia Viewfinder, March 2017
- Top 10 Cities Where Downtown Is Making a Comeback – Realtor.com, March 2017
- 7th Most Culturally Diverse U.S. City and 1st in Ethnoracial Diversity – WalletHub, February 2017
- Among the top 30 healthiest cities in the United States – WalletHub, February 2017
- Among the Top 10 U.S. cities for employee happiness – Kununu, February 2017
- 10th Best U.S. City for Living Without a Car – Redfin, February 2017
- 9th Best City to Score Your Dream Job – GoBanking, January 2017
- America's best new bike lanes of 2016 – People for Bikes, December 2016
- 7th Greenest City in America – WalletHub, October 2016

DEMOGRAPHICS

Oakland is a Mecca of culture, a community of people from all over the world working together to build a progressive City. At the same time, it has maintained a rich heritage of ethnic backgrounds and traditions.

The well-maintained four freeways (I-880, I-580, Hwy 13, and Hwy 24), mass transit systems, and ferry service make getting to and from downtown Oakland a relatively quick and easy process—travel times to San Francisco, San Jose and other area cities are surprisingly short.

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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.

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

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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 1,300 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 11 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 Cost North American Asia-Pacific hub at Oakland. UPS also has a major West Coast hub at Oakland.

Mass Transit

Local bus service is provided by Alameda-Contra Costa (AC) Transit, the public bus system serving 13 cities (and adjacent unincorporated communities) in 364 square miles along the east shore of San Francisco Bay. Serving approximately 170,000 daily riders, AC Transit operates a network of more than 150 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.

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BART is a 112-mile, automated rapid transit system serving over 3.5 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 46 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. Ride sharing is offered by Uber and Lyft. 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. The Metropolitan Transportation Commission's Bay Area Bike Share program will bring 1,400 bikes to Oakland, Berkeley and Emeryville by 2018.

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 37 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.

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.

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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 three public golf courses. 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 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.

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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.

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 2017, the Warriors won their second NBA Championship in 3 years. The celebratory parade and rally marking the victory was held in downtown Oakland on June 15.

- 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.

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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

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

Certain provisions of the Lease, the Sublease and the Trust Agreement, not previously discussed in this Official Statement, are summarized below. These summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the full terms of the documents.

CERTAIN DEFINITIONS

The following are definitions of certain of the terms defined in the Sublease or the Trust Agreement, to which reference is hereby made. The following definitions are equally applicable to both the singular and plural forms of the terms defined herein. Capitalized terms not otherwise defined herein will have the meaning assigned to such term in the Trust Agreement or, if not defined therein, in the Sublease.

"Act" means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the Government Code of the State, as amended) and all laws amendatory thereof or supplemental thereto.

"Additional Bonds" means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the Trust Agreement.

"Additional Projects" means public capital improvements, including equipment, located within the City and financed in whole or in part with the proceeds of Additional Bonds.

"Additional Payments" means all amounts payable to the Authority or the Trustee or any other person from the City as Additional Payments pursuant to the Sublease.

"Authority" means the Oakland Joint Powers Financing Authority created pursuant to the Act and its successors and assigns in accordance with the Trust Agreement.

"Base Rental Due Date" means each Business Day that is at least ten (10) Business Days prior to the Interest Payment Dates and Principal Payment Dates with respect to the Bonds or such other day or recurring date that is designated by the Authority that is at least ten (10) Business Days prior to the Interest Payment Dates and Principal Payment Dates with respect to the Bonds. "Base Rental Due Date" shall also mean each Business Day any amounts are due with respect to Related Obligations.

"Base Rental Payments" means all amounts payable to the Authority from the City as Base Rental Payments pursuant to the Sublease.

"Base Rental Payment Schedule" means the schedule of Base Rental Payments payable to the Authority from the City pursuant to the Sublease

"Bonds" means the Series 2018 Bonds and all Additional Bonds.

"Business Day" means any day other than (i) a Saturday or Sunday or (ii) a day on which commercial banks in New York, New York are authorized or required by law to close or (iii) a day upon which the Trustee is authorized by law to remain closed.

"Certificate of the Authority" means an instrument in writing signed by the President, Executive Director, Secretary or Treasurer/Auditor of the Authority, or by such officer's duly appointed designee, or by any other officer of the Authority duly authorized by the Authority for that purpose.

"Certificate of the City" means an instrument in writing signed by the Mayor, City Administrator, City Clerk or Director of Finance/Treasurer of the City, or by such officer's duly appointed designee, or by any other officer of the City duly authorized by the City for that purpose.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority and related to the authorization, execution and delivery of the Lease, the Sublease, the Trust Agreement and the sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Bonds, fees of the Authority, and any other cost, charge or fee in connection with the original execution and delivery of the Bonds.

"Debt Service" means, for any Fiscal Year or other period, the sum of interest on the Bonds and principal of the Bonds (including mandatory sinking fund redemption payments) due in such Fiscal Year or other period.

"Event of Default" has the meaning specified in the Trust Agreement. See "Trust Agreement – Defaults and Remedies."

"Facilities" means, as of the effective date of the Second Amended and Restated Sublease, the Wilson Building located at 150 Frank H. Ogawa Plaza.

"Fiscal Year" means the twelve month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

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

"Holder" or "Owner" means any person who shall be the registered owner of any Outstanding Bond.

"Interest Payment Date" means a date on which interest is due on the Bonds being, May 1 and November 1 of each year to which reference is made, commencing on November 1, 2018.

"Lease" means that certain lease entitled "Second Amended and Restated Lease", dated as of May 1, 2018, between the City, as lessor, and the Authority, as lessee, and as it may from time to time be further supplemented, modified or amended pursuant to the provisions thereof and of the Trust Agreement.

"Mandatory Sinking Account Payments" means the payments set forth in the Trust Agreement.

"Moody's Investors Service" or "Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's Investors Service" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Trust Agreement) all Bonds except

(1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid within the meaning of the defeasance section of the Trust Agreement; and

(3) Bonds in lieu of or in substitution for which other Bonds have been executed, issued and delivered by the Authority pursuant to the Trust Agreement.

"Permitted Encumbrances" means (1) the Lease, as it may be amended from time to time; (2) the Sublease, as it may be amended from time to time; (3) the Trust Agreement, as it may be amended from time to time; (4) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (5) rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of this Sublease (which the Lessee hereby certifies will not materially impair the use of the Leased Property by the Lessee); (6) rights, reservations, covenants, conditions or restrictions to which the Authority and the Lessee consent in writing and certify to the Trustee will not impair the leasehold interests of the Authority; and (7) subleases of the Lessee pursuant to the Sublease.

"Permitted Investments" means any of the following obligations if and to the extent that, at the time of making such investment, they are permitted by applicable law:

1. Government Securities.

2. Federal Housing Administration debentures.

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

   a) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

   b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes

   c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations

   d) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

4. Unsecured certificates of deposit (including those placed by a third party pursuant to a separate agreement between the Authority and the Trustee), time deposits, demand deposits, other deposit products, trust funds, trust accounts, interest bearing deposits, overnight bank deposits, interest bearing money market accounts and bankers' acceptances (having maturities of not more than 365 days) of any bank, including the Trustee and its affiliates, the short-term obligations of which are rated "A-l" or better by S&P and "Prime-1" by Moody's.

