

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2014 Series A 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 2014 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2014 Series A Bonds. See "Tax Matters" herein.*

**\$40,590,000**  
**CITY OF OAKLAND**  
**SEWER REVENUE REFUNDING BONDS**  
**2014 SERIES A**

**Dated: Date of Delivery**

**Due: June 15, as shown on inside cover**

The City of Oakland (the "City") is issuing \$40,590,000 aggregate principal amount of City of Oakland Sewer Revenue Refunding Bonds, 2014 Series A (the "2014 Series A Bonds") to: (i) refund all of the outstanding City of Oakland Sewer Revenue Bonds, 2004 Series A (the "Refunded Bonds"); and (ii) pay costs of issuance of the 2014 Series A Bonds. The 2014 Series A Bonds are issued pursuant to a Master Indenture, dated as of December 1, 2004, as supplemented by a Second Supplemental Indenture, dated as of March 1, 2014, each by and between the City and The Bank of New York Mellon Trust Company, N.A. (the "Trustee") (collectively, the "Indenture"). The Refunded Bonds were originally issued to finance the costs of constructing, rehabilitating and installing certain capital improvements to the City's sewer system (the "Sewer System").

The 2014 Series A Bonds are payable from and secured solely by Net Revenues (as defined herein) derived from the operation of the Sewer System. No funds or properties of the City, other than the Net Revenues, are pledged to secure the 2014 Series A Bonds. The Indenture permits the issuance of obligations payable from Net Revenues on a parity with the 2014 Series A Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2014 SERIES A BONDS."

Interest on the 2014 Series A Bonds will be payable on June 15 and December 15 of each year, commencing June 15, 2014 at the respective rates set forth on the inside cover of this Official Statement. Principal of the 2014 Series A Bonds is payable on the dates and in the respective principal amounts set forth on the inside cover. The 2014 Series A Bonds will be issued in book-entry form, initially registered in the name of Cede & Co. as nominee of the Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the 2014 Series A Bonds. Individual purchases of the 2014 Series A Bonds will be in book-entry form only, and in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive physical certificates representing their interests in the 2014 Series A Bonds. Principal of, interest on and redemption premium, if any, on the 2014 Series A Bonds will be paid by the Trustee directly to DTC, which in turn is obligated to remit such principal, interest and redemption premium, if any, to DTC Participants for subsequent disbursement to the Beneficial Owners of the 2014 Series A Bonds. See APPENDIX F—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

**The 2014 Series A Bonds are subject to optional redemption as described herein. See "THE 2014 SERIES A BONDS—Redemption Provisions."**

THE 2014 SERIES A BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF, AND FIRST LIEN UPON, NET REVENUES DERIVED BY THE CITY FROM THE OPERATION OF THE SEWER SYSTEM AND CERTAIN AMOUNTS HELD UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION IS PLEDGED TO THE PAYMENT OF THE 2014 SERIES A BONDS. PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OF OR THE INTEREST ON THE 2014 SERIES A BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH IT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

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

The 2014 Series A Bonds are offered when, as and if issued by the City and received by the Underwriters, subject to the approval as to their validity by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the City. Certain legal matters will be passed upon for the City by the City Attorney and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by their counsel, Hanson Bridgett LLP. It is anticipated that the 2014 Series A Bonds in book-entry only form will be available for delivery through the facilities of DTC in New York, New York on or about March 20, 2014.

**Siebert Brandford Shank & Co., L.L.C.**

**Blaylock Robert Van, LLC**

**CITY OF OAKLAND  
SEWER REVENUE REFUNDING BONDS  
2014 SERIES A**

**Maturity Schedule**

<u>Maturity Date</u> <u>(June 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP No.</u> <sup>†</sup>
2014	\$2,035,000	2.000%	0.200%	100.424	67232NBJ6
2015	1,925,000	2.000	0.200	102.221	67232NBK3
2016	1,965,000	4.000	0.340	108.145	67232NBL1
2017	2,045,000	4.000	0.600	110.879	67232NBM9
2018	2,125,000	5.000	0.930	116.865	67232NBN7
2019	2,235,000	2.000	1.290	103.582	67232NBP2
2020	2,275,000	4.000	1.730	113.362	67232NBQ0
2021	2,370,000	5.000	2.070	119.593	67232NBR8
2022	2,490,000	5.000	2.420	119.157	67232NBS6
2023	1,100,000	3.000	2.660	102.765	67232NBT4
2023	1,510,000	5.000	2.660	119.046	67232NCA4
2024	2,720,000	5.000	2.860	118.869	67232NBU1
2025	2,860,000	5.000	3.070	116.838*	67232NBV9
2026	3,000,000	5.000	3.220	115.412*	67232NBW7
2027	3,155,000	5.000	3.330	114.380*	67232NBX5
2028	3,305,000	5.000	3.430	113.451*	67232NBY3
2029	3,475,000	5.000	3.520	112.622*	67232NBZ0

\* Priced to the optional redemption date of June 15, 2024 at a Redemption Price of 100%.

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<sup>†</sup> Copyright 2014, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the applicable 2014 Series A Bonds. Neither the City nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable 2014 Series A Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2014 Series A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2014 Series A Bonds.

**CITY OF OAKLAND**  
**County of Alameda, California**

**MAYOR**  
Jean Quan

**CITY COUNCIL**

Patricia Kernighan, *President*  
District 2

Rebecca Kaplan, *President Pro Tem*  
At-Large

Desley Brooks  
District 6

Dan Kalb  
District 1

Lynette Gibson McElhaney  
District 3

Libby Schaaf  
District 4

Larry Reid, *Vice Mayor*  
District 7

Noel Gallo  
District 5

**CITY STAFF**

Deanna J. Santana, *City Administrator*  
Fred Blackwell, *Assistant City Administrator*  
Barbara Parker, *City Attorney*  
Courtney A. Ruby, *City Auditor*  
LaTonda Simmons, *City Clerk*  
Katano Kasaine, *City Treasurer*  
Brooke A. Levin, *Interim Director, Public Works Agency*

**SPECIAL SERVICES**

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

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

Stradling Yocca Carlson & Rauth, a Professional  
Corporation  
Sacramento, California  
*Disclosure Counsel*

First Southwest Company  
Oakland, California  
*Financial Advisor*

Grant Thornton LLP  
Minneapolis, Minnesota  
*Verification Agent*

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations in connection with the offer or sale of the 2014 Series A Bonds by the City or the Underwriters, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. 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 2014 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein has been furnished by the City and includes information which has been obtained from other sources which are believed to be reliable. The information and expressions of opinion contained 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 City since the date hereof.

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 part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Any statement made in this Official Statement involving any forecast or matter of estimates or opinion, whether or not expressly so stated, is intended solely as such and not as a representation of fact. Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended (the “Securities Act”). Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption “THE SEWER SYSTEM—Revenues, Expenses and Debt Service Coverage—Projected Revenues, Expenses and Debt Service Coverage.”

The achievement of certain results or other expectations contained in such forward-looking statements involves 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 their expectations, or events, conditions or circumstances on which such statements are based occur.

The 2014 Series A 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 2014 Series A Bonds have not been registered or qualified under the securities laws of any state.

In connection with the offering of the 2014 Series A Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the 2014 Series A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2014 Series A Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

The City maintains a website. The information therein is not incorporated by reference and should not be relied upon in making an investment decision.

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**\$40,590,000**  
**CITY OF OAKLAND**  
**SEWER REVENUE REFUNDING BONDS**  
**2014 SERIES A**

**INTRODUCTION**

This introduction contains only a brief summary of certain terms of the 2014 Series A Bonds being offered, and a full review should be made of the entire Official Statement including the cover page, the table of contents and the appendices for a more complete description of the terms of the 2014 Series A Bonds. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of provisions of, any other documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions of such documents.

**General**

The purpose of this Official Statement, including the cover page and the appendices hereto, is to furnish information in connection with the issuance, sale and delivery by the City of Oakland (the "City") of \$40,590,000 aggregate principal amount of City of Oakland Sewer Revenue Refunding Bonds, 2014 Series A (the "2014 Series A Bonds"). The 2014 Series A Bonds and any Additional Bonds issued pursuant to the Indenture (defined below) are referred to collectively, as the "Bonds."

The 2014 Series A Bonds are authorized to be issued pursuant to Ordinance No. 12624 C.M.S. adopted by the City Council of the City on October 19, 2004 and Resolution No. 84806 C.M.S. adopted by the City Council of the City on January 21, 2014. The 2014 Series A Bonds are being issued pursuant to a Master Indenture, dated as of December 1, 2004, as supplemented by a Second Supplemental Indenture, each by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") (collectively, the "Indenture"), to: (i) refund all of the outstanding City of Oakland Sewer Revenue Bonds, 2004 Series A (the "Refunded Bonds"); and (ii) pay costs of issuance of the 2014 Series A Bonds. The 2014 Series A Bonds will mature in the years and amounts and bear interest at the rates set forth on the inside cover page. The Refunded Bonds were originally issued to finance the costs of constructing, rehabilitating and installing certain capital improvements to the City's sewer system (the "Sewer System").

**Security and Sources of Payment for the 2014 Series A Bonds**

***Pledge of Net Revenues.*** The 2014 Series A Bonds are payable from and secured solely by Net Revenues (as defined herein) derived from the operation of the Sewer System and certain amounts held under the Indenture. No funds or properties of the City, other than the Net Revenues, are pledged to secure the 2014 Series A Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2014 SERIES A BONDS."

THE 2014 SERIES A BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF, AND FIRST LIEN UPON, NET REVENUES DERIVED BY THE CITY FROM THE OPERATION OF THE SEWER SYSTEM AND CERTAIN AMOUNTS HELD UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION IS PLEDGED TO THE PAYMENT OF THE 2014 SERIES A BONDS. PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OF OR THE INTEREST ON THE 2014 SERIES A BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE CITY FOR WHICH

THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH IT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

### **Certain Risks to Bondholders**

Investment in the 2014 Series A Bonds involves certain risks. For a discussion of certain considerations relevant to an investment in the 2014 Series A Bonds, see “CERTAIN RISKS TO BONDHOLDERS.”

### **Continuing Disclosure**

The City has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board certain annual financial information and operating data and notice of certain material events. These covenants have been made in order to assist the Underwriters in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5). See “CONTINUING DISCLOSURE” and APPENDIX E–“FORM OF CONTINUING DISCLOSURE AGREEMENT” for a description of the specific nature of the annual report and notices of material events and a summary description of the terms of the disclosure agreement pursuant to which such reports are to be made.

### **Additional Information**

This Official Statement contains brief descriptions of the 2014 Series A Bonds, the security for the 2014 Series A Bonds, the Indenture, the City, the Sewer System and certain other information relevant to the issuance of the 2014 Series A Bonds. All references herein to the Indenture are qualified in their entirety by reference to the complete text thereof and all references to the 2014 Series A Bonds are further qualified by reference to the form thereof contained in the Indenture. The proposed form of legal opinion of Bond Counsel for the 2014 Series A Bonds is set forth in APPENDIX D. See APPENDIX C–“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” for definitions of certain words and terms used herein. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Indenture. The information set forth herein and in the Appendices hereto has been furnished by the City and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by the City. Copies of documents referred to herein and information concerning the 2014 Series A Bonds are available upon written request from the City Treasurer, 150 Frank Ogawa Plaza, Suite 5330, Oakland, California 94612; telephone: (510) 238-3201. The City may impose a charge for copying, mailing and handling.

### **PLAN OF REFUNDING**

As described in “ESTIMATED SOURCES AND USES OF FUNDS,” a portion of the proceeds of the sale of the 2014 Series A Bonds, together with amounts available pursuant to the Indenture, will be used to establish an irrevocable escrow fund (the “Refunded Bonds Escrow Fund”) held by The Bank of New York Mellon Trust Company, N.A., as escrow agent for the Refunded Bonds (the “Escrow Agent”) under an escrow agreement (the “Escrow Agreement”) to refund and defease all the Refunded Bonds described below pursuant to the Indenture.

Amounts deposited in the Refunded Bonds Escrow Fund will be applied to the purchase of certain direct obligations of the United States of America, which will bear interest at such rates and will be scheduled to mature at such times and in such amounts that, when paid in accordance with their terms, together with any other funds held by the Escrow Agent under the Escrow Agreement, sufficient moneys will be available to make full and timely payment of the principal of and interest on the Refunded Bonds prior to their respective scheduled payment or redemption date and to pay the redemption price of the full

principal amount which remains outstanding on such redemption date. The Escrow Agreement will require the Escrow Agent to apply the principal of and interest on such obligations, together with other moneys held by the Escrow Agent, to the payment or redemption of the Refunded Bonds.

Upon such irrevocable deposit with the Escrow Agent and the receipt by the Escrow Agent of irrevocable escrow instructions from the City, the Refunded Bonds will be defeased and the owners of the Refunded Bonds will no longer be entitled to the benefits of the Indenture, and will not be payable from Net Revenues.

For information on mathematical verification for the sufficiency of scheduled payments with respect to such obligations of the United States of America and other funds held by the Escrow Agent to make such payments with respect to the Refunded Bonds, see “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

The following table contains certain information with respect to the Refunded Bonds:

**CITY OF OAKLAND  
SEWER REVENUE BONDS  
2004 SERIES A**

<i><u>Maturity Date (June 15)</u></i>	<i><u>Principal Amount</u></i>	<i><u>CUSIP<sup>†</sup></u></i>	<i><u>Maturity or Redemption Date</u></i>
2014	\$2,090,000	67232N AJ7	June 15, 2014
2015	2,175,000	67232N AK4	June 15, 2014
2016	2,285,000	67232N AL2	June 15, 2014
2017	2,400,000	67232N AM0	June 15, 2014
2018	2,520,000	67232N AN8	June 15, 2014
2019	2,620,000	67232N AP3	June 15, 2014
2020	2,750,000	67232N AQ1	June 15, 2014
2021	2,890,000	67232N AR9	June 15, 2014
2022	3,035,000	67232N AS7	June 15, 2014
2023	3,185,000	67232N AT5	June 15, 2014
2024	3,345,000	67232N AU2	June 15, 2014
2025	3,515,000	67232N AV0	June 15, 2014
2026	3,690,000	67232N AW8	June 15, 2014
2027	3,875,000	67232N AX6	June 15, 2014
2028	4,065,000	67232N AY4	June 15, 2014
2029	4,270,000	67232N AZ1	June 15, 2014

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<sup>†</sup> Copyright 2014, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the applicable Refunded Bonds. Neither the City nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Refunded Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Refunded Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Refunded Bonds.

## ESTIMATED SOURCES AND USES OF FUNDS

The anticipated sources and uses of funds relating to the 2014 Series A Bonds are as follows:

**Sources:**

Principal Amount of the 2014 Series A Bonds	\$40,590,000.00
Net Original Issue Premium/Discount	5,229,727.55
Available Amounts from Refunded Bonds	<u>4,495,850.42</u>
TOTAL SOURCES	\$50,315,577.97

**Uses:**

Deposit to Refunded Bonds Escrow	\$49,904,933.47
Costs of Issuance <sup>†</sup>	298,616.06
Underwriter's Discount	<u>112,028.44</u>
TOTAL USES	\$50,315,577.97

<sup>†</sup> Includes the fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor and the Trustee, printing costs, rating agency fees and other costs related to the issuance of the 2014 Series A Bonds.

## THE 2014 SERIES A BONDS

### Description

The 2014 Series A Bonds will be dated the date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on June 15 and December 15 (each, an "Interest Payment Date"), commencing June 15, 2014, and will mature on the dates and in the amounts set forth on the inside cover page. The 2014 Series A Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, so long as no 2014 Series A Bond shall have more than one maturity date. The 2014 Series A Bonds will be issued as fully registered bonds without coupons, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered owner of all Bonds. See APPENDIX F—"DTC AND THE BOOK-ENTRY ONLY SYSTEM." Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Indenture.

Each 2014 Series A Bond shall bear interest from the Interest Payment Date next preceding the date of registration thereof, unless (a) such date of registration is an Interest Payment Date, in which event it shall bear interest from the date of registration; or (b) it is registered on or before June 1, 2014, in which event it shall bear interest from the date of original delivery; provided, however, that if, as of the date of registration of any 2014 Series A Bond, interest thereon is in default, such 2014 Series A Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. The 2014 Series A Bonds shall bear interest calculated on the basis of a 360-day year of twelve 30-day months.

Interest on the 2014 Series A Bonds is payable when due by check or draft of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owner thereof at such Owner's address as it appears on the Registration Books as of the close of business on the preceding Record Date; provided, however, that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of 2014 Series A Bonds, which written request is on file with the Trustee as of any Record Date, interest on such 2014 Series A Bonds shall be paid on the succeeding Interest Payment Date to such account in the United States as shall be specified in such written request.

So long as the 2014 Series A Bonds are held in the book-entry only system of DTC, all such payments will be made to Cede & Co., as the registered Owner of the 2014 Series A Bonds. The principal of and any premium on the 2014 Series A Bonds, are payable in lawful money of the United States upon presentation and surrender thereof at the principal corporate trust office of the Trustee. See APPENDIX F-“DTC AND THE BOOK ENTRY ONLY SYSTEM.”

## **Redemption Provisions**

***Optional Redemption.*** The 2014 Series A Bonds maturing on or before June 15, 2024, are not subject to optional redemption prior to maturity. The 2014 Series A Bonds maturing on or after June 15, 2025, are subject to redemption prior to their respective maturity dates, at the option of the City from lawfully available funds on deposit in the 2014 Series A Subaccount of the Optional Redemption Account on any date on or after June 15, 2024, as a whole or in part (in such order of maturity as selected by the Trustee upon direction by the City and by lot within a maturity) at a redemption price equal to 100% of the principal amount of the 2014 Series A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

***Partial Redemption.*** In the event that only a portion of any 2014 Series A Bond is called for redemption, then upon surrender of such 2014 Series A Bond the City will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the City, a new 2014 Series A Bond or 2014 Series A Bonds of the same series and Principal Payment Date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2014 Series A Bond to be redeemed.

***Notice of Redemption.*** Notice of redemption will be given by mail, facsimile or electronic transmission, or overnight delivery service not less than 30 days nor more than 60 days prior to the redemption date, to the respective registered owners of any 2014 Series A Bond designated for redemption at their addresses appearing on the bond registration books of the Trustee. At least 30 days prior to the redemption date, the Trustee will also give notice of redemption by: (i) registered or certified mail, postage prepaid, (ii) facsimile or electronic transmission confirmed by telephone or otherwise, or (iii) overnight delivery service to the Information Services and Securities Depositories, as may be designated by the City.

Neither the failure of the Trustee to give notice of redemption to a Bondholder nor any defect therein shall affect the validity of the proceedings for the redemption of such 2014 Series A Bonds.

So long as DTC or a successor securities depository is acting as securities depository for the 2014 Series A Bonds, notice of redemption will be mailed to DTC, or its successor securities depository, as the case may be, and not to be the beneficial owners of the 2014 Series A Bonds.

***Right to Rescind Notice of Redemption.*** The Trustee shall rescind any redemption by notice of rescission if directed to do so by the City prior to the date of redemption. The Trustee will give notice of rescission by the same means as is provided for the giving of a notice of redemption. The redemption shall be deemed canceled once the Trustee has given notice of rescission. Neither the rescission nor the failure of funds being made available in part or in whole on or before a redemption date shall constitute an Event of Default under the Indenture.

***Effect of Redemption.*** From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the 2014 Series A Bonds so called for redemption shall have been duly provided and held by the Trustee, such 2014 Series A Bonds called for redemption shall cease to be entitled to any benefit or security under the Indenture other than the right to receive

payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice.

### **DEBT SERVICE SCHEDULE**

The following table shows scheduled semiannual debt service on the 2014 Series A Bonds, without regard to any optional redemption. See also Table \_ “THE SEWER SYSTEM – Revenues, Expenses and Debt Service Coverage.”

#### **Debt Service Schedule**

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Annual Debt Service</u>
6/15/2014	\$2,035,000	\$415,272.22	\$2,450,272.22	\$2,450,272.22
12/15/2014	-	859,050.00	859,050.00	-
6/15/2015	1,925,000	859,050.00	2,784,050.00	3,643,100.00
12/15/2015	-	839,800.00	839,800.00	-
6/15/2016	1,965,000	839,800.00	2,804,800.00	3,644,600.00
12/15/2016	-	800,500.00	800,500.00	-
6/15/2017	2,045,000	800,500.00	2,845,500.00	3,646,000.00
12/15/2017	-	759,600.00	759,600.00	-
6/15/2018	2,125,000	759,600.00	2,884,600.00	3,644,200.00
12/15/2018	-	706,475.00	706,475.00	-
6/15/2019	2,235,000	706,475.00	2,941,475.00	3,647,950.00
12/15/2019	-	684,125.00	684,125.00	-
6/15/2020	2,275,000	684,125.00	2,959,125.00	3,643,250.00
12/15/2020	-	638,625.00	638,625.00	-
6/15/2021	2,370,000	638,625.00	3,008,625.00	3,647,250.00
12/15/2021	-	579,375.00	579,375.00	-
6/15/2022	2,490,000	579,375.00	3,069,375.00	3,648,750.00
12/15/2022	-	517,125.00	517,125.00	-
6/15/2023	2,610,000	517,125.00	3,127,125.00	3,644,250.00
12/15/2023	-	462,875.00	462,875.00	-
6/15/2024	2,720,000	462,875.00	3,182,875.00	3,645,750.00
12/15/2024	-	394,875.00	394,875.00	-
6/15/2025	2,860,000	394,875.00	3,254,875.00	3,649,750.00
12/15/2025	-	323,375.00	323,375.00	-
6/15/2026	3,000,000	323,375.00	3,323,375.00	3,646,750.00
12/15/2026	-	248,375.00	248,375.00	-
6/15/2027	3,155,000	248,375.00	3,403,375.00	3,651,750.00
12/15/2027	-	169,500.00	169,500.00	-
6/15/2028	3,305,000	169,500.00	3,474,500.00	3,644,000.00
12/15/2028	-	86,875.00	86,875.00	-
<u>6/15/2029</u>	<u>3,475,000</u>	<u>86,875.00</u>	<u>3,561,875.00</u>	<u>3,648,750.00</u>
Total	\$40,590,000	\$16,556,372.22	\$57,146,372.22	\$57,146,372.22

### **SECURITY AND SOURCES OF PAYMENT FOR THE 2014 SERIES A BONDS**

#### **Pledge of Net Revenues**

Pursuant to the Indenture, the City irrevocably pledges to the Trustee all “Net Revenues” and any other amounts (including proceeds of the sale of the 2014 Series A Bonds) held by the Trustee in any fund or account established under the Indenture (other than amounts on deposit in the Rebate Fund) to the

payment of interest on and principal of the 2014 Series A Bonds. “Net Revenues” for any Fiscal Year is defined as Revenues less Maintenance and Operation Costs.

“Revenues” means all income, rents, rates, fees, connection fees, charges and other moneys derived from the ownership or operation of the Sewer System, including, without limiting the generality of the foregoing,

(a) all income, rents, rates, fees, charges, or other moneys derived by the City from the sewer services or facilities, and commodities or byproducts, sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Sewer System, and including, without limitation, investment earnings on the operating reserves to the extent that the use of such earnings is limited to the Sewer System by or pursuant to law, and earnings on any funds or accounts established for 2014 Series A Bonds, Parity Obligations or Subordinated Obligations but only to the extent that such earnings may be utilized under the Issuing Instrument for the payment of debt service for such 2014 Series A Bonds, Parity Obligations or Subordinated Obligations;

(b) standby charges and capacity charges derived from the services and facilities, sold, furnished or supplied through the Sewer System;

(c) any amount received from the levy or collection of taxes which are solely available and are earmarked for the support of the operation of the Sewer System;

(d) transfers from the Rate Stabilization Fund; and

(e) unrestricted grants for maintenance and operations received from the United States of America or from the State of California; provided, however, that Revenues shall not include in all cases, customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City.

In addition, “Revenues” shall include Interest Subsidy Payments, but do not include fees and charges related to right-of-way and inspection services for private properties.

“Maintenance and Operation Costs” means the reasonable and necessary costs spent or incurred by the City for maintaining and operating the Sewer System, calculated in accordance with Generally Accepted Accounting Principles, including but not limited to the reasonable expenses of maintenance and repair, billing and collection and other expenses necessary to maintain and preserve the Sewer System in good repair and working order, and including administrative costs of the City attributable to the Sewer System, salaries and wages of employees, payments to employees retirement systems (to the extent paid from Revenues), overhead, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Obligations, including any amounts required to be deposited in the Rebate Fund pursuant to the Tax Certificate, and fees and expenses payable to any Credit Provider (other than in repayment of a Credit Provider Reimbursement Obligation), but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor, (2) amortization of intangibles or other bookkeeping entries of a similar nature, (3) costs of capital additions, replacements, betterments, extensions or improvements to the Sewer System which under Generally Accepted Accounting Principles are chargeable to a capital account or to a reserve for depreciation, (4) charges for the payment of principal and interest on any Parity Obligations, and (5) all payments made pursuant to any Qualified Swap Agreement.

**The 2014 Series A Bonds are limited obligations of the City and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the City or any of its income or receipts, except the Net Revenues. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the 2014 Series A Bonds. No tax or other sources of funds, other than the Net Revenues, is pledged to pay the principal of, premium, if any, or interest on the 2014 Series A Bonds. Neither payment of the principal or redemption price of, or the interest on the 2014 Series A Bonds constitutes a debt, liability or obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which it has levied or pledged any form of taxation.**

### **Deposit of Revenues; Funds and Accounts**

The City accounts for its sewer operations through an enterprise fund established pursuant to City ordinance and known as the Sewer Revenue Fund. The Indenture requires that the City deposit all Revenues, when and as received, into the Sewer Revenue Fund. From moneys in the Sewer Revenue Fund, the City will first pay Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs, the payment of which is not immediately required). The City may transfer moneys from the Sewer Revenue Fund to the Rate Stabilization Fund and from the Rate Stabilization Fund to the Sewer Revenue Fund as discussed below. See “–Rate Stabilization Fund.” Remaining moneys in the Sewer Revenue Fund are required to be transferred to the Trustee at the times and in the amounts described below in the following order of priority.

Money in the Sewer Revenue Fund, after paying as they become due and payable all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not immediately required), will be transferred to the Trustee for deposit in the following respective special funds in the following order of priority, at the time specified in the Indenture:

- (a) Interest Fund,
- (b) Principal Fund, and
- (c) Reserve Fund (if any).

The City will also, from moneys in the Sewer Revenue Fund, pay to the party entitled thereto or transfer or cause to be transferred to any applicable debt service or other payment fund or account for any Parity Obligations, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, on the dates specified in the Issuing Instrument relating to such Parity Obligations, the sum or sums required to be paid or deposited in such debt service or other payment fund or account with respect to principal, premium, if any, and interest on Parity Obligations in accordance with the terms of such Parity Obligations.

***Interest Fund.*** On or before the Business Day preceding each Interest Payment Date, the City will transfer from the Sewer Revenue Fund to the Trustee for deposit in the Interest Fund an amount which, together with amounts 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.

***Principal Fund.*** On or before the Business Day preceding each Principal Payment Date, the City will transfer from the Sewer Revenue Fund to the Trustee for deposit in the Principal Fund an amount which, together with amounts contained therein, is equal to the aggregate amount of all Sinking Fund

Installments required to be made on such dates into the respective Sinking Accounts for all Outstanding Term Bonds and the aggregate principal amount of all Outstanding Serial Bonds maturing on such dates.

**Reserve Fund.** If a Reserve Account Requirement is established with respect to a Series of Bonds in the future, on or before the Business Day preceding each Interest Payment Date, so long as any Bonds are Outstanding, the City shall, from money in the Sewer Revenue Fund, transfer to the Trustee for deposit in the applicable reserve account within the Reserve Fund that amount of money which shall be required to maintain each reserve account in the full amount of its Reserve Account Requirement; provided, that the aforesaid payments into each reserve account shall be made without priority of any one payment over any other payment, and in the event that the remaining money in the Sewer Revenue Fund on any Interest Payment Date is not equal to the aggregate payments required to be made into the Reserve Fund on such date, then such money shall be applied pro rata in the proportion that such payments bear to each other; and provided further, that no deposit need be made in the reserve account established for any Series of Bonds if the amount contained in such account is at least equal to the amount required to be on deposit therein by any Supplemental Indenture authorizing the issuance of such Series of Bonds. The “Reserve Account Requirement” relating to any such account means, for a Series of Bonds, the reserve account requirement, if any, set forth in the Supplemental Indenture for such Series of Bonds.

All money in the reserve accounts in the Reserve Fund shall be used and withdrawn by the Trustee as set forth in the Supplemental Indenture for each Series of Bonds secured by a reserve account within the Reserve Fund.

No Reserve Account Requirement with respect to the 2014 Series A Bonds was established in the Second Supplemental Indenture. In the event that the Supplemental Indenture for any additional Series of Bonds (if any) provides for the establishment of a Reserve Account Requirement, any moneys in any accounts within the Reserve Fund will not be available for payment of debt service with respect to the 2014 Series A Bonds.

**Surplus Moneys.** All money on deposit in the Sewer Revenue Fund following the transfers described above will be available for any lawful purpose of the City.

#### **No Reserve Fund**

The Indenture authorizes, but does not require, the establishment of separate accounts within the Reserve Fund for specific Series of Bonds. No Reserve Account Requirement with respect to the 2014 Series A Bonds is established in the Second Supplemental Indenture.

#### **Rate Stabilization Fund**

The Ordinance establishes a Rate Stabilization Fund which is held and maintained by the City. From time to time the City may deposit therein from Net Revenues such amounts as the City shall determine, provided that deposits for each Fiscal Year may be made until (but not after) 180 days following the end of such Fiscal Year. The City may withdraw amounts from the Rate Stabilization Fund for inclusion in Revenues for any Fiscal Year, such withdrawals to be made until (but not after) 150 days following the end of such Fiscal Year. All interest or other earnings on deposits in the Rate Stabilization Fund will be withdrawn therefrom and accounted for as Revenues. As of January 1, 2014, \$1.2 million was on deposit in the Rate Stabilization Fund.

## **Rate Covenant; Collection of Rates and Charges**

The Indenture requires the City to, at all times, fix, prescribe and collect rates and charges for the Sewer Service during each Fiscal Year which will be at least sufficient to yield: (a) Net Revenues for such Fiscal Year at least equal to 120% of Debt Service on the 2014 Series A Bonds and any Parity Obligations for such Fiscal Year and (b) Net Revenues equal to 100% of Debt Service on all 2014 Series A Bonds and any Parity Obligations and Subordinated Obligations for such Fiscal Year. The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements described in the preceding sentence.

## **Additional Bonds**

One or more Series of Additional Bonds may be issued for the purpose of paying all or a portion of the Costs of any Capital Improvement. Additional Bonds may be issued in a principal amount sufficient to pay such Costs, including making of any deposits into the funds or accounts required by the provisions of the applicable Supplemental Indenture. The issuance of Additional Bonds must satisfy the requirements of the Indenture including, but not limited to, the debt service coverage requirements described below in "Parity Obligations."

## **Refunding Bonds**

One or more Series of Refunding Bonds may be issued for the purpose of refunding all or any portion of the Outstanding Parity Obligations. Refunding Bonds may be issued in a principal amount sufficient to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds, and the making of any deposits into the funds and accounts required by the provisions of the applicable Supplemental Indenture. The issuance of Refunding Bonds need not satisfy the debt service coverage requirements described below in "Parity Obligations."

## **Parity Obligations**

The City may, at any time and from time to time, issue any Additional Parity Obligations, provided the City satisfies the requirements of the Indenture, including but not limited to the requirement that the City obtains or provides a certificate or certificates, prepared by the City or at the City's option by a Consultant, showing that

(i) Net Revenues for the applicable Calculation Period, which Calculation Period shall be selected by the City in its sole discretion, shall have amounted to at least 1.20 times the Maximum Annual Debt Service on all Parity Obligations to be Outstanding immediately after the issuance of the proposed Additional Parity Obligations, or

(ii) estimated Net Revenues during the first Fiscal Year in which Debt Service on the Additional Parity Obligations is payable (other than from Obligation proceeds) is at least equal to 1.20 times the Maximum Annual Debt Service on all Parity Obligations to be Outstanding immediately after the issuance of the proposed Additional Parity Obligations.

For purposes of the computations to be made as described in subsection (ii) above, the estimated Net Revenues:

(1) may take into account any increases in rates and charges which relate to the Sewer System and which have been approved by the City Council, and shall take into account any reduction in such rates and charges which have been approved by the City Council, which will be effective during the Fiscal Year for which such estimate is made; provided that an increase may only be taken into account if such increase takes effect within two years of issuance of the Additional Parity Obligations; and

(2) may take into account an allowance for any estimated increase in such Net Revenues from any revenue producing additions or improvements to or extensions of the Sewer System, to be made with the proceeds of such Additional Parity Obligations or with the proceeds of Parity Obligations previously issued, all in an amount equal to the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions during the Fiscal Year contemplated by subsection (ii); and

(3) for the Fiscal Year contemplated by subsection (ii) Maintenance and Operation Costs shall initially be deemed to be equal to such costs for the 12 consecutive months immediately prior to incurring such Additional Parity Obligations for the Fiscal Year, but adjusted if deemed necessary by the City or a Consultant, as applicable, for any increased Maintenance and Operations Costs which are, in the judgment of the City or a Consultant, as applicable, essential to maintaining and operating the Sewer System and which will occur during the Fiscal Year contemplated by subsection (ii).