5. Deposits (including those placed by a third party pursuant to a separate agreement between the Authority and the Trustee), time deposits, demand deposits, other deposit products, trust funds, trust accounts, interest bearing deposits, overnight bank deposits, interest bearing money market accounts and bankers' acceptances (including those of the Trustee or any of its affiliates), the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least $15 million.

6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

7. Money market mutual funds rated "Aam" or "AAm-G" by S&P, or better and if rated by Moody's rated "Aa2" or better which shall include funds for which the Trustee, its parent holding company, if any, or any affiliates as subsidiaries of the Trustee receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor, or otherwise.

8. "State Obligations", which means:

a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least "A3" by Moody's and at least "A-" by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P and "MIG-1" by Moody's.

c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated "AA-" or better by S&P and "Aa3" or better by Moody's.

9. Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

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

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

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

e) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and

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

10. Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A-" by S&P and "A3"

Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A-" by S&P and "A3" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least "A-" by S&P and "A3" Moody's (each an "Eligible Provider"), provided that:

a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral");

b) the Trustee or a third party acting solely as agent therefore or for the issuer (the "Custodian") has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market;

c) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Authority setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

d) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

e) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, notify the Authority and the Trustee within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i) provide a written guarantee, (ii) post Eligible Collateral, or (iii) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the Trustee (acting at the direction of the Authority), repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Authority or the Trustee.

11. Investment agreements: with a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or,

in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA-" by S&P and "Aa3" by Moody's (each an "Eligible Provider"); provided that:

a) interest payments are to be made to the trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds:

b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the Authority and the Trustee agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

c) the provider shall send monthly reports to the Trustee and the Authority setting forth the balance the Authority or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;

d) the investment agreement shall state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

e) the Authority and the Trustee shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;

f) the Authority and the Trustee shall receive an opinion of foreign counsel to the provider (if applicable) that (i) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

g) the investment agreement shall provide that if during its term:

   i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) provide a written guarantee, (ii) post

Eligible Collateral with the Authority, the Trustee or a third party acting solely as agent therefore (the "Custodian") free and clear of any third party liens or claims, or (iii) assign the agreement to an Eligible Provider, or (iv) repay the principal of and accrued but unpaid interest on the investment;

ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the Authority or the Trustee (who shall give such direction if so directed by the Authority), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Authority or Trustee.

h) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"). In addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee and the Authority setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

i) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

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

"Projects" means the Series 2018 Project and all Additional Projects.

"Responsible Officer" means, when used with respect to the Trustee, the president, any managing director, any vice president, any assistant vice president, any senior associate, any associate or any officer of the Trustee within the corporate trust office of the Trustee set forth in the Trust Agreement or any successor corporate trust office (either such corporate trust office, the "Corporate Trust Office") customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively or to whom any corporate trust matter is referred at the Corporate Trust Office because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of the Trust Agreement.

"Revenues" means all Base Rental Payments paid by the City to the Authority pursuant to the Sublease (but not Additional Payments) and received by the Trustee and all interest or other income from any investment, pursuant to the Trust Agreement, of any money in the funds and accounts (other than the Rebate Fund) established under the Trust Agreement.

"Serial Bonds" means Bonds, maturing in specified years for which no Mandatory Sinking Account Payments are provided.

"Series," whenever used in the Trust Agreement with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Trust Agreement.

"Series 2018 Bonds" means the bonds issued by the Authority under and pursuant to the Trust Agreement.

"S&P" means S&P Global Ratings, a business unit of Standard & Poor's Ratings Services, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term S&P shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"State" means the State of California.

"Sublease" means that certain sublease entitled "Second Amended and Restated Sublease", dated as of May 1, 2018, between the Authority, as lessor, and the City, as lessee, and as it may from time to time be further supplemented, modified or amended pursuant to the provisions thereof and of the Trust Agreement.

"Supplemental Trust Agreement" means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory of the Trust Agreement or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"Term Bonds" means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

"Trust Agreement" means the Trust Agreement, dated as of May 1, 2018 between the Authority and the Trustee, and as it may from time to time be further amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions thereof.

"Written Request of the Authority" means an instrument in writing signed by the President, Executive Director, Secretary or Treasurer/Auditor of the Authority, or by any such officer's duly appointed designee, or by any other officer of the Authority duly authorized by the Authority for that purpose.

"Written Request of the City" means an instrument in writing signed by the Mayor, City Administrator, City Clerk, Director of Finance/Treasurer of the City or by any such officer's duly appointed designee, or by any other officer of the City duly authorized by the City for that purpose.

SUBLEASE

Base Rental Payments

The City agrees to pay to the Authority, as Base Rental Payments for the use and occupancy of the Leased Property during each Rental Payment Period (subject to the provisions of the Sublease), the Base Rental Payments in accordance with the Base Rental Payment Schedule. Base Rental Payments shall be made in installments, payable on or before the Base Rental Due Dates in the amount required by the Authority to pay the principal of and interest on the Bonds due ono or immediately following the Base Rental Due Date; provided that to the extent the Authority has received revenues available to pay debt service on the Bonds and has deposited such revenues with the Trustee by the Business Day immediately preceding the Base Rental Due Date, the City shall receive a credit to the extent of such revenues on the subsequent installment of the Base Rental Payment. The Trustee shall notify the City at least five Business Days prior to each Base Rental Due Date of the amount of Base Rental Payments which will be due on the next succeeding Base Rental Due Date.

If the term of the Sublease shall have been extended pursuant to the Sublease, Base Rental Payment installments shall continue to be due on the Base Rental Due Dates, and payable as described above, continuing to and including the date of termination of the Sublease, in an amount sufficient to pay all unpaid principal of and interest on the Bonds, plus interest on the extended principal and interest at a rate equal to the rate of interest on the Bonds so extended, provided that the Base Rental Payments in any Rental Payment Period shall comply with the "Fair Rental Value" section summarized below.

Additional Payments

The City shall also pay such amounts (the "Additional Payments") as shall be required by the Authority for the payment of all amounts, costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Sublease or any assignment of the Sublease, the Trust Agreement, its interest in the Leased Property and the sublease of the Leased Property to the City, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority related to the Bonds and the Leased Property, including, without limiting the generality of the foregoing, insurance, taxes, salaries and wages of employees, all expenses, compensation and indemnification payable by the Authority to the Trustee under the Trust Agreement and to auditors, accountants, attorneys or architects, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Trust Agreement; but not including in such Additional Payments amounts required to pay the principal of or interest on the Bonds (which shall be paid from Base Rental Payments).

Such Additional Payments shall be billed to the City by the Authority or the Trustee from time to time. Amounts so billed shall be paid by the City within sixty (60) days after receipt of the bill by the City.

Fair Rental Value

The Base Rental Payments shown in the Base Rental Payment Schedule and Additional Payments for each Rental Payment Period during the term of the Sublease shall constitute the total rental for said Rental Payment Period and shall be payable by the City in each Rental Payment Period for and in consideration of the right of use and occupancy of the Leased Property during each such period for which said rental is to be paid. The parties to the Sublease have agreed and determined that such total rental payable for each Rental Payment Period does not exceed the fair rental value of the Leased Property for each such period. In making such determination, consideration has been given to costs of acquisition, design and construction of the Leased Property, other obligations of the parties under the Sublease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

Rental Abatement

The Base Rental Payments and Additional Payments will be abated during any period in which by reason of any material damage or destruction (other than by condemnation which is hereinafter provided for) there is substantial interference with the use of the Leased Property by the City in the proportion in which the value of the portion of the Leased Property rendered unusable bears to the value of the whole of the Leased Property. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Sublease will continue in full force and effect and the City waives the benefits of California Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Sublease by virtue of any such damage or destruction or interference. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Base Rental Payments in any of the funds and accounts established under the Trust Agreement, Base Rental Payments will not be abated as provided above, but rather will be payable by the City as a special obligation payable solely from said funds and accounts

Defaults and Remedies

(a) If the City shall fail to pay any Base Rental Payment, Additional Payment or other amount payable under the Sublease when the same becomes due and payable, time being expressly declared to be of the essence of the Sublease, or the City shall fail to keep, observe or perform any other term, covenant or condition contained in the Sublease to be kept or performed by the City for a period of 30 days after notice of the same has been given to the City by the Authority or the Trustee or for such additional time as is reasonably required to correct the same as requested by the City, such additional time not to exceed 180 days from the date of delivery of such default notice, or upon the happening of any of the events specified in subsection (b) below (any such case above being an “Event of Default”), the City shall be deemed to be in default under the Sublease and it shall be lawful for the Authority to exercise any and all remedies granted pursuant to the Sublease. Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

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

(2) Without terminating the Sublease, (i) to collect each installment of rent as it becomes due and enforce any other terms or provision of the Sublease to be kept or performed by the City, regardless of whether or not the City has abandoned the Leased Property, or (ii) to exercise any and all rights of entry and re-entry upon the Leased Property. In the event the Authority does not elect to terminate the Sublease in the manner provided for in subparagraph (1) above, the City shall remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease to be kept or performed by the City and, if the Leased Property is not re-let, to pay the full amount of the rent to the end of the term of the Sublease or, in the event that the Leased Property is re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as provided for the payment of rent under the Sublease (without acceleration), notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental specified in the Sublease, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such entry or re-entry or obtaining possession of the Leased Property. Should the Authority elect to enter or re-enter as provided in the Sublease, the City irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Leased Property, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable, and to remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Property and to place such personal property in storage in any warehouse or other suitable place located in the City of Oakland, California, for (to the extent permitted by law) the account of and at the expense of the City, and the City (to the extent permitted by law) exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection

with, or incident to any such re-entry upon and re-letting of the Leased Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Sublease. The City agrees that the terms of the Sublease constitute full and sufficient notice of the right of the Authority to re-let the Leased Property and to do all other acts to maintain or preserve the Leased Property as the Authority deems necessary or desirable in the event of such re-entry without effecting a surrender of the Sublease, and further agrees that no acts of the Authority in effecting such re-letting shall constitute a surrender or termination of the Sublease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate the Sublease shall vest in the Authority to be effected in the sole and exclusive manner provided for in sub-paragraph (1) above. The City further waives the right to any rental obtained by the Authority in excess of the rental specified in the Sublease and conveys and releases such excess to the Authority as compensation to the Authority for its services in re-letting the Leased Property or any part thereof. The City further agrees to the extent permitted by law to pay the Authority immediately upon notice to the City of the completion and installation of such additions or alterations the reasonable cost of any alterations or additions to the Leased Property necessary to place the Leased Property in condition for re-letting.

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

(b) If (1) the City's interest in the Sublease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the prior written consent of the Authority or (2) the City or any assignee shall file any petition or institute any proceeding under any act or acts, State or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City shall be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City shall make a general or any assignment for the benefit of the City' creditors, or if (3) the City shall abandon or vacate the Leased Property, then the City shall be deemed to be in default under the Sublease.

(c) The Authority shall in no event be in default in the performance of any of its obligations under the Sublease or imposed by any statute or rule of law unless and until the Authority shall have failed to perform such obligations within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the City to the Authority properly specifying wherein the Authority has failed to perform any such obligation. In the event of default by the Authority, the City shall be entitled to pursue any remedy provided by law.

(d) Upon the occurrence of an event of default as described in the Sublease, the Authority shall proceed to protect and enforce the rights vested in the Authority by the Sublease. The provisions of the Sublease and the duties of the City and of its trustees, officers or employees shall be enforceable by the Authority by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority may bring the following actions:

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

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

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

The exercise of any rights or remedies under the Sublease shall not permit acceleration of Base Rental Payments and shall be subject to the terms and provisions of the Trust Agreement.

Each and all of the remedies given to the Authority under the Sublease or by any law now or later enacted are cumulative and the single or partial exercise of any right, power or privilege under the Sublease shall not impair the right of the Authority to the exercise of any or all other rights, powers or privileges. If any statute or rule of law validly shall limit the remedies given to the Authority under the Sublease, the Authority nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

In the event the Authority shall prevail in any action brought to enforce any of the terms and provisions of the Sublease, the City agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority under the Sublease, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

Waiver

Failure of the Authority to take advantage of any default on the part of the City shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering the instrument be construed to waive or to lessen the right of the Authority to insist upon performance by the City of any term, covenant or condition of the Sublease, or to exercise any rights given the Authority on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent under the Sublease shall not be, or be construed to be, a waiver of any term, covenant or condition of the Sublease.

Eminent Domain

(a) If the whole of the Leased Property or so much thereof as to render the remainder unusable for the purposes for which it was used by the City shall be taken under the power or threat of eminent domain, the term of the Sublease shall cease as of the day that possession shall be so taken. If less than the whole of the Leased Property shall be taken under the power or threat of eminent domain and the remainder is usable for the purposes for which it was used by the City at the time of such taking, then the Sublease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due under the Sublease in an amount equivalent to the amount by which the annual payments of principal of and interest on the Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of Outstanding Bonds. So long as any of the Bonds shall be Outstanding, any award made in eminent domain proceedings for taking the Leased Property or any portion thereof shall be paid to the Trustee and applied to the prepayment of the Base Rental Payments as provided in the Sublease. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, shall be paid to the City.

(b) The City covenants that it will not take the Authority's interest in the Leased Property under the power or threat of eminent domain unless the City prepays all Base Rental Payments pursuant to the Sublease.