The City may also enter into Qualified Swap Agreements, Refunding Parity Obligations and Credit Support Instruments pursuant to certain terms and provisions of the Indenture. See “Summary of Certain Provisions of the Indenture – Conditions to Issuance of Parity Obligations.”

## **THE SEWER SYSTEM**

### **Overview**

The Sewer System serves an area of approximately 56 square miles and provides collection and transport for all wastewater generated within the City. The Sewer System contains approximately 919 miles of pipes with diameters ranging from six inches to 66 inches, 31,500 access structures (manholes, lamp holes and cleanouts) and seven pump stations. The City is the sole and exclusive provider of sewer service within the corporate limits of the City. Upon completion of the Capital Improvement Program (discussed below) that is designed to reduce infiltration and inflow, increase the capacity of designated sewer pipes throughout the Sewer System, and eliminate sewer overflows of untreated water into the San Francisco Bay, the Sewer System will allow for dry weather flows of approximately 72 million gallons per day (MGD) and wet weather flows of approximately 435 MGD.

Much of the Sewer System was built in the mid 1900’s with the first sewers dating back to the late 1800’s. The City conducted an evaluation of the Sewer System in the mid 1980’s in order to identify deficiencies and recommend cost-effective improvements. Based upon such study, the City developed a program to improve the overall condition of the Sewer System and to reduce infiltration/inflow into the system. That program became the compliance plan for a Cease and Desist Order by the Regional Water Quality Control Board (“RWQCB”), San Francisco Bay Region in 1986. Similar orders were issued to the neighboring sewer collection jurisdictions in the East Bay. The orders required the City and the other subject jurisdictions to undertake improvements to their respective sewer systems to decrease discharges of untreated wastewater due to wastewater overflows and bypasses during periods of wet weather. The City’s order was modified in 2009 and is on schedule to be completed in 2018. See “ – Regulatory Matters.” The rehabilitated or replaced sewer lines will have a useful life of at least 50 years.

## **Wastewater Treatment and Disposal**

Wastewater treatment and disposal is performed by East Bay Municipal Utility District (“East Bay MUD”). Wastewater is collected and transported by the City’s Sewer System to an interceptor located near the wastewater treatment plant operated by the East Bay MUD. The treatment plant is located in Oakland near the east entrance of the San Francisco-Oakland Bay Bridge. East Bay MUD is an independent governmental body which treats and disposes of wastewater from portions of Alameda and Contra Costa counties, including the City. East Bay MUD performs primary and secondary treatment of wastewater which is discharged one mile off the East Bay shore through a deep-water outfall into San Francisco Bay.

Pursuant to an agreement between the City and East Bay MUD, East Bay MUD bills and collects sewer service charges imposed by the City. See “–Billing and Collection Procedures.”

## **Management and Operations**

The Sewer System is operated by the City as an enterprise fund under the authority of the City Council. Operations of the Sewer System are under the supervision of the City’s Public Works Agency. The Public Works Agency consists of approximately 754 employees. The Public Works Agency is responsible for the design, construction, management and maintenance of the City’s infrastructure, including streets, sidewalks and pathways, creeks, sewers and storm drains, buildings and structures, vehicles and equipment, street lights and traffic signals.

Capital improvements to the Sewer System are performed by the Engineering Design Division (25 full time employees) within Department of Engineering and Construction. Maintenance to the Sewer System is performed by the Infrastructure Maintenance Division (103 full time employees) within the Infrastructure and Operations Department.

## **Capital Improvement Program**

The East Bay Infiltration/Inflow Correction Program (“I/ICP”) is a comprehensive program commenced in the 1980’s that involves the rehabilitation of sewer pipelines within cost-effective areas (sub-basins) to eliminate sewer overflows unless rainfall exceeds a 5-year design storm event (i.e. statistically occurring only once every five years). The I/ICP is based upon the 1987 Sewer System Evaluation Survey reports – North Oakland and South Oakland, for which East Bay MUD acted as the lead agency on behalf of seven communities. These communities included the cities of Alameda, Albany, Berkeley, Emeryville, Oakland, and Piedmont, and the Stege Sanitary District which is comprised of the cities of El Cerrito, Kensington and a portion of the city of Richmond. An analysis based on a 5-year flow monitoring study determined the most cost-effective approach to reduce infiltration/inflow (“I/I”), was to rehabilitate defective sewers rather than transport, store, convey and treat excess I/I. Short-term capital improvement projects and long-term maintenance projects were developed to reduce I/I within the City. Over the past 25 years, the City has constructed about 42 miles of new relief sewers and replaced or rehabilitated approximately 290 miles of sewer pipes at a total cost of approximately \$260 million.

The following table shows historical and projected capital improvements expenditure, a significant portion of which are being implemented in order to comply with regulatory requirements. See “– Regulatory Requirements.” The capital improvements projected to be implemented over the next five years generally consist of sewer pipe rehabilitation and replacement. As shown in the table, capital improvement expenditures are expected to increase significantly in future fiscal years, as a result of regulatory requirements, including sewer rehabilitation which the City expects to result from the anticipated settlement of certain litigation. See “Regulatory Matters.”

**TABLE 1**  
**CITY OF OAKLAND**  
**SEWER SYSTEM**  
**Historical and Projected Capital Improvement Expenditures**

<u>Fiscal Year</u> <u>ending June 30</u>	<u>Capital Improvement</u> <u>Expenditures (in millions)</u>
2009	\$9.9
2010	10.1
2011	9.1
2012	9.8
2013	7.1
2014*	16.5
2015*	15.9
2016*	15.9
2017*	16.3
2018*	16.8

\* Projected  
Source: The City of Oakland Public Works Agency

**Rate Setting Procedure**

*General.* In accordance with California law, the City Council may, from time to time and at its discretion, fix, alter, change, amend or revise any user fees, connection charges and all other fees related to the Sewer System. No other governmental authority, board, body or commission has jurisdiction over or is required to approve the Sewer System rates established by the City Council. See, however “CERTAIN RISKS TO BONDHOLDERS–Right to Vote on Taxes Initiative.”

Following a public hearing held after notice thereof was mailed to all ratepayers in the City, in September 2010, the City Council adopted Ordinance No. 13035 establishing annual increases of 16% for the billing periods beginning on January 1 of 2011, 2012 and 2013 (and thereafter based upon the consumer price index). The City Council subsequently deferred the final 16% rate increase to January 1, 2014. Such rate increases require no further City Council action to become effective and are anticipated to generate Revenues sufficient to pay debt service on the 2014 Series A Bonds and to provide funds for projected capital improvement expenditures.

Residential customers (single through fourplex) are charged at a flat rate. For other customers, sewer service charges are based on the volume of the wastewater discharged by each particular sewer user. Sewer users are charged based upon the amount of flow which they discharge into the Sewer System. As sewage discharge is generally not metered, water sales are used to establish each customer’s sewage flow. Sewage flow are determined based upon the classification of the user, primarily the “rate of return” of water to the Sewer System and the expected water generated by the type of uses, both as determined by the City.

## Billing and Collection Procedures

Pursuant to a Sewer Service Charge Billing and Collection Agreement dated December 12, 1997 and most recently amended July 1, 2013 (the “Billing and Collection Agreement”), between the City and East Bay MUD, East Bay MUD bills and collects the City’s sewer service charges. East Bay MUD is responsible for all aspects of billing these charges, which it includes on the water bills it sends, on a bi-monthly basis, to East Bay MUD customers. East Bay MUD remits funds collected to the City on a monthly basis. The City is responsible for payment to East Bay MUD, on a monthly basis, of its costs incurred performing billing and collection. Historically, these costs have averaged approximately \$1.1 million annually. East Bay MUD has performed the billing and collection functions for the City since the inception of the sewer service charges in 1987. The current Billing and Collection Agreement expires on June 30, 2023.

Under the Billing and Collection Agreement, interest and penalties on accounts delinquent in payment of the sewer service charges are referred to a collection agency by East Bay MUD but ultimately are the responsibility of the City. (The City’s collection rate for all accounts is approximately 99%.) Partial payments of an East Bay MUD bill are allocated proportionately between East Bay MUD and the City. East Bay MUD has the right to adjust remittances to the City to account for such items as returned checks, erroneous applications and accounting adjustments. East Bay MUD has the right to terminate water service for nonpayment of billed charges for any other permissible reason and shall have no liability to the City for any reduction in sewer service charge revenue due to such termination of water service. Water service is generally terminated 35 days after becoming overdue for single family and industrial/commercial accounts. For multifamily accounts, a lien is placed on the property.

## Users of the Sewer System

The Sewer System serves more than 100,000 residential, commercial, industrial and public authority customers. Table 2 below shows customer base by type of account and Table 3 below sets forth revenues by type of account. The ten largest users of the Sewer System by MGD are set forth in Table 4 and the ten largest users of the Sewer System by revenues are set forth in Table 5.

**TABLE 2**  
**CITY OF OAKLAND**  
**SEWER SYSTEM**  
**Customer Base by Type of Account**  
**(As of June 30, 2013)**

<u>Type of Account</u>	<u>Number of Accounts</u>
Residential	91,121
Commercial	9,919
Industrial	411
Public Authority	434
TOTAL	101,885

Source: East Bay Municipal Utility District.

**TABLE 3**  
**CITY OF OAKLAND**  
**SEWER SYSTEM**  
**Revenues by Type of Account**  
**(Fiscal Years ended June 30)**

<u>Type of Account</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Residential	\$26,053,193	\$28,030,851	\$29,556,196	\$30,889,064	\$34,292,976
Commercial	6,931,133	7,315,014	7,940,020	8,762,789	13,410,033
Industrial	427,014	430,770	440,303	440,841	529,869
Public Authority	<u>955,178</u>	<u>994,333</u>	<u>1,023,276</u>	<u>1,073,751</u>	<u>1,213,826</u>
TOTAL	\$33,023,145	\$35,679,403	\$35,679,403	\$41,166,445	\$49,446,705

Source: East Bay Municipal Utility District.

Table 4 below lists the ten largest users served by the Sewer System in terms of annual flow and their respective annual flows per 100 cubic feet of water (“centi-cubic feet” or “CCF”) during Fiscal Year 2012-13. A flow rate of 40,112 CCF/month is equivalent to 1.000 MGD. Therefore, as of June 30, 2013, the peak monthly flow of 39,352 CCF/month for the ten largest users corresponds to 0.981 MGD, and the total yearly flow of 375,587 CCF (an average of 31,351 CCF/month) corresponds to 0.782 MGD (which represents approximately 10.5% of the yearly flow of the Sewer System):

**TABLE 4**  
**CITY OF OAKLAND**  
**SEWER SYSTEM**  
**Ten Largest Users by Flow**  
**As of June 30, 2013**

<u>User Name</u>	<u>Peak Monthly Flow (CCF<sup>(1)</sup>/Month)</u>	<u>Total Yearly Flow (CCF)<sup>(1)</sup></u>
Aramark Uniform Services	5,519	62,157
Quaker Oats Company	5,306	46,475
General Services Agency	3,931	40,553
Samuel Merritt Hospital	5,112	38,817
MSR Claremont Resort Inc	4,781	37,452
Alameda Co Med Center	3,433	33,170
Oakland Housing Authority #301	3,089	32,797
City Center Plaza	2,620	28,643
Parkwoods Community Assoc	2,825	28,472
Oakland Housing Authority #303	2,736	27,678

<sup>(1)</sup> Represents centi-cubic feet, defined as 100 cubic feet of water.  
Source: East Bay Municipal Utility District.

Table 5 below lists the ten largest customers in terms of revenues and their respective percentages of total revenues.

**TABLE 5  
CITY OF OAKLAND  
SEWER SYSTEM  
Ten Largest Users by Revenues  
As of June 30, 2013**

<u>User Name</u>	<u>FY 2013 Annual Revenue</u>	<u>Percent of Total Revenue</u>
Aramark Uniform Services	\$154,150	0.31%
Quaker Oats Company	115,257	0.23
Samuel Merritt Hospital	88,114	0.18
Alameda County General Services Agency	82,728	0.17
MSR Claremont Resort LP	79,398	0.16
Alameda Co Med Center	75,295	0.15
Oakland Housing Authority #303	70,575	0.14
Owens Brockway Glass Cont	67,194	0.14
Oakland Housing Authority #301	66,905	0.14
City Center Plaza	<u>58,431</u>	<u>0.12</u>
Total	\$858,047	1.74%

Source: East Bay Municipal Utility District.

### Sewer Service Charges

***Historical and Current Service Charges.*** The principal source of Revenues is sewer service charges imposed by the City and billed and collected by East Bay MUD.

The City's current rate schedule was adopted in 2010. Rates increased 16% increases for the annual billing periods beginning on January 1 of 2011, 2012 and 2014. For future fiscal years, rates are projected to increase based upon the consumer price index. See also "–Rate Setting Procedure." Table 6 sets forth the Sewer System rates for calendar years 2011, 2012/2013 and 2014.

**TABLE 6**  
**CITY OF OAKLAND**  
**SEWER SYSTEM**  
**Historical and Current Sewer System Rates**  
**Effective January 1**

<u>Type of Occupancy</u>	<u>2011 Monthly Charge</u>	<u>2012/2013 Monthly Charge</u>	<u>2014 Monthly Charge</u>
<b>Residential</b>			
Single Family	\$25.80	\$29.93	\$34.72
Duplexes	28.95	33.58	38.95
Triplexes	43.43	50.38	58.44
Fourplexes	57.92	67.19	77.94
Other	Based on water usage	Based on water usage	Based on water usage
<b>Commercial<sup>†</sup></b>			
Restaurants/Hotels	\$1.82 per CCF	\$2.12 per CCF	\$2.45 per CCF
Hospitals	1.96 per CCF	2.27 per CCF	2.63 per CCF
Laundromats/Carwashes	2.06 per CCF	2.39 per CCF	2.77 per CCF
All others	1.76 per CCF	2.04 per CCF	2.37 per CCF
<b>Industrial<sup>†</sup></b>			
Industrial Accounts	\$1.60 per CCF	\$1.86 per CCF	\$2.16 per CCF
<b>Properties with Sewer Meter</b>	<b>\$2.13 per CCF</b>	<b>\$2.48 per CCF</b>	<b>\$2.87 per CCF</b>
<b>Minimum Rate for any Property</b>	<b>\$25.80</b>	<b>\$29.93</b>	<b>\$34.72</b>

<sup>†</sup> Charges are based upon the quantity of water used.  
Source: City of Oakland.

The City's single-family residential charges for calendar year 2013 are set forth in Table 7 below with a comparison to rates charged by other Bay Area cities.

**TABLE 7**  
**CITY OF OAKLAND**  
**SEWER SYSTEM**  
**Monthly Sewer (Collection and Treatment) Charge Comparison**  
**Single-Family Residential Service**  
**(Calendar Year 2013)**

<u>City</u>	<u>Average Monthly Residential Charge<sup>(1)</sup></u>
Piedmont <sup>(2)</sup>	\$67.53
Concord	61.17
Berkeley <sup>(2)</sup>	51.63
Oakland <sup>(2)</sup>	50.46
Albany <sup>(2)</sup>	46.03
Alameda <sup>(2)</sup>	43.15
Stege Sanitation District <sup>(2)</sup>	42.62
Pleasanton	36.44
San Jose	33.83
San Leandro	31.18
Emeryville <sup>(2)</sup>	28.53
Hayward	27.27

(1) List does not include San Francisco monthly rate of \$97.41 as San Francisco is a Combined Sewer System that provides sewer and stormwater collection as well as treatment.

(2) Includes monthly East Bay Municipal Utility District wastewater treatment charge of \$20.53.

Source: East Bay Municipal Utility District.

***Other Income.*** The Sewer System also receives sewer inspection and permit fees. In Fiscal Year 2012-13, these inspection and permit fees were approximately \$3.5 million. Commencing in Fiscal Year 2013-14, sewer inspection and permit fee revenues are excluded from “Revenues” pursuant to the Indenture and related costs are excluded from “Maintenance and Operation Costs.” See “Revenues, Expenses and Debt Service Coverage.”

### **Revenues, Expenses and Debt Service Coverage**

***Historical Revenues and Expenses.*** The Statements of Revenues and Expenses of the City’s Sewer System for the Fiscal Years ended June 30, 2009 through 2013, as summarized from information presented in the City of Oakland Comprehensive Annual Reports for those same Fiscal Years, are set forth in Table 8.

**TABLE 8**  
**CITY OF OAKLAND**  
**SEWER SYSTEM**  
**Historical Revenues and Expenses**  
**(Fiscal Years Ended June 30)**  
**(\$ in thousands)**

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
<b>Operating Revenue</b>					
Sewer Services <sup>(1)</sup>	\$ 35,373	\$ 39,329	\$ 41,828	\$ 48,200	\$ 52,919
Other	<u>9</u>	<u>          </u>	<u>4</u>	<u>          </u>	<u>          </u>
Total Operating Revenues	<u>\$35,382</u>	<u>\$39,329</u>	<u>\$41,832</u>	<u>\$48,200</u>	<u>\$52,919</u>
<b>Operating Expenses</b>					
Personnel <sup>(2)</sup>	11,086	10,199	10,927	12,073	14,392
Supplies	420	526	556	975	813
Depreciation and Amortization	4,264	4,535	4,741	5,081	5,401
Contractual Services	1,223	1,368	2,192	2,226	2,148
Repairs and Maintenance	44	49	88	67	64
General and Administration <sup>(3)</sup>	3,864	4,347	4,159	4,157	4,881
Rental	839	872	899	1,071	1,093
Other	<u>932</u>	<u>2,254</u>	<u>1,781</u>	<u>3,048</u>	<u>3,314</u>
Total Operating Expenses	<u>22,672</u>	<u>24,150</u>	<u>25,343</u>	<u>28,698</u>	<u>32,106</u>
Operating Income (Loss)	\$12,710	\$15,179	\$16,489	\$19,502	\$20,813
<b>Non-Operating Revenues (Expenses)</b>					
Interest and investment income	525	108	115	80	(23)
Interest Expense	<u>(2,858)</u>	<u>(2,749)</u>	<u>(2,628)</u>	<u>(2,529)</u>	<u>(2,398)</u>
Total Non-Operating Revenues (Expenses)	<u>(2,333)</u>	<u>(2,641)</u>	<u>(2,513)</u>	<u>(2,449)</u>	<u>(2,421)</u>
<b>Income (Loss) Before Operating Transfers</b>	\$10,377	\$12,538	\$13,976	\$17,053	\$18,392
Transfers Out <sup>(4)</sup>	<u>(600)</u>	<u>(1,463)</u>	<u>(1,476)</u>	<u>(1,493)</u>	<u>(1,511)</u>
Change in net assets (deficit)	\$9,777	\$11,075	\$12,500	\$15,560	\$16,881
Net Assets – Beginning	<u>113,379</u>	<u>123,156</u>	<u>134,231</u>	<u>146,731</u>	<u>161,993</u>
<b>NET ASSETS – ENDING<sup>(5)</sup></b>	<u>\$123,156</u>	<u>\$134,231</u>	<u>\$146,731</u>	<u>\$162,291</u>	<u>\$178,874</u>

(1) Represents sewer service charges collected by East Bay MUD less the City deduction for indirect overhead, plus certain other amounts consisting of sewer inspection and permit fees and miscellaneous other charges. Commencing in Fiscal Year 2013-14, sewer inspection and permit fees (which are included in “Sewer Services” above) do not constitute “Revenues” of the Sewer System for purposes of the Indenture.

(2) Includes amounts for salaries and benefits (including health and retirement). See also “–Retirement System.”

(3) Represents direct overhead of the Public Works Agency allocable to the provision of sewer services.

(4) Transfers Out includes lease payments to the City for use of administrative facilities and Sewer System claims payments to the City’s Self Insurance Fund.

(5) Beginning in Fiscal Year 2013, “Net Assets” is referred to as “Net Position” (no change to underlying calculation); Fiscal Year 2012 Ending Net Position and Fiscal Year 2013 Beginning Net Position are different as a result of GASB 65 adjustments.

Source: Compiled from City’s Comprehensive Annual Financial Reports; City Finance and Management Agency.

***Historical Debt Service Coverage.*** Debt Service Coverage for fiscal years 2008-09 through 2012-13, as calculated in accordance with the Indenture, is set forth below in Table 9.

**Table 9**  
**CITY OF OAKLAND**  
**SEWER SYSTEM**  
**Historical Debt Service Coverage**  
**(\$ in thousands)**

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
<b>Revenues</b>					
Operating Revenues	\$35,382	\$39,329	\$41,832	\$48,200	\$52,919
Interest Income	<u>525</u>	<u>108</u>	<u>115</u>	<u>80</u>	<u>(23)</u>
Total Revenues	\$35,907	\$39,437	\$41,947	\$48,280	\$52,896
<b>Maintenance and Operations Costs</b>					
Operating Expenses <sup>(1)</sup>	\$18,408	\$19,615	\$20,602	\$23,617	\$26,705
Net Revenues Available for Debt Service	\$17,499	\$19,822	\$21,345	\$24,663	\$26,191
Debt Service on 2004 Bonds	\$4,482	\$4,481	\$4,485	\$4,480	\$4,484
Coverage – Senior Debt Service	3.90x	4.42x	4.76x	5.51x	5.84x
SRF Loan Debt Service	\$915	\$915	\$915	\$300	\$300
Coverage – All Obligations	3.24x	3.67x	3.95x	5.16x	5.47x
Net Revenues after Debt Service	\$12,102	\$14,426	\$15,945	\$19,883	\$21,407
Reserves Spent on Capital Projects	\$9,955	\$10,139	\$9,128	\$9,879	\$7,174
<b>Cash Reserve Balances</b>					
Unrestricted	5,281	16,780	28,158	28,455	37,809
Restricted	<u>20,838</u>	<u>11,638</u>	<u>4,483</u>	<u>4,485</u>	<u>4,496</u>
Total	\$26,119	\$28,418	\$32,641	\$32,940	\$42,305

<sup>(1)</sup> Excludes depreciation.

Source: Compiled from City's Comprehensive Annual Financial Reports; City Finance and Management Agency.

**Projected Revenues and Expenses.** Projected Revenues and Expenses are set forth in Table 10. The projections below are based on assumptions that the City believes are reasonable based upon current plans and expectations. No assurance can be given, however, that such assumptions will be realized and actual results may vary materially from those projected and result in different financial results.

**Table 10**  
**CITY OF OAKLAND**  
**SEWER SYSTEM**  
**Projected Revenues and Expenses**  
**(\$ in thousands)**

	2013-14 <u>(Projected)</u>	2014-15 <u>(Projected)</u>	2015-16 <u>(Projected)</u>	2016-17 <u>(Projected)</u>	2017-18 <u>(Projected)</u>
<b>Operating Revenue</b>	\$48,000	\$54,298	\$55,384	\$56,491	\$57,621
Service Charges <sup>(1)</sup>	<u>165</u>	<u>102</u>	<u>104</u>	<u>106</u>	<u>108</u>
<b>TOTAL REVENUES</b>	<u>\$48,165</u>	<u>\$54,400</u>	<u>\$55,488</u>	<u>\$56,597</u>	<u>\$57,729</u>
<b>Operating Expenses</b>					
Personnel <sup>(2)</sup>	\$12,848	\$13,145	\$13,539	\$13,945	\$14,364
Supplies	737	737	759	782	805
Depreciation and Amortization	6,058	6,416	6,796	7,197	7,623
Contractual Services	5,407	5,575	5,742	5,914	6,091
Repairs and Maintenance	457	457	470	484	499
General and Administration <sup>(3)</sup>	3,485	3,509	3,614	3,723	3,835
Rental	1,970	2,000	2,060	2,122	2,185
Other	<u>3,984</u>	<u>4,139</u>	<u>4,778</u>	<u>4,921</u>	<u>5,069</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>\$34,945</u>	<u>\$35,976</u>	<u>\$37,757</u>	<u>\$39,088</u>	<u>\$40,470</u>
<b>Net Operating Income</b>	\$13,220	\$18,423	\$17,730	\$17,509	\$17,259
<b>TOTAL NON-OPERATING REVENUES (EXPENSE)</b>	(2,395)	(2,306)	(2,375)	(2,446)	(2,520)
Income Before Operating Transfers	\$10,826	\$16,117	\$15,355	\$15,063	\$14,740
Transfers Out <sup>(4)</sup>	<u>(2,502)</u>	<u>(2,502)</u>	<u>(2,577)</u>	<u>(2,654)</u>	<u>(2,734)</u>
Change in net assets (deficit)	\$8,324	\$13,616	\$12,778	\$12,409	\$12,006
Net Assets (deficit) – Beginning	<u>\$178,874</u>	<u>\$187,198</u>	<u>\$200,813</u>	<u>\$213,592</u>	<u>\$226,001</u>
Net Assets (deficit) – Ending	<u>\$187,198</u>	<u>\$200,813</u>	<u>\$213,592</u>	<u>\$226,001</u>	<u>\$238,006</u>

(1) Represents sewer service charges collected by East Bay MUD. Other revenues and expenses in connection with sewer inspection are no longer accounted for by the Sewer System; Projected CPI sewer rate increases at 2.0% commencing January 1, 2015.

(2) Includes amounts for salaries and benefits (including health and retirement). See also “–Retirement System.”

(3) Represents direct overhead of the Public Works Agency allocable to the provision of sewer services.

(4) Transfers out increase of \$1.0M from Fiscal Year 2013 to Fiscal Year 2014 due to increases in claims payments to the City’s Self Insurance Fund.

Source: City of Oakland.

**Projected Debt Service Coverage.** Projected Debt Service Coverage, as calculated in accordance with the Indenture, is set forth below in Table 11.

**Table 11**  
**CITY OF OAKLAND**  
**SEWER SYSTEM**  
**Projected Debt Service Coverage and Cash Reserve Balances**  
**(\$ in thousands)**

	2013-14 (Projected)	2014-15 (Projected)	2015-16 (Projected)	2016-17 (Projected)	2017-18 (Projected)
<b>Revenues</b>					
Operating Revenues	\$48,000 <sup>(1)</sup>	\$54,298	\$55,384	\$56,491	\$57,621
Interest Income	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Revenues	\$48,000	\$54,298	\$55,384	\$56,491	\$57,621
<b>Maintenance and Operations Costs</b>					
Operating Expenses <sup>(1)(2)(3)</sup>	\$31,388	\$32,062	\$33,539	\$34,545	\$35,581
Net Revenues Available for Debt Service	16,612	22,236	21,845	21,946	22,040
Debt Service on 2004A Bonds	1,197	0	0	0	0
Debt Service on 2014 A Bonds	2,450	3,643	3,645	3,646	3,644
Coverage – Senior Debt Service	4.55x	6.10x	5.99x	6.02x	6.05x
SRF Loan Debt Service	300	0	0	0	0
Coverage – All Obligations	4.21x	6.10x	5.99x	6.02x	6.05x
Net Revenues after Debt Service	\$12,664	\$18,593	\$18,200	\$18,300	\$18,396
Reserves Spent on Capital Projects	\$16,505	\$15,950	\$15,914	\$16,391	\$16,883
Projected Cash Reserve Balances	\$33,968	\$36,611	\$38,898	\$40,807	\$42,320

(1) Commencing in Fiscal Year 2013-14, sewer inspection and permit fee revenues are excluded from “Revenues” pursuant to the Indenture and related costs are excluded from “Maintenance and Operation Costs.”

(2) Excludes depreciation.

(3) Projected debt service coverage calculated including Transfers Out as an Operating Expense. Historical debt service coverage calculations excluded Transfers Out from Operating Expenses.

Source: City Finance and Management Agency.

As of January 1, 2014, \$1.2 million was on deposit in the Rate Stabilization Fund. The City currently plans (but is not obligated) to deposit an additional \$500,000 into the Rate Stabilization Fund each year, until the balance therein reaches \$3 million. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2014 SERIES A BONDS – Rate Stabilization Fund.”

### **Balance Sheet**

Set forth in Table 12 is the balance sheet for the Sewer System for the fiscal years ended June 30, 2011 through June 30, 2013.

**Table 12**  
**CITY OF OAKLAND**  
**SEWER SYSTEM**  
**Balance Sheet**  
**(Fiscal Years Ended June 30)**  
**(\$ in thousands)**

	(Audited)	(Audited)	(Audited)
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 28,158	\$ 28,455	\$ 37,809
Accounts receivables	9,479	16,190	16,343
Restricted cash and investments	<u>4,483</u>	<u>4,485</u>	<u>4,496</u>
Total current assets	42,120	49,130	58,648
Noncurrent Assets:			
Capital assets:			
Land and other assets not being depreciated	12,480	15,265	23,448
Facilities and equipment, net of depreciation	149,695	153,535	149,785
Total Capital Assets	162,175	168,800	173,233
Unamortized bond issuance costs	537	507	262
Total noncurrent assets	<u>162,712</u>	<u>169,307</u>	<u>173,495</u>
<b>TOTAL ASSETS</b>	<b>204,832</b>	<b>218,437</b>	<b>232,143</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	2,161	2,487	2,271
Accrued interest payable	121	118	106
Unearned revenue	263	263	
Other liabilities	7	6	6
Bonds, notes and other payables, net	<u>2,277</u>	<u>2,386</u>	<u>2,499</u>
Total current liabilities	4,829	5,260	4,882
Noncurrent Liabilities:			
Bonds, notes and other payables, net	53,272	50,886	48,387
<b>TOTAL LIABILITIES</b>	<b>58,101</b>	<b>56,146</b>	<b>53,269</b>
NET POSITION			
Invested in capital assets, net of related debt	111,109	120,013	126,843
Unrestricted	<u>35,622</u>	<u>42,278</u>	<u>52,031</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>146,731</u></b>	<b>\$ <u>162,291</u></b>	<b>\$ <u>178,874</u></b>

Source: Fiscal Year 2012-13 Comprehensive Annual Financial Report and City Finance and Management Agency.

### Regulatory Matters

The operation of the Sewer Collection System is regulated at the federal and state level. The City is required to maintain at all times a National Pollutant Discharge Elimination System (“NPDES”) permit which regulates commercial and residential intake and sanitary sewer transport as well as overflows and reporting. Part of the NPDES permit seeks to diminish stresses on downstream treatment facilities caused by “inflow and infiltration” from each Sewer Collection System as well as flows from private lateral pipes serving homes or commercial properties. These NPDES permits are issued by the RWQCB

as part of its regulation of the water quality in the Bay Area generally. The RWQCB has the authority to impose fines and take other punitive measures for failure to comply with its orders. As described below, the requirements of the NPDES Permit and related State Waste Discharge Requirements have become significantly more stringent over the years, and the RWQCB (and United States Environmental Protection Agency or “EPA”) have utilized administrative and judicial remedies against the City from time to time to enforce compliance with NPDES requirements, the State discharge regulations, and the federal Clean Water Act statutory provisions. The currently effective NPDES permit was issued on November 18, 2009 and will be up for renewal in November 2014. The 2009 permit was appealed to the State Water Board with respect to several terms, but the appeal (by consent) is held in abeyance for two more years. Certain litigation described below addresses overflows and future repair/capacity planning related to the City’s permit, as well as permits of other East Bay cities and agencies.

Oakland and six other East Bay communities (Alameda, Albany, Berkeley, Emeryville, Piedmont, and Stege Sanitary District, referred to herein as the “East Bay Sewer Collection Service Providers” or “Providers”) each maintain and operate separate sanitary sewer collection systems. These systems are served by the East Bay Municipal Utility District (“East Bay MUD”) main treatment plant. East Bay MUD also owns and operates three wet-weather facilities (“WWFs”) and the interceptor pipes that collect all sewage from the East Bay Sewer Collection Service Providers and takes it to the treatment plant. These East Bay MUD wet weather facilities were part of a regional solution designed in the mid 1980’s to accept and handle any extra wet-weather flows from the collection systems of the East Bay Sewer Collection Service Providers during rainy seasons, hold or provide modified primary treatment only, and then, if necessary, discharge the primarily-treated material into the San Francisco Bay. In combination with these facilities, the East Bay Sewer Collection Service Providers were also required to implement a targeted infiltration/inflow (“I/I”) correction program that was designed to reduce the region’s uncontrolled wet-weather overflows. The regional program was started in mid 1980’s and by 2007 reduced flows to the East Bay MUD facilities by over 29 percent.

The City’s program (originally commenced in 1986) entailed rehabilitating about 25% of its collection pipes at a cost of about \$190 million. These improvements were part of a 25-year capital improvement program that was mandated by a cease-and-desist order (“CDO”) from the RWQCB relating to the then-current NPDES permit in the 1980’s. The CDO was extended once for several years and this capital program will be completed in summer of 2014. The program is in its twenty-fifth year, and consists of projects that rehabilitate or replace the sanitary sewer collection system in areas that were determined at the time to have the highest sources of I/I. The City has recently added additional projects to the program, and may add more projects in connection with the anticipated settlement of the EPA/RWQCB litigation described below, as well as the NPDES permit renewal.

In 2009, the EPA and the RWQCB changed direction with East Bay MUD and no longer permitted discharges from the WWFs. In 2009, the EPA and the RWQCB also began discussions with the East Bay Sewer Collection Service Providers to further reduce wet-weather flows with an ultimate goal of eliminating all wet-weather discharges from East Bay MUD facilities and the collection system. In 2009, the EPA conducted facility inspections of the collection systems of the East Bay Sewer Collection Service Providers, including the City. The inspections were followed by Administrative Orders (“AOs”) issued in late November 2009, requiring the East Bay Sewer Collection Service Providers to fully participate and cooperate with East Bay MUD in the development and implementation of measures to further reduce wet-weather flows. The EPA inspection report and also RWQCB review of its records also identified a number of sanitary sewer overflows (“SSOs”) from the City’s Sewer System, many of which were dry-weather overflows caused by grease, roots and other blockages.

Similar to the other East Bay Sewer Collection Service Providers, Oakland was required to develop and implement aggressive maintenance and long-term capital improvement programs with the

goal of minimizing the risk of sanitary sewer overflows and wet-weather discharges. The AO requirements included development and implementation of a comprehensive asset management program that delineates schedules and methods for routine inspection and cleaning of the entire system; a private sewer lateral inspection and repair program; certain flow monitoring; inflow identification and elimination program to identify and eliminate non-sewer (storm drain) connections to the Sewer Collection System; pump station reliability program to renovate and upgrade; and sewer inspection and cleaning programs to implement high priority sewer inspection and cleaning programs so that the system is inspected and cleaned on a schedule not to exceed 10 years.

Later in December 2009, in connection with the renewal of the NPDES permit, the EPA and the RWQCB filed a federal complaint against the City and the other East Bay Sewer Collection Service Providers, alleging that each discharged pollutants during wet weather periods in violation of their respective NPDES Permits. The State of California, as well as the San Francisco Baykeeper, a local environmental group, were added as parties to the litigation. The matter has been in negotiations and not active litigation since the initial filing of the complaint; those negotiations seek a long-term, 20 to 30 year diminishing of flows and resolution of the issues.

In 2010 the State filed separate Administrative Complaint for Liability against the City for alleged reporting violations on about a dozen SSOs that occurred prior to July 16, 2010. The ACL was resolved by settlement in late 2010/early 2011. In connection with the settlement, the City paid \$280,000 in penalties, of which \$125,000 went to a separate environmental project.

In order to provide funds to pay the increased costs resulting from the requirements described above, as well as future anticipated requirements and related cost increases, in 2010 the City Council adopted significant increases to the rates and charges for the Sewer Collection System. See "RATE SETTING PROCEDURE."

In September of 2011, the parties to the EPA/RWQCB litigation (including the City) entered into a Stipulated Order for Preliminary Relief (the "Stipulated Order") which required the City and the other East Bay Sewer Collection Service Providers to implement certain specified measures to, among other things, improve asset management of their sewer systems and to address SSOs. The Stipulated Order requires the City to continue and enhance the implementation of the activities of the type set forth in the AO, which are collected in an Asset Management Implementation Plan approved by EPA, and to work with East Bay MUD to reduce I&I and have private property owners improve any damaged or ineffective sewer laterals through regional and local ordinances. The Stipulated Order included specific milestone dates by which the City was required to complete identified actions, and the City has kept up with each date and deliverable requirement of the Stipulated Order at this time. Failure to comply with the milestones, or to violate other regulatory requirements, could result in the imposition of fines payable from revenues of the Sewer Collection System. Some of the requirements were (i) to finalize the City's Asset Management Implementation Plan; (ii) to pass a city ordinance with respect to owners testing and repair of their private sewer laterals if they sold their property or applied for permits to remodel above \$100,000 in cost; (iii) to comply with sewer pump station plans; and (iv) to file certain information in Annual Reports with the EPA and RWQCB. There have been no fines, or letters issued to the City, with respect to the Stipulated Order.

By its terms, the Stipulated Order acknowledged that it was a partial remedy, and the plaintiffs were permitted to seek additional remedies. East Bay MUD had a similar case filed in 2009 against it, and the two cases were consolidated in June 2013. The plaintiffs (including the EPA and the RWQCB), the intervenors, East Bay MUD, and the seven East Bay Sewer Collection Service Providers, including the City, have been in settlement discussions for over 12 months in an attempt to resolve the issues not resolved in the Stipulated Order and East Bay MUD's similar Stipulated Order. The parties are close to

completion with those negotiations. The federal judge also appointed a federal magistrate judge to conduct settlement (mediation) sessions in February 2014 to attempt resolution of any remaining issues left after our negotiations. Although the City cannot predict the outcome of the settlement negotiations with certainty, the City expects that settlement is likely to result in continuation and expansion of activities of the type required by the AO and Stipulated Order, including accelerated or additional years of repair and replacement of main sewer pipes, implementation of smoke-testing or similar programs to locate broken pipes or illicit connections to city sewer pipes to reduce wet weather flows, enhanced cleaning, root-foaming, and testing of pipes to reduce the possibility of SSOs, updating certain pump stations, and regular reports on progress. If the collective activities of all the defendants (East Bay MUD and the seven East Bay Sewer Collection Service Providers) do not yield the predicted progress towards slowing flows to the WWFs over a period of many years, there will be a process to evaluate and perhaps take additional steps down the road so that WWF discharges will be ended at a set time in the future. In the event the EPA/RWQCB litigation is not settled, the City expects that the matter will proceed to trial.

The projected annual cost of implementation of the programs and activities currently expected to result from resolution of the outstanding litigation is included in the Projected Capital Improvement expenditures set forth in Table 1, and in the Projected operating results set forth in Tables 10 and 11. As described herein, in response to earlier regulatory requirements, and in anticipation of future requirements, in 2010 the City Council approved significant increases to rates and charges for Sewer System services. These increases were implemented in January of 2011, 2012 and 2014, and were 16% increases each of those years, aggregating over 50% on a compounded basis. The City believes that these increases will generate sufficient additional Net Revenues over the next five years to pay the currently projected costs of implementation of increased requirements necessary to comply with the AO, the Stipulated Settlement and the settlement of the EPA/RWQCB litigation described herein during that period.

There can be no assurances that the actual cost of compliance with the AO, Stipulated Order and the requirements of any settlement of the EPA/RWQCB litigation (or, if the matter is not settled, the outcome of any trial) will not significantly exceed the City's projections, and require the expenditure of capital and/or operating funds significantly in excess of the amounts contained in the Projected Operating Results. See "CERTAIN RISKS TO BONDHOLDERS."

## **Retirement Benefits**

The City has three defined benefit retirement plans: the Police and Fire Retirement System ("PFRS"), the Oakland Municipal Employees Retirement System ("OMERS"), and the California Public Employees' Retirement System ("PERS"). The employees of the Sewer System are covered by PERS plan. PFRS and OMERS are closed plans that cover employees hired prior to July 1976 and September 1970, respectively. City employees hired subsequent to the closure dates of those plans are covered by PERS, which is administered by the State. As of June 30, 2013, none of the 128 employees of the Sewer System were covered under the PFRS or OMERS plans.

Salaries and benefits costs of the Sewer System include funding of retirement benefits for employees assigned to the Sewer System who, as City employees, participate in PERS. (City employees assigned to the Sewer System constitute approximately 3% of all City employees.) Retirement payments paid from Wastewater System revenues, with respect to employees assigned to the Wastewater System, were approximately \$1.2 million in Fiscal Year 2009-10, approximately \$1.3 million in Fiscal Year 2010-11, approximately \$1.5 million in Fiscal Year 2011-12, and approximately \$1.9 million in Fiscal Year 2012-13. The City projects that the required contribution for Fiscal Year 2013-14 will be approximately \$2.0 million. Payments to PERS constitute Maintenance and Operation Costs of the Sewer System.

For a variety of reasons, including investment losses, the City has experienced significant unfunded liabilities. Retirement costs payable with respect to all City employees, including those assigned to the Sewer System, have increased in recent years. As of June 30, 2012, the City's "Miscellaneous Plan" with PERS (in which the City employees assigned to the Sewer System participate) had an unfunded liability (with respect to all participating City employees, including employees assigned to the General Fund, the Sewer Fund, and other enterprise funds) of approximately \$424.2 million (actuarial value basis), and a funded ratio of 79.6% (actuarial value basis) and 66.4% (market value basis).

As a result, required contributions from the City are expected to continue to increase. For information concerning the City's retirement liabilities, see APPENDIX A — "CERTAIN GENERAL, ECONOMIC, FINANCIAL AND DEMOGRAPHIC INFORMATION CONCERNING THE CITY OF OAKLAND" and APPENDIX B — "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2013" — Note 15 to the Basic Financial Statements."

In addition to required contributions for retirement benefits for employees, the City pays certain post-employment health care and other non-pension benefits ("OPEB") for such employees. The City's OPEB related payments were approximately \$17.6 million in Fiscal Year 2012-13 and are projected to be approximately \$18.2 million in Fiscal Year 2013-14. See APPENDIX A — "CERTAIN GENERAL, ECONOMIC, FINANCIAL AND DEMOGRAPHIC INFORMATION CONCERNING THE CITY OF OAKLAND" and APPENDIX B — "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2013" — Note 15 to the Basic Financial Statements" for a discussion of OPEB liabilities payable by the City, as well as the City's current unfunded OPEB liability.

### **Lease of Portions of the Sewer System**

Significant portions of the Sewer System have been leased by the City to the Oakland Joint Powers Financing Authority (the "Authority") and subleased back by the City pursuant to lease arrangements under which the City makes rental payments to the Authority which secure obligations issued by the Authority. The leased portions of the Sewer System are comprised of 8-inch diameter sewer pipelines, which are generally located under or adjacent to City streets. All of the 8-inch pipes, including all 8-inch pipe which may be acquired by the City in replacement of existing 8-inch pipe, comprise the leased asset with respect to the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2008 Series A-1 and A-2 (the "2008 Bonds") which are currently outstanding in the aggregate principal amount of \$40,995,000 and have a final maturity of January 1, 2017. The 8-inch pipe represents approximately 79% of the pipelines of the Sewer System. No Revenues of the Sewer System are pledged to repayment of the 2008 Bonds, which are payable solely from rental payments made with respect thereto from legally available funds of the City. The trustee with respect to the 2008 Bonds has no right, upon any default by the City in the payment of rental to re-let the 8-inch pipe or terminate sewer service.

Under the lease relating to the 2008 Bonds, the City is required to maintain hazard insurance with respect to the leased portions of the Sewer System, with the proceeds thereof pledged to pay the 2008 Bonds. In addition, proceeds of condemnation awards are required to be paid to the trustee for the 2008 Bonds. Therefore, any such insurance or condemnation proceeds would not be available to the Owners of the 2014 Series A Bonds while the 2008 Bonds are outstanding.

### **CERTAIN RISKS TO BONDHOLDERS**

The following information should be considered by prospective investors in evaluating the 2014 Series A Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to making an investment decision with respect to the 2014 Series A

Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

### **Limited Obligation of the City**

The 2014 Series A Bonds are limited obligations of the City payable solely from and secured by a pledge of, and first lien upon, Net Revenues derived by the City from the operation of the Sewer System and certain amounts held under the Indenture. Neither the faith and credit nor the taxing power of the City, the State of California or any other political subdivision is pledged to the payment of the 2014 Series A Bonds. Payment of the principal, redemption price of or the interest on the 2014 Series A Bonds does not constitute a debt, liability or obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which it has levied or pledged any form of taxation.

### **Increased Costs**

The actual cost of operating and maintaining the Sewer System and implementing necessary capital improvements will depend on a variety of factors, including but not limited to potential rising costs or shortages of labor or materials; the discovery of unforeseen subsurface conditions; earthquakes, floods, or other natural disasters; severe weather conditions; and other events outside of the City's control. There can be no assurances that actual costs will not significantly exceed the costs projected by the City. If the actual costs of operating and maintaining the Sewer System and implementing necessary capital improvements significantly exceed the costs projected by the City, then there could be a material adverse impact on the ability of the City to generate Net Revenues in the amounts required by the Indenture.

### **Statutory and Regulatory Impact**

Laws and regulations governing the treatment and disposal of wastewater are enacted and promulgated by government agencies on the federal, State, and local levels. Compliance with these laws and regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs will likely increase. Claims against the City with respect to its facilities and services could be significant. Such claims are payable from assets of the City or from other legally available sources.

The City has identified a number of existing environmental conditions, as well as anticipated regulatory requirements, that could materially impact the City's operations, and require significant increases in the City's capital and operating costs. In particular, the City is currently a party in litigation with the United States EPA and the State RWQCB. In addition, significant permits relating to the operation of the Sewer System are subject to renewal in November 2014. See "THE SEWER SYSTEM—Regulatory Matters."

Although rates are the major source of funding for regulatory costs and the City has covenanted in the Indenture to establish such rates as are estimated to enable the City to pay debt service for the 2014 Series A Bonds, no assurance can be given that the cost to remediate identified environmental conditions or to comply with increased requirements imposed as part of permit renewals, or by new laws and regulations will not materially adversely affect the City's ability to generate Net Revenues in the amounts required by the Indenture and in the amounts required to pay debt service for the 2014 Series A Bonds.

### **Aging Components of Sewer System**

Significant portions of the pipeline within the Sewer System are reaching or exceeding their originally expected useful lives. There can be no assurances that this will not result in higher-than-

expected pipe failures or higher-than-expected repair and replacement costs. See “THE SEWER SYSTEM – Capital Improvement Program.”

### **Seismic Factors**

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 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, which passes through the San Francisco Peninsula west of Oakland, with an estimated magnitude of 8.3 on the Richter scale. The most recent major earthquake was the October 17, 1989 Lorna Prieta Earthquake, also on the San Andreas fault, with a magnitude of 7.1 on the Richter scale and an epicenter near Santa Cruz, approximately 60 miles south of the City. Areas of both San Francisco and the City sustained major 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 prior to current building code requirements. The City does not carry any earthquake insurance. A major earthquake anywhere in the Bay Area may cause significant temporary and possibly longer-term harm to the City's economy, tax receipts, and residential and business real property values.

If there were to be an occurrence of severe seismic activity in the City, there could be a negative impact upon the Sewer System which could result in a reduction in Net Revenues. Such reduction of Net Revenues could have an adverse effect on the City's ability to make timely payments of debt service on the 2014 Series A Bonds. The City is uninsured as to earthquake damage to the Sewer System facilities.

### **Risk Management and Insurance**

The City employs a full-time Risk Manager, as well as safety and loss control professionals, for the prevention and mitigation of property, liability and employee claims for injury or damage. The City has maintained a program of self-insurance for many years in an amount up to \$25 million (after \$3 million self-insurance retention) for the above types of claims, including annual appropriations for self-insured losses, and professional staff for investigation and legal defense of claims and litigation. See however, “THE SEWER SYSTEM–Lease of Portions of the Sewer System.”

The City is uninsured as to earthquake and flood damage to its Sewer System facilities.

### **Certain Limitations on the Ability of the City to Impose Taxes, Fees and Charges**

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 added articles XIIC and XIID to the California Constitution, which contain a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes, assessments, fees, and charges.

Section 3 of article XIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees, and charges, regardless of the date such taxes, assessments, fees, or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees, and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of article XIIC to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments, or fees and charges imposed prior to November 6, 1996.

“Fees” and “charges” are not expressly defined in article XIIC or in the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with articles XIIC and XIID (the “Omnibus Act”). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virgil* (the “*Bighorn Decision*”) that charges for ongoing water delivery are property-related fees and charges within the meaning of article XIID and are also fees or charges within the meaning of section 3 of article XIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to section 3 of article XIIC.

In the *Bighorn Decision*, the Supreme Court stated that nothing in section 3 of article XIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the *Bighorn Decision* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contracts clause of the United States Constitution. Additionally, the Omnibus Act provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after the effective date of Proposition 218, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters within the service area of the City will not, in the future, approve an initiative that reduces or repeals local taxes, assessments, fees, or charges. (In 2010, an initiative qualified for the November 2010 ballot which would have repealed rate increases for the City’s utilities, including the Sewer System. The voters did not approve it.)

Article XIID defines a “fee” or “charge” as any levy other than an ad valorem tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A “property-related service” is defined as “a public service having a direct relationship to a property ownership.” In the *Bighorn Decision*, the California Supreme Court held that a public water agency’s charges for ongoing water delivery are fees and charges within the meaning of article XIID. Article XIID requires that any public agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, article XIID also includes a number of limitations applicable to existing fees and charges, including provisions to the effect that (1) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (2) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (3) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (4) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

On November 2, 2010, voters in the State approved Proposition 26, which amended article XIIC of the State Constitution by expanding the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (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 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 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, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for 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; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax; that the amount is no more than necessary to cover the reasonable costs of the governmental activity; and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. As of the date of this Official Statement, the City is unaware of any fees relating to the Sewer System that would have to be reduced or eliminated because of Proposition 26.

The City believes that it has complied with the requirements of Proposition 218 with respect to the charges that it currently imposes.

In addition to imposing fees for wastewater service, the City also imposes mitigation fees as a condition for connecting new properties to the Sewer System. The City does not believe that these mitigation fees are subject to Proposition 218.

Under the Indenture, the City has covenanted that it will set rates for Sewer System services at specified levels. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Rate Covenant.” If proposed increased service charges cannot be imposed as a result of a majority protest or an initiative, then such circumstances may adversely affect the ability of the City to generate Revenues in the amounts required by the Indenture and to pay principal and interest on the 2014 Series A Bonds.

### **Initiatives; Changes in Law**

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State Legislature will not at some future time approve additional limitations which could affect the ability of the City to implement rate increases which could reduce Net Revenues and adversely affect the security for the 2014 Series A Bonds.

### **Limited Recourse on Default**

If the City defaults on its obligation to pay debt service on the 2014 Series A Bonds, the Trustee has the right to accelerate the total unpaid principal amount of the 2014 Series A Bonds outstanding and interest accrued thereon. However, in the event of a default and such acceleration there can be no assurance that the City will have sufficient funds to pay the accelerated debt service from Net Revenues.

## **Limitation on Remedies; Bankruptcy**

The rights of the owners of the 2014 Series A Bonds are subject to the limitations on legal remedies against cities in the State, including applicable bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and are subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the 2014 Series A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

If the Net Revenues are "special revenues" under the Bankruptcy Code, then Net Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. "Special revenues" are defined to include receipts derived from the ownership or operation of projects or systems that are primarily used to provide utility services. Although the Net Revenues appear to satisfy this definition and thus be "special revenues," no assurance can be given that a court would not hold that the Net Revenues are not special revenues or are not subject to the lien of the Indenture. If the Net Revenues are determined to not be "special revenues," then Net Revenues collected after the commencement of the bankruptcy case will likely not be subject to the lien of the Indenture. The Holders or Beneficial Owners of the 2014 Series A Bonds may not be able to assert a claim against any property of the City other than the Net Revenues, and if these amounts are no longer subject to the lien of the Indenture, then there may be no amounts from which the Holders or Beneficial Owners of the 2014 Series A Bonds are entitled to be paid.

## **Loss of Tax Exemption**

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2014 Series A Bonds, the City has covenanted in the Indenture to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended. The interest on the 2014 Series A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such 2014 Series A Bonds as a result of acts or omissions of the City in violation of this or other covenants in the Indenture applicable to the 2014 Series A Bonds. The 2014 Series A Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture. See "TAX MATTERS."

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2014 Series A 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 2014 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the 2014 Series A Bonds is less than the amount to be paid at maturity of such 2014 Series A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2014 Series A Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2014 Series A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2014 Series A Bonds is the first price at which a substantial amount of such maturity of the 2014 Series A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2014 Series A Bonds accrues daily over the term to maturity of such 2014 Series A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2014 Series A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2014 Series A Bonds. Beneficial Owners of the 2014 Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2014 Series A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2014 Series A Bonds in the original offering to the public at the first price at which a substantial amount of such 2014 Series A Bonds is sold to the public.

2014 Series A 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 2014 Series A 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 2014 Series A 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 2014 Series A Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium 2014 Series A 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 2014 Series A Bonds. The City made certain representations and has covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2014 Series A 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 2014 Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2014 Series A 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), after the date of issuance of the 2014 Series A Bonds may adversely affect the value of, or the tax status of interest on, the 2014 Series A 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 2014 Series A 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 2014 Series A Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences will depend 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 2014 Series A Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, legislative proposals have been made in recent years that would limit the exclusion from gross income of interest on obligations like the 2014 Series A Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. 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 2014 Series A Bonds. Prospective purchasers of the 2014 Series A 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 2014 Series A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2014 Series A Bonds ends with the issuance of the 2014 Series A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the 2014 Series A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City 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 City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2014 Series A 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 2014 Series A Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

## **FINANCIAL STATEMENTS**

The City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013, included in Appendix B hereto, has been audited by Macias, Gini & Co., LLP, as stated in their report appearing in Appendix B hereto. No opinion is expressed by Macias, Gini & Co., LLP with respect to any event subsequent to its report dated December 13, 2013. The Annual Financial Report includes the City General Fund and other funds of the City which are not available for payments of the 2014 Series A Bonds. The 2014 Series A Bonds are secured solely by the amounts specified in the Indenture, and the inclusion of the audited financial statements of the City should not create any implication that any other assets or funds of the City are available for payment of the 2014 Series A Bonds.

## **LEGAL OPINIONS**

The validity of the 2014 Series A Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. A complete copy of the proposed form of Bond Counsel Opinion is contained in Appendix D hereto. Certain legal matters will be passed upon for the Underwriters by Hanson Bridgett LLP, and for the City by the City Attorney and its Disclosure Counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation. Bond Counsel

and Disclosure Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

### **ABSENCE OF MATERIAL LITIGATION**

#### **General**

There is no litigation pending concerning the validity of the Indenture or the 2014 Series A Bonds or the collection or pledge of revenues or the issuance and delivery thereof, the existence of the City, the title of the officers thereof who shall execute the 2014 Series A Bonds to their respective offices, or the pledge of the Revenues to the payment of the 2014 Series A Bonds.

#### **Other Matters**

In the regular course of business, the City is a party to a variety of pending and threatened lawsuits and administrative proceedings, in addition to those specifically discussed herein. The City does not believe that any such lawsuits or proceedings will have a material adverse effect on the operations or financial condition of the City.

### **FINANCIAL ADVISOR**

First Southwest Company, has served as Financial Advisor to the City with respect to the sale of the 2014 Series A Bonds. The Financial Advisor has assisted the City in the review of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the 2014 Series A Bonds. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement. The Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor will receive compensation from the City contingent upon the sale and delivery of the 2014 Series A Bonds.

### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Upon delivery of the 2014 Series A Bonds, Grant Thornton, LLP, independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the direct obligations of the United States of America and the interest thereon to pay when due the redemption price and interest due to and to become due with respect to the Refunded Bonds on and prior to the specified redemption date thereof.

## **CONTINUING DISCLOSURE**

The City has covenanted in the Continuing Disclosure Agreement between the City and the Trustee for the benefit of the holders and beneficial owners of the 2014 Series A Bonds to provide certain financial information and operating data relating to the Sewer System each year by not later than the date which is nine months following the end of the Fiscal Year, commencing with the report for the 2013-14 Fiscal Year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed by the City with the Municipal Securities Rulemaking Board through its EMMA website. The covenants set forth in the Continuing Disclosure Agreement of the City have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report and the notices of material events is set forth in APPENDIX E—“FORM OF CONTINUING DISCLOSURE AGREEMENT.”

The City has not failed during the previous five years to comply in all material respects with any previous undertaking under such Rule, except that between February 1, 2008 and June 28, 2012, the City did not file event notices relating to the downgrades by Moody's, S&P and Fitch Ratings of the insured ratings of certain bonds for which the City entered into continuing disclosure undertakings. Such downgrades resulted from the downgrades of the ratings of the insurers of such bonds. On June 29, 2012, and July 10, 2012, the City made corrective filings setting forth information regarding the downgrade of the insured ratings of such bonds. Additionally, the City has instituted additional procedures to ensure timely compliance in the future with its continuing disclosure undertakings.

## **UNDERWRITING**

Siebert Brandford Shank & Co., L.L.C., and Blaylock Robert Van, LLC (the “Underwriters”) have agreed, subject to certain conditions, to purchase the 2014 Series A Bonds at a price of \$45,707,699.11 (consisting of the aggregate principal amount of the Bonds, plus original issue premium in the amount of \$5,229,727.55, less an Underwriters’ discount in the amount of \$112,028.44). The Bond Purchase Agreement relating to the 2014 Series A Bonds provides that the Underwriters will purchase the 2014 Series A Bonds if any are purchased.

The 2014 Series A Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriters reserve the right to lower such initial offering prices as they deem necessary in connection with the marketing of the 2014 Series A Bonds. The Underwriters may offer and sell the 2014 Series A Bonds to certain dealers (including dealers depositing the 2014 Series A Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriters reserve the right to join with dealers and other underwriters in offering the 2014 Series A Bonds to the public. The obligation of the Underwriters to accept delivery of the 2014 Series A Bonds is subject to the terms and conditions set forth in the Bond Purchase Agreement, the approval of legal matters by counsel and other conditions. The Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the 2014 Series A Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

## **RATINGS**

Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and Fitch Ratings, Inc. (“Fitch”) have assigned ratings of “AA” and “AA,” respectively to the 2014 Series A Bonds. A rating reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the 2014 Series A Bonds. An explanation of the significance of the

rating may be obtained from S&P as follows: S&P, 55 Water Street, New York, New York 10041 and Fitch, One State Street Plaza, New York, New York 10004. There is no assurance that such ratings will continue for any given period of time or that they will not be reduced, suspended or withdrawn entirely by S&P, if in its judgment circumstances so warrant. The City undertakes no responsibility to oppose any proposed revision, suspension or withdrawal. Any such revision or withdrawal of the rating may have an adverse effect on the marketability or market price of the 2014 Series A Bonds.

**MISCELLANEOUS**

All of the preceding summaries of the 2014 Series A Bonds, the Indenture, other applicable legislation, agreements and other documents are made subject to the provisions of the 2014 Series A Bonds and such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by the City Administrator of the City has been duly authorized by the City.

**CITY OF OAKLAND**

By: 

\_\_\_\_\_  
City Administrator

## APPENDIX A

### CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

#### Overview

The City of Oakland (the “City” or “Oakland”) is located in the County of Alameda (the “County”) on the eastern shore of the San Francisco Bay (the “Bay”), approximately seven miles from downtown San Francisco via the San Francisco-Oakland Bay Bridge. Occupying approximately 53.8 square miles, the City is the largest and most established of the “East Bay” cities. Its geography ranges from industrialized areas in the west, which border the Bay, to suburban foothills in the east. The City is the hub of an extensive transportation network, which includes several interstate freeways, the western terminus of major railroad and trucking operations, and one of the largest container-ship ports in the United States. The City is also served by an active international airport and the BART, which connects the City by commuter rail with most of the Bay Area. Formerly the industrial heart of the San Francisco Bay Area (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 399,326 as of January 1, 2013.

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

Culturally, the City is home to a regionally and nationally recognized symphony, many up and coming artistic and cultural institutions, an award-winning zoo, the Paramount Theatre and newly renovated Fox Theater, a burgeoning restaurant scene, the recently remodeled Oakland Museum of California, and a vibrant nightlife. The City is also the only city in California outside of Los Angeles, and the only city in the Bay Area, with three major professional sports teams. The Oakland Athletics, the Golden State Warriors, and the Oakland Raiders all play at stadiums within the City, and at times these venues are used for other purposes, including concerts and other events. Oakland was ranked as the fifth most desirable destination to visit worldwide this year in The New York Times piece “The 45 Places to Go in 2012,” and was the top-ranked U.S. destination.

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

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

The City boasts one of the highest percentages of parks and open space per capita in the nation. The City counts lush green hills, redwood forests, creeks, an estuary, and two shimmering

lakes among its natural amenities, and the extensive East Bay Regional Park District is easily accessible from the City.

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

## **City Government**

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

The 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, Deanna J. Santana, was appointed on August 1, 2011.

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

## **ECONOMIC HIGHLIGHTS**

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

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

## **Major Announcement:**

- The Brooklyn Basin Project was recently announced. It will be a \$1.5 billion project, which will be the largest approved, mixed use master plan in the City. The project will consist of 3,100 housing units, 200,000 square feet of offices and shops, and 30 acres of parks and open space along Oakland's estuary. An estimated 10,000 jobs will be created by its build-out.

## **Major Projects and Activities Completed:**

### Arts and Entertainment

- "Art Murmur," held on the first Friday of every month, attracts 25,000 visitors a month to open galleries in Downtown/Old Oakland, Uptown, and Jack London Square.
- Uptown ArtPark opened in April 2013 – the City's first outdoor sculpture park. It is a showplace for large-scale local art for the entire community to enjoy. Oakland was named one of America's Top 12 ArtPlaces in 2013, by ArtPlace America.
- The Fox Theater, which is a national historic landmark, has undergone renovation to become a 3,000 person live performance venue, the home for the Oakland School for the Arts, a 600 student performing arts middle and high school. This was one of the largest historic theater renovations in the nation.
- After a \$58-million renovation and expansion of its iconic building, the Oakland Museum of California ("OMCA") welcomed back the public with a dramatically different presentation of its renowned collections. OMCA has revived its founding vision by introducing innovative exhibitions, setting a new paradigm for the way a museum engages the public. In May 2013, the renovation of the OMCA National Science Gallery was complete and open to the public.

### Housing

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

- The City Walk Project, referred to as Domain by Alta, includes 264 rental apartments and approximately 3,000 square feet of neighborhood-serving retail business. This project was completed in September 2011.
- The Uptown Housing Project Phase I provides 665 rental apartments, approximately 9,000 square feet of neighborhood-serving retail, and a 25,000 square foot public park.

## Library and Recreation

- The 81st Avenue Library opened in 2011 and is the largest branch library at approximately 23,000 square feet. The library offers more than 30,000 books in English and Spanish languages, a computer lab, an internet café, free Wi-Fi, multimedia classrooms, a community meeting room and separate areas for children, teens and adults.
- The newly completed East Oakland Sports Center project features an indoor recreational pool, water slide, fitness center, dance and exercise, multipurpose and meeting rooms. The LEED-certified, two story building includes sustainable design elements such as a “cool roof” and the recycled use of grey water.

## Other

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

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

### Mixed-Use Developments

- The MacArthur Transit Village project is expected to include 624 housing units and approximately 42,500 square feet of retail. Construction of the first phase of the Project, which includes the construction of a public parking garage for BART started in August of 2012 with a projected completion date of July 2014. The next phase, 90 units of affordable housing, began construction in September 2013.
- Coliseum Transit Village Phase I consists of a planned mixed-use transit oriented development centered on a portion of the existing Coliseum BART Station parking lot. Phase I will replace a 1.3 acre portion of the existing Coliseum BART parking lot with approximately 100 units of workforce/market rate rental housing and neighborhood serving retail.
- The new proposed Fruitvale Transit Village phase II project is fully entitled for 275 residential units of housing including 277 garage parking stalls. The project is intended to further revitalize the Fruitvale neighborhood, create housing for new residents, reduce air pollution and dependence on cars and increase BART ridership.
- Oak Knoll project is a 167-acre, mixed-use project that calls for the reuse of the former Oak Knoll Naval Medical Hospital, which was decommissioned in 1996. The proposed project calls for 960 residential units and 82,000 square feet of commercial space.

### Housing

- The Wood Street Development Project is approved for 1,570 units of housing and 13,000 square feet of neighborhood-serving commercial uses.

- The Lion Creek Crossings Affordable Housing Development has approximately 442 units of affordable family rental housing units that have been completed in Phases I – IV. The final Phase V is fully entitled and will deliver an additional 128 units of affordable rental housing.

### Other

- The \$500 million 3.2 mile Oakland International Airport Connector project is currently under construction and is expected to commence operations in late 2014. The new automated guide rail connector is expected to offer reliable world-class service by seamlessly connecting passengers from the Coliseum BART Station directly to the Oakland International Airport in less than nine minutes.

- In October 2012, Prologis CCIG Oakland Global, LLC, entered into a Lease Disposition and Development Agreement for the development of the Oakland Army Base Project. The first phase of this 130-acre project calls for the phased development of public infrastructure, new utilities and roadway improvements followed by private investment in vertical construction by developers and rail access and yard improvements by the Port of Oakland. Construction started in September of 2013 and will be phased over an approximately 5- to 6-year period.

- The Kaiser Hospital Master Plan has completed construction of the first medical office building and new parking structure and has begun construction to replace the existing medical center with a state-of-the-art Medical Center of approximately 1.8 million square feet (exclusive of parking structures) on approximately 21 acres.

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

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

### **Population**

The Demographic Research Unit of the California Department of Finance estimated the City's population on January 1, 2013 at 399,326. This figure represents 25.78% of the corresponding County figure and 1.1% of the corresponding State figure. The City's population has grown 1.05% since last year. The following Table 1 sets forth the estimated population of the City, the County, and the State from calendar years 2009 through 2013.

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

Calendar Year	City <sup>(1)</sup>	County <sup>(1)</sup>	State <sup>(1)</sup>
2009	389,913	1,497,799	36,966,713
2010	390,724 <sup>(2)</sup>	1,510,271 <sup>(2)</sup>	37,253,956 <sup>(2)</sup>
2011	392,333	1,517,756	37,427,946
2012	394,832	1,530,176	37,668,804
2013	399,326	1,548,681	37,966,471

<sup>(1)</sup> Reflects population estimates as of January 1.

<sup>(2)</sup> As of April 1, includes adjustment for 2010 Census information.

Source: California State Department of Finance, Demographic Research Unit, as shown on May 7, 2013.