Sale of Property

Subject to the compliance with the section of the Sublease summarized under "Fair Rental Value" above, the City, in its discretion may request the Authority to sell or exchange any part of the Leased Property, and to release said part of the Leased Property from the Sublease, if (a) in the opinion of the City the property so sold or exchanged is no longer required or useful in connection with the operation of the Leased Property, and (b) the consideration to be received from the property is of a value substantially equal to the value of the property to be released or the property is being replaced with property which is of equal or greater value. In the event of any such replacement of property, the additional property shall become part of the Leased Property under the Sublease. In the event of any such sale, the full amount of the money or consideration received for the personal property so sold and released shall be paid to the Authority and shall, so long as the City is not in default under any of the provisions of the Sublease, be used upon the Written Request of the City to purchase such additional property which shall become a part of the Leased Property under the Sublease. At the request of the Authority, the City shall provide such opinions, certificates and other documents as reasonably requested in connection with any sale, exchange or purchase of new property subject to the Sublease.

Substitution or Release of Property

The City may at any time and from time to time substitute other land, facilities, improvements or other property (the "Substitute Property") for all or any portion of the Leased Property provided that the City satisfies all of the following requirements. The City may also release portions of the Leased Property provided that the City satisfies the requirements of paragraphs (a), (b), (d) and (e) below.

(a) No Event of Default shall have occurred and be continuing, as certified in writing to the Trustee;

(b) The City shall have filed with the Authority and the Trustee amended exhibits to the Lease which add thereto a description of such Substitute Property;

(c) The City shall have certified in writing to the Authority and the Trustee that such Substitute Property serves the public purposes of the City and constitutes property which the City is permitted to lease under its Charter and the laws of the State;

(d) The substitution of the Substitute Property shall not cause the City to violate any of its covenants, representations and warranties made in the Sublease, as certified in writing to the Trustee;

(e) The City shall have certified in writing to the Authority and the Trustee that the estimated annual fair rental value of the Substitute Property is at least equal to the maximum annual Base Rental Payments as provided under the Sublease; and

(f) The City shall have delivered to the Authority and the Trustee reasonable evidence of its good title to such Substitute Property.

The Trustee shall provide written notice to the rating agencies then rating the Bonds of any substitution or release of property pursuant to the Sublease.

Liens

The City shall not grant or permit any encumbrances or liens upon the Leased Property except for Permitted Encumbrances or as expressly provided in the Sublease.

In the event the City shall at any time during the term of the Sublease cause any changes, alterations, additions, improvements or other work to be done or performed or materials to be supplied upon the Leased Property, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City upon or about the Leased Property and shall keep the Leased Property free of any and all mechanics' or materialmen's liens or other liens against the Leased Property or the Authority's interest therein, other than Permitted Encumbrances. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, the City shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desire to contest any such lien it may do so in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment. The City agrees to and shall, to the maximum extent permitted by law, indemnify and hold the Authority and the Trustee and their respective members, directors, agents, successors and assigns, harmless from and against, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorney's fees) as a result of any such lien or claim of lien against the Leased Property or the Authority's interest therein.

Quiet Enjoyment

The parties to the Sublease mutually covenant that the City, by keeping and performing the covenants and agreements contained in the Sublease and if not in default under the Sublease, shall at all times during the term of the Sublease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Subleasing

The Leased Property may be subleased by the City, provided that any sublease complies with each of the following conditions:

(1) The Sublease, and the obligations of the City under the Sublease, shall at all times during the term of the Sublease be and remain the continuing obligations of the City, notwithstanding any such sublease;

(2) The City shall furnish a copy of any sublease of a material portion of the Leased Property to the Authority and the Trustee; and

(3) No sublease by the City shall cause the Leased Property to be used for any purpose which would violate any provision of the Sublease or the Trust Agreement or the Constitution or laws of the State of California or cause the interest on the Bonds to be included in gross income for federal income taxation; and

(4) If the sublease involves a material portion of the Leased Property, the City shall obtain the prior written consent of the Authority.

Tax Covenants

The City and the Authority shall at all times do and perform all acts and things permitted by law which are necessary or desirable in order to assure that the interest on any Series of Bonds issued as tax- exempt Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code and shall take no action that would result in such interest not being excluded from gross income for federal income tax purposes.

Notwithstanding anything to the contrary in the Trust Agreement, if at any time the City is of the opinion that for purposes of the Sublease it is necessary to restrict or limit the yield on or change in any way the investment of any moneys held by the Trustee or the City or the Authority under the Sublease or the Trust Agreement, the City shall so instruct the Trustee or the appropriate officials of the City in writing, and the Trustee or the appropriate officials of the City, as the case may be, shall take such actions as may be necessary in accordance with such instructions.

In furtherance of the covenants of the City set forth above, the City and the Authority will comply with the Tax Certificate. The Trustee and the Authority may conclusively rely on any such written instructions given by the Lessee or the Authority, as applicable, in connection with such compliance, and the City agrees to hold harmless the Trustee and the Authority for any loss, claim, damage, liability or expense incurred by the Authority or Trustee for any actions taken by the Authority or the Trustee in accordance with such instructions.

LEASE

Pursuant to the Lease, the City leases to the Authority, and the Authority takes and hires from the City, the Leased Property in consideration of the rents, covenants and agreements, and upon the terms and conditions, set forth in the Lease, subject to any and all existing encumbrances, conditions, covenants, easements, restrictions, rights-of-way and all other existing matters of any nature affecting the Leased Property (in each case whether or not of record), such matters as may be disclosed by an inspection or survey, and all zoning, land use, subdivision, and all other laws, rules, regulations and judicial or administrative orders now or hereafter applicable to the Leased Property or any part thereof or any use or occupancy thereof (collectively with the Sublease, “Exceptions”).

The City covenants that it is the owner in fee of the Leased Property. The City further covenants and agrees that if for any reason this covenant proves to be incorrect, the City will either institute eminent domain proceedings to condemn the property or institute a quiet title action to clarify the City's title, and will diligently pursue such action to completion. The City further covenants and agrees that it will hold the Authority and the Bondowners harmless from any loss, cost or damages resulting from any breach by the City of the covenants contained in the Lease.

Except as to Exceptions and the Sublease, the Authority will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property or any part thereof. The Authority will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as otherwise provided in the Lease and in the Sublease.

TRUST AGREEMENT

The Trust Agreement provides for, among other things, the issuance, execution and delivery of the Bonds and sets forth the terms thereof, the creation of certain of the funds and accounts described herein, certain covenants of the Authority, defines events of default and remedies therefor, and sets forth the rights and responsibilities of the Trustee.

Certain provisions of the Trust Agreement setting forth the terms of the Series 2018 Bonds, the redemption provisions thereof and the use of the proceeds of the Series 2018 Bonds are set forth elsewhere in this Official Statement. See "THE SERIES 2018 BONDS."

Pledge of Revenues

All Revenues and any other amounts held by the Trustee in the Revenue Fund are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds as provided in the Trust Agreement, and the Revenues will not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied in such sums and for such purposes as are permitted under the Trust Agreement. This pledge will constitute a pledge of and charge and lien upon the Revenues and all other moneys on deposit in the Revenue Fund for the payment of the interest on and principal of the Bonds in accordance with the terms of the Trust Agreement.

The Authority assigns to the Trustee all of its right, title and interest (but none of its obligations or rights to give approvals and consents thereunder) in the Lease and Sublease.