### **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 2009 through 2013. The California Employment Development Department has reported preliminary unemployment figures for November 2013 at 8.5% for the State and 10.4% for the City (not seasonally adjusted).

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**Table 2**  
**City of Oakland, State of California and United States**  
**Civilian Labor Force, Employment and Unemployment**  
**Annual Average for Years 2009 Through 2013**

Year and Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
2009				
City	203,700	171,600	32,100	15.8
State	18,208,300	16,144,500	2,063,900	11.3
United States	154,142,000	139,877,000	14,265,000	9.3
2010				
City	204,700	170,200	35,500	16.9
State	18,316,400	16,051,500	2,264,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
2011				
City	203,600	171,800	31,800	15.6
State	18,384,900	16,226,600	2,158,300	11.7
United States	153,617,000	139,869,000	13,747,000	8.9
2012				
City	205,200	179,500	25,700	12.5
State	18,489,600	16,689,200	1,800,400	9.7
United States	154,904,000	143,060,000	11,844,000	7.6
2013 <sup>(1)</sup>				
City	205,800	181,400	24,400	11.9
State	18,690,400	16,947,000	1,743,500	9.3
United States	157,196,000	145,113,000	12,083,000	7.7

<sup>(1)</sup> 2013 information reflects July 2013 population figures. City and State information is preliminary.

Source: State Employment Development Department, Labor Market Information Division, as shown on September 4, 2013.

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## Commercial Activity

The following Table 3 sets forth a history of taxable sales for the City for calendar years 2009 through 2011.

**Table 3**  
**City of Oakland**  
**Trade Outlets and Taxable Sales**  
**for Calendar Years 2009 Through 2011**  
**(\$ In Thousands)**

Taxable Retail Sales	2009	2010	2011 <sup>†</sup>
Motor Vehicle and Parts Dealers	\$312,956	\$322,398	\$360,512
Home Furnishings and Appliance Stores	131,257	127,565	120,093
Building Material and Garden Equipment and Supplies	166,595	152,601	161,559
Food and Beverage Stores	235,529	244,491	260,444
Gasoline Stations	409,514	463,784	582,623
Clothing and Clothing Accessories Stores	61,381	64,695	66,119
General Merchandise Stores	87,274	87,588	141,127
Food Services and Drinking Places	471,705	501,335	529,287
Other Retail	294,565	281,997	282,563
SUBTOTAL	2,170,777	2,246,454	2,504,327
All Other Outlets	1,051,198	1,063,871	1,228,906
TOTAL ALL OUTLETS <sup>††</sup>	\$3,221,975	\$3,310,325	\$3,733,232

<sup>†</sup> Most recent data available.

<sup>††</sup> Total may not be precise due to rounding.

Source: Taxable Sales in California (Sales and Use Tax) Annual Reports, California State Board of Equalization.

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

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

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

<sup>(1)</sup> Based on place of work.

<sup>(2)</sup> Total may not be precise due to rounding.

Source: State of California, Employment Development Department, Labor Market Information Division, as shown on September 4, 2013.

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

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

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

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

### Construction Activity

The following Table 6 sets forth a summary of residential and commercial building permit valuations in the City for calendar years 2009 through 2013.

**Table 6  
City of Oakland  
Building Permit Valuation  
Calendar Years 2009 Through 2013**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Building Permits Issued	13,055	12,951	13,648	13,696	13,513
Authorized New Dwelling Units	395	555	528	237	486
Commercial Value (in thousands)	\$117,876	\$95,851	\$108,767	\$150,613	\$65,152
Residential Value (in thousands)	\$196,362	\$168,872	\$179,374	\$159,723	\$253,516

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

## FINANCIAL INFORMATION

### City Investment Policy

The authority to invest the City's and the Port of Oakland's pooled moneys (the "Pooled Operating Portfolio") is derived from City Council Resolution No. 56127, which delegates to the City Treasurer the authority to invest these funds within the guidelines of Section 53600 et seq. of the Government Code of the State (the "Government Code"). The City complies with the current statutes governing the investment practices of local governmental entities located within the State. The Government Code also directs the City to present an annual investment policy (the "Investment Policy") for confirmation to the City Council. The City Council adopted an Investment Policy for Fiscal Year 2013-14 on June 18, 2013. The Investment Policy may be revised by the City Council at any time.

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

The following Table 7 summarizes the permitted investments under the Investment Policy.

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**Table 7**  
**City of Oakland**  
**Summary of Investment Policy**  
**Fiscal Year 2013-14**

<u>Permitted Investment Types</u>	<u>Maximum Investment</u>	<u>Maximum Maturity</u>
U.S. Treasury Bills, Notes & Bonds <sup>(1)</sup>	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 <sup>(2)</sup>	20%	92 days
Money Market Mutual Funds	20%	N/A
Certificates of Deposit <sup>(3)</sup>	Prudent Person Standard Applies	360 days
Local Agency Investment Fund	No Maximum	N/A
Local City / Agency Bonds	No Maximum	5 years
State of California Bonds or any other of the United States Registered State Bonds,		
Treasury Notes or Warrants	No Maximum	5 years
Other Local Agency Bonds	No Maximum	5 years
Secured Obligations and Agreements	20%	2 years

<sup>(1)</sup> Investment in U.S. Treasury securities requires approval of the City Council under the Nuclear-Free Ordinance.

<sup>(2)</sup> The sum of reverse repurchase agreements and securities lending agreements should not exceed 20% of the portfolio.

<sup>(3)</sup> For deposits over \$250,000, the Certificate of Deposit must be collateralized.

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 8 summarizes the composition of the Pooled Operating Portfolio as of July 31, 2013.

**Table 8**  
**City of Oakland**  
**Pooled Operating Portfolio**  
**As of July 31, 2013**

Investments	Market Value	Book Value	Percent of Portfolio	Days to Maturity	360 Day Equivalent
Federal Agency Issues-Coupon	\$ 179,141,657.90	\$ 179,715,137.03	37.10%	967	0.676
Federal Agency Issues-Discount	165,983,377.00	165,879,286.07	34.24	89	0.111
Money Market	75,110,000.00	75,110,000.00	15.50	1	0.060
Local Agency Investment Funds	49,765,768.84	49,765,768.84	10.27	1	0.263
Negotiable CDs	13,000,308.00	13,000,000.00	2.68	88	0.204
California State	999,260.00	1,002,970.70	0.21	914	0.917
TOTAL/AVERAGE	\$ 484,000,371.74	\$ 484,473,162.64	100.00%	394	0.332

Source: City of Oakland

## Retirement Programs

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

**Police and Fire Retirement System.** PFRS is a defined benefit plan administered by a seven member Board of Trustees (the “Retirement Board”). PFRS is a closed plan and covers uniformed employees hired prior to July 1, 1976. As of July 1, 2012, PFRS covered one active employee and 1,081 retired employees and beneficiaries. 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.

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

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

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

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

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

An actuarial valuation of PFRS is conducted at least every two years; the most recent valuation was dated July 1, 2012 and was prepared by Bartel Associates, LLC. PFRS utilizes a modification of the aggregate actuarial cost method to determine contribution amounts. Under this method, the excess of the actuarial present value of projected benefits for PFRS members over the actuarial value of assets is amortized over the period ending July 1, 2026 as a level percentage of City safety payroll, including pay for individuals covered by CalPERS as well as those covered by PFRS. Significant actuarial assumptions used to compute the contribution requirement include a 6.75% investment rate of return (reduced in April 2011 from the previous assumption of 7.00%) and average long-term salary increases of 3.975% (reduced in April 2011 from the previous assumption of 4.50%). Current MOU's are used to predict salary increases over the short term. A method that smooths asset value is used to determine the Actuarial Value of Assets, but the resulting value is constrained to be within 10% of market value. The following Table 9 shows PFRS's recent funding progress.

**Table 9**  
**City of Oakland**  
**Police and Fire Retirement System**  
**Schedule of Funding Progress<sup>(1)</sup>**  
**(\$ in Millions)**

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Market Value of Assets	Unfunded Actuarial Liability	Funded Status Based on Actuarial Value	Funded Ratio Based on Market Value	Number of Active Employees
2004	\$890.2	\$621.6	--	\$268.6	69.8%	--	1
2005	883.5	614.9	--	268.6	69.6	--	1
2007	888.1	566.0	--	322.1	63.7	--	1
2009 <sup>(2)</sup>	782.5	347.2	\$315.6	435.3	44.4	40.3%	1
2010 <sup>(2)</sup>	792.2	297.8	288.7	494.4	37.6	36.4	1
2011	683.1	256.3	284.9	426.8	37.5	41.7	1
2012 <sup>(3)</sup>	658.3	257.2	268.5	401.1	39.1	40.1	1
2013 <sup>(4)</sup>	640.9	437.2	--	203.7	68.2	--	1

<sup>(1)</sup> Because this is a closed system with one active employee, UAAL as a percentage of payroll is not presented.

<sup>(2)</sup> The decline in the funded ratio was due to investment market downturn and change in actuarial and cost of living assumptions.

<sup>(3)</sup> As of July 1, 2012, the market value of assets was \$268.5 million. However, in late July 2012, the City deposited \$210 million, which increased the assets. As a result, the City will not be required to make any further periodic payments to PFRS through June 30, 2017.

<sup>(4)</sup> Projected valuations for July 1, 2013, were produced as of July 1, 2012. Such valuations take into consideration the deposit of \$210 million in late July 2012. Projection of market value of assets for July 1, 2013 has not yet been provided.

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

Source: Oakland Police and Fire Retirement System, Actuarial Report as of July 1, 2012.

In light of the City not being required to make any further periodic payments to PFRS through June 30, 2017, as a result of the City's issuance of its 2012 Pension Obligation Bonds, the Oakland Police and Fire Retirement System Actuarial Report as of July 1, 2012 contains a projection of the annual contributions necessary beginning in Fiscal Year 2017-18 based on certain valuation assumptions. These assumptions and projected contributions are in Table 10 below.

**Table 10**  
**City of Oakland**  
**Police and Fire Retirement System**  
**Projection of Future Contributions**  
**As of July 1, 2012**

	Valuation Assumptions
Investment Return	6.75%
Wage Growth	3.975%
Annual City Contribution for FY 2017-18 Amount	\$35.1 million <sup>(1)</sup>

<sup>(1)</sup> If actual investment returns or wage growth varies from the assumptions, then the contribution rate will vary.

Source: Oakland Police and Fire Retirement System, Actuarial Report as of July 1, 2012.

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

***California Public Employees Retirement System.*** CalPERS is a defined-benefit plan administered by the State and covers all uniformed employees hired after June 30, 1976 and all non-uniformed employees hired after September 1, 1970 as well as certain former members of PFRS and OMERS. CalPERS acts as a common investment and administrative agent for public entities participating with the State. CalPERS is a contributory plan deriving funds from employee contributions as well as employer contributions and earnings from investments. A menu of benefit provisions is established by State statutes within the Public Employees’ Retirement Law. The City selects its optional benefit provisions from the benefit menu by contract with CalPERS. The information contained in this paragraph has been obtained by CalPERS. Additional information regarding CalPERS may be obtained from its Website at [www.calpers.ca.gov](http://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. City miscellaneous employees and City safety employees are required to contribute 8% and 9%, respectively, of their annual salary to CalPERS. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. Historically, the City had paid the entire amount of its employees’ contributions for City miscellaneous employees and safety employees. However, under current bargaining agreements effective July 1, 2011, all City miscellaneous employees pay 8%, sworn police pay 9% and sworn fire personnel contribute at 9% plus an additional 4%.

In Fiscal Year 2001-02, the City increased its benefits for Police safety employees to provide 3% of highest salary per year of employment at age 50. In Fiscal Year 2002-03, benefits were increased to provide Fire safety employees 3% of highest salary per year of employment at age 50. In Fiscal Year 2003-04, the City increased its benefits for miscellaneous employees, increasing retirement benefits to 2.7% of highest salary at age 55. The following Table 11 sets forth the City’s employer contribution rates as determined by CalPERS for Fiscal Years 2009-10 through 2013-14, and CalPERS’ projection for Fiscal Year 2014-15 and Fiscal Year 2015-16.

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

In September 2012, Assembly Bill 240 (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.

**Table 11**  
**City of Oakland**  
**Public Employees Retirement System Contribution Rates**  
**Fiscal Years 2010-11 Through 2013-14 and Projected Fiscal Years 2014-15, 2015-16 and 2019-20**  
**(Percentage of Payroll)**

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

Source: CalPERS Annual Valuation Report as of June 30, 2012.

CalPERS uses an actuarial method that takes into account those benefits that are expected to be earned in the future as well as those already accrued. CalPERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. Major actuarial assumptions included a 3.00% inflation rate and a 7.75% investment return. At its meeting in March 2012, CalPERS revised the assumptions to a 2.75% inflation rate and a 7.50% investment return, effective July 1, 2012. There can be no assurance that CalPERS will not continue to lower its investment assumptions thus increasing the City’s contribution obligations.

The schedules of funding progress in the following Tables 12 and 13 show the recent funding progress of both the public safety employees and miscellaneous employees. Any change in the unfunded liability that arose due to a change in plan provisions or in actuarial methods or assumptions is separately tracked and amortized over a declining 20-year period.

The effect of differences between actuarial assumptions and the actual experience of the plan is calculated each year when the annual actuarial valuation is performed. These differences are actuarial gains or losses. Gains and losses are tracked separately and amortized over a rolling 30-year period.

In December 2009, the CalPERS Board adopted changes to the asset smoothing method as well as changes to the CalPERS Board policy on the amortization of gains and losses in order to phase in over a three year period the impact of the negative 24% investment loss experienced by CalPERS in Fiscal Year 2008-09. The following changes were adopted for all plans:

- Increase the corridor limits for the actuarial value of assets from 80-120% of market value to 60-140% of market value on June 30, 2009.
- Reduce the corridor limits for the actuarial value of assets to 70-130% of market value on June 30, 2010.

- Return to the 80-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter.

- Isolate and amortize all gains and losses during Fiscal Years 2008-09, 2009-10 and 2010-11 over fixed and declining 30-year periods (as opposed to the current rolling 30-year amortization).

In February 2010, the CalPERS Board of Administration adopted a resolution requiring additional contributions for any plan or pool that, based on a market-value of assets basis, is not expected to increase its funded status by 15% by June 30, 2043, or reach a level of 75% funded status by June 30, 2043.

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

The following Tables 12 and 13 set forth the schedules of funding progress from 2008 to 2012 for public safety employees and for miscellaneous employees.

**Table 12**  
**City of Oakland**  
**Public Employees Retirement System Schedule of Funding Progress**  
**Public Safety Employees**  
**(\$ in Millions)**

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

<sup>(1)</sup> As of June 30, 2012, the market value of assets was \$905.5 million.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2009 through June 30, 2012 and CalPERS Annual Valuation as of June 30, 2012.

**Table 13**  
**City of Oakland**  
**Public Employees Retirement System Schedule of Funding Progress**  
**Miscellaneous Employees**  
**(\$ in Millions)**

Valuation Date June 30	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status (AVA Basis)	Funded Status (MVA Basis)	Annual Covered Payroll	UAAL as % of Payroll
2008	1,728.0	1,445.4	282.6	83.6%	85.4%	237.5	119.0
2009	1,876.3	1,505.3	371.0	80.2	58.4	224.8	165.1
2010	1,914.7	1,565.5	349.2	81.8	64.0	195.8	178.4
2011	2,025.1	1,615.9	409.2	79.8	70.8	194.1	210.8
2012 <sup>(1)</sup>	2,080.2	1,655.9	424.2	79.6	66.4	184.5	229.8

<sup>(1)</sup> As of June 30, 2012, the market value of assets was \$1,433.4.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2009 through June 30, 2013 and CalPERS Annual Valuation as of June 30, 2012.

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

The following Table 14 represents the City's annual contribution to CalPERS for Fiscal Years 2008-09 through 2012-13.

**Table 14**  
**City of Oakland**  
**Public Employees Retirement System**  
**Annual Pension Cost**  
**Fiscal Years 2008-09 Through 2012-13**  
**(\$ in Millions)**

Fiscal Year Ended June 30	Annual Cost
2009	98.2
2010	94.3
2011	84.2
2012	89.0
2013	89.4

For fiscal years prior to the Fiscal Year ended June 30, 2011, amount does not include employee contribution made by the City. Effective July 1, 2011, all City employees paid the employee contributions.

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

On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved two new standards ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, will replace Statement No. 27 and most of Statements No. 25 and No. 50. The changes will impact the

accounting treatment of pension plans in which state and local governments participate. Major changes include: 1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); 2) more components of full pension costs will be shown as expenses regardless of actual contribution levels; 3) lower actuarial discount rates will be required to be used for underfunded plans in certain cases for purposes of the financial statements; 4) closed amortization periods for unfunded liabilities will be required to be used for certain purposes of the financial statements; and 5) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the City is not known at this time. The reporting requirements for pension plans will take effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the City, will take effect for the fiscal year beginning July 1, 2014.

### **Post-Employment Benefits**

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

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

The City implemented GASB 45 in Fiscal Year 2007-08. As of July 1, 2012, the Actuarial Accrued Liability (the "AAL"), which is equal to that portion of the Actuarial Present Value of Benefits deemed to have been earned to date, was \$553.5 million. As of June 30, 2013, the City's projected net OPEB obligation (defined, in terms of balance sheet liability, as the cumulative difference between the annual OPEB cost and the City's contribution to plan since 2008) was \$215.2 million after a pay-as-you-go amount of \$17.6 million. For Fiscal Year 2013-14, the current plan for the obligation is pay-as-you-go.

The following Table 15 sets forth certain information with respect to the City's OPEB obligations for the Fiscal Years ended June 30, 2009 through June 30, 2013, the most recent actuarial valuation date.

**Table 15**  
**City of Oakland**  
**Post-Employment Benefits Other than Pensions**  
**Fiscal Years 2008-09 Through 2011-12**

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

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

**Port of Oakland Other Post-Employment Benefits.** The Port of Oakland (the "Port") contributes to the California Employer's Retiree Benefit Trust (CERBT), a single employer defined benefit post-employment healthcare plan administered by CalPERS. The CERBT is an IRC Section 115 Trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Post Employment Benefit (OPEB) costs.

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

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

**Table 16**  
**Port of Oakland**  
**Post-Employment Benefits Other than Pensions**  
**Fiscal Years 2008-09 Through 2012-13**  
**(\$ in Thousands)**

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

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

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**APPENDIX B**

**CITY OF OAKLAND AUDITED FINANCIAL STATEMENTS FOR THE FISCAL  
YEAR ENDED JUNE 30, 2013**

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# CITY OF OAKLAND, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

### FOR THE YEAR ENDED JUNE 30, 2013



# **CITY OF OAKLAND**

## **CALIFORNIA**

### **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2013**

**PREPARED BY THE ADMINISTRATIVE SERVICES DEPARTMENT**

**OSBORN K. SOLITEI, FINANCE DIRECTOR/CONTROLLER**

**PRINTED ON RECYCLED PAPER**

# CITY OF OAKLAND

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# INTRODUCTORY SECTION

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Office of the City Administrator  
Deanna J. Santana  
City Administrator

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December 13, 2013

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

## **The Comprehensive Annual Financial Report of the City of Oakland**

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

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

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

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

## **The Reporting Entity and Its Services**

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

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

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

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

## **Profile of the Government**

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

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

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

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

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

### **Economic Condition and Fiscal Outlook**

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

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

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

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

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

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

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

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

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

### **Significant Events and Accomplishments**

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

- In October 2012, the City partnered with PG&E to upgrade 241 City-owned streetlight fixtures in four areas of East Oakland identified by the Oakland Police Department with Energy-Efficient LED streetlights. The older high-pressure sodium (HPS) light bulbs were changed out with new, energy-efficient light-emitting diode (LED) bulbs. As a result of this project, the City would save \$19,367 in annual energy costs and remove the equivalent of 79,768 pounds of greenhouse gases from the environment per year. The City would also receive more than \$34,000 in PG&E incentives. In addition, LED lights help make streets safer with higher quality light with a significantly longer lifespan.
- In November 2012, of the 100 largest cities in the country, Oakland was ranked 7th in the nation in the bicycling rate with 7,000 biking commuters. More Oaklanders have been pedaling to work than ever before. Over three percent of Oakland workers – or about 5,000 daily commuters – commuted by bicycle according to the U.S. Census Bureau's newly released 2011 American Community Survey data. Since 2000, bicycling in Oakland has increased by more than 250

percent. The rise in cycling reflects Oakland's extensive efforts to make bicycling in Oakland an easy and safe choice for all residents.

- In February 2013, the City offered the nation's first municipal identification/debit card; the City ID Prepaid MasterCard program was the first card of its kind in the United States and represents a major new resource for the community.
- In February 2013 – ***Oakland Named Among Top 15 Cities for Tech Startups*** – CIO.com ranked Oakland among the most attractive U.S. cities for tech startups according to a recent report by the National Venture Capital Association (NVCA). “The cost of living and creating a business is lower in Oakland than in San Jose and San Francisco...” said NVCA President Mark Heesen in the article. “Things are just cheaper in the East Bay than opposed to the city or San Jose or Silicon Valley areas.” The NVCA list measures overall venture capital investment in each respective market to compile its ranking data.
- In February 2013 – ***Lake Merritt Channel Re-Opening a Milestone for Measure DD*** – On Friday, February 22, the City held a media event marking a major milestone in the effort to reconnect Lake Merritt to the Bay – the re-opening of a 750-foot section of the Lake Merritt Channel. The removal of the 12th Street dam, culverts and twelve-lane roadway is one of the premier Measure DD projects. Since 1869, Lake Merritt has been separated from the channel by man-made structures that altered what was once an open waterway to the San Francisco Bay.
- In May 2013, the real estate website Movoto ranked Oakland as the most exciting city in America on its roster of the “The 10 Most Exciting Cities in America.” In selecting their top 10 cities, Movoto looked at the following criteria that gauge the level of excitement in a city: Park acreage per person, Percent of population between 20 and 34 years old, Fast food restaurants per square mile (the fewer the better), Bars per square mile, Big box stores per square mile (the fewer the better), Population diversity, Movie theaters per square mile, Museums per square mile, Theater companies per square mile and Music venues per square mile. To view the post, please visit <http://www.movoto.com/blog/top-ten/10-most-exciting-cities/>.
- On November 1, 2013, Oakland broke ground at the former Oakland Army Base. One of Oakland's largest development projects in several years, this transformative project will bolster the Port of Oakland's ability to compete globally, allow higher volumes of cargo to be transported more quickly, and create thousands of jobs, with historic local-hire requirements mandating that many of those jobs go to Oakland residents.

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

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

## **The Five-Year Financial Forecast**

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

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

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

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

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

### **Single Audit**

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

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

### **Budget Controls**

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

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

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

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

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

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

### **Debt Management Policy**

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

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

### **Cash Management Policies and Practices**

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

## **Risk Management**

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

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

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

## **Awards**

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

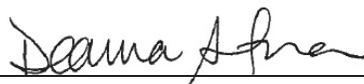
The Certificate of Achievement is valid for a period of one year only. The City of Oakland has received a Certificate of Achievement the last 24 years. The City's Fiscal Year 2012-13 CAFR will be submitted to GFOA for consideration for the Certificate of Achievement for Excellence in Financial Reporting.

## **Acknowledgements**

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

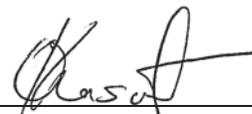
Finally, we wish to express our sincere appreciation to the Mayor, and the members of the City Council for providing policy direction and their interest and continuing support in planning and conducting the City's financial operations in a fiscally responsible and progressive manner.

Respectfully submitted,



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**DEANNA J. SANTANA**  
City Administrator



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**OSBORN K. SOLITEI**  
Finance Director / Controller



Government Finance Officers Association

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

Presented to

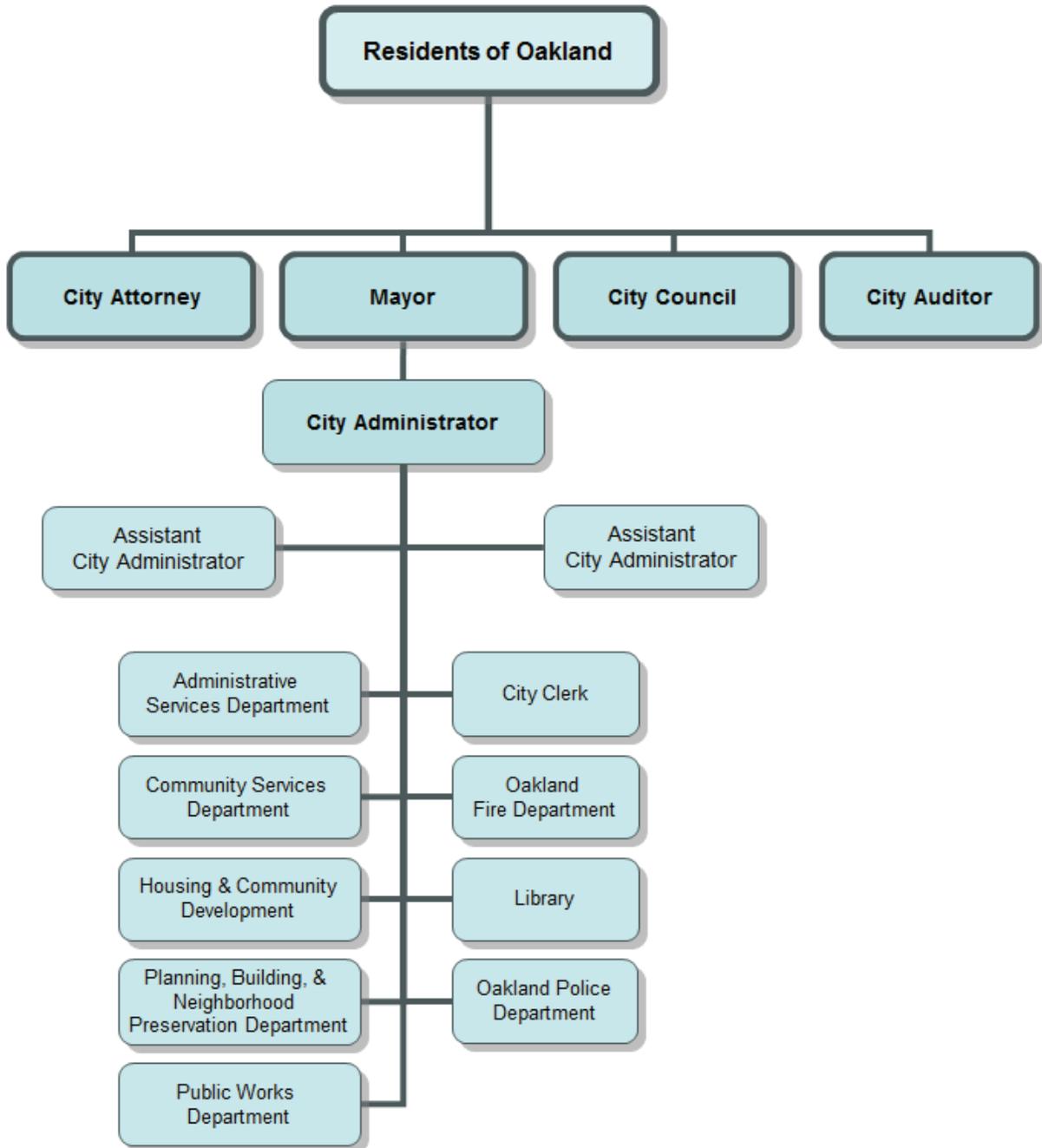
**City of Oakland  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

# CITY OF OAKLAND ORGANIZATION CHART



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

**MAYOR**  
Jean Quan

**MEMBERS OF THE CITY COUNCIL**

Patricia Kernighan, *President (District 2)*  
Larry Reid, *Vice-Mayor (District 7)*

Rebecca Kaplan  
*At Large*  
*(President Pro Tem)*

Dan Kalb  
*District 1*

Lynette Gibson McEihaney  
*District 3*

Libby Schaff  
*District 4*

Noel Gallo  
*District 5*

Desley Brooks  
*District 6*

**MAYOR APPOINTED OFFICERS**

Deanna J. Santana, *City Administrator*

Fred G. Blackwell, *Assistant City Administrator*

Vacant, *Assistant City Administrator*

La Tonda Simmons, *City Clerk*

**ELECTED OFFICERS**

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

**DEPARTMENT DIRECTORS**

Brooke Levin  
(Interim)  
*Public Works*

Teresa Deloach Reed  
(Chief)  
*Fire Services*

Fred G. Blackwell  
*Community Services*

Geary Garzon  
(Interim)  
*Library Services*

Vacant  
*Administrative Service*  
*Department*

Sean Whent  
(Interim Chief)  
*Police Services*

Rachel Flynn  
*Planning, Building &*  
*Neighborhood*  
*Preservation*

Michele Byrd  
*Housing & Community*  
*Development*

**CITY OF OAKLAND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**PROJECT TEAM**

**AUDIT/FINANCIAL STATEMENT COORDINATOR**

Osborn K. Solitei, *Finance Director/Controller*

**FINANCIAL STATEMENT PREPARATION**

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*Financial Analyst*

Connie L. Chu  
*Accountant III*

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Pat Lee  
Sandra Tong

Erico Parras  
Felipe Kiocho

Andy Yang  
Rogelio Medalla

**SPECIAL ASSISTANCE**

Dawn Hort  
David Jones

Katano Kasaine  
Sharon Holman

**SPECIAL ASSISTANCE - DEPARTMENTS & OFFICES**

City Administrator's Office

City Attorney's Office

Administrative Service Department - Treasury Division

Human Resources Department – Risk/Benefits Division

# FINANCIAL SECTION

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Oakland, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oakland Municipal Employees' Retirement System (OMERS) and the Oakland Police and Fire Retirement System (PFRS), which collectively represent 45%, 103% and 45%, respectively of the assets, net position, and additions of the aggregate remaining fund information as of and for the year ended June 30, 2013. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for OMERS and PFRS, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of OMERS and PFRS were not audited in accordance with *Government Auditing Standards*.

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

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

## ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

### *Changes in Accounting Principles*

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

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, and the budgetary comparison schedule for the general fund as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

 Macias Gini & Cunnell LLP

Oakland, California  
December 13, 2013

**CITY OF OAKLAND**  
**Management's Discussion and Analysis (unaudited)**  
**Year Ended June 30, 2013**

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

**FINANCIAL HIGHLIGHTS**

- The government-wide statement of net position for the City's governmental and business-type activities indicates that as of June 30, 2013, the total assets exceeded its total liabilities by \$986.8 million compared to \$1,086.1 million at June 30, 2012. This represents a net decrease of \$99.3 million or 9.1 percent compared to the previous year. The decrease is primarily attributed to the extraordinary loss on the State Controller's Office ("SCO") asset transfer review of \$156.9 million of the former Oakland Redevelopment Agency ("Agency"), the total amount consists of real properties, cash and cash equivalents and notes and loan receivables. The SCO asset transfer review was recorded as an extraordinary gain in Oakland Redevelopment Successor Agency's ("ORSA") financial statements. Accordingly, SCO asset transfer review of the former Agency's assets from City to the Oakland Redevelopment Successor Agency (ORSA) was recorded as extraordinary loss in the City's governmental funds and the City governmental activities. The components of the extraordinary item recorded in the financial statements are discussed in Note 2. Excluding the extraordinary gain, net position increased by \$57.5 million
- The City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. The City restated the July 1, 2012 net position to write off unamortized bond issuance costs previously reported as an asset or included in deferred amounts from refundings. Gains and losses on refundings of debt were reclassified from a contra liability account and reported as deferred inflows of resources or deferred outflows of resources, respectively. The total impact of this change was a \$3.0 million reduction in the beginning net position. The 2012 financial statements were not restated.
- The City's governmental cumulative fund balances decreased by 31.0 percent or \$149.7 million to \$561.8 million compared to \$711.5 million for the prior fiscal year. This decrease is primarily attributed to SCO asset transfer review of the former Agency's assets from City to the ORSA recorded in the Municipal Capital Improvement Fund; the decrease for the fund was \$131.9 million, of which \$101.2 million was due to the SCO asset transfer review; General Fund decreased by \$10.3 million; the Federal/State Grant fund decreased by (\$13.2 million). These decreases are partially offset by increases in fund balance in the Other Governmental Fund Funds by \$3.6 million.
- As of June 30, 2013, the City had total long-term obligations outstanding of \$1.58 billion compared to \$1.41 billion outstanding for the prior fiscal year for an increase of 12.3 percent or \$173.0 million. The increase is primarily as a result the issuance of taxable pension obligation bonds series 2012 for \$212.5 million, issuance of \$28.0 million Capital leases for Master Lease for Vehicle and Equipment for \$11.9 million and Master Lease – Led Streetlight acquisition lease financing for \$16.1 million. This increase was partially offset by payments of scheduled debt service (\$74.9 million) of governmental bonds. The decrease in business-type activities was due to payments of scheduled debt service including sewer revenue bonds for \$2.0 million and sewer notes payable for \$0.3 million. Of the \$1.58 billion, \$309.8 million is general obligation bonds backed by the full faith and credit of the City. The remaining \$1.27 billion is comprised of various long-term debt instruments including accruals of year-end estimates for other long-term liabilities.

**CITY OF OAKLAND**  
**Management's Discussion and Analysis (unaudited) (continued)**  
**Year Ended June 30, 2013**

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

In addition, this report also contains other supplementary information.