Creation of Funds and Accounts

To carry out and effectuate the pledge, assignment, charge and lien contained in the Trust Agreement, the Authority agrees and covenants as follows:

All Revenues are assigned by the Authority to the Trustee for the benefit of the Holders and will be deposited by the Trustee in the Revenue Fund, which fund the Authority agrees and covenants to maintain with the Trustee so long as any Bonds shall be Outstanding under the Trust Agreement. All Revenues will be accounted for through and held in trust in the Revenue Fund, and the Authority will have no beneficial right or interest in any of the Revenues except only as provided in the Trust Agreement. All Revenues, whether received by the Authority in trust or deposited with the Trustee as provided in the Trust Agreement, will nevertheless be allocated, applied and disbursed solely to the purposes and uses set forth in the Trust Agreement, and will be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

Revenue Fund. All money in the Revenue Fund will be set aside by the Trustee in the following respective special accounts or funds within the Revenue Fund in the following order of priority:

(a) Interest Account. On or before each May 1 and November 1, the Trustee will set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest coming due and payable on all Outstanding Bonds on such May 1 or November 1, as the case may be. No deposit need be made if the amount contained therein is at least equal to the aggregate amount of interest coming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it will become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) Principal Account. On or before each November 1, the Trustee will set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the principal amount (including the payment of principal with respect to any mandatory redemption) of all Outstanding Bonds maturing on such November 1. No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Bonds maturing by their terms on such November 1.

All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds, as they become due and payable, whether at maturity or redemption.

Additional Bonds

The Authority may at any time issue Additional Bonds pursuant to a Supplemental Trust Agreement, payable from the Revenues as provided in the Trust Agreement and secured by a pledge of and charge and lien upon the Revenues as provided in the Trust Agreement equal to the pledge, charge and lien securing the Outstanding Bonds theretofore issued under the Trust Agreement, but only subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds:

(a) The Authority will be in compliance with all agreements and covenants contained in the Trust Agreement and no Event of Default shall have occurred and be continuing.

(b) The Supplemental Trust Agreement will require that the proceeds of the sale of such Additional Bonds will be applied to finance or refinance the Projects, or for the refunding and repayment of any Bonds then Outstanding, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Bonds. The Supplemental Trust Agreement may also provide that a portion of such proceeds shall be applied to the payment of the interest due or to become due on said Additional Bonds during the estimated period of any construction and for a period of not to exceed twelve months thereafter.

(c) The aggregate principal amount of Bonds issued and at any time Outstanding under the Trust Agreement will not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement.

(d) The Sublease will have been amended, if necessary, so that the Base Rental Payments payable by the City thereunder in each Fiscal Year will at least equal Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year.

(e) If the additional facilities, if any, to be leased are not situated on property described in the Lease and Sublease, the Lease and Sublease will have been amended so as to lease to the Authority such additional property.

Limitations on the Issuance of Obligations Payable from Revenues

The Authority will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, however denominated, payable in whole or in part from Revenues except the following:

(a) Bonds of any Series authorized pursuant to the Trust Agreement; or

(b) Obligations which are junior and subordinate to the payment of the principal, premium and interest for the Bonds and which subordinated obligations are payable as to principal, premium and interest, if any, only out of Revenues after the prior payment of all amounts then required to be paid under the Trust Agreement from Revenues for principal, premium and interest for the Bonds, as the same become due and payable and at the times and in the manner as required in the Trust Agreement..

Covenants of Authority

The Authority covenants it will not make any pledge of or place any charge or lien upon the Revenues except as provided in the Trust Agreement, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except as provided in the Trust Agreement.

The Authority will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee, at reasonable hours and under reasonable conditions. The Authority shall also keep or cause to be kept such other information as required under the Tax Certificate. The Trustee shall have no duty to review or examine such books or statements.

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

Tax Covenants

The Authority covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority covenants that it will comply with the requirements of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Bonds.

Defaults and Remedies

Events of Default. Events which constitute an "Event of Default" under the Trust Agreement include:

(a) a default made by the Authority in the due and punctual payment of the interest on any Bond when and as the same becomes due and payable;

(b) a default made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same becomes due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) a default made by the Authority in the performance of any of the other agreements or covenants required in the Trust Agreement to be performed by the Authority, and such default continues for a period of 30 days after the Authority has been given notice in writing of such default by the Trustee;

(d) if the Authority files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction approves a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction assumes custody or control of the Authority or of the whole or any substantial part of its property; or

(e) if an Event of Default has occurred under the Sublease.

Acceleration of Bonds. In each and every case during the continuance of an Event of Default the Trustee may, and upon the written request of the Holders of not less than 51% in aggregate principal amount of the Bonds then Outstanding shall, by notice in writing to the Authority, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same will become due and payable, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding. The Trustee will promptly notify all Holders of any such event of default which is continuing.

This provision, however, is subject to the condition that if at any time after the principal of the Bonds then Outstanding will have been so declared due and payable and before any judgment or decree for the payment of the money due will have been obtained or entered the Authority will deposit with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable fees and expenses of the

Trustee, and any and all other defaults actually known to a Responsible Officer of the Trustee (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will have been made therefor, then and in every such case the Holders of not less than 51% in aggregate principal of Bonds then Outstanding, by written notice to the Authority and to the Trustee, may on behalf of the Holders of all the Bonds then Outstanding rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default or will impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. All moneys in the accounts and funds established with respect to the Bonds held pursuant to the Trust Agreement upon (i) the occurrence, and during the continuance, of an Event of Default, or (ii) the date of the declaration of acceleration by the Trustee as provided in the Trust Agreement and all Revenues (other than Revenues on deposit in the Rebate Fund) thereafter received by the Authority under the Trust Agreement will be transmitted to the Trustee and will be applied by the Trustee in the following order--

First, to the payment of fees and expenses of the Trustee (including fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Trust Agreement; and

Second, upon presentation of the Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by such Bonds, and in case such money will be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Limitation on Holders' Right to Sue. No Holder of any Bond issued under the Trust Agreement will have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Holder will have previously given to the Trustee written notice of the occurrence of an event of default as defined in the Trust Agreement; (b) the Holders of at least a majority in aggregate principal amount of the applicable Series of Bonds then Outstanding will have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) said Holders will have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of 60 days after such request will have been received by, and said tender of indemnity will have been made to, the Trustee.

Amendment of Documents

Trust Agreement. The Trust Agreement and the rights and obligations of the Authority and of the Holders may be amended at any time by a Supplemental Trust Agreement which will become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee. No such amendment will (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Holder of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created by the Trust Agreement for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority, or the City without their prior written assent thereto, respectively.

The Trust Agreement and the rights and obligations of the Authority and of the Holders may also be amended at any time by a Supplemental Trust Agreement which will become binding upon execution and delivery without the consent of any Holders, and only to the extent permitted by law and after receipt of the Opinion of Counsel described in the Trust Agreement, for any purpose that will not materially adversely affect the interests of the Holders, as evidenced by such Opinion of Counsel, including (without limitation) for any one or more of the following purposes --

(a) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved in the Trust Agreement to or conferred in the Trust Agreement on the Authority;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary and not inconsistent therewith;

(c) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in the Trust Agreement (which will be deemed not to adversely affect Holders); or

(d) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939.

Lease and Sublease. The Authority, the Trustee and the City may at any time amend or modify the Lease or the Sublease in accordance with their respective terms, but only if (a) except as provided in clause (b) of this sentence, the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding to such amendment or modification, or (b) such amendment or modification is for any one or more of the following purposes, in which case the consent of the Bond Owners shall not be required:

(a) to add to the covenants and agreements of the City contained in the Lease or the Sublease, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the City; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions contained in the Lease or the Sublease or in any other respect whatsoever as the City may deem necessary or desirable, provided that such modifications or amendments shall not materially adversely affect the interests of the Bondholders, as evidenced by the Opinion of Counsel described in the Trust Agreement; or

(c) to amend any provision of the Lease or the Sublease relating to the Code, but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on the Bonds, in the opinion of Bond Counsel; or

(d) to amend the Lease or the Sublease in connection with any addition, substitution or withdrawal of Facilities in accordance with the Lease and the Sublease, including any amendment of the Lease or the Sublease in connection with the issuance of Additional Bonds under the Trust Agreement; or

(e) to amend any provision agreed to by the Authority and the Trustee, so long as such amendment does not materially adversely affect the interests of the Bondholders, as evidenced by the Opinion of Counsel described in the Trust Agreement.

Discharge of Trust Agreement

If the Authority will pay or cause to be paid or there will otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and principal thereof and redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and in the Bonds, and all amounts due and owing to the Trustee have been paid in full, then the Holders of such Bonds will cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Trust Agreement, and all agreements, covenants and other obligations of the Authority to the Holders of such Bonds under the Trust Agreement will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Authority all such instruments as may be necessary or desirable (and prepared by or on behalf of the Authority or the City) to evidence such discharge and satisfaction, the Trustee will pay over or deliver to the Authority all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

Any Outstanding Bond or Bonds will prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Trust Agreement (1) in case any of such Bond or Bonds are to be redeemed on any date prior to their maturity date, the Authority will have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Trust Agreement or in the corresponding section of a Supplemental Trust Agreement, (2) there will have been deposited with the Trustee either (A) money in an amount which will be sufficient or (B) Government Securities which are not subject to redemption prior to maturity (including any such Government Securities issued or held in book-entry form on the books of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority will have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Trust Agreement and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

APPENDIX D

FORM OF BOND COUNSEL OPINION

[Closing Date]

Oakland Joint Powers Financing Authority
Oakland, California

Oakland Joint Powers Financing Authority
Lease Revenue Refunding Bonds
(Oakland Administration Building) Series 2018
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Oakland Joint Powers Financing Authority (the "Authority") in connection with issuance by the Authority of $60,025,000 aggregate principal amount of Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds (Oakland Administration Building) Series 2018 (the "Bonds"), issued pursuant to a Trust Agreement, dated as of May 1, 2018 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement; a Second Amended and Restated Lease, dated as of May 1, 2018 (the "Lease"), between the City of Oakland, as lessor (the "City"), and the Authority, as lessee; a Second Amended and Restated Sublease, dated as of May 1, 2018 (the "Sublease"), each between the Authority, as lessor, and the City, as lessee; the Tax Certificate of the Authority, dated the date hereof (the "Tax Certificate"); opinions of counsel to the Authority, the City and the Trustee; certificates of the Authority, the City, the Trustee and others; and such other documents, opinions 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 Authority and 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 Lease, the Sublease, the Trust 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 Lease, the Sublease, the Trust 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 joint powers authorities and 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 of the real or personal property described in or as subject to the lien of the Lease, the Sublease or the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. 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 limited obligations of the Authority.

2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in the Revenue Fund established pursuant to the Trust Agreement except the Rebate Fund, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

3. The Lease and the Sublease have been duly executed and delivered by, and constitute the valid and binding agreements of, the City and the Authority.

4. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing powers of the City, the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

5. 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 alternative minimum taxes. 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

per

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the Oakland Joint Powers Financing Authority (the "**Authority**") and the City of Oakland (the "**City**") in connection with the issuance of the Authority's $60,025,000 aggregate principal amount Lease Revenue Refunding Bonds (Oakland Administration Building), Series 2018 (the "**Bonds**"). The Bonds are being executed and delivered pursuant to that certain Trust Agreement dated as of May 1, 2018, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**") (the "**Trust Agreement**"). The Authority and the City covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority and the City for the benefit of the Holders (as defined below) and Beneficial Owners (as defined below) of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the Rule (as defined below).

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 Authority and 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 Authority and 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 Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at *http://emma.msrb.org*.

"**Official Statement**" shall mean the official statement relating to the Bonds, dated May 8, 2018.

"**Participating Underwriters**" shall mean the original underwriters 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 2017-18 Fiscal Year (which is due not later than March 31, 2019), 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 adopted budget of the City for the then current fiscal year;

2. The assessed valuation of taxable property in the City;

3. Property taxes due, property taxes collected and property taxes delinquent;

4. Property tax levy rate per $1,000 (or other amount) of assessed valuation; and

5. 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

Authority and 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 Authority and the City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Authority and 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 Authority and 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 Authority and 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 Authority or the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Authority or the City, as applicable, shall determine if such event would be material under applicable federal securities laws.

(e) If the Authority or 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 Authority or the City, as applicable, 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 Trust Agreement.

SECTION 6. Termination of Reporting Obligation. The obligations of the Authority and the City 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 Authority and 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 Authority and the City may, from time to time, appoint or engage a Dissemination Agent to assist them in carrying out their 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 Authority or 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 Authority and 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 Authority and 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 Authority and 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 Authority or 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 Authority or the City, as applicable, 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 Authority and 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 Authority and the City to comply with their 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 Authority and 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 Authority, the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no right in any other person or entity. This Disclosure Certificate is not intended to create any monetary right on behalf of any person based upon the Rule.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Continuing Disclosure Certificate on the date as first written above.

OAKLAND JOINT POWERS FINANCING AUTHORITY

By:____________________________________
Executive Director

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

Names of Obligors: OAKLAND JOINT POWERS FINANCING AUTHORITY
CITY OF OAKLAND

Name of Bond Issue: OAKLAND JOINT POWERS FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(OAKLAND ADMINISTRATION BUILDING), Series 2018

Date of Issuance: _______________, 2018

NOTICE IS HEREBY GIVEN that neither the Oakland Joint Powers Financing Authority (the "**Authority**") nor the City of Oakland, California (the "**City**"), has provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the Authority and the City, dated the Date of Issuance. [The Authority and the City anticipate that the Annual Report will be filed by _____________.]