**Government-wide Financial Statements**

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

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

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

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

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

**CITY OF OAKLAND**  
**Management's Discussion and Analysis (unaudited) (continued)**  
**Year Ended June 30, 2013**

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**Fund Financial Statements**

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

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

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

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

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

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

The City maintains the following two types of proprietary funds:

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

**CITY OF OAKLAND**  
**Management's Discussion and Analysis (unaudited) (continued)**  
**Year Ended June 30, 2013**

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

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

#### **Notes to the Basic Financial Statements**

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

#### **Required Supplementary Information**

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

#### **Other Information**

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

#### **Government-wide Financial Analysis**

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

**CITY OF OAKLAND**  
**Management's Discussion and Analysis (unaudited) (continued)**  
**Year Ended June 30, 2013**

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

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

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

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for two new financial statement elements – deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources* are defined as a consumption of net assets that is applicable to a future reporting period. *Deferred inflows or resources* are defined as an acquisition of net position that is applicable to a future reporting period. This Statement also incorporates deferred outflows of resources and deferred inflows of resources into the residual measure as net position, rather than net position.
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify certain items (that were previously reported as assets and liabilities) as deferred outflows of resources or deferred inflows of resources, and recognizes certain items (that were previously reported as assets and liabilities) as outflows of resources or inflows of resources. As a result, the City restated the beginning net position by reporting a prior year adjustment of \$3.0 million in the Statement of Activities for the fiscal year ended June 30, 2013.

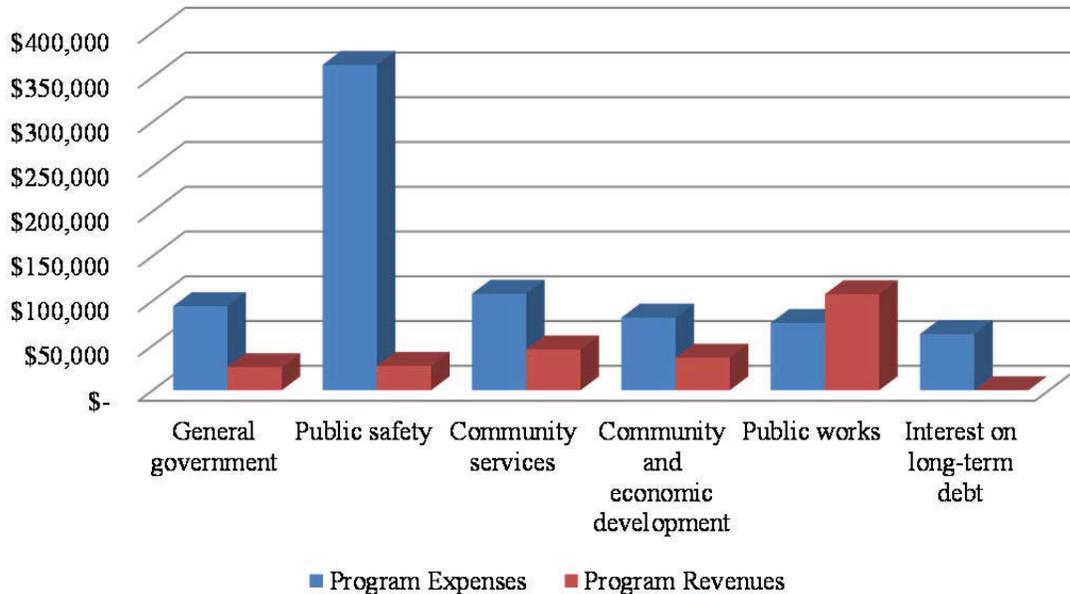
**CITY OF OAKLAND**  
**Management's Discussion and Analysis (unaudited) (continued)**  
**Year Ended June 30, 2013**

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

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

**CITY OF OAKLAND**  
**Management's Discussion and Analysis (unaudited) (continued)**  
**Year Ended June 30, 2013**

**Expenses and Program Revenues -  
 Governmental Activities**



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

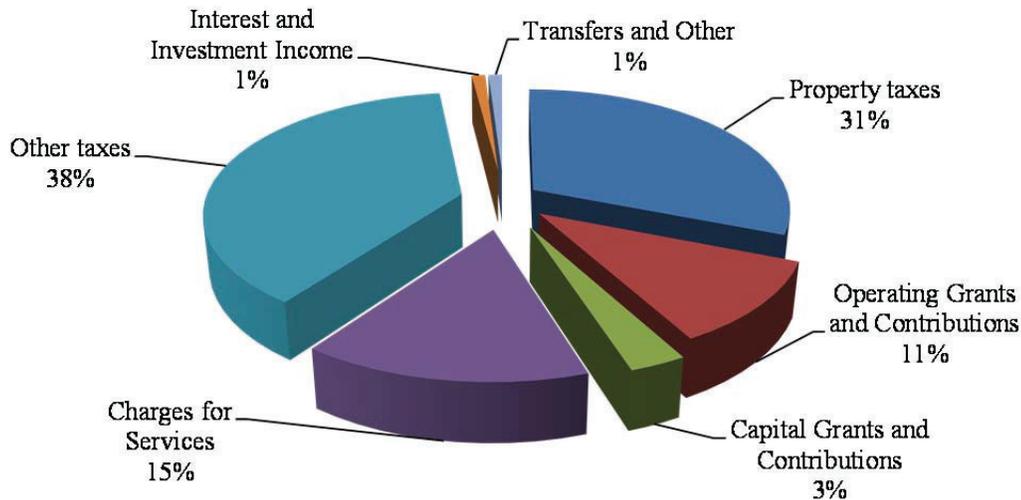
Changes in net position for governmental activities are attributed to the following significant elements:

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

**CITY OF OAKLAND**  
**Management's Discussion and Analysis (unaudited) (continued)**  
**Year Ended June 30, 2013**

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**Revenues By Source - Governmental Activities**

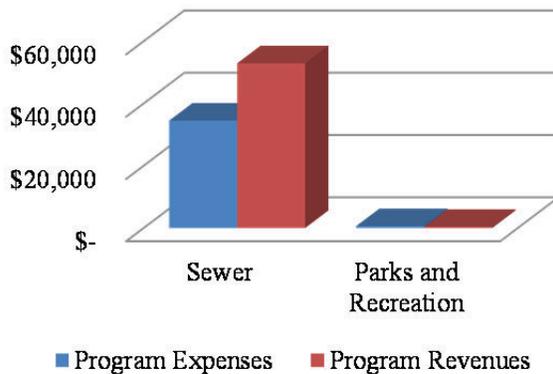


- General government expenses increased by \$10.8 million or 13.0 percent when compared to previous year primarily due to organizational restructuring of the former community and economic development agency into the city administrator as divisions; Cultural Arts division, office of neighborhood investment,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

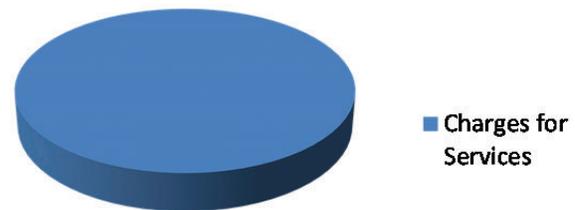
**CITY OF OAKLAND**  
**Management's Discussion and Analysis (unaudited) (continued)**  
**Year Ended June 30, 2013**

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

**Expenses and Program Revenues -  
 Business-Type Activities**



**Revenues By Source -  
 Business-Type Activities**

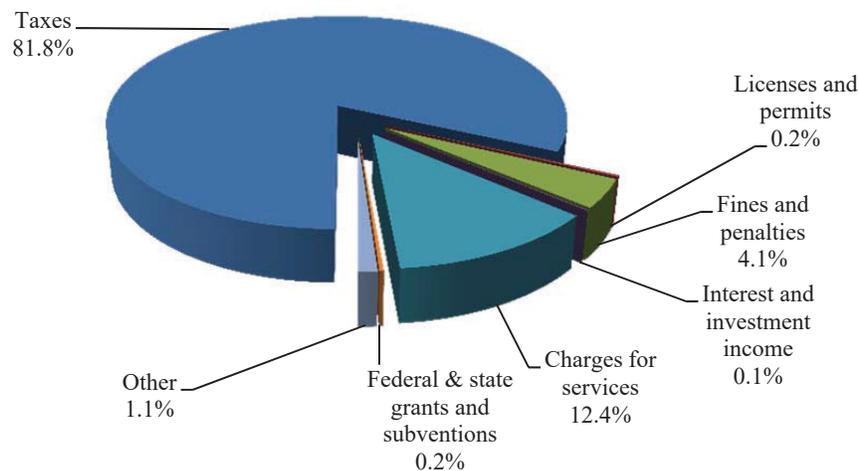


**Financial Analysis of the Government's Funds**

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

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

**General Fund Revenues**



**CITY OF OAKLAND**  
**Management's Discussion and Analysis (unaudited) (continued)**  
**Year Ended June 30, 2013**

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

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

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

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

**CITY OF OAKLAND**  
**Management's Discussion and Analysis (unaudited) (continued)**  
**Year Ended June 30, 2013**

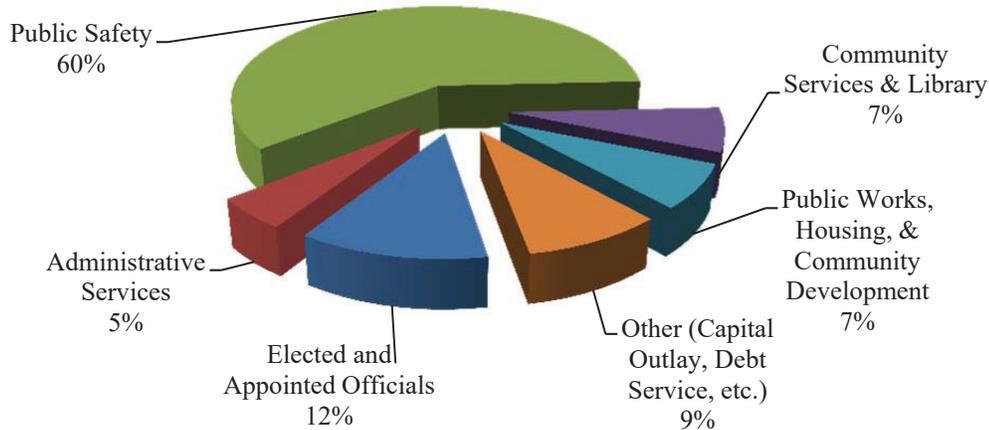
For the fiscal years ended June 30, 2013 and 2012, expenditures for the General Fund by function are distributed as follows (in thousands):

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

**CITY OF OAKLAND**  
**Management's Discussion and Analysis (unaudited) (continued)**  
**Year Ended June 30, 2013**

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**General Fund Expenditures**



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

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

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

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

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

**CITY OF OAKLAND**  
**Management's Discussion and Analysis (unaudited) (continued)**  
**Year Ended June 30, 2013**

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

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

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

### **General Fund Budgetary Highlights**

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

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

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

### **Capital Assets**

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

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

**CITY OF OAKLAND**  
**Management’s Discussion and Analysis (unaudited) (continued)**  
**Year Ended June 30, 2013**

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**Construction Commitments**

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

**Debt Administration:**

**General Obligation Bonds and Other Bond Ratings**

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

<u>Type of Bond</u>	<u>Ratings</u>		
	<u>Moody's</u>	<u>S &amp; P</u>	<u>Fitch</u>
General Obligation Bonds	Aa2/Stable	AA-/Stable	A+/Stable
Pension Obligation Bonds	Aa3:A1/Stable	A+/Stable	A/Stable
Tax Allocation Bonds	Ba1 <sup>1</sup>	A+:A-/Stable	N/A

<sup>1</sup> Rating as of September 5, 2013

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

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

**General Fund Bonded Debt Limit**

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

**Outstanding Debt**

As of June 30, 2013, the City had total long-term obligations outstanding of \$1.5 billion compared to \$1.3 billion outstanding for the prior fiscal year, an increase of 13.0 percent. Of this amount, \$309.8 million is general obligation bonds backed by the full faith and credit of the City. The remaining \$1.2 billion is

**CITY OF OAKLAND**  
**Management's Discussion and Analysis (unaudited) (continued)**  
**Year Ended June 30, 2013**

comprised of various long-term debt instruments listed below including accruals of year-end estimates for other long-term liabilities.

**Outstanding Debt**  
(In Thousands)

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

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

**Current Year Long-Term Debt Financing:**

- **Taxable Pension Obligation Bonds Series 2012:** On July 30, 2012, the City issued its \$212,540,000 Taxable Pension Obligation Bonds Series 2012 (the "POB Series 2012"). The POB Series 2012 were issued to refund a debenture evidencing a portion of the City's unfunded actuarial accrued liability for retirement benefits to members of the Retirement System.
- **City of Oakland 2012 Limited Obligation Refunding Improvement Bonds Reassessment District No. 99-1.** On August 30, 2012, the City issued \$3,545,000 of Limited Obligation Refunding Improvement Bonds, Reassessment District No. 99-1 (the "Bonds"). The proceeds were used to refund all of the City's outstanding Oakland Joint Powers Financing Authority's Reassessment Revenue Bonds, Series 1999.
- **Master Lease – Vehicles and Equipment.** On May 9, 2013, the City of Oakland closed a lease transaction with Chase Equipment Finance, Inc. in the amount of \$11,850,000 for the purpose of financing the acquisition of the equipment, software, maintenance and services for different types of fleet vehicles and equipment.

**CITY OF OAKLAND**  
**Management's Discussion and Analysis (unaudited) (continued)**  
**Year Ended June 30, 2013**

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

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

### **Economic Factors and Next Year's Budgets and Tax Rates**

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

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

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

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

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

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

### **Requests for Information**

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

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# **BASIC FINANCIAL STATEMENTS**

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**City of Oakland**  
**Statement of Net Position**  
**June 30, 2013**

(In Thousands)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net change in fund balances - total governmental funds \$ (149,697)

Amounts reported for governmental activities in the statement of activities are different due to the following:

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and other capital transactions exceeds depreciation in the current period.

Primary government:		
Capital asset acquisition	\$ 156,715	
Disposal of properties	(42,201)	
Adjustment for SCO asset transfer review on property transfers	40,058	
Depreciation	(52,126)	
Less: net changes of capital assets within internal service funds	1,011	103,457

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, loans made to developers and others are treated as urban redevelopment and housing expenditures at the time the loans are made and are reported as revenues when the loans are collected in the funds. This represents the change in the deferred amounts during the current period.

Change in deferred inflows of resources	\$ (38,692)	
Adjustment for SCO asset transfer review on notes and loans transfers (net of allowances)	14,340	
Less: amortization of depository agreement and others	(695)	(25,047)

Some expenses such as claims, workers' compensation, and vacation and sick leave reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds. 11,253

Changes to the net pension asset, as reported in the statement of activities, do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds. 173,488

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and the advance refunding of debt consume the current financing sources of the governmental funds. These transactions, however, have no effect on net position. This is the amount by which principal retirement and payment to escrow agent exceeded bond proceeds in the current period.

Debt and capital lease principal and accreted interest payments	\$ 91,832	
Issuance of bonds and notes	(216,085)	
Capital leases	(16,150)	
Payment to refunding escrow	4,235	
Net premium and discount on bonds	1,129	(135,039)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of bond premiums and discounts	\$ 1,828	
Amortization of deferred outflows of refunding loss	(1,458)	
Amortization of prepaid bond insurance premium on long-term debt	(295)	
Accreted interest on appreciation bonds	(22,609)	
Changes in accrued interest on bonds and notes payable	(674)	
Changes in Coliseum Authority pledge obligation	4,513	
Changes in mandated environmental remediation obligations	978	
Changes on postemployment benefits other than pension benefits (OPEB)	(28,669)	
Changes on fair market value of the interest swap agreement	3,957	(42,429)

Adjustment of extraordinary loss on the State Controller's Office (SCO) assets transfer review:

SCO assets transfer review on property transfers	\$ (40,058)	
SCO assets transfer review on notes and loans transfers (net of allowances)	(14,340)	(54,398)

The net income of activities of internal service funds is reported with governmental activities 6,220

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (112,487)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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# **NOTES TO BASIC FINANCIAL STATEMENTS**

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**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

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**(1) ORGANIZATION AND DEFINITION OF REPORTING ENTITY**

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

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

**Blended Component Units:**

**a) Oakland Redevelopment Successor Agency (ORSA)**

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

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

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

**b) Oakland Joint Powers Financing Authority (JPFA)**

The Oakland Joint Powers Financing Authority (JPFA) was formed to assist in the financing of public capital improvements. JPFA is a joint exercise agency organized under the laws of the State of California and was composed of the City and the former Agency. The Oakland City Council serves as the governing

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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board for JPFA. JPFA transactions are reported in other governmental funds. Related debt is included in the long-term obligations of the City in the governmental activities column of the statement of net position. AB X1 26 as amended by AB 1484 was enacted and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The dissolution law provides that ORSA is a separate legal entity from the City, with ORSA holding all of the transferred assets and obligations of the former Redevelopment Agency (other than the housing assets). Therefore, ORSA stepped into former Redevelopment Agency's role as member of the JPFA as of February 1, 2012 per AB X1 26.

**Discretely Presented Component Unit – Port of Oakland**

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

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

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

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-wide and Fund Financial Statements**

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

The City reports the following major governmental funds:

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

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

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

The City reports the following major enterprise fund:

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

Additionally, the City reports the following fund types:

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

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

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

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

**Cash and Investments**

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

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

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

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

**Property Taxes**

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

**Due From/Due To Other Funds and Internal Balances**

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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these receivables and payables are eliminated within the governmental activities and business-type activities columns. Net receivables and payables between the governmental activities and business-type activities are classified as internal balances.

**Interest Rate Swap Agreement**

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

**Interfund Transfers**

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

Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.

Reimbursements for expenditures, initially made by one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

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

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

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

**Inventories**

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

**Capital Assets**

Capital assets, which include land, museum collections, intangibles, construction in progress, facilities and improvements, furniture, machinery and equipment, infrastructure (e.g., streets, streetlights, traffic signals, and parks), sewers and storm drains, and capital assets acquired prior to 1980, are reported in the

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital outlay is recorded as expenditures in the governmental funds and as assets in the government-wide and proprietary financial statements to the extent the City's capitalization threshold is met.

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

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

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

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

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

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

**Property Held for Resale**

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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**Net Pension Asset**

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

**Deferred Outflows/Inflows of Resources**

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

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

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

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

**Retirement Plans**

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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**Other Postemployment Benefits (OPEB)**

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

**Pollution Remediation Obligations**

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

**Fund Balances**

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

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

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

<sup>1</sup> Low and Moderate Income Housing Asset Fund

**Extraordinary Items:**

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

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

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

**Governmental Funds:**

Transfers assets back to ORSA as of June 30, 2013	
Transfers out of City asset class of property held for resale	\$ (56,418)
Transfer out for disallowed third party contracts back to ORSA	(41,455)
Transfer out for additional DOF disallowed third party contracts back to ORSA	<u>(4,631)</u>
Extraordinary loss reported in governmental funds due to SCO asset transfer review	(102,504)

**Governmental Activities:**

Transfers out of capital asset back to ORSA	(36,963)
Transfers out of City notes and loans receivable	\$ (49,290)
Adjust for allowance for doubtful notes and loans receivables	<u>34,950</u> (14,340)
Transfers out of cash to ORSA for properties sold to ORSA	\$ (35,162)
ORSA's basis of properties purchased from the City	<u>32,067</u> <u>(3,095)</u>
Extraordinary loss reported on Statement of Activities on State Controller's Office asset transfer review and California Department of Finance disallowances	<u>\$ (156,902)</u>

**Net Position**

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

**Adoption of New Pronouncements**

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

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

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

GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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outflows of resources and deferred inflows of resources, and incorporates these financial measures into the definitions of the required components of the residual measure, which will be renamed as net position, rather than net assets. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of July 1, 2012, the City adopted the provisions of this statement, which did not have a significant impact on its financial statements.

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

#### **New Pronouncements**

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

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

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

Key changes include:

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

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

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

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

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement is intended to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issues related to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

**Use of Estimates**

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

**(3) CASH AND INVESTMENTS AND RESTRICTED CASH AND INVESTMENTS**

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

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

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

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

**Primary Government**

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

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

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

Pooled Investments

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

Restricted Investments

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

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

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

Pooled Investments

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

Restricted Investments

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

**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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

granted in advance by the City Council or authorized by bond covenants. The City continues to purchase a combination of short- term and long-term investments to minimize such risks.

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

Pooled Investments

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

\* weighted average maturity used.

Restricted Investments

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

<sup>1</sup> weighted average maturity used.

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**Investments - Oakland Redevelopment Successor Agency (“ORSA”)**

**Cash and Investments held by ORSA**

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

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

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

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

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

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

ORSA invests in individual investments. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the ORSA employs the trust department of a bank or trustee as the custodian of certain ORSA investments, regardless of their form.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

**Pooled Cash and Investments**

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

**Restricted Cash and Investments**

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

**Credit Risk:** Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations. ORSA's investment policy has mitigated credit risk by limiting investments to the safest types of securities, by prequalifying financial institutions, by diversifying the portfolio and by establishing monitoring procedures. The following tables show ORSA's credit risk as rated by Standard & Poor's and Moody's for the Pooled and Restricted portfolios as of June 30, 2013 (in thousands):

**Pooled Cash and Investments**

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**Restricted Cash and Investments**

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

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

**Pooled Cash and Investments**

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

**Restricted Cash and Investments**

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

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

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

**Restricted Cash and Investments with Fiscal Agents**

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**Investments – Retirement Plans**

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

**Oakland Municipal Employees’ Retirement System (OMERS)**

**Deposits in the City’s Investment Pool**

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

**Investments**

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

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

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

\* Weighted average maturity is less than 0.1 year.

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

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

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

**Oakland Police and Fire Retirement System (PFRS)**

**Deposits in the City's Investment Pool**

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

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

**Investments**

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

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

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

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

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

Short-Term Investment Duration:

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

Long-Term Investment Duration:

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

<u>Investment Type</u>	<u>S&amp;P / Moody's Rating</u>	<u>Fair Value</u>
Short-Term Investment Funds	Not Rated	\$11,231

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

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

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

<u>S&amp;P / Moody's Rating</u>	<u>Fair Value</u>
Not Rated	\$8,876

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

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

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

of PFRS and are either held by the counterparty or the counterparty's trust department or agent, but not in PFRS' name.

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

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

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

**Securities Lending Transactions**

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

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

<b>Securities Lending</b>	
<b>Investments and Collateral Received (At Fair Value)</b>	
Securities on loan:	
U.S. Government and agencies	\$ 1,690
U.S. Corporate Bonds	428
U.S. Equity	4,711
Non-U.S. Equity	1,760
Total Securities on Loan	\$ 8,589
Invested Cash Collateral Received:	
Repurchase Agreements	\$ 8,876
Total Invested Cash Collateral Received	\$ 8,876

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

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

**Discretely Presented Component Unit – Port of Oakland**

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

**Investments**

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

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

<sup>1</sup> Per Moody's

**Investments Authorized by Debt Agreements**

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

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

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

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

**Cash and Investments with the City of Oakland**

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

**(4) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

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

**Due From/Due To Other Funds**

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**Interfund Transfers:**

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

- (1) The \$34.3 million transferred from the General Fund consists of transfers made to provide funding for the following:
- \$10.9 million for the Kids' First Children's Program.
  - \$23.2 million for debt service payments.
  - \$0.2 million for City-owned parcels of land in the Wildfire Prevention Assessment District.
- (2) The \$72.7 million transferred from the General Fund to Special Revenue Bond Fund for debt service payments.
- (3) The \$1.1 million transfer from Other Governmental Funds to General Fund as one-time contribution to general purpose budget and for City's claims and liability payments.
- (4) The \$9.4 million transfer from Other Governmental Funds to Municipal Capital Improvement Fund for City capital improvement projects such as critical Information Technology projects.
- (5) The \$1.5 million transfer from the Sewer Service Fund to the General Fund is to provide funding for \$0.6 million for City-wide lease payments and \$0.9 million for City's claims and liability payments.
- (6) The \$0.4 million transfer from the Parks and Recreation Fund to the General Fund as contribution for general fund purposes as approved in the Budget.
- (7) The \$0.2 million transfer from the Internal Service Fund to the General Fund is to provide funds for City's claims and liability payments.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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**(5) MEMORANDUMS OF UNDERSTANDING**

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

**Special Services and Aircraft Rescue & Fire Fighters (ARFF)**

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

**General Services and Lake Merritt Trust Services**

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

**Golf Course Lease with the Port**

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**(6) NOTES AND LOANS RECEIVABLE**

**Primary Government**

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

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

<sup>1</sup> Low and Moderate Income Housing Asset Fund

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

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

**Notes and Loans Receivables Held by ORSA**

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

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**(7) CAPITAL ASSETS AND LEASES**

**Primary Government**

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

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

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

<b>Business-Type Activities:</b>	
Sewer	\$ 5,401
Parks and Recreation	302
<b>Total</b>	<b>\$ 5,703</b>

**Discretely Presented Component Unit – Port of Oakland**

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

**Capital Leased to Others**

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

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

**Operating Leases**

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

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

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

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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

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

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

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

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**(8) PROPERTY HELD FOR RESALE**

**Primary Government**

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

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

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

**Oakland Redevelopment Successor Agency**

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

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Property held for resale	\$ 38,957	\$ 93,381	\$ 32,067	\$ 100,271

**(9) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities as of June 30, 2013, for the City’s individual major funds, nonmajor governmental funds in the aggregate, business-type activities – enterprise fund and internal service funds, are as follows (in thousands):

	Accounts Payable	Accrued Payroll/ Employee Benefits	Total
<b>Governmental Activities:</b>			
General Fund	\$ 31,751	\$ 64,209	\$ 95,960
Federal/State Grant Fund	12,711	-	12,711
Low and Moderate Income Housing Asset Fund	1	-	1
Municipal Capital Improvement Fund	4,754	-	4,754
Special Revenue Bonds Fund	1	-	1
Other governmental funds	8,376	-	8,375
Subtotal	57,594	64,209	121,802
Internal service funds	3,343	-	3,343
<b>TOTAL</b>	\$ 60,937	\$ 64,209	\$ 125,145

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

	<u>Accounts Payable</u>	<u>Accrued Payroll/ Employee Benefits</u>	<u>Total</u>
<b>Business-type Activities:</b>			
Sewer Service Fund	\$ 2,271	\$ -	\$ 2,271
Nonmajor Fund - Parks and Recreation	6	-	6
<b>TOTAL</b>	<u>\$ 2,277</u>	<u>\$ -</u>	<u>\$ 2,277</u>

Accounts payable and accrued liabilities for the pension trust funds and private purpose trust funds at June 30, 2013, are as follows (in thousands):

<b>Pension Trust Funds:</b>	
Accounts payable	\$ 25
Investments payable	16,107
Accrued investment management fees	396
Member benefits payable	4,909
Total	<u>21,437</u>
<b>Oakland Redevelopment Successor Agency Trust Fund</b>	
Accounts payable and accrued liabilities	16,181
<b>Private Purpose Trust Fund</b>	
Accounts payable and accrued liabilities	186

**(10) TAX AND REVENUE ANTICIPATION NOTES PAYABLE**

The City issued tax and revenue anticipation notes in advance of property tax collections. The notes were used to satisfy General Fund obligations and carried an interest rate of 1.00% to yield at 0.21% at maturity. Principal and interest were paid on June 30, 2013.

The short-term debt activity for the year ended June 30, 2013, is as follows (in thousands):

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
2012 - 2013 Tax & Revenue Anticipation Notes	\$ -	\$ 83,125	\$ (83,125)	\$ -

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**(11) LONG-TERM OBLIGATIONS**

**Primary Government**

The following is a summary of long-term obligations as of June 30, 2013 (in thousands):

<b>Governmental Activities</b>			
<b>Type of Obligation</b>	<b>Final Maturity Year</b>	<b>Remaining Interest Rates</b>	<b>Amount</b>
<b>Bonds Payable:</b>			
General obligation bonds (A)	2039	3.50 - 6.25%	\$ 309,793
Lease revenue bonds (B)	2027	3.00 - 5.50%	176,850
Pension obligation bonds (C)	2026	2.374 - 6.89%	367,394
Accreted interest (B) and (C)			162,874
City guaranteed special assessment district bonds (C)	2039	2.00 - 6.70%	6,690
Plus Deferred Amounts:			
Bond issuance premiums			20,219
Total			<u>1,043,820</u>
<b>Notes Payable and Capital Leases:</b>			
Notes payable (B) and (D)	2017	1.00 - 8.27%	7,815
Capital leases (B) and (D)	2025	1.460 - 5.46%	39,228
Total			<u>47,043</u>
<b>Other Long-Term Liabilities</b>			
Accrued vacation and sick leave (E)			40,564
Self-insurance liability - workers' compensation (B)			80,596
Self-insurance liability - general liability (B)			28,554
Estimated environmental cost (B)			3,455
Pledge obligation for Coliseum Authority debt (B)			56,895
Net OPEB obligation (B)			215,252
Interest rate swap agreement (B)			12,208
Total			<u>437,524</u>
<b>Total Governmental Activities Long-Term Obligations, Net</b>			<b><u>\$ 1,528,387</u></b>

**Debt service payments are made from the following sources:**

- (A) Property tax recorded in the debt service funds
- (B) Revenues recorded in the general fund
- (C) Property tax voter approved debt
- (D) Revenues recorded in the special revenue funds
- (E) Compensated absences are financed by governmental funds (General Fund, Federal/State Grant Fund, LMIHF, Municipal Capital Improvement Fund, and Other Governmental Funds) and proprietary funds (Sewer Service Fund) that are responsible for the charges.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

<b>Business-Type Activities</b>			
<b>Type of Obligation</b>	<b>Final Maturity Year</b>	<b>Remaining Interest Rates</b>	<b>Amount</b>
Sewer fund - Notes payable	2014	3.00 - 3.50%	\$ 291
Sewer fund - Bonds	2029	3.00 - 5.25%	48,710
Unamortized Bond Premium			1,885
<b>Total Business-Type Activities Long-Term Obligations, Net</b>			<b>\$ 50,886</b>

<b>Component Unit - Port of Oakland</b>			
<b>Type of Obligation</b>	<b>Final Maturity Year</b>	<b>Remaining Interest Rates</b>	<b>Amount</b>
Senior and intermediate lien bonds	2033	2.00- 5.50%	\$ 1,160,615
Notes and loans	2030	0.13 - 5.00%	83,755
Plus Deferred Amounts:			
Unamortized bond discounts and premiums, net			62,091
Total bonds, notes, and loans payable			1,306,461
Self-insurance liability - workers' compensation			9,630
Self-insurance liability - general liability			290
Accrued vacation, sick leave and compensatory time			7,481
Environmental remediation and other liabilities			19,601
Net OPEB obligation			10,453
Total other long-term obligations			47,455
<b>Total Component Unit Long-Term Obligations, Net</b>			<b>\$ 1,353,916</b>

<b>Oakland Redevelopment Successor Agency</b>			
<b>Type of Obligation</b>	<b>Final Maturity Year</b>	<b>Remaining Interest Rates</b>	<b>Amount</b>
Tax Allocation Bonds	2041	2.50 - 8.50%	\$ 358,980
Housing Set-Aside Bonds	2042	3.25 - 9.25%	122,015
Plus (less) Deferred Amounts:			
Issuance premiums			5,695
Issuance discounts			(2,387)
<b>Total ORSA Long-Term Obligations, Net</b>			<b>\$ 484,303</b>

**Revenues Pledged for the Repayment of Debt Service - ORSA**

**Tax Allocation Bonds**

The Tax Allocation Bonds (TAB), which are comprised of Series 1992, Series 2003, Series 2005, Series 2006T, Series 2009T, Series 2006A TE/T, Series 2006B TE/T, Series 2006C TE/T, and Series 2010T are issued primarily to finance redevelopment projects and are all secured by pledge of redevelopment property tax revenues (i.e. former tax increment), consisting of a portion of taxes levied upon all taxable properties within each the tax increment generating redevelopment project areas, and are equally and ratably secured on a parity with each TAB series.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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As of June 30, 2013, assuming no growth in assessed valuation throughout the term of each project area, the total projected accumulated redevelopment property tax revenue through the period of the bonds would be estimated at \$2,856,580,000. These revenues have been pledged until the year 2041, the final maturity date of the bonds. The total principal and interest remaining on these TABs as of June 30, 2013 is estimated at \$559,959,000, which is 19.6 percent of the total projected redevelopment property tax revenues. The pledged redevelopment property tax revenues recognized as of June 30, 2013 were \$65,174,000 of which \$39,741,766 (principal and interest) was used to pay debt service.

Historically, upon receipt of property tax increment, the Agency calculated the 80 percent and 20 percent and the voluntary 5 percent amount of tax increment and would then transfer the 20 percent and 5 percent portion to the Low and Moderate Income Housing Fund, as required by the California Health and Safety Code and the Agency board resolution. The previous requirement to bifurcate the tax increment into 80 percent and 20 percent portions was eliminated in AB X1 26. However, in order to maintain compliance with bond indentures secured by the 80 percent and 20 percent tax increment, the Oakland Redevelopment Successor Agency plans to request the funds through the Recognized Obligation Payment Schedule (ROPS) from the Redevelopment Property Tax Trust Fund ("RPTTF") pursuant to Health and Safety Code 34183 (a)(2)(A) as an enforceable obligations for debt service payments until the debt obligations have been satisfied.

**Housing Set-Aside Bonds**

The Housing set-aside bonds, which is comprised of Series 2006A, Series 2006A-T and Series 2011T are issued to finance affordable housing projects and are secured by a pledge and lien upon the 20% redevelopment property tax revenue (i.e. former tax increment) set-aside for the low and moderate income housing fund.

As of June, 30, 2013, assuming no growth in assessed valuation throughout the term of each project area, the total projected accumulated redevelopment property tax revenue through the period of the bonds would be estimated at \$758,182,000. These revenues have been pledged until the year 2042, the final maturity date of the bonds. The total principal and interest remaining on these Housing Set-Aside Bonds as of June 30, 2013 is estimated at \$239,930,000, which is 31.6 percent of the total projected tax increment revenues. The pledged redevelopment property tax revenue recognized as of June 30, 2013 was zero. The principal and interest debt service payment for the reporting period was \$12,115,887. The former Agency's debt service payments are requested through the Recognized Obligation Payment Schedule (ROPS) as enforceable obligations until the debt obligations have been satisfied.

In the future, in order to maintain compliance with bond indentures secured by the 20 percent tax increment, the Oakland Redevelopment Successor Agency plans to request the funds through the ROPS from the RPTTF pursuant to Health and Safety Code 34183 (a)(2)(A) as enforceable obligations for debt service payments until the debt obligations have been satisfied.

**Revenues Pledged for the Repayment of Debt Service – Port**

The Port's long-term debt consists primarily of tax-exempt bonds. The majority of the Port's outstanding bonds are revenue bonds which are secured by Pledged Revenues of the Port. Pledged Revenues are substantially all revenues and other cash receipts of the Port, including, without limitation, amounts held in the Port Revenue Fund with the City, but excluding amounts received from certain taxes, certain insurance proceeds, special facilities revenues, and certain other gifts, fees, and grants that are restricted by their terms to purposes inconsistent with the payment of debt service.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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Pledged Revenues do not include cash received from Passenger Facility Charges (PFC) or Customer Facility Charges (CFC) unless projects included in a financing are determined to be PFC or CFC eligible and bond proceeds are expended on such eligible projects and the Port elects to pledge PFCs or CFCs as supplemental security to such applicable bonds. As of June 30, 2013, the Port has no bonds for which PFCs or CFCs are pledged.

For additional disclosures on revenues pledged for repayment of Port debt, see the separately issued financial statements of the Port.

**Debt Compliance**

There are a number of limitations and restrictions contained in the various bond indentures held by the City, ORSA, and the Port. Management believes that the City, ORSA, and the Port are in compliance.

**Legal Debt Limit and Legal Debt Margin**

As of June 30, 2013, the City's debt limit (3.75% of valuation subject to taxation) was \$1,125,725,668. The total amount of debt applicable to the debt limit was \$309,791,916. The resulting legal debt margin was \$815,933,752.

**Interest Rate Swap**

**Oakland Joint Powers Financing Authority Lease Revenue Bonds, 1998 Series A1/A2**

*Objective of the Interest Rate Swap:* On January 9, 1997, the City entered into a forward-starting synthetic fixed rate swap agreement (the "Swap") with Goldman Sachs Mitsui Marine Derivatives Products, U.S., L.P. (the "Counterparty") in connection with the \$187,500,000 Oakland Joint Powers Financing Authority (the "Authority") Lease Revenue Bonds, 1998 Series A1/A2 (the "1998 Lease Revenue Bonds"). Under the swap agreement, which effectively changed the City's variable interest rate on the bonds to a synthetic fixed rate, the City would pay the Counterparty a fixed rate of 5.6775% through the end of the swap agreement in 2021 and receive a variable rate based on the Bond Market Association index. The City received an upfront payment from the Counterparty of \$15 million for entering into the Swap.

On March 21, 2003, the City amended the swap agreement to change the index on which the Swap is based from the Bond Market Association index to a rate equal to 65% of the 1-month London Interbank Offer Rate ("LIBOR"). This amendment resulted in an additional upfront payment from the Counterparty to the City of \$5.975 million.

On June 21, 2005, all of the outstanding 1998 Lease Revenue Bonds were defeased by the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1, A-2 and B ("Series 2005 A & B Bonds"). \$143,093,669 was deposited with the trustee to defease the 1998 Lease Revenue Bonds. However, the Swap associated with the 1998 Lease Revenue Bonds still remains in effect. This is now a stand-alone swap with no association to any bond.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

The amortization schedule is as follows as of June 30, 2013:

<u>Calculation period (July 31)</u>	<u>Notional Amount</u>	<u>Fixed Rate To Counterparty</u>	<u>65% of LIBOR<sup>1</sup></u>	<u>Net Rate</u>
2013	\$ 61,200,000	5.6775%	0.1265%	5.5510%
2014	53,700,000	5.6775%	0.1265%	5.5510%
2015	46,400,000	5.6775%	0.1265%	5.5510%
2016	39,300,000	5.6775%	0.1265%	5.5510%
2017	32,500,000	5.6775%	0.1265%	5.5510%
2018	25,800,000	5.6775%	0.1265%	5.5510%
2019	19,300,000	5.6775%	0.1265%	5.5510%
2020	12,800,000	5.6775%	0.1265%	5.5510%
2021	6,400,000	5.6775%	0.1265%	5.5510%

<sup>1</sup> Rate is as of 1-month LIBOR on June 28, 2013. Rates are projections, LIBOR rate fluctuates daily.

*Terms:* The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2013 of \$61,200,000. The notional amount of the swap declines through 2021. Under the Swap, the City pays the counterparty a fixed payment of 5.6775% and receives a variable payment computed at 65% of LIBOR rate (total rate not to exceed 12%). The City's payments to the counterparty under the Swap agreement are insured by the third party bond insurer.

*Fair Value:* Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of \$12,207,803 as of June 30, 2013. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the Swap.

*Credit Risk:* The issuer and the counterparty take a credit risk to each other over the life of the swap agreement. This is the risk that either the issuer or the counterparty will fail to meet its contractual obligations under the swap agreement. The Counterparty was rated Aa2 by Moody's Investors Service, and AAA by Standard and Poor's as of June 30, 2013. To mitigate the potential for credit risk, if the counterparty's credit quality falls below A3 by Moody's Investors Service or A- by Standard and Poor's, the swap agreement provides the counterparty, the City, the bond insurer for the Bonds and a third party collateral agent to execute a collateral agreement within 30 days of such a downgrade.

*Termination Risk:* An interest rate swap has some degree of termination risk. Linked to counterparty risk, a termination of the swap will result in a payment being made or received by the City depending on the then prevailing interest rate environment. The City may terminate the Swap if the counterparty fails to perform under the terms of the contract. The City also may terminate the Swap if the counterparty fails to execute a collateral agreement satisfactory to the City and the bond insurer within 30 days of the counterparty's ratings falling below "A3" by Moody's Investors Service or "A-" by Standard and Poor's.

The counterparty may terminate the Swap if the City fails to perform under the terms of the contract. The counterparty also may terminate the Swap if the City's ratings fall below "Baa3" by Moody's Investors Service or "BBB-" by Standard and Poor's. If at the time of termination, the Swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the Swap's fair value.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**Changes in Long-term Obligations**

**Primary Government**

The changes in long-term obligations for the year ended June 30, 2013, are as follows (in thousands):

	<b>Balance at July 1, 2012 <sup>1</sup></b>	<b>Additional obligations, interest accretion and net increases (decreases)</b>	<b>Current maturities, retirements and net decreases (increases)</b>	<b>Balance at June 30, 2013</b>	<b>Amounts due within one year</b>
<b>Bonds Payable:</b>					
General obligation bonds	\$ 326,609	\$ -	\$ 16,816	\$ 309,793	\$ 19,344
Lease revenue bonds	210,530	-	33,680	176,850	35,295
Pension obligation bonds	174,777	212,540	19,923	367,394	18,881
City guaranteed special assessment district bonds	7,475	3,545	4,330	6,690	325
Accreted interest on appreciation bonds	157,211	22,609	16,946	162,874	16,858
Unamortized premium and discount	23,176	(1,129)	1,828	20,219	1,829
<b>Total</b>	<b>899,778</b>	<b>237,565</b>	<b>93,523</b>	<b>1,043,820</b>	<b>92,532</b>
<b>Notes Payable and Capital Leases:</b>					
Notes payable	10,140	-	2,325	7,815	2,485
Capital Leases	13,498	28,000	2,270	39,228	6,925
<b>Total</b>	<b>23,638</b>	<b>28,000</b>	<b>4,595</b>	<b>47,043</b>	<b>9,410</b>
<b>Other Long-Term Liabilities:</b>					
Accrued vacation and sick leave	41,438	49,297	50,171	40,564	30,104
Pledge obligation for Coliseum Authority debt	61,408	-	4,513	56,895	3,670
Estimated environmental cost	4,433	50	1,028	3,455	1,000
Self-insurance liability - workers' compensation	85,558	17,297	22,259	80,596	20,821
Self-insurance liability - general liability	33,971	13,652	19,069	28,554	11,390
Net OPEB obligation	186,583	46,291	17,622	215,252	-
Interest rate swap agreement	16,165	-	3,957	12,208	-
<b>Total</b>	<b>429,556</b>	<b>126,587</b>	<b>118,619</b>	<b>437,524</b>	<b>66,985</b>
<b>Total Governmental Activities Long- Term Obligations</b>	<b>\$ 1,352,972</b>	<b>\$ 392,152</b>	<b>\$ 216,737</b>	<b>\$ 1,528,387</b>	<b>\$ 168,927</b>

<sup>1</sup> The July 1, 2012 balance were restated to reflect the impact of GASB No. 65 implementation.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

Internal service funds predominantly serve governmental funds and therefore, the long-term liabilities of these funds are included as part of the above totals for governmental activities. At June 30, 2013, \$13,704,060 of capital leases and notes payable related to the internal service funds are included in the above amounts. Compensated absences obligations are financed and recorded in the appropriate governmental and proprietary funds when due.

**Business-Type Activities**

	Balance at July 1, 2012	Additions	Current maturities, retirements and net decreases	Balance at June 30, 2013	Amounts due within one year
Sewer fund - Notes payable	\$ 574	\$ -	\$ 283	\$ 291	\$ 291
Sewer fund - Bonds	50,695	-	1,985	48,710	2,090
Unamortized bond premium	2,003	-	118	1,885	118
<b>Total</b>	<b>\$ 53,272</b>	<b>\$ -</b>	<b>\$ 2,386</b>	<b>\$ 50,886</b>	<b>\$ 2,499</b>

A summary of the Oakland Redevelopment Successor Agency changes in long-term debt for June 30, 2013 are as follows (in thousands):

**Oakland Redevelopment Successor Agency**

	Balance at 7/01/2012 <sup>1</sup>	Additions	Deductions	Balance at June 30, 2013	Due within One Year
Bonds Payable:					
Tax allocation bonds	\$ 377,665	\$ -	\$ (18,685)	\$ 358,980	20,460
Housing set-aside revenue bonds	125,875	-	(3,860)	122,015	4,410
Plus (less) unamortized amounts:					
Issuance premiums	6,675	-	(980)	5,695	933
Issuance discount	(2,523)	-	136	(2,387)	(136)
<b>Total</b>	<b>\$ 507,692</b>	<b>\$ -</b>	<b>\$ (23,389)</b>	<b>\$ 484,303</b>	<b>25,667</b>

<sup>1</sup> The July 1, 2012 balance were restated to reflect the impact of GASB No. 65 implementation

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

<b>Component Unit - Port of Oakland</b>					
	<b>Balance at July 1, 2012<sup>1</sup></b>	<b>Additions, interest accretion and net increases</b>	<b>Current maturities, retirements and net decreases</b>	<b>Balance at June 30, 2013</b>	<b>Amounts due within one year</b>
Senior and intermediate lien bonds	\$ 1,262,965	\$ 383,890	\$ 486,240	\$ 1,160,615	\$ 41,445
Notes and loans	92,832	-	9,077	83,755	219
Plus unamortized amounts:					
Unamortized bond discount and premium, net	19,773	46,323	4,005	62,091	6,800
<b>Total</b>	<b>1,375,570</b>	<b>430,213</b>	<b>499,322</b>	<b>1,306,461</b>	<b>48,464</b>
Accrued vacation, sick leave, and compensatory time	6,023	2,799	1,341	7,481	5,024
Environmental remediation and other liabilities	23,222	4,904	8,525	19,601	4,018
Self-insurance liability - workers' compensation	8,190	2,632	1,192	9,630	1,500
Self-insurance liability - general liability	5,663	-	5,373	290	290
Net OPEB obligation	10,510	10,984	11,041	10,453	-
<b>Total</b>	<b>53,608</b>	<b>21,319</b>	<b>27,472</b>	<b>47,455</b>	<b>10,832</b>
<b>Total Component Unit Long-Term Obligations</b>	<b>\$ 1,429,178</b>	<b>\$ 451,532</b>	<b>\$ 526,794</b>	<b>\$ 1,353,916</b>	<b>\$ 59,296</b>

<sup>1</sup> The July 1, 2012 balance were restated to reflect the impact of GASB No. 65 implementation.

**Repayment Schedule:**

**Primary Government**

The annual repayment schedules for all long-term debt as of June 30, 2013, are as follows (in thousands):

<b>Year Ending June 30</b>	<b>Governmental Activities<sup>1</sup></b>					
	<b>General Obligation Bonds</b>		<b>Lease Revenue Bonds</b>		<b>Special Assessment District Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2014.....	\$ 19,343	\$ 15,637	\$ 35,295	\$ 8,155	\$ 325	\$ 276
2015.....	20,394	14,685	31,600	6,465	345	268
2016.....	19,350	13,700	18,845	5,290	335	260
2017.....	20,425	12,748	19,775	4,382	350	250
2018.....	21,462	11,752	5,660	3,398	365	237
2019-2023.....	97,445	42,494	32,830	12,468	1,960	986
2024-2028.....	39,343	25,526	32,845	3,388	1,155	662
2029-2033.....	45,895	14,780	-	-	625	480
2034-2038.....	21,795	5,223	-	-	825	261
2039-2041.....	4,340	271	-	-	405	26
<b>Total</b>	<b>\$ 309,792</b>	<b>\$ 156,816</b>	<b>\$ 176,850</b>	<b>\$ 43,546</b>	<b>\$ 6,690</b>	<b>\$ 3,706</b>

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

Governmental Activities <sup>1</sup>				
Year Ending June 30	Notes Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2014.....	\$ 2,485	\$ 216	\$ 6,925	\$ 1,134
2015.....	2,180	157	6,707	943
2016.....	1,090	121	6,482	764
2017.....	2,060	53	3,404	597
2018.....	-	-	2,997	495
2019-2023.....	-	-	9,946	1,277
2024-2028.....	-	-	2,767	126
Total	\$ 7,815	\$ 547	\$ 39,228	\$ 5,336

Year Ending June 30	Pension Obligation Bonds			Total		
	Accreted		Interest	Accreted		Interest
Principal	Interest	Principal		Interest		
2014.....	\$ 18,881	\$ 16,858	\$ 30,845	\$ 83,254	\$ 16,858	\$ 56,263
2015.....	18,079	22,606	32,892	79,305	22,606	55,410
2016.....	17,210	24,688	35,036	63,312	24,688	55,171
2017.....	16,370	26,774	37,182	62,384	26,774	55,212
2018.....	25,275	28,807	39,162	55,759	28,807	55,044
2019-2023.....	120,199	173,074	221,702	262,380	173,074	278,927
2024-2028.....	151,380	-	10,832	227,490	-	40,534
2029-2033.....	-	-	-	46,520	-	15,260
2034-2038.....	-	-	-	22,620	-	5,484
2039-2041.....	-	-	-	4,745	-	297
Subtotal.....	\$ 367,394	\$ 292,807	\$ 407,651	\$ 907,769	\$ 292,807	\$ 617,602
Less: unaccreted interest....	-	(129,933)	-	-	(129,933)	-
Total	\$ 367,394	\$ 162,874	\$ 407,651	\$ 907,769	\$ 162,874	\$ 617,602

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

Business-Type Activities						
Year Ending June 30	Sewer Revenue Bonds		Sewer Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014.....	\$ 2,090	\$ 2,395	\$ 291	\$ 9	\$ 2,381	\$ 2,404
2015.....	2,175	2,306	-	-	2,175	2,306
2016.....	2,285	2,197	-	-	2,285	2,197
2017.....	2,400	2,083	-	-	2,400	2,083
2018.....	2,520	1,963	-	-	2,520	1,963
2019-2023.....	14,480	7,933	-	-	14,480	7,933
2024-2028.....	18,490	3,931	-	-	18,490	3,931
2029-2033.....	4,270	214	-	-	4,270	214
Total	\$ 48,710	\$ 23,022	\$ 291	\$ 9	\$ 49,001	\$ 23,031

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**Oakland Redevelopment Successor Agency**

The debt service requirements for all debt are based upon a fixed rate of interest. The annual requirements to amortize outstanding tax allocation bonds and other long-term debt outstanding as of June 30, 2013, including mandatory sinking fund payments, are as follows (in thousands):

<b>Year Ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014.....	\$ 24,870	\$ 28,053	\$ 52,923
2015.....	19,865	26,651	46,516
2016.....	27,140	25,334	52,474
2017.....	29,760	23,670	53,430
2018.....	30,570	21,848	52,418
2019-2023.....	153,070	80,428	233,498
2024-2028.....	48,265	52,447	100,712
2029-2033.....	59,120	37,371	96,491
2034-2038.....	65,240	18,927	84,167
2039-2042.....	23,095	4,165	27,260
<b>TOTAL</b>	<b>\$ 480,995</b>	<b>\$ 318,894</b>	<b>\$ 799,889</b>

**Discretely Presented Component Unit – Port of Oakland**

The Port's required annual debt service payment for the outstanding long-term debt, not including Commercial Paper Notes, as of June 30, 2013, are as follows (in thousands):

<b>Year Ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014.....	\$ 61,797 <sup>(1)</sup>	\$ 61,953	\$ 123,750
2015.....	68,890	58,892	127,782
2016.....	71,654	54,469	126,123
2017.....	56,658	50,344	107,002
2018.....	53,208	47,798	101,006
2019-2023.....	290,971	199,574	490,545
2024-2028.....	357,690	120,463	478,153
2029-2033.....	283,502	34,815	318,317
<b>TOTAL</b>	<b>\$ 1,244,370</b>	<b>\$ 628,308</b>	<b>\$ 1,872,678</b>

<sup>(1)</sup> Commercial Paper has been classified as long-term debt because the Port has the intent and ability to continue to refinance this debt. Although the Port intends to refinance the Commercial Paper debt in the future, for purposes of this schedule, Commercial Paper debt is amortized over the fiscal year 2014-2018 pursuant to the "Term Loan" provisions of the Commercial Paper Reimbursement Agreements.

On October 10, 2012, the Port issued \$380.3 million of 2012 Series P (AMT) together with certain additional funds provided by the Port to refund and retire \$357.0 million of 2002 Series L and \$79.1 million of 2002 Series N. In addition, the Port issued \$3.6 million of 2012 Series Q (non-AMT) together with certain additional funds provided by the Port to refund and retire \$27.7 million of 2002 Series M. The final maturity date for the 2012 Series P is May 1, 2033 and for 2012 Series Q is May 1, 2014. The gross debt service savings through fiscal year 2033 is \$63.4 million with a present value savings of \$60.1 million. In addition, the Port recorded a deferred loss on refunding of \$1.8 million.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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**Current Year Long-Term Debt Financings**

**Taxable Pension Obligation Bonds Series 2012**

On July 30, 2012, the City issued its \$212,540,000 Taxable Pension Obligation Bonds Series 2012 (the “POB Series 2012”). The POB Series 2012 were issued to fund a portion of the City’s unfunded actuarial accrued liability for retirement benefits to members of the Retirement System.

The issuance of the POBs Series 2012 is part of the plan of finance undertaken by the City to continue to permit annual debt service to be paid from the annual Tax Override Revenues anticipated by the City to be received and to minimize the need for the City to use other revenues to pay such debt service.

The interest rates on the POB Series 2012 ranged from 2.37% to 4.67% which produced a yield of 2.37% to 4.67% and the final maturity is on December 15, 2025.

**City of Oakland 2012 Limited Obligation Refunding Improvement Bonds  
Reassessment District No. 99-1.**

On August 30, 2012, the City issued \$3,545,000 of Limited Obligation Refunding Improvement Bonds, Reassessment District No. 99-1 (the “Bonds”). The proceeds were used to refund all of the City’s outstanding Oakland Joint Powers Financing Authority’s Reassessment Revenue Bonds, Series 1999. The issuance of the Bonds produced approximately \$425,000 in net present value savings and an annual per parcel savings of \$41 for the property owners in the district.

The Bonds were issued with interest rates ranging from 2.00% to 3.50% which yielded a rate of 0.80% to 3.64% with a final maturity on September 2, 2024.

The refunding resulted in a positive cash flow in the amount of \$626,760. In addition, the City obtained a net economic gain on this financing of \$422,645.

**Master Lease – Vehicles and Equipment.**

On May 9, 2013, the City of Oakland closed a lease transaction with Chase Equipment Finance, Inc. in the amount of \$11,850,000 for the purpose of financing the acquisition of the equipment, software, maintenance and services for different types of fleet vehicles and equipment. The financing is done on a tax-exempt basis with a final maturity of May 1, 2021; the interest rate on this lease transaction is 1.4604%.

**Master Lease – LED Streetlight Acquisition Lease Financing.**

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

The financing consists of two portions, a Taxable Qualified Energy Conservation Bonds (QECCB, Direct Subsidy) and a Non-Bank Qualified tax-exempt basis with a final maturity of May 30, 2025; the interest rates on this lease transaction are 3.23% and 2.39%, respectively. The City expects to receive approximately \$2.6 million or 70% interest subsidy from the federal government for the QECCB issuance portion.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**Prior Year's Debt Defeasance**

In prior years, the City has defeased various bond issues by creating separate irrevocable escrow funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the escrow funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and is therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2013, the City has no defeased debt outstanding.

**Authorized and Unissued Debt**

The City has \$62.3 million (Measure DD) General Obligation Bonds authorized and unissued. The voters, in a City election on November 5, 2002, authorized these bonds. The bonds are to be issued by the City in general obligation bonds for the improvement of Lake Merritt, the Estuary, inland creeks, Studio One, and other specifically identified projects in the City.

**Conduit Debt**

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

The conduit debt issued and outstanding at June 30, 2013 (in thousands):

	<u>Authorized and Issued</u>	<u>Maturity</u>	<u>Outstanding at June 30, 2013</u>
Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	\$ 19,800	07/01/33	\$ 14,985
Redevelopment Agency of the City of Oakland, Multifamily Housing Revenue Bonds (Uptown Apartment Project), 2005 Series A	160,000	10/01/50	160,000
<b>TOTAL</b>	<u>\$ 179,800</u>		<u>\$ 174,985</u>

**(12) GENERAL FUND BALANCE RESERVE POLICY**

The City Council approved the original City Reserve Policy on March 22, 1994. Creation of the policy was to help pay any unanticipated expenditures and pay for claims arising from the City's insurance program. In May 2010, the City adopted a revised reserve policy equal to seven and one-half percent (7.5%) for unassigned fund balance of the General Purpose Fund (GPF) appropriation for each fiscal year. The GPF accounts for the City's operating budget that pays for basic programs and services as well as elected offices and municipal business functions. The GPF is reported within the General Fund.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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The reserve policy established criteria for the use of GPF reserve, the use of excess Real Estate Transfer Tax (RETT) revenue, and use of one-time revenues, and to minimize draw-downs from the GPF reserve by previous approved projects and encumbrances.

The policy also established a baseline for the Real Estate Transfer Tax at \$40 million (an amount collected in a normal year), with any amount over the baseline used as follows:

- Replenishment of the GPF reserves until such reserves reach 10 percent of current year budgeted GPF appropriations; and the remainder.
- 50 percent to repay negative Internal Service Fund balances.
- 30 percent set aside the Police and Fire Retirement System (PFRS) liability until this obligation is met.
- 10 percent to establish an Other Postemployment Benefits (OPEB) trust; and
- 10 percent to replenish the Capital Improvement Reserve Fund until such baseline reaches \$10 million.

The policy also requires the City to conform to the following regarding the use of one-time discretionary revenues:

- 50 percent to repay negative Internal Service Fund balances and,
- 50 percent to repay negative fund balances in all other funds, unless legally restricted to other purposes.

As of June 30, 2013, the City has \$95.4 million in the GPF fund balance. Of this amount, \$37.2 million is set aside to meet the mandated 7.5% required reserve of \$33.2 million, and is reported in the assigned fund balance of the General Fund.

**(13) SELF-INSURANCE**

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; employee's injuries; natural disasters; unemployment coverage; and providing health benefits to employees, retirees and their dependents. For the past three years, there have been no significant reductions in any of the City's insurance coverage and no settlement amounts have exceeded commercial insurance coverage.

The City is self-insured for its general liability, malpractice liability, public official's errors and omissions, products and completed operations, employment practices liability, and auto liability up to \$4,000,000 retention level and up to \$750,000 retention level for workers' compensation and has excess insurance with the California State Association of Counties – Excess Insurance Authority as described in the Insurance Coverage section.

**Property Damage**

Property damage risks are covered on an occurrence basis by commercial insurance purchased from independent third parties. All properties are insured at full replacement values after a \$25,000 deductible to be paid by the City.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**Workers' Compensation**

The City is self-insured for workers' compensation. Payment of claims is provided through annual appropriations, which are based on claim payment experience and supplemental appropriations. Of the \$80,596,283 in claims liabilities as of June 30, 2013, approximately \$20,820,639 is estimated to be due within one year.

Changes in workers' compensation claims liabilities for the years ended June 30, 2013 and 2012 are as follows (in thousands):

	<u>2013</u>	<u>2012</u>
Self-insurance liability -		
workers' compensation, beginning of year	\$ 85,558	\$ 82,045
Current year claims and changes in estimates	17,297	29,810
Claims payments	<u>(22,259)</u>	<u>(26,297)</u>
Self-insurance liability -		
workers' compensation, end of year	<u>\$ 80,596</u>	<u>\$ 85,558</u>

The estimated undiscounted liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

**General Liability**

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2013, the amount of liability determined to be probable of occurrence is approximately \$28,554,250. Of this amount, claims and litigation approximating \$11,389,651 are estimated to be due within one year. The recorded liability is the City's best estimate based on available information and may be revised as further information is obtained and as pending cases are litigated. The City and the ORSA are involved in various claims and litigation arising in the ordinary course of its activities. In the opinion of the ORSA's in-house counsel and the City Attorney's Office for the City, none of these claims are expected to have a significant impact on the financial position or changes in financial position of the City and the ORSA. The City has not accumulated or segregated assets or set aside fund balances for the payment of estimated claims and judgments.

Changes in general claims liabilities for the years ended June 30, 2013 and 2012 are as follows (in thousands):

	<u>2013</u>	<u>2012</u>
Self-insurance liability - general liability, beginning of year	\$ 33,971	\$ 36,687
Current year claims and changes in estimates	13,652	12,414
Claims payments	<u>(19,069)</u>	<u>(15,130)</u>
Self-insurance liability - general liability, end of year	<u>\$ 28,554</u>	<u>\$ 33,971</u>

The estimated undiscounted liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**Insurance Coverage**

On July 15, 2002, the City entered into a contract with the California State Association of Counties Excess Insurance Authority (CSAC EIA), a joint powers authority, whose purpose is to develop and fund programs of excess insurance for its member counties and cities. Effective July 1, 2011, the self-insured retention levels and purchased insurance per occurrence are as follows:

Type of Coverage	Self-Insurance Retention	Insurance Authority/ Purchase Insurance (per occurrence/annual aggregate)
General Liability	Up to \$3,000,000	\$3,000,000 to \$25,000,000
Automobile Liability	Up to \$3,000,000	\$3,000,000 to \$25,000,000
Public Officials Errors and Omissions	Up to \$3,000,000	\$3,000,000 to \$25,000,000
Products and Completed Operations	Up to \$3,000,000	\$3,000,000 to \$25,000,000
Employment Practices Liability	Up to \$3,000,000	\$3,000,000 to \$25,000,000
Workers' Compensation	Up to \$750,000	\$750,000 to \$100,000,000

**Discretely Presented Component Unit – Port of Oakland**

**Workers' Compensation**

The Workers' Compensation liability at June 30, 2013 is based on an actuarial valuation performed as of June 30, 2013 that assumed a probability level of 70% and a discount rate of 1.15%. Changes in the reported liability resulted from the following (in thousands):

	2013	2012
Self-insurance liability -		
workers' compensation, beginning of year	\$ 8,190	\$ 6,900
Current year claims and changes in estimates	2,632	2,593
Claims payments	(1,192)	(1,303)
Self-insurance liability -		
workers' compensation, end of year	\$ 9,630	\$ 8,190

**General Liability**

The Port purchases insurance on certain risk exposures including but not limited to property, crane and rail, automobiles, airport liability, fidelity, fiduciary liability, and public officials liability. Port deductibles for the various insured programs range from \$10,000 to \$1,000,000 each claim. The Port is, however, self-insured for other general liability and liability/litigation-type claims, workers' compensation of the Port's employees and most first party earthquake exposures. However, during fiscal years 2013, the Port carried excess insurance over \$1,000,000 for the self-insured general liability and for workers compensation exposures. There have been no claims payments related to these programs that exceeded insurance limits in the last three years.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

As of June 30, 2013, the Port was a defendant in various lawsuits arising in the normal course of business, including constructing public improvements or construction related claims for unspecified amounts. The ultimate disposition of these suits and claims is not known and the Port's insurance may cover a portion of any losses. Port management may make provision for probable losses if deemed appropriate on the advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying financial statements.

Changes in the reported liabilities, which is included as part of long-term obligations is as follows (in thousands):

	2013	2012
Self-insurance liability -		
general liability, beginning of year	\$ 5,663	\$ 3,918
Current year claims and changes in estimates	(926)	4,685
Claims payments	(4,447)	(2,940)
Self-insurance liability -		
general liability, end of year	\$ 290	\$ 5,663

The Port was in litigation with one of its maritime tenants in connection with such tenant's complaint before the Federal Maritime Commission alleging the Port has violated the Federal Shipping Act of 1984 by entering into a long-term concession and lease agreement with another maritime tenant. As discussed in Note 19, the Port has settled the matter on July 18, 2013.

**Capital Improvement Projects**

The Port maintains an Owner Controlled Insurance Program (OCIP) and Professional Liability Insurance Program (PLIP) for contractors and consultants working on Port Capital Improvement Projects (CIP).

The OCIP provides general liability insurance and workers' compensation insurance for contractors working on CIP projects. The Port is responsible for payment of the deductible/self-insured retention, which is currently \$100,000 for each general liability and workers' compensation claim. The Port's OCIP insurance broker has provided an actuarial forecast for this program that projects losses within the deductible/self-insured retention, which have not yet been accrued, will be approximately \$507,000 through program expiration, which is July 2014.

The PLIP provides professional liability insurance for consultants working on Port CIP projects. Subject to this program, the consultants separately are responsible for paying the deductible/self-insured retentions, which are \$50,000 for consultants with annual revenues under \$20,000,000 and \$1,000,000 for consultants with annual revenues over \$20,000,000. The Port's deductible/self-insured retention is \$1,000,000. There is no actuarial forecast for this coverage.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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**(14) JOINT VENTURE**

**Oakland-Alameda County Coliseum**

The City is a participant with the County of Alameda (the County) in a joint exercise of powers agreement known as the Oakland-Alameda County Coliseum Authority (the Authority), which was formed on July 1, 1995, to assist the City and County in the financing of public capital improvements in the Oakland-Alameda County Coliseum Complex (Coliseum Complex) pursuant to the Mark-Roos Local Bond Pooling Act of 1985. The Oakland-Alameda County Coliseum Financing Corporation (the Corporation) is reported as a blended component unit of the Authority. The eight-member Board of Commissioners of the Authority consists of two council members from the City, two members of the Board of Supervisors from the County, two appointees of the City Council, and two appointees of the Board of Supervisors. The Board of Directors of the Corporation consists of the City Administrator and the County Administrator.

In August 1995, the Authority issued \$9,200,000 in Fixed Rate Refunding Lease Revenue Bonds and \$188,500,000 in Variable Rate Lease Revenue Bonds (collectively known as the Stadium Bonds) to satisfy certain obligations of the Authority, the City, the County, the Corporation and Oakland-Alameda County Coliseum Inc. (Coliseum Inc.), which manages the operations of the Coliseum Complex, to finance the costs of remodeling the stadium portion of the Coliseum complex as well as relocating the Raiders football franchise to the City.

On May 25, 2000, the Authority issued \$201,300,000 in series 2000 C and D Refunding Bonds to retire the 1995 Series B-1 and B-2 Variable Rate Lease Revenue Stadium Bonds. The balance was reduced to \$137,434,050 as of May 31, 2012 through annual principal payments and optional calls.