Dated: ____________________

OAKLAND JOINT POWERS FINANCING AUTHORITY

By: __________[to be signed only if filed]__________

CITY OF OAKLAND, CALIFORNIA

By: __________[to be signed only if filed]__________

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix F concerning The Depository Trust Company, New York, New York (“**DTC**”) and DTC’s book-entry system has been obtained from DTC and neither the Authority nor the City takes any responsibility for the completeness or accuracy thereof. Accordingly, the DTC Participants, the Indirect Participants and the Beneficial Owners should not rely on the information in this Appendix F with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. The Authority and the City cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2018 Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the 2018 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2018 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 Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company (“**DTC**”), New York, New York, will act as securities depository for the 2018 Bonds. The 2018 Bonds 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 2018 Bond certificate will be issued for each maturity of the 2018 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest 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, 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.

Purchases of the 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2018 Bond (“**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 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2018 Bonds, except in the event that use of the book-entry system for the 2018 Bonds is discontinued.

To facilitate subsequent transfers, all 2018 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2018 Bonds 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 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2018 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2018 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Trust Agreement. For example, Beneficial Owners of the 2018 Bonds may wish to ascertain that the nominee holding the 2018 Bonds 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.

Redemption notices will be sent to DTC. If less than all of the 2018 Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, and premium, if any, and interest on, the 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Authority or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, 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.

NONE OF THE AUTHORITY, THE CITY OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF 2018 BONDS FOR REDEMPTION.

None of the Authority, the City or the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, and premium, if any, and interest on, the 2018 Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as securities depository with respect to the 2018 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2018 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2018 Bond certificates will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply. The foregoing information concerning DTC and DTC's book-entry system has been provided by DTC, and none of the Authority, the City or the Trustee takes any responsibility for the accuracy thereof.

The Authority, the City and the Trustee cannot and do not give any assurance that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the 2018 Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the Authority, the City or the Trustee is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the 2018 Bonds or any error or delay relating thereto.

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APPENDIX G

INVESTMENT POLICY

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City of Oakland Investment Policy For Fiscal Year 2017-2018

Prepared by
Treasury Bureau
Adopted by the City Council
On July 18th, 2017

Table of Contents

1.0 POLICY

The purpose of this Investment Policy ("Policy") is to establish overall guidelines for the management and investment of the City of Oakland (the "City") public funds pursuant to Council Resolution Nos. 75855 C.M.S and 00-38 C.M.S and in accordance with Government Codes Section 53607. This Investment Policy is now amended and adopted as of July 18th, 2017 and will serve as the City of Oakland's Investment Policy for Fiscal Year 2017-18 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. The City of Oakland is currently revising the Linked Banking 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 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 in a rating category of 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: Al, P1, or F1 or better by two or the three nationally recognized rating services. No rating may be lower that any of the rating listed above.

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: Al, P1, or F1 or better by two or the three nationally recognized rating services. No rating may be lower that any of the rating listed above.

- Eligibility Limited to general corporations organized and operating in the United States with assets in excess of $500 million, and having rating category of "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: Al, P1, or F1 or better by two or the three nationally recognized rating services. No rating may be lower that any of the rating listed above.

- Eligibility: Issued by special purpose corporations ("SPC") organized and operating in the United States with assets exceeding $500 million. Restricted to programs sponsored by commercial banks or finance companies organized and operated in the United States.

- Program must have credit facility that provides at least 100% liquidity

- Serialized ABCP programs are not eligible

- Ratings are to be routinely monitored. The Treasurer is to perform his/her own due

- Diligence as to creditworthiness.

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 CompositionComprised of instruments in accordance with the California State Government Code

15.7 <u>Medium Term Notes</u>
Corporate Bonds, Corporate Notes and Deposit Notes. Issuers are banks and bank holding companies, thrifts, finance companies, insurance companies and industrial corporations. These are debt obligations that are generally unsecured.

- Maximum Maturity: 5 years (additional limitations based on credit, below)

- Maximum Portfolio Exposure: 30%

- Maximum Issuer Exposure: No more than 5% of the Portfolio shall be invested in any single institution.

- Credit Requirement: Must be Rated A3, A-, or A- or better by two of the three nationally recognized rating services, Moody's, S&P, or Fitch, respectively. No Rating may be lower than any of the Rating listed above and should have minimum "A" rating category or its equivalent or better.

- 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 <u>Negotiable Certificates of Deposit</u>
Issued by commercial banks and thrifts, and foreign banks (Yankee CD's).

- Maximum Maturity: 5 years

- Maximum Portfolio Exposure: 30%

- Maximum Issuer Exposure :Prudent person standard applies overall; maximum 5% per issuer

- Credit Requirement : Top 3 rating categories, A, A2 or A (S&P/Moody's/Fitch) being the lowest, if rated by S&P, Moody's or Fitch.

15.9 <u>Repurchase Agreements</u>
A contractual transaction between the investor and a bank/dealer to exchange cash for temporary ownership or control of securities/collateral with an agreement by the bank/dealer to repurchase the securities on a future date. Primarily used as an overnight investment vehicle.

- Maximum Maturity: 360 days

- Maximum Portfolio : Exposure None

- Maximum Dealer Exposure: Prudent person standard applies overall; maximum 5% per issuer

- Collateral Requirements: Collateral limited to Treasury and Agency securities; must be 102% or greater

- Mark-to-market: Daily

- Eligibility: Limited to primary dealers of the Federal Reserve Bank of New York, for which a current Master Repurchase Agreement has been executed with the City.

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 <u>State Investment Pool (Local Agency Investment Fund)</u>
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 <u>Local City/Agency Bonds</u>
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 <u>State of California Obligations and Others</u>
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 <u>Other Local Agency Bonds</u>
<u>Bonds, notes, warrants or other evidences of indebtedness of any local agency with the state.</u>

- 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: Minimum Rating Category of “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 that 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 or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. This money market instrument is used to finance international trade.

BASIS POINT: One-hundredth of one percent (i.e., 0.01%).

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investment.

BID PRICE: The price a broker/dealer offers to purchase securities.

BOND: A financial obligation for which the issuers promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

BOOK VALUE: The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

BROKER: A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

CALLABLE SECURITIES: A security that can be redeemed by the issuer before the scheduled maturity date.

CASH FLOW: An analysis of all changes that affect the cash account during a specified period.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called trances. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

COMMERCIAL PAPER: Short-term, unsecured, negotiable promissory notes of corporations.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual financial report for the City. It includes combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles (GAAP).

CORPORATE NOTE: Debt instrument issued by a private corporation.

COUPON: The annual rate at which a bond pays interest.

CREDIT RATINGS: A grade given to a debt instrument that indicates its credit quality. Private independent rating services such as Standard & Poor's, Moody's and Fitch provide these

CREDIT RISK: The risk that an obligation will not be paid and a loss will result due to a failure of the issuer of a security.

CUSIP: Stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most securities, including: stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The CUSIP system—owned by the American Bankers Association and operated by Standard & Poor's—facilitates the clearing and settlement process of securities. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security.

CURRENT YIELD: The annual interest on an investment divided by the current market value. Since the calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his/her own risk and account or inventory.

DEBENTURES: A bond secured only by the general credit of the issuers.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE: A financial instrument that is based on, or derived from, some underlying asset, reference date, or index.

DIRECT ISSUER: Issuer markets its own paper directly to the investor without use of an intermediary.