On May 31, 2012, the Authority issued \$122,815,000 in Refunding Bonds Series 2012 A with coupons of 2 percent to 5 percent to refund and defease all outstanding variable rate 2000 Series C Refunding Bonds. The bonds were priced at a premium, bringing total proceeds to \$138,166,073.

These funds coupled with \$13,000,625 in the 2000 Series C reserve fund generated a total available fund of \$151,166,698, which was used to refund the 2000 C Refunding Bonds of \$137,434,050, fund a reserve fund of \$12,809,500 and to pay underwriter's discount and issuance cost of \$923,147. The all-in-interest cost of the 2012A refunding bonds was 3.04 percent.

There was an economic loss of \$23,021,101 (difference between the present value of the old and the new debt service payments) due to the low variable interest rates on the old bonds and the higher fixed rates on the new bonds. The Authority was unable to maintain the bonds at a variable rate because it was not able to renew the letters of credit as required due to the tightening of the credit markets since 2008. However, the Authority was able to take advantage of the fixed rate market with historically low interest rates and issued fixed rate bonds that generated a premium of \$15,351,073. There was a deferred loss of \$805,732, equal to the amount of unamortized issuance costs of the 2000 C and D Refunding Bonds.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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The Stadium Bonds are limited obligations of the Authority payable solely from revenues of the Authority, consisting primarily of base rental payments to be received by the Authority from the City and the County. The source of the Authority's revenues relating to football games consists primarily of a portion of club dues, concessions, and parking payments. In the event that such football revenues and other revenues received in connection with the Stadium are insufficient to make base rental payments, the City and the County are obligated to make up the shortfall in the base rental payments from their respective General Funds. The City and the County each have covenanted to appropriate \$11,000,000 annually to cover such shortfalls in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the City could have to pay up to \$22,000,000 annually in the event of default by the County.

On August 2, 1996, the Authority issued \$70,000,000 Series A-1 and \$70,000,000 Series A-2 Variable Rate Lease Revenue Bonds (Arena Bonds) to finance the costs of remodeling the Coliseum Arena (Arena) and to satisfy certain obligations of the Authority, the City, the County and Coliseum Inc. in connection with the retention of the Golden State Warriors (the Warriors) to play professional basketball at the Arena for at least 20 basketball seasons, beginning with the 1997-98 season. These obligations are evidenced in a series of agreements (the Warriors Agreements) between the Warriors, the City, the County, Coliseum Inc., and the Authority.

Under the Warriors Agreements, the Arena Bonds were limited obligations of the Authority, payable solely from base rental revenues of the Authority received by the Authority on behalf of the City and the County. These revenues consist of base rental payments from the City and County and certain payments from the Warriors of up to \$7,428,000 annually from premium seating revenues, and other payments from Arena operations. If the revenues received from the Warriors and from Arena operations are not sufficient to cover the debt service requirements in any fiscal year, the City and County are obligated to make up the shortfall in the base rental payment from their respective General Funds. The City and the County each have covenanted to appropriate up to \$9,500,000 annually to cover such revenue shortfalls; however, the City and the County are jointly and severally liable to cover such shortfalls, which means that the City could have to pay up to \$19,000,000 annually in the event of default by the County.

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

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

Debt service requirements for the Coliseum Authority debt are as follows (in thousands):

<b>For the Period</b> <b>Ending June 30,</b>	<b>Stadium Bonds</b>		<b>Arena Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest <sup>(1)</sup></b>
2014	\$ 7,340	\$ 5,375	\$ 4,700	\$ 199
2015	7,560	5,121	5,100	188
2016	7,865	4,781	5,400	177
2017	8,255	4,379	5,800	165
2018	8,670	3,958	6,200	152
2019-2023	50,290	12,694	38,200	538
2024-2025	23,810	1,304	24,895	101
Total	<u>\$ 113,790</u>	<u>\$ 37,612</u>	<u>\$ 90,295</u>	<u>\$ 1,520</u>

<sup>(1)</sup> As of June 30, 2013, the variable interest rates for the Arena Bonds, which include Lease Revenue Bonds Series A-1 and Series A-2, are 0.20 and 0.24, respectively, and the term for the resets in the separate Commercial Paper Segment range from 31 and 60 days.

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

Under the joint exercise of power agreement, which formed the Authority, the City is responsible for funding up to 50% of the Authority's operating costs and debt service requirements, to the extent such funding is necessary. During the year ended June 30, 2013, the City made contributions of \$9,835,000 to fund its share of operating deficits and debt service payments of the Authority.

The Authority has anticipated a deficit for operating costs and repayment of its Stadium bonds, such that the City and County may have to contribute to base rental payments. Of the \$20,500,000 appropriated in the General Fund as part of the above agreements, it is estimated that the City may have to contribute \$10,250,000 for the 2013-14 fiscal year. There are many uncertainties in the estimation of revenues for the Authority beyond one year into the future; therefore, the City has established a liability to fund the Authority's deficit in the statement of net position in an amount equal to its contingent share (50%) of the outstanding Stadium bonds in the amount of \$56,895,000. The City has not established a contingent liability for the Arena Bonds because management is of the opinion that revenues from the Arena, including payments from the Warriors and revenues from Arena operations, will be sufficient to cover the debt payments.

**(15) RETIREMENT PLANS**

The City has four defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS), and the California Public Employees' Retirement System (PERS) Public Safety Retirement Plan and Miscellaneous Retirement Plan. PFRS and OMERS are closed plans that cover employees hired prior to July 1976 and September 1970, respectively. These two plans are considered part of the City's reporting entity and are included in the City's basic financial statements as pension trust funds. City employees hired subsequent to the Retirement Plans' closure dates are covered by PERS, which is administered by the State of California.

Member and employer contributions are recognized in the period in which the contributions are due pursuant to formal commitments, as well as contractual or statutory requirements, and benefits and refunds are recognized when due and payable, in accordance with the terms of the Retirement Plans.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

	<u>PFRS</u>	<u>OMERS</u>	<u>PERS</u>
Type of plan	Single employer	Single employer	Agent multiple employer
Reporting entity	City	City	State
Most recent actuarial study	July 1, 2012	July 1, 2012	June 30, 2012

**Police and Fire Retirement System (PFRS)**

PFRS provides death, disability, and service retirement benefits to uniformed employees and their beneficiaries. Members who complete at least 25 years of service, or 20 years of service and have reached the age of 55, or have reached the age of 65, are eligible for retirement benefits. The basic retirement allowance equals 50% of the compensation attached to the average rank held during the three years immediately preceding retirement, plus an additional allowance of 1-2/3% of such compensation for each year of service (up to ten) subsequent to: a) qualifying for retirement, and b) July 1, 1951. Early retirees will receive reduced benefits based on the number of years of service. Benefit provisions and all other requirements are established by the City Charter (Charter). The June 30, 2013 stand alone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, CA 94612.

In accordance with the Charter, active members of PFRS contribute a percentage of earned salaries based upon entry age as determined by the City's consulting actuary. During the year ended June 30, 2013, the contribution rate was 5.47%. By statute, employee contributions are limited to 13% of earned salaries. Employee contributions are refundable with interest at 4% per annum if an employee elects to withdraw from PFRS upon termination of employment with the City.

The City contributes, at a minimum, such amounts that are necessary, determined on an actuarial basis, to provide assets sufficient to meet benefits to be paid to PFRS members. The City is required to fund all liabilities for future benefits for all members by June 30, 2026. In order to do so, the City makes contributions at rates established by consulting actuaries based upon plan valuations using various assumptions as to salary progression, inflation, and rate of return on investments. The City's contributions are based on a level percentage of all uniformed employees' compensation. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefits.

The City issued pension obligation bonds in March 1997 to fund PFRS through June 2011. Bond proceeds in the amount of \$417,173,300 were contributed in fiscal year 1997 and, as a result, no employer contributions are contractually required through fiscal year 2011. In fiscal year 2005, the City made an advance contribution of \$17,709,888 to PFRS.

In November 2007, City voters passed Measure M to modify the City Charter to allow PFRS to invest in non-dividend paying stocks and to switch the asset allocation structure from 50% equities and 50% fixed income to the Prudent Person Standard.

Effective July 1, 2011, the City resumed contributing to PFRS pension obligations. The City contributed a total of \$45,507,996 to PFRS for the year ended June 30, 2012.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

As of July 1, 2012 (the date of the last PFRS actuarial valuation), the unfunded actuarial accrued liability is approximately \$401,100,000.

On July 30, 2012, the City issued additional Pension Obligation Bonds (Series 2012) and contributed \$210,000,000 to PFRS. The contribution is expected to lower the unfunded liability from the \$410,100,000 unfunded amount. As a result of a funding agreement entered into between the PFRS Board and the City, no additional contributions are required until July 1, 2017. See Note 11 for additional information.

The City's annual pension cost and prepaid asset, computed in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, for the fiscal year ended June 30, 2013, were as follows:

Annual Required Contribution (ARC)	\$ (34,200,000)
Interest on pension asset	12,349,919
Adjustment to the annual required contribution	<u>(14,662,126)</u>
Annual Pension Cost	(36,512,207)
Contribution made	<u>210,000,000</u>
Increase in net pension asset	173,487,793
Net pension assets, beginning of year	<u>154,373,983</u>
Net pension assets, end of year	<u><u>\$ 327,861,776</u></u>

The following table shows the City's annual pension cost and the percentage contributed for the fiscal year 2013 and each of the two preceding years:

<b>Fiscal Year Ended June 30</b>	<b>Annual Pension Cost</b>	<b>Pension Contribution</b>	<b>Percentage (%) Contributed</b>	<b>Net Pension Asset</b>
2011	\$ 43,901,549	\$ -	0%	\$ 156,101,262
2012	47,235,275	45,507,996	96%	154,373,983
2013	36,512,207	210,000,000	575%	327,861,776

**Actuarial Assumptions and Funded Status**

Information regarding the funded status of the plan as of the most recent valuation date is shown below (in millions).

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2012	\$ 658.3	\$ 257.2	\$ 401.1	39.1%	\$ 0.1	401100%

Multiyear trend actuarial information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time is presented in the Required Supplementary Information (RSI) immediately following the notes to the basic financial statements.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

A summary of the actuarial methods and significant assumptions used to calculate the funded status of the valuation date and the annual required contribution for fiscal year ended June 30, 2013 are as follows:

<u>Description</u>	<u>Method/Assumption</u>	<u>Method/Assumption</u>
Valuation Date	July 1, 2012 <sup>1</sup>	July 1, 2011 <sup>2</sup>
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Investment Rate of Return	6.75%	6.75%
Inflation Rate, U.S.	3.25%	3.25%
Inflation Rate, Bay Area	3.375%	3.375%
Long-term General Pay Increases	3.975%	3.975%
Long-term Postretirement Benefit Increases	3.975%	3.975%
Amortization Method	Level Dollar	Level Dollar
Amortization Period	23 years closed as of July 1, 2013	24 years closed as of July 1, 2012
Actuarial Value of Assets	Expected actuarial value plus 20% of the difference from market value, with 110% and 90% market value corridor.	Expected actuarial value plus 20% of the difference from market value, with 110% and 90% market value corridor.

<sup>1</sup> The July 1, 2012 valuation was used to determine the funded status

<sup>2</sup> The July 1, 2011 valuation was used to determine the annual required contribution for fiscal year 2013

**Oakland Municipal Employees Retirement System (OMERS)**

OMERS provides death, and service retirement benefits to participants of the plan. Members who complete at least 20 years of service and have reached the age of 52, or who complete at least 5 years of service and reach the age of 60, are eligible for retirement benefits. The retirement allowance is calculated on a basis which takes into account the final three-years' average compensation, age and the number of years of service. Benefit provisions and all other requirements are established by the Charter. The June 30, 2013 standalone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, CA 94612.

All active non-uniformed City employees hired prior to September 1970 have transferred to PERS as of July 1, 2004. Accordingly, OMERS did not receive any employee contributions during the year ended June 30, 2013, and will not receive any employee contributions in the future. Because of the OMERS' current funded status, the City is currently not required to make contributions to OMERS. The funding of the unfunded actuarial accrued liability is based on a level percentage of payroll over a period ending July 1, 2020, as required by the City Charter.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**Actuarial Assumptions and Funded Status**

Information regarding the funded status of OMERS as of the most recent valuation date is shown below (in thousands).

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2012	\$ 3,630	\$ 4,448	\$ (818)	122.5%	\$ -	n/a

Multiyear trend actuarial information about whether the actuarial value of Plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time is presented in the Required Supplementary Information (RSI) immediately following the notes to the financial statements.

A summary of the actuarial methods and significant assumptions used to calculate the funded status as of the valuations date and the annual required contribution for fiscal year ended June 30, 2013 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	July 1, 2012 <sup>1</sup>	July 1, 2010 <sup>2</sup>
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Asset Valuation Method	Market Value	Market Value
Investment Rate of Return	6.25%	6.50%
Inflation Rate	3.25%	3.25%
Cost-of-living Adjustments	3.00%	3.00%
Amortization Method	Closed Level Dollar	Closed Level Dollar
Amortization Period	6 Years	6 Years

<sup>1</sup> The July 1, 2012 valuation was used to determine the funded status

<sup>2</sup> The July 1, 2010 valuation was used to determine the annual required contribution for fiscal year 2013

**California Public Employees Retirement Systems (PERS)**

**Plan Description**

The City of Oakland contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street, Sacramento, CA 95814. A separate report for the City's plan is not available. The following are recent changes to the City pension plans:

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**a) Two-Tier Pension Plan:**

In July 2011 the City approved a PERS second tier (two-tiered pension plans) for all labor unions, one benefit plan for existing employees (classic member), and a less expensive plan for new employees hired after June 9, 2011 to reduce the City's costs over time. The two-tiered pension plans were approved through collective bargaining agreements between the City and labor organizations representing Miscellaneous and Safety employees. The City implemented the two-tiered pension plan for the Safety employees on February 9, 2012, pursuant to Ordinance No. 13106 C.M.S., and on June 8, 2012 for the Miscellaneous employees, pursuant to Ordinance No. 13119 C.M.S.

**b) California Public Employees' Pension Reform ("PEPRA") Act of 2013 (Tier Three):**

In September 2012, the governor signed Assembly Bill 340, known as PEPRA, which reforms all state and local public retirement systems and their participating employers with the exception of charter cities or counties that operate an independent retirement system (not governed by the 37 Act) that took effect on and after January 1, 2013. PEPRA limits the pension benefits offered to new employees and increases flexibility for employee and employer cost sharing for current employees.

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

**Funding Policy**

Participants are required to contribute 8% for non-safety employees, 9% for police, and 13% for fire employees of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 25.115% for non-safety employees and 30.899% for police and fire employees, of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by PERS.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**Annual Pension Cost**

For 2012-13, the City's annual pension costs of \$46.5 million for the Safety Plan and \$42.9 million for the Miscellaneous Plan were equal to the City's required and actual contributions. The required contributions were determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial values of plan assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). The plans' unfunded actuarial accrued liability is amortized as a level percentage of projected payroll over a closed 20-year period.

Three-year trend information for the Safety and Miscellaneous Plans are as follows (in millions):

<b>Safety Plan</b>			
<b>Fiscal Year Ended June 30,</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2011	\$ 51.1	100%	\$ -
2012	46.8	100%	-
2013	46.5	100%	-

<b>Miscellaneous Plan</b>			
<b>Fiscal Year Ended June 30,</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2011	\$ 33.1	100%	\$ -
2012	42.2	100%	-
2013	42.9	100%	-

**Funded Status and Funding Progress for Retirement Plans**

**Safety Plan**

As of June 30, 2012, the most recent actuarial valuation date, the Public Safety plan was 77.3% funded. The actuarial accrued liability for benefits was \$1,398,098,675 and the actuarial value of Plan assets was \$1,080,138,724 resulting in an unfunded actuarial accrued liability (UAAL) of \$317,959,951. The annual covered payroll was \$118,924,175, and the ratio of the UAAL to the annual covered payroll was 267.4%.

A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan and the annual required contribution for the fiscal year ended June 30, 2013 are as follows:

<b>Description</b>	<b>Method/Assumption</b>	<b>Method/Assumption</b>
Valuation Date	June 30, 2012 <sup>1</sup>	June 30, 2010 <sup>2</sup>
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	29 years closed as of the Valuation Date	31 years closed as of the Valuation Date
Asset Valuation Method	15 Years Smoothed Market	15 Years Smoothed Market

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

Description	Method/Assumption	Method/Assumption
Actuarial Assumptions:		
Investment Rate of Return	7.50% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, service, and type of employment	3.55% to 13.15% depending on Age, service, and type of employment
Inflation	2.75%	3.00%
Payroll Growth	3.00%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

<sup>1</sup> The July 1, 2012 valuation was used to determine the funded status

<sup>2</sup> The July 1, 2010 valuation was used to determine the annual required contribution for fiscal year 2013

**Miscellaneous Plan**

As of June 30, 2012, the most recent actuarial valuation date, the Miscellaneous Plan was 79.6% funded. The actuarial accrued liability for benefits was \$2,080,205,749 and the actuarial value of plan assets was \$1,655,997,001, resulting in an unfunded actuarial accrued liability (UAAL) of \$424,208,748. The annual covered payroll was \$184,568,347, and the ratio of the UAAL to the annual covered payroll was 229.8%. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry in PERS. Subsequent plan amendments are amortized as a level of payroll over a closed 20-year period.

A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan and the annual required contribution for the fiscal year ended June 30, 2013 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	June 30, 2012 <sup>1</sup>	June 30, 2010 <sup>2</sup>
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	17 years closed as of the Valuation Date	18 years closed as of the Valuation Date
Asset Valuation Method	15 Years Smoothed Market	15 Years Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.50% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on age, service, and type of employment	3.55% to 14.45% depending on age, service, and type of employment
Inflation	2.75%	3.00%
Payroll Growth	3.00%	3.25%

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

<b>Description</b>	<b>Method/Assumption</b>	<b>Method/Assumption</b>
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

<sup>1</sup> The July 1, 2012 valuation was used to determine the funded status

<sup>2</sup> The July 1, 2010 valuation was used to determine the annual required contribution for fiscal year 2013

The schedules of funding progress for the Public Safety and Miscellaneous Plans are presented as RSI following the notes to the financial statements, and present multiyear trend information about whether the actuarial valuation of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**(16) POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

**Primary Government**

**Plan Description**

The City has three programs in place to partially pay health insurance premiums for certain classes of retirees from City employment. City retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. The retiree health benefits are described in the labor agreements between the City and Local Unions and in City resolutions. The demographic rates used for the California Public Employee Retirement System (PERS) were public safety employees retirements benefits under a 3% @ 50 formula and miscellaneous employees retirement benefits under a 2.7% @ 55 formula.

The City's a single employer defined benefit retiree health plan (Retiree Health Plan) allows eligible retirees and their dependents to receive employer-paid medical insurance benefits through PERS. The medical insurance reimbursement is not to exceed the Kaiser-HMO family plan rate. The Retiree Health Plan also includes dental and vision benefits and reimbursement of Medicare part B monthly insurance premium. The Retiree Health Plan does not issue a separate financial report.

**Funding Policy**

The City pays part of the health insurance premiums for all retirees from City employment receiving a pension annuity earned through City service and participating in a City-sponsored PERS health benefit plan on a pay-as-you-go basis. The City paid \$17,622,496 for retirees under this program for the year ended June 30, 2013.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual postemployment benefit cost and net OPEB obligation for the Retiree Health Plan as of and for the fiscal year ended June 30, 2013 were as follows (in thousands):

Annual Required Contribution (ARC)	\$	46,596
Interest on net OPEB obligation		7,463
Adjustment to ARC		(7,768)
Annual OPEB cost		46,291
Employer Contribution		(17,622)
Increase in net OPEB obligation		28,669
Net OPEB obligation, beginning of year		186,583
Net OPEB obligation, end of year	\$	<u>215,252</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed during the fiscal year, and the net OPEB obligation at the end of the year for the City's single employer Retiree Health Plan were as follows (in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage OPEB</u>	<u>Net OPEB</u>
<u>June 30,</u>		<u>Cost Contributed</u>	<u>Obligation</u>
2011	\$ 46,451	33.8%	\$ 156,978
2012	46,401	36.2%	186,583
2013	46,291	38.1%	215,252

**OPEB Funded Status and Funding Progress**

As summarized in the table below, as of July 1, 2012, the most recent actuarial valuation date, the City's Retiree Health Plan was zero percent funded on an actuarial basis for other postemployment benefits (OPEB). Changes to the UAAL for the OPEB Plan was primarily the result of the actuarial value of assets being zero. The City is on a pay-as-you-go funding with no money set aside for future liabilities. The specific funded status for the OPEB plan is summarized in the table below, as of July 1, 2012 (in thousands):

<u>Actuarial</u>	<u>Actuarial Accrued</u>	<u>Actuarial Value of</u>	<u>Unfunded AAL</u>	<u>Funded</u>	<u>Covered</u>	<u>UAAL as a</u>
<u>Valuation Date</u>	<u>Liability (AAL)</u>	<u>Assets</u>	<u>(UAAL)</u>	<u>Ratio</u>	<u>Payroll</u>	<u>Percentage of</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a-b)</u>	<u>(b/a)</u>	<u>(c)</u>	<u>((a-b)/c)</u>
7/1/2012	\$ 553,530	\$ -	\$ 553,530	0.0%	\$ 304,373	182%

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the Notes to the Basic Financial Statements, presents information about whether the actuarial value of plan assets increased or decreased in relation to the actuarial accrued liability for benefits. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Actuarial Methods and Assumptions for OPEB Plan**

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrual liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The more significant actuarial methods and assumptions used in the calculations of the annual OPEB cost and the annual required contribution for the fiscal year ended June 30, 2013 and the funded status as of July 1, 2012 are as follows:

<b>Description</b>	<b>Method/Assumption</b>
Valuation Date	July 1, 2012
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	30 years open as of the Valuation Date
Asset Valuation Method	5 Years Smoothed Market
Actuarial Assumptions:	
Discount Rate <sup>1</sup>	4.00%
Projected Salary Increases	2.5% per year growth
Inflation	3.00%
Demographic Rate	Retirement benefit at 3% 50 formula for Safety employees and at 2.7% @ 55 formula for Miscellaneous employees.
Health Care Cost Trends Rate	7.25% for fiscal year 2014, graded down to 5.00% for fiscal year 2025 and beyond. The trend rate is determined by the Plan sponsor based on historical data and anticipated experience under the Plan.

<sup>1</sup> The City does not pre-fund the ARC, and therefore the discount rate is based on the expected return on the City's general assets.

**Discretely Presented Component Unit – Port of Oakland**

**Plan Description**

The Port contributes to the California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit postemployment healthcare plan administered by PERS. The CERBT is an Internal Revenue Code (IRC) Section 115 Trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Postemployment Benefit (OPEB) costs.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

The Port's Retiree Health Plan allows eligible retirees and their dependents to receive employer paid medical insurance benefits through CalPERS, subject to certain limitations described below. The Port adopted resolutions which established a Health Benefit Vesting Requirement for employees hired on or after September 1, 2011 (on or after April 1, 2013 for members of SEIU and IBEW).

The Port shall pay a percentage of employer contributions for retiree medical coverage for a retiree and his or her eligible dependents based on the provisions of Section 22893 9 of the California Government Code. Under these rules, a retiree must have at least 10 years of credited service with a CalPERS agency, at least five of which are with the City/Port. Except as otherwise required by Section 22893(b) of the California Government Code (providing for 100% of employer contributions for a retiree who retired for disability or retired for service with 20 or more years of service credit), the Port will pay a percentage of employer contributions for the Retiree based upon the following:

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

The employer contribution will be adjusted by the Port each year but cannot be less than the amount required by California Government Code Sections 22893 plus administrative fees and contingency reserve fund assessments.

Employees hired on or after October 1, 2009 (before January 1, 2013 for members of the Services Employees International Union (SEIU) and International Brotherhood of Electrical Workers (IBEW) are eligible to receive dental and vision coverage through the Port's Retiree Health Plan.

**Funding Policy**

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

As of June 30, 2013, there were approximately 526 employees who had retired from the Port and were participating in the Port's Retiree Health Plan. During fiscal year ended June 30, 2013, the Port contributed \$4,200,000 to the CERBT and made payments of \$6,840,944 on behalf of eligible retirees to third parties outside of the CERBT fund.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

**Annual OPEB Cost and Net OPEB Obligation**

The Port's annual other postemployment benefit (OPEB) cost is equal to (a) the annual required contribution (ARC) plus (b) one year's interest on the beginning balance of the net OPEB obligation, and minus (c) an adjustment of the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over an open period of thirty years.

The following table shows the components of the Port's annual OPEB cost for the year, the amount contributed to the CERBT, and changes in the Port's net OPEB obligation to the Plan as of June 30, 2013 (in thousands):

Annual Required Contribution (ARC)	\$	10,783
Interest on net OPEB obligation		800
Adjustment to ARC		(599)
Annual OPEB cost		10,984
Employer Contribution		(11,041)
Increase in net OPEB obligation		(57)
Net OPEB obligation, beginning of year		10,510
Net OPEB obligation, end of year	\$	10,453

The Port's annual OPEB cost and net OPEB obligation are as follows (in thousands):

<b>Fiscal Year Ended</b>			<b>Percentage OPEB</b>	<b>Net OPEB</b>
<b>June 30,</b>	<b>Annual OPEB Cost</b>		<b>Cost Contributed</b>	<b>Obligation</b>
2011	\$ 11,193		99.4%	\$ 10,461
2012	10,983		99.6%	10,510
2013	10,984		100.5%	10,453

**Funded Status and Funding Progress**

The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over 30 years. The table below indicates the funded status of the Plan as of June 30, 2013, the most recent actuarial valuation date (in thousands):

<b>Actuarial</b>	<b>Actuarial Accrued</b>	<b>Actuarial Value of</b>	<b>Unfunded AAL</b>	<b>Funded</b>	<b>Covered</b>	<b>UAAL as a</b>
<b>Valuation Date</b>	<b>Liability (AAL)</b>	<b>Assets</b>	<b>(UAAL)</b>	<b>Ratio</b>	<b>Payroll</b>	<b>Percentage of</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a-b)</b>	<b>(b/a)</b>	<b>(c)</b>	<b>((a-b)/c)</b>
6/30/2013	\$ 136,616	\$ 30,715.0	\$ 105,901	22.5%	\$ 47,823	221%

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial cost method used for determining the benefit obligations of the Port is the Projected Unit Credit Cost Method. Under the principles of this method, the actuarial present value of the projected benefits is the value of benefits expected to be paid for active and retired employees. The AAL is the present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement. In the most recent valuation of the Port’s plan, as of June 30, 2013, the Port’s UAAL was amortized over a “closed” period of 30 years.

Actuarial assumptions used for the valuation of the Port’s plan include a discount rate, which is based on the CERBT expected rate of return for the plan assets, and annual health care cost trends, which is based on the “Getzen” model published by the Society of Actuaries. The demographic assumptions regarding turnover and retirement are based on statistics from reports for CalPERS under a “2.7% @ 55” benefit schedule. The June 30, 2013 valuation used a discount rate of 7.00% and annual healthcare costs were assumed to increase at rates ranging from 2.75% to 7.25%.

The schedule presented as Required Supplementary Information following the notes to basic the financial statements, presents multiyear trend information. The Schedule of Funding Progress – Port of Oakland Postemployment Benefits presents information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**(17) COMMITMENTS AND CONTINGENT LIABILITIES**

**Construction Commitments**

The City has committed to funding in the amount of \$155,736 million to a number of capital improvement projects for fiscal year 2014 through fiscal year 2015. As of June 30, 2013, the City had construction commitments for the acquisition and construction of assets as follows (in thousands):

Building, facilities and infrastructure	\$ 9,077
Parks and open space	30,746
Sewers and storm drains	33,218
Streets and sidewalks	63,607
Technology enhancements	538
Traffic improvements	18,550
Total	<u>\$ 155,736</u>

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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**Other Commitments and Contingencies**

***Long-Range Property Management Plan (“LRPMP”)***

Under ABx1 26, adopted on June 28, 2011, as amended by AB 1484 adopted on June 27, 2012, all new redevelopment activities were suspended, with limited exceptions, and redevelopment agencies were dissolved on February 1, 2012, and replaced with successor agencies. Under this legislation, the Oakland Oversight Board, the California Department of Finance (“DOF”) and the California State Controller’s Office have varying degrees of responsibility and oversight over the dissolution process and successor agency activities. Health and Safety Code section 34179.7 provides that DOF will issue a finding of completion to a successor agency that makes required payments of available cash assets for distribution to taxing entities. On May 29, 2013, the Oakland Redevelopment Successor Agency (“ORSA”), after making its required payments, received its Finding of Completion from DOF.

Health and Safety Code Section 34191.5(b) requires a successor agency to prepare and submit for approval LRPMP within six months of receiving a finding of completion. On July 2, 2013, ORSA approved Resolution No. 2013-0022 approving a LRPMP addressing the disposition and use of former Redevelopment Agency properties and authorizing the disposition of properties pursuant to the Plan. The Plan has been approved by the Oakland Oversight Board and has been submitted to DOF for review. DOF has yet to approve the Plan and the ultimate outcome cannot presently be determined and, accordingly, no provision for any liability that may result has been recorded in the financial statements.

***Wood Street Affordable Housing Project Environmental Remediation***

The Wood Street Affordable Housing Project analytical results show concentrations of arsenic, lead, total petroleum hydrocarbons as diesel and polycyclic aromatic hydrocarbons in site soils and or ground water sample. As of June 30, 2013, environmental remediation clean up activities has not been completed yet. The Agency has set-aside \$300 thousand in escrow to cover the remaining environmental obligations.

***Oakland Army Base Environmental Remediation***

Land held for the Oakland Army Base project may be subject to environmental remediation as required by the Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, the former redevelopment agency and the Port are responsible for the first \$13.0 million of environmental remediation costs; including environmental remediation insurance. The former Agency has received a federal grant of \$13 million to pay for the above-mentioned environmental remediation costs including a \$3.5 million insurance premium. As of June 30, 2011 the former Agency has spent approximately \$13.0 million on this project. \$10.9 million has been reimbursed by the U.S. Department of the Army (Army). The City is working with the Army on the remaining balance of \$2.1 million.

The next \$11.0 million of environmental remediation costs are to be shared equally by the City and the Port. As of June 30, 2013, the City has recorded its remaining share of \$2.9 million in estimated environmental cost under long-term liabilities. The next \$9.0 million will be paid from insurance proceeds from the environmental remediation policy. If subsequent environmental remediation is required after the initially-required remediation is complete, then the environmental site liability policy will cover up to \$30 million in additional environmental remediation-related costs. The City and the Port have agreed to share equally in any environmental remediation-related costs above \$21 million that are not covered by insurance.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

As part of the City and Agency properties purchase and sale agreement of March 3, 2011, the Oakland Army Base operations and remediation liabilities have been transferred to the City. In August 2013, the State Controller’s Office, pursuant to Health and Safety Code section 34167.5 asset transfer review deemed the Oakland Army Base properties allowable and recommended for the City to the Oakland Army Base and its assets. The City management believes that none of the estimated environmental remediation costs will cause the recorded amounts of any properties held for resale to exceed their estimated net realizable values.

***Discretely Presented Component Unit – Port of Oakland***

As of June 30, 2013, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

Aviation	\$	64,657
Maritime		66,080
Commercial real estate		1,418
Total	<u>\$</u>	<u>132,155</u>

The most significant projects for which the Port has contractual commitments for construction are: Runway Safety Area of \$36.5 million, Airport Terminal Renovation projects of \$13.4 million, Maritime OHIT Rail yard project of \$48.5 million and Shore Power of \$12.1 million.

***Power Purchases***

The Port purchases electrical power for resale and self-consumption at the Airport, and at Port Maritime facilities located at the former Navy Fleet and Industrial Supply Center Oakland and the former Oakland Army Base. After power requirements are forecasted, the Port enters into power purchase agreements and make forward contract commitments.

The Port currently has three power purchase agreements with East Bay Municipal Utility (EBMUD), the Western Area Power Administration (“WAPA”) and SunEdison, LLC (“SunEdison”) with expiration dates greater than four years.

<b>Counterparty</b>	<b>Contract Ending Year</b>	<b>Contract Structure</b>	<b>Estimated Output</b>	<b>Estimated Annual Cost</b>
EBMUD	2017	Take and Pay - (Pay contract price only if energy is received)	8,000 MWH	Approx. \$584,000 with no annual escalator
WAPA	2024	Take or Pay - (Pay contract price without regard to energy received)	17,000 MWH	Approx. \$800,000 (Changes annually depending on revenue requirement for power generation projects)

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

<u>Counterparty</u>	<u>Contract Ending Year</u>	<u>Contract Structure</u>	<u>Estimated Output</u>	<u>Estimated Annual Cost</u>
SunEdison	2027	Take or Pay - (Pay contract price only if energy received)	1,200 MWH	Approx. \$200,000 with annual escalator

In addition to the aforementioned power purchase agreements, the Port had outstanding, as of June 30, 2013, approximately \$2.5 million of power purchases contracts with Powerex Corporation and Shell Energy North America with expiration dates of 18 months or less.

***Environmental***

The entitlements for the Airport Development Program (ADP) subject the Port to obligations arising from the adopted ADP Mitigation Monitoring and Reporting Program required under: the California Environmental Quality Act; permits issued by numerous regulatory agencies including the Regional Water Quality Control Board and the Bay Conservation and Development Commission; and settlement agreements. The majority of these obligations have been met, and monitoring and reporting are ongoing.