DISCOUNT: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. Duration measures the price sensitivity of a bond to changes in interest rates.

FACE VALUE: The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

FAIR VALUE: The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

FANNIE MAE: Trade name for the Federal National Mortgage Association (FNMA), a U.S. Government sponsored enterprise.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that provides insurance on bank deposits, guaranteeing deposits to a set limit per account, currently $250,000.

FEDERAL FARM CREDIT BANK (FFCB): Government-sponsored enterprise that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. government guarantees.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

FEDERAL GOVERNMENT AGENCY SECURITIES: Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored enterprise (currently made up of 12 regional banks) that regulates and lends funds and provides correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. Although the banks operate under federal charter with government supervision, the securities are not guaranteed by the U. S. Government.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): Government sponsored enterprise that helps maintain the availability of mortgage credit for residential housing. FHLMC finances these operations by marketing guaranteed mortgage certificates and mortgage participation certificates. Its discount notes and bonds do not carry direct U.S. government guarantees.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): Government sponsored enterprise that is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee of the Federal Reserve Board, which establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

FEDERAL RESERVE SYSTEM: The central bank of the U.S. which consists of a seven member Board of Governors, 12 regional banks and about 5,700 commercial banks that are members.

FED WIRE: A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

FREDDIE MAC: Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. government sponsored enterprise.

GINNIE MAE: Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GUARANTEED INVESTMENT CONTRACTS (GICS): An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

INTEREST RATE: The annual yield earned on an investment, expressed as a percentage.

INTEREST RATE RISK: The risk of gain or loss in market values of securities due to changes in interest-rate levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

INVESTMENT AGREEMENTS: A contract providing for the lending of issuer funds to a financial institution which agrees to repay the funds with interest under predetermined specifications.

INVESTMENT GRADE (LONG TERM RATINGS): The minimum, high quality ratings for long term debt such as corporate notes. Investment Grade ratings are as follows: A3 (Moody's), A- (S&P), and A- (Fitch).

INVESTMENT PORTFOLIO: A collection of securities held by a bank, individual, institution or government agency for investment purposes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash with minimum risk of principal.

LOCAL AGENCY INVESTMENT FUND (LAIF): An investment pool sponsored by the State of California and administered/managed by the State Treasurer. Local government units, with consent of the governing body of that agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

LOCAL AGENCY INVESTMENT POOL: A pooled investment vehicle sponsored by a local agency or a group of local agencies for use by other local agencies.

MARKET RISK: The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates. Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

MARKET VALUE: The price at which a security is currently being sold in the market. See FAIR VALUE.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date that the principal or stated value of a debt instrument becomes due and payable.

MEDIUM-TERM NOTES (MTNs): Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts either on a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION: The percent change in price for a 100 basis point change in yields. This is a measure of a portfolio's or security's exposure to market risk.

MONEY MARKET: The market in which short term debt instruments (Treasury Bills, Discount Notes, Commercial Paper, Banker's Acceptances and Negotiable Certificates of Deposit) are issued and traded.

MORTGAGED BACKED SECURITIES: A type of security that is secured by a mortgage or collection of mortgages. These securities typically pay principal and interest monthly.

MUNICIPAL BONDS: Debt obligations issued by states and local governments and their agencies, including cities, counties, government retirement plans, school districts, state universities, sewer districts, municipally owned utilities and authorities running bridges, airports and other transportation facilities

MUTUAL FUND: An entity that pools money and can invest in a variety of securities which are specifically defined in the fund's prospectus.

NEGOTIABLE CERTIFICATE OF DEPOSIT: A large denomination certificate of deposit which can be sold in the open market prior to maturity.

NET PORTFOLIO YIELD: Calculation in which the 365-day basis equals the annualized percentage of the sum of all Net Earning during the period divided by the sum of all Average Daily Portfolio Balances.

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:

<table>
<tr><th colspan="2">Moody's</th><th colspan="2">S&P</th><th colspan="2">Fitch</th><th colspan="2" rowspan="2">Rating description</th></tr>
<tr><th>Long-term</th><th>Short-term</th><th>Long-term</th><th>Short-term</th><th>Long-term</th><th>Short-term</th></tr>
<tr><td>Aaa</td><td rowspan="6">P-1</td><td>AAA</td><td rowspan="4">A-1+</td><td>AAA</td><td rowspan="4">F1+</td><td>Prime</td><td rowspan="10">Investment-grade</td></tr>
<tr><td>Aa1</td><td>AA+</td><td>AA+</td><td rowspan="3">High grade</td></tr>
<tr><td>Aa2</td><td>AA</td><td>AA</td></tr>
<tr><td>Aa3</td><td>AA−</td><td>AA−</td></tr>
<tr><td>A1</td><td>A+</td><td rowspan="2">A-1</td><td>A+</td><td rowspan="2">F1</td><td rowspan="3">Upper medium grade</td></tr>
<tr><td>A2</td><td>A</td><td>A</td></tr>
<tr><td>A3</td><td rowspan="2">P-2</td><td>A−</td><td rowspan="2">A-2</td><td>A−</td><td rowspan="2">F2</td></tr>
<tr><td>Baa1</td><td>BBB+</td><td>BBB+</td><td rowspan="3">Lower medium grade</td></tr>
<tr><td>Baa2</td><td rowspan="2">P-3</td><td>BBB</td><td rowspan="2">A-3</td><td>BBB</td><td rowspan="2">F3</td></tr>
<tr><td>Baa3</td><td>BBB−</td><td>BBB−</td></tr>
<tr><td>Ba1</td><td rowspan="14">Not prime</td><td>BB+</td><td rowspan="6">B</td><td>BB+</td><td rowspan="6">B</td><td rowspan="3">Non-investment grade speculative</td><td rowspan="14">Non-investment grade
aka high-yield bonds
aka junk bonds</td></tr>
<tr><td>Ba2</td><td>BB</td><td>BB</td></tr>
<tr><td>Ba3</td><td>BB−</td><td>BB−</td></tr>
<tr><td>B1</td><td>B+</td><td>B+</td><td rowspan="3">Highly speculative</td></tr>
<tr><td>B2</td><td>B</td><td>B</td></tr>
<tr><td>B3</td><td>B−</td><td>B−</td></tr>
<tr><td>Caa1</td><td>CCC+</td><td rowspan="5">C</td><td rowspan="5">CCC</td><td rowspan="5">C</td><td>Substantial risks</td></tr>
<tr><td>Caa2</td><td>CCC</td><td>Extremely speculative</td></tr>
<tr><td>Caa3</td><td>CCC−</td><td rowspan="3">Default imminent with little prospect for recovery</td></tr>
<tr><td rowspan="2">Ca</td><td>CC</td></tr>
<tr><td>C</td></tr>
<tr><td>C</td><td rowspan="3">D</td><td rowspan="3">/</td><td>DDD</td><td rowspan="3">/</td><td rowspan="3">In default</td></tr>
<tr><td rowspan="2">/</td><td>DD</td></tr>
<tr><td>D</td></tr>
</table>

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.

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