A summary of the Port's environmental liability accounts, net of the estimated recoveries, included in long-term obligations on the statement of net position at June 30, 2013, is as follows (in thousands):

<u>Obligating Event</u>	<u>Liability</u>	<u>Estimated Recovery</u>
Pollution poses an imminent danger to the public or environment	\$ 392	\$ -
Identified as responsible to clean up pollution	13,508	857
Named in a lawsuit to compel to clean up	31	-
Begins or legally obligates to clean up or post-clean up activities	3,743	60
Total by Obligating Event	<u>\$ 17,674</u>	<u>\$ 917</u>

The environmental liability accounts in the summary tables are listed by the initial obligating event. Due to new information, the obligating event may change from the initial obligating event. Obligating events include without limitations: 1) the Port is named, or evidence indicates that it will be named, by a regulator such as the Department of Toxic Substances Control or the Regional Water Quality Control Board, as a responsible party or potentially responsible party for remediation; and 2) the Port has commenced, or has legally obligated itself to commence, clean-up activities or monitoring or operation and maintenance of the remediation effort (e.g., by undertaking a soil and groundwater pre-development investigation).

**Methods and Assumptions**

The Port measured the environmental liabilities for pollution remediation sites on Port-owned property using the Expected Cash Flow technique. The measurements are based on the current value of the outlays expected to be incurred. The cash flow scenarios include each component which can be reasonably estimated for outlays such as testing, monitoring, legal services and indirect outlays for Port labor instead of ranges of all components. Reasonable estimates of ranges of possible cash flows are limited from a single scenario to a few scenarios. Data used to develop the cash flow scenarios is obtained from outside consultants, Port staff, and the Port's outside legal counsel.

Changes to estimates will be made when new information becomes available. Estimates for the pollution

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

remediation sites will be developed when the following benchmarks or changes in estimated outlays occur:

- Receipt of an administrative order.
- Participation, as a responsible party or a potentially responsible party, in the site assessment or investigation.
- Completion of a corrective measures feasibility study.
- Issuance of an authorization to proceed.
- Remediation design and implementation, through and including operation and maintenance and postremediation monitoring.
- Change in the remediation plan or operating conditions, including but not limited to type of equipment, facilities and services that will be used and price increases.
- Changes in technology.
- Changes in legal or regulatory requirements.

***Recoveries***

Estimated future recoveries that are listed on the prior page have been netted against the environmental and other liability accounts. In calculating the estimated future recoveries, Port staff and outside legal counsel reviewed and applied the requirements of GASB Statement No. 49 for accounting for recoveries. For example, if a Port tenant has a contract obligation to reimburse the Port for certain pollution remediation costs, or if an insurance carrier has paid money on a certain claim and the Port is pursuing additional costs from the insurance carrier associated with the claim, then a recovery was estimated. If an insurance carrier has not yet acknowledged coverage, then a recovery was not estimated.

**(18) DEFICIT FUND BALANCES/NET POSITION AND EXPENDITURES OVER BUDGET**

As of June 30, 2013, the following funds reported deficits in fund balance/net position (in thousands):

Special Revenue:	
Federal/State Grant Fund.....	\$ (3,703)
Internal Service Funds:	
Facilities.....	\$ (20,555)
Reproduction.....	(1,267)
Central Stores.....	(3,922)
Purchasing.....	(302)

The Federal/State Grant Fund will be cleared by grant reimbursement submitted to granting agencies, but revenue has not been received within the City's availability period. The City's facilities, reproduction, central stores, and purchasing fund deficits are expected to be funded through increased user charges in future years. During the 2011-13 Budget, the City revised the repayment plan for the internal service funds to eliminate the funds net position deficit by 2019. In addition, the City adopted a financial policy that requires half of one-time revenues to be used to eliminate negative internal service fund balances and half be used to pay off other negative funds balances.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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As of June 30, 2013, the following funds reported expenditures in excess of budgets (in thousands):

Debt Service Fund:	
JPFA Fund.....	\$ (466)

The excess of expenditures over budget in the JPFA Fund is primarily attributed to administrative and commission costs associated with property tax collection and levy.

**(19) SUBSEQUENT EVENTS**

**Tax and Revenue Anticipation Notes**

On July 2, 2013, the City issued the 2013-14 Tax and Revenue Anticipation Notes (the “Notes”) in the principal amount of \$78,230,000 with a final maturity of June 30, 2014. The Notes were successfully sold on a competitive basis and were priced with an interest rate of 1.25% to yield 0.18% at maturity. The Notes were issued to finance General Fund expenditures, including but not limited to, current expenses, capital expenditures, and the discharge of other obligations of the City.

**Master Lease – IBM Credit, LLC and Oracle Capital Corporation**

On September 4, 2013, the City of Oakland issued a lease transaction with IBM Credit, LLC (the “IBM”) and Oracle Capital Corporation (the “Oracle”) for a combined total amount of \$10,683,408 for the purpose of financing mandatory licenses, operating and maintenance fees, system upgrades and enhancements of critical services of hardware and software used by employees on a day to day basis. The financing was done on a tax-exempt basis with a final maturity of May 1, 2019; the interest rate on the Oracle and IBM lease transaction was 0.00% and 2.86% respectively.

**Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2013**

On September 18, 2013, the City issued the Oakland Redevelopment Successor Agency Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013 (the “Series 2013 TABs”) in the principal amount of \$102,960,000. The proceeds were used to refund the Redevelopment Agency of Oakland’s Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2003 and its Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2005. The issuance of the Series 2013 TABs produced approximately \$ 10,139,431 in debt service savings.

The Series 2013 TABs were issued with interest rates ranging from 3.00% to 5.00% which yielded a rate of 0.63% to 3.66% with a final maturity on September 1, 2022.

***DOF Approval of Bond Spending Plan***

Upon receiving the Finding of Completion from the DOF on May 29, 2013, the ORSA developed a Bond Spending Plan and drafted a Bond Expenditure Agreement for the use of unspent pre-2011 bond proceeds. Pursuant to H&S Code section 34179 (h), the DOF reviewed the Oversight Bond action on the Bond Spending Plan and approved the Bond Spending Plan on November 6, 2013. The Bond Spending Plan allows ORSA to utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. As required by H&S Code section 34191.4(c) (2) (A), ORSA has included excess bond proceeds in the total amount of \$59.9 million on the ROPS for January through June 2014, which has been approved by the DOF.

**CITY OF OAKLAND**  
**Notes to the Basic Financial Statements (continued)**  
**Year Ended June 30, 2013**

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**City of Oakland v. Oakland Police and Fire Retirement System, et al., Alameda County Superior Court case number RG 11580626**

This lawsuit was initiated by the City in June 2011, and seeks a writ of mandate and declaratory relief against PFRS, regarding PFRS's alleged overpayment of various retirement benefits to PFRS members. The City claims such overpayment amount to approximately \$3,833,000 annually from 2008 to 2012, and generally seeks to have PFRS collect those overpayments from retirees. The Retired Oakland Police Officer's Association ("ROPOA") and individual retirees (Intervenors) intervened in the case on the side of PFRS.

The trial court ruled in favor of the City on September 7, 2012 and entered a judgment accordingly. The trial court's judgment is currently before the First District Court of Appeal. Although PFRS and Intervenors appealed, PFRS subsequently dismissed its appeal, so the only remaining parties to the appeal are the City and Intervenors. The matter is fully briefed as of August 1, 2013 and the City and Intervenors are waiting oral argument. A decision by the Court of Appeal is anticipated sometime in 2014.

**Port of Oakland v. SSA Terminals, LLC and SSA Terminals (Oakland), LLC (Collectively, SSAT) Litigation Settlement.**

On July 18, 2013 the Oakland Board of Port Commissioners approved a litigation settlement agreement with one of the Port's major long-term seaport tenants, SSA Terminals, LLC and SSA Terminals (Oakland), LLC (collectively, SSAT). The settlement involves four of the Port's seven marine terminals, and will create a 350-acre mega-terminal at the Port's middle harbor. Under the settlement, SSAT will lease two terminals through 2022 at current rates and conditions, and assume the lease on a third terminal through 2016, with one option to extend to 2022. Additionally, the Port agreed to terminate SSAT's current lease at a fourth terminal effective September 30, 2013.

The settlement involves short-term revenue loss in exchange for longer term revenue growth and stability. Prior to this agreement, the Port was facing the expiration of all four terminal leases in fiscal year 2016-17.

# **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF OAKLAND**  
**Required Supplementary Information (unaudited)**  
**Year Ended June 30, 2013**

**PERS ACTUARIAL VALUATIONS**  
**SCHEDULES OF FUNDING PROGRESS**

The schedules of funding progress below show the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to covered payroll. The required contributions were determined as part of the actuarial valuation using the entry age normal actuarial cost method.

**Public Safety Retirement Plan (Police and Fire)**

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded)		Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
			AAL (UAAL) (a-b)	Funded Ratio (b)/(a)		
6/30/2010	\$ 1,262,845,446	\$ 951,508,815	\$ 311,336,631	75.3%	\$ 145,619,032	213.8%
6/30/2011	1,357,816,142	1,023,866,075	333,950,067	75.4%	130,530,316	255.8%
6/30/2012	1,398,098,675	1,080,138,724	317,959,951	77.3%	118,924,175	267.4%

**Miscellaneous Retirement Plan**

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded)		Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
			AAL (UAAL) (a-b)	Funded Ratio (b)/(a)		
6/30/2010	\$ 1,914,725,522	\$ 1,565,521,601	\$ 349,203,921	81.8%	\$ 195,788,222	178.4%
6/30/2011	2,025,140,791	1,615,939,765	409,201,026	79.8%	194,123,413	210.8%
6/30/2012	2,080,205,749	1,655,997,001	424,208,748	79.6%	184,568,347	229.8%

**City Other Postemployment Benefits (OPEB)**

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded)		Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
			AAL (UAAL) (a-b)	Funded Ratio (b)/(a)		
7/1/2008	\$ 591,575,250	\$ -	\$ 591,575,250	0.0%	\$ 304,875,561	194.0%
7/1/2010	520,882,498	-	520,882,498	0.0%	310,154,816	167.9%
7/1/2012	553,530,074	-	553,530,074	0.0%	304,373,447	181.9%

**Port of Oakland PostEmployment Benefits (OPEB)**

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded)		Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
			AAL (UAAL) (a-b)	Funded Ratio (b)/(a)		
1/1/2011	\$ 131,327,000	\$ 13,373,000.00	\$ 117,954,000	10.2%	\$ 45,248,000	261%
6/30/2011	128,906,000	19,145,000.00	109,761,000	14.9%	44,627,000	246%
6/30/2013	136,616,000	30,715,000.00	105,901,000	22.5%	47,823,000	221%

**CITY OF OAKLAND**  
**Required Supplementary Information (unaudited)**  
**Year Ended June 30, 2013**

**PFRS AND OMERS ACTUARIAL VALUATIONS**  
**SCHEDULES OF FUNDING PROGRESS**

**Oakland Police and Fire Retirement System - Pension**

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a
			(Overfunded) AAL (UAAL) (a-b)			percent of Covered Payroll ((a-b) / c)
7/1/2010	\$ 792,200,000	\$ 297,800,000	\$ 494,400,000	37.6%	\$ 100,000	494400%
7/1/2011	683,200,000	256,400,000	426,800,000	37.5%	100,000	426800%
7/1/2012 <sup>1</sup>	658,300,000	257,200,000	401,100,000	39.1%	100,000	401100%

<sup>1</sup> Actuarial valuation does not include the City's pension contribution of \$210 million of Pension Obligation Bond proceeds on July 30, 2012.

**Oakland Municipal Employees' Retirement System - Pension**

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a
			(Overfunded) AAL (UAAL) (a-b)			percent of Covered Payroll ((a-b) / c)
7/1/2009 <sup>1</sup>	\$ 5,499,000	\$ 4,981,000	\$ 518,000	90.6%	\$ -	N/A
7/1/2010 <sup>1</sup>	5,471,000	4,728,000	743,000	86.4%	-	N/A
7/1/2012 <sup>2</sup>	3,630,000	4,448,000	(818,000)	122.5%	-	N/A

<sup>1</sup> The decline in the funded ratio was primarily due to explicit recognition of future administrative expenses in the Plan's actuarial accrued liability, investment performance in FY 2008-09, and strengthening of the interest and mortality assumptions. The entry age normal cost method was used for disclosure and annual required contribution rates with the July 1, 2009 valuation.

<sup>2</sup> There is no employer contribution requirement for this plan in FY 2014.

**CITY OF OAKLAND**  
**Budgetary Comparison Schedule - General Fund (unaudited)**  
**For the Year Ended June 30, 2013**  
*(In Thousands)*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 186,529	\$ 211,804	\$ 214,495	\$ 2,691
Sales and use tax	41,036	48,818	48,818	-
Local taxes:				
Business license	51,800	60,754	60,371	(383)
Utility consumption	50,500	50,752	50,752	-
Real estate transfer	28,490	47,297	47,406	109
Transient occupancy	10,925	12,455	12,454	(1)
Parking	8,104	7,946	7,947	1
Franchise	15,105	15,606	15,829	223
Licenses and permits	935	1,382	1,373	(9)
Fines and penalties	26,137	21,875	22,971	1,096
Interest and investment income	775	335	54	(281)
Charges for services	58,073	71,488	69,442	(2,046)
Federal and state grants and subventions	1,281	1,431	1,391	(40)
Annuity income	9,624	9,624	-	(9,624)
Other	11,425	8,106	6,329	(1,777)
<b>TOTAL REVENUES</b>	<u>500,739</u>	<u>569,673</u>	<u>559,632</u>	<u>(10,041)</u>
<b>EXPENDITURES</b>				
Current:				
Elected and Appointed Officials:				
Mayor	1,467	1,672	1,696	(24)
Council	3,419	3,743	3,509	234
City Administrator	35,601	36,817	36,325	492
City Attorney	10,182	17,168	9,712	7,456
City Auditor	901	1,399	1,369	30
City Clerk	2,109	2,538	2,069	469
Administrative Service Department:				
Human Resource Management	4,923	5,502	5,107	395
Information Technology	7,067	10,119	7,130	2,989
Financial Services	7,826	9,315	9,079	236
Public Safety Department:				
Police Serv	177,064	190,422	186,971	3,451
Fire Services	97,655	96,219	94,904	1,315
Community Service Department:				
Parks and Recreation	16,463	17,320	16,690	630
Aging & Health and Human Services	4,913	5,609	4,945	664
Cultural and community services	236	236	306	(70)
Library	9,060	9,066	8,957	109
Planning, Building & Neighborhood Preservation	32	33	76	(43)
Housing & Community Development	1,699	1,786	1,581	205
Public Works	31,072	33,322	29,564	3,758
Other	8,872	1,789	8,011	(6,222)
Capital outlay	502	38,928	38,362	566
Debt service:				
Principal repayment	2,586	2,074	2,047	27
Bond issuance costs	-	-	225	(225)
Interest charges	446	474	500	(26)
<b>TOTAL EXPENDITURES</b>	<u>424,095</u>	<u>485,551</u>	<u>469,135</u>	<u>16,416</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	76,644	84,122	90,497	6,375
<b>OTHER FINANCING SOURCES (USES)</b>				
Property sale proceeds	67	67	67	-
Insurance claims and settlements	3	2,383	3,726	1,343
Transfers in	51,619	30,341	3,293	(27,048)
Transfers out	(123,821)	(131,410)	(106,960)	24,450
<b>TOTAL OTHER FINANCING USES, NET</b>	<u>(72,132)</u>	<u>(98,619)</u>	<u>(99,874)</u>	<u>(1,255)</u>
Extraordinary Item:				
State Controller's asset transfer review	-	-	(1,313)	(1,313)
<b>NET CHANGE IN FUND BALANCE</b>	4,512	(14,497)	(10,690)	3,807
Fund balances - beginning	260,089	260,089	260,089	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 264,601</u>	<u>\$ 245,592</u>	<u>\$ 249,399</u>	<u>\$ 3,807</u>

The notes to the required supplementary information are an integral part of this schedule.

**CITY OF OAKLAND**  
**Notes to Required Supplementary Information (unaudited) (continued)**  
**June 30, 2013**

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**(1) BUDGETARY DATA**

In accordance with the provisions of the City Charter, the City prepares and adopts a budget on or before June 30 for each fiscal year. The City Charter prohibits expending funds for which there is no legal appropriation. Therefore, the City is required to adopt budgets for all City funds.

Prior to July 1, the original adopted budget is finalized through the passage of a resolution by the City Council. The level of legal budgetary control by the City Council is established at the fund level. For management purposes, the budget is controlled at the departmental level of expenditure within funds.

In June 2011, the City Council approved the City's two-year budget for fiscal years 2012 and 2013. Although appropriations are adopted for a 24-month period, they are divided into two one-year spending plans. Agencies/departments ending the first year with budgetary non-project surplus, according to Council policy, will be allowed to carry-forward 1/3 for their operating budget, 1/3 for their capital spending, and 1/3 for reverting to the General Fund balance.

The final budgetary data presented in the required supplementary information reflects approved changes to the original 2012-13 budget. Certain projects are appropriated on a multiyear rather than annual basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations are carried forward to the following year with the approval of the City Administrator.

Transfers of appropriations between funds and supplemental appropriations financed by unanticipated revenues must be approved by the City Council.

Transfers of appropriations between projects within the same fund must be approved by the City Administrator. Final budget amounts reported in the required supplementary information reflect both the appropriation changes approved by the City Council and the transfers approved by the City Administrator.

**Budgetary Basis of Accounting**

The City adopts budgets each fiscal year on a basis of accounting which is substantially the same as GAAP except for certain investment earnings.

Certain funds of the City contain capital projects, grant projects, loan programs or other programs that are budgeted on a multiyear basis. The amounts of the projects and programs budgeted on a multiyear basis are significant compared to the items budgeted on an annual basis; therefore, a comparison of budget to actual for the fund would not be meaningful. As a result, such funds that are excluded from budgetary reporting are:

**Major Funds**

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

While the City adopts budgets for all funds, the budget to actual comparisons for proprietary and fiduciary funds are not presented because some projects and programs are adopted on a multiyear basis.

# CITY OF OAKLAND

## Notes to Required Supplementary Information (unaudited) (continued) June 30, 2013

### (2) RECONCILIATION OF OPERATIONS ON MODIFIED ACCRUAL BASIS TO BUDGETARY BASIS

The governmental fund financial statements have been prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The “Budgetary Comparison Schedule – General Fund” has been prepared on a budgetary basis, which is different from GAAP.

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP. The results of operations are presented in the budget to actual comparison schedule in accordance with the budgetary process (Budgetary Basis) to provide a meaningful comparison with the budget.

The main difference between Budgetary Basis “actual” and GAAP basis is a timing difference:

In October 2001, the City entered into a debt service deposit agreement with a third party whereby the City received approximately \$9.6 million in exchange for forgoing its right to receive investment earnings on the amounts deposited with the trustee in advance of the date that the related debt was due to the bondholders. The compensation to the City was recorded as revenue in fiscal year 2002 when received on a budgetary basis. On a GAAP basis, the revenue was deferred and is being recognized over the 21-year life of the agreement. Amortization for the year ended June 30, 2013, was \$403,630.

The following schedule is a reconciliation of the GAAP and budgetary results of operations (in thousands):

	<u>General Fund</u>
Net change in fund balance - GAAP basis	\$ (10,286)
Amortization of debt service deposit agreement	(404)
Net change in fund balance - Budgetary basis	<u>\$ (10,690)</u>

The General Fund’s fund balance on a GAAP Basis is reconciled to a Budgetary Basis as of June 30, 2013, which is as follows (in thousands):

	<u>General Fund</u>
Fund balance as of June 30, 2013 - GAAP basis	\$ 245,643
Unamortized debt service deposit agreement	3,756
Fund balance as of June 30, 2013 - Budgetary basis	<u>\$ 249,399</u>

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# **COMBINING NONMAJOR GOVERNMENTAL FUNDS**

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

	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Total Nonmajor Governmental Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 57,251	\$ 16,840	\$ 74,091
Receivables, net:			
Accrued interest and dividends	48	16	64
Property taxes	6,861	1,160	8,021
Accounts receivable	8,208	-	8,208
Grants receivable	2,319	-	2,319
Notes and loans receivable, net	32,858	-	32,858
Restricted cash and investments	16,188	74,659	90,847
Other Assets	16	-	16
<b>TOTAL ASSETS</b>	<b>\$ 123,749</b>	<b>\$ 92,675</b>	<b>\$ 216,424</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 8,328	\$ 47	\$ 8,375
Due to other funds	1,086	-	1,086
Due to other governments	24	-	24
Other	5,087	-	5,087
<b>TOTAL LIABILITIES</b>	<b>14,525</b>	<b>47</b>	<b>14,572</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property tax	5,469	547	6,016
Unavailable revenue - notes and loans	32,858	-	32,858
Unavailable revenue - grants	2,151	-	2,151
<b>TOTAL DEFERRED INFLOWS</b>	<b>40,478</b>	<b>547</b>	<b>41,025</b>
<b>FUND BALANCES</b>			
Restricted	44,973	92,081	137,054
Committed	16,075	-	16,075
Assigned	10,213	-	10,213
Unassigned	(2,515)	-	(2,515)
<b>TOTAL FUND BALANCES</b>	<b>68,746</b>	<b>92,081</b>	<b>160,827</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 123,749</b>	<b>\$ 92,675</b>	<b>\$ 216,424</b>

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

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Total
<b>REVENUES</b>			
Taxes:			
Property	\$ 14,723	\$ 25,270	\$ 39,993
Sales and use	11,676	-	11,676
Gas	10,004	-	10,004
Transient occupancy	3,377	-	3,377
Parking	7,618	-	7,618
Voter approved special tax	38,247	-	38,247
Licenses and permits	11,958	-	11,958
Fines and penalties	3,458	72	3,530
Interest and investment income	313	4,000	4,313
Charges for services	14,906	-	14,906
Federal and state grants and subventions	3,035	-	3,035
Other	3,332	846	4,178
<b>TOTAL REVENUES</b>	<u>122,647</u>	<u>30,188</u>	<u>152,835</u>
<b>EXPENDITURES</b>			
Current:			
Elected and Appointed Officials:			
Mayor	134	-	134
City Administrator	1,900	-	1,900
City Attorney	1,138	-	1,138
Departments:			
Administrative Service Department:			
Information Technology	606	-	606
Financial Services	509	56	565
Public Safety:			
Police Services	13,058	-	13,058
Fire Services	9,852	-	9,852
Community Service Department:			
Parks and Recreation	4,466	-	4,466
Aging & Health and Human Services	18,252	-	18,252
Cultural and community services	125	-	125
Library	13,543	-	13,543
Planning, Building & Neighborhood Preservation	22,070	-	22,070
Public Works	32,744	-	32,744
Housing & Community Development	1,275	-	1,275
Other	3,224	742	3,966
Capital outlay	5,757	-	5,757
Debt service:			
Principal repayment	-	33,916	33,916
Bond issuance cost	150	213	363
Payment to refund bond escrow agent	-	1,217	1,217
Interest charges	-	24,770	24,770
<b>TOTAL EXPENDITURES</b>	<u>128,803</u>	<u>60,914</u>	<u>189,717</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(6,156)</u>	<u>(30,726)</u>	<u>(36,882)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of refunding bonds	-	3,545	3,545
Premiums (discount) on issuance of bonds	-	41	41
Payment to refund bond escrow agent	-	(3,018)	(3,018)
Capital leases	16,150	-	16,150
Transfers in	11,105	23,178	34,283
Transfers out	(1,148)	(9,365)	(10,513)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>26,107</u>	<u>14,381</u>	<u>40,488</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>19,951</u>	<u>(16,345)</u>	<u>3,606</u>
Fund balances - beginning	48,795	108,426	157,221
<b>FUND BALANCES - ENDING</b>	<u>\$ 68,746</u>	<u>\$ 92,081</u>	<u>\$ 160,827</u>

# NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

**Other Special Revenue Funds** account for other restricted monies that are classified as Special Revenue Funds.

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

**CITY OF OAKLAND**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds-Special Revenue Funds**  
**June 30, 2013**  
*(In Thousands)*

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessment District	Assessment Districts	Other Special Revenue	Parks, Recreation, and Cultural	Total
<b>ASSETS</b>							
Cash and Investments	\$ 12,934	\$ 9,255	\$ -	\$ 3,248	\$ 27,669	\$ 4,145	\$ 57,251
Receivable, net:							
Accrued interest and dividends	11	8	-	3	23	3	48
Property taxes	-	-	2,599	147	3,821	294	6,861
Accounts receivable	3,892	191	776	125	3,224	-	8,208
Grants receivable	355	-	-	-	1,964	-	2,319
Notes and loans receivable, net	-	-	-	-	32,858	-	32,858
Restricted cash and investments	-	-	16,008	-	-	180	16,188
Other Assets	16	-	-	-	-	-	16
<b>TOTAL ASSETS</b>	<b>\$ 17,208</b>	<b>\$ 9,454</b>	<b>\$ 19,383</b>	<b>\$ 3,523</b>	<b>\$ 69,559</b>	<b>\$ 4,622</b>	<b>\$ 123,749</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ 635	\$ 204	\$ 2,559	\$ 135	\$ 4,774	\$ 21	\$ 8,328
Due to other funds	-	-	1,086	-	-	-	1,086
Due to other governments	-	-	-	-	24	-	24
Other	-	-	-	-	4,060	1,027	5,087
<b>TOTAL LIABILITIES</b>	<b>635</b>	<b>204</b>	<b>3,645</b>	<b>135</b>	<b>8,858</b>	<b>1,048</b>	<b>14,525</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - property tax	-	-	2,245	124	3,100	-	5,469
Unavailable revenue - notes and loans	-	-	-	-	32,858	-	32,858
Unavailable revenue - grants	301	-	-	1	1,617	232	2,151
<b>TOTAL DEFERRED INFLOWS</b>	<b>301</b>	<b>-</b>	<b>2,245</b>	<b>125</b>	<b>37,575</b>	<b>232</b>	<b>40,478</b>
<b>FUND BALANCES</b>							
Restricted	16,272	9,250	16,008	3,263	-	180	44,973
Committed	-	-	-	-	13,915	2,160	16,075
Assigned	-	-	-	-	9,211	1,002	10,213
Unassigned	-	-	(2,515)	-	-	-	(2,515)
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>16,272</b>	<b>9,250</b>	<b>13,493</b>	<b>3,263</b>	<b>23,126</b>	<b>3,342</b>	<b>68,746</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 17,208</b>	<b>\$ 9,454</b>	<b>\$ 19,383</b>	<b>\$ 3,523</b>	<b>\$ 69,559</b>	<b>\$ 4,622</b>	<b>\$ 123,749</b>

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

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessment District	Assessment Districts	Other Special Revenue	Parks, Recreation, and Cultural	Total
<b>REVENUES</b>							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ -	\$ 14,723	\$ -	\$ 14,723
Sales and use	11,676	-	-	-	-	-	11,676
Gas	-	10,004	-	-	-	-	10,004
Transient occupancy	-	-	-	-	3,377	-	3,377
Parking	-	-	-	-	7,618	-	7,618
Voter approved special tax	-	-	19,293	1,796	17,158	-	38,247
Licenses and permits	-	-	21	-	11,937	-	11,958
Fines and penalties	2,568	-	-	-	890	-	3,458
Interest and investment income	-	-	6	-	307	-	313
Charges for services	170	-	198	-	14,538	-	14,906
Federal and state grants and subventions	247	138	-	-	2,532	118	3,035
Other	2,126	-	218	102	765	121	3,332
<b>TOTAL REVENUES</b>	<b>16,787</b>	<b>10,142</b>	<b>19,736</b>	<b>1,898</b>	<b>73,845</b>	<b>239</b>	<b>122,647</b>
<b>EXPENDITURES</b>							
Current:							
Elected and Appointed Officials:							
Mayor	-	-	-	-	38	96	134
City Administrator	2	-	50	3	1,845	-	1,900
City Attorney	30	110	-	-	998	-	1,138
Departments:							
Administrative Service Department:							
Information Technology	-	-	-	-	606	-	606
Financial Services	-	-	155	2	352	-	509
Public Safety:							
Police Services	2,006	-	-	-	11,052	-	13,058
Fire Services	-	-	-	1,784	8,068	-	9,852
Community Service Department:							
Parks and Recreation	-	-	4,065	-	401	-	4,466
Aging & Health and Human Services	1,218	-	-	-	17,034	-	18,252
Cultural and community services	-	-	-	-	125	-	125
Library	-	-	-	-	13,310	233	13,543
Planning, Building & Neighborhood Preservation	-	-	-	-	22,070	-	22,070
Public Works	7,003	8,268	16,407	9	1,050	7	32,744
Housing & Community Development	-	-	-	-	1,275	-	1,275
Other	-	11	1	-	3,212	-	3,224
Capital outlay	3,376	1,000	-	-	1,017	364	5,757
Debt Service:							
Bond issuance cost	-	-	150	-	-	-	150
<b>TOTAL EXPENDITURES</b>	<b>13,635</b>	<b>9,389</b>	<b>20,828</b>	<b>1,798</b>	<b>82,453</b>	<b>700</b>	<b>128,803</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,152</b>	<b>753</b>	<b>(1,092)</b>	<b>100</b>	<b>(8,608)</b>	<b>(461)</b>	<b>(6,156)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from issuance of debt	-	-	16,150	-	-	-	16,150
Transfers in	-	-	-	151	10,954	-	11,105
Transfers out	-	-	(149)	-	(999)	-	(1,148)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>16,001</b>	<b>151</b>	<b>9,955</b>	<b>-</b>	<b>26,107</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,152</b>	<b>753</b>	<b>14,909</b>	<b>251</b>	<b>1,347</b>	<b>(461)</b>	<b>19,951</b>
Fund balances (deficit) - beginning	13,120	8,497	(1,416)	3,012	21,779	3,803	48,795
<b>FUND BALANCES (DEFICIT) - ENDING</b>	<b>\$ 16,272</b>	<b>\$ 9,250</b>	<b>\$ 13,493</b>	<b>\$ 3,263</b>	<b>\$ 23,126</b>	<b>\$ 3,342</b>	<b>\$ 68,746</b>

**CITY OF OAKLAND**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Special Revenue Funds**  
**For the Year Ended June 30, 2013**  
*(In Thousands)*

	Traffic Safety and Control				State Gas Tax				Landscape and Lighting District			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>REVENUES</b>												
Taxes:												
Sales and use	\$ 10,060	\$ 10,222	\$ 11,676	\$ 1,454	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gas	-	-	-	-	10,822	10,822	10,004	(818)	-	-	-	-
Voter approved special tax	-	-	-	-	-	-	-	-	18,527	18,527	19,293	766
Licenses and permits	-	-	-	-	-	-	-	-	13	13	21	8
Fines and penalties	2,727	2,727	2,568	(159)	-	-	-	-	-	-	-	-
Interest and investment income	50	50	-	(50)	-	-	-	-	-	-	6	6
Charges for services	114	114	170	56	20	20	-	(20)	172	172	198	26
Federal and state grants and subventions	-	-	247	247	141	141	138	(3)	-	-	-	-
Other	-	2,903	2,126	(777)	-	-	-	-	-	175	218	43
<b>TOTAL REVENUES</b>	<b>12,951</b>	<b>16,016</b>	<b>16,787</b>	<b>771</b>	<b>10,983</b>	<b>10,983</b>	<b>10,142</b>	<b>(841)</b>	<b>18,712</b>	<b>18,887</b>	<b>19,736</b>	<b>849</b>
<b>EXPENDITURES</b>												
Current:												
Elected and Appointed Officials:												
City Administrator	-	15	2	13	-	-	-	-	62	82	50	32
City Attorney	29	29	30	(1)	111	111	110	1	-	-	-	-
Departments:												
Administrative Service Departments:												
Financial Services	35	35	-	35	-	-	-	-	-	5	155	(150)
Public Safety:												
Police Services	2,267	2,269	2,006	263	-	-	-	-	-	-	-	-
Community Service Department:												
Parks and Recreation	-	-	-	-	-	-	-	-	4,092	4,092	4,065	27
Aging & Health and Human Services	930	1,506	1,218	288	-	-	-	-	-	-	-	-
Public Works	5,551	7,637	7,003	634	8,049	9,329	8,268	1,061	14,653	29,588	16,407	13,181
Other	-	-	-	-	-	-	11	(11)	-	-	1	(1)
Capital outlay	4,500	20,778	3,376	17,402	2,550	8,367	1,000	7,367	-	128	-	128
Debt service:												
Bond issuance cost	-	-	-	-	-	-	-	-	-	150	150	-
<b>TOTAL EXPENDITURES</b>	<b>13,312</b>	<b>32,269</b>	<b>13,635</b>	<b>18,634</b>	<b>10,710</b>	<b>17,807</b>	<b>9,389</b>	<b>8,418</b>	<b>18,807</b>	<b>34,045</b>	<b>20,828</b>	<b>13,217</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(361)</b>	<b>(16,253)</b>	<b>3,152</b>	<b>19,405</b>	<b>273</b>	<b>(6,824)</b>	<b>753</b>	<b>7,577</b>	<b>(95)</b>	<b>(15,158)</b>	<b>(1,092)</b>	<b>14,066</b>
<b>OTHER FINANCING SOURCES (USES)</b>												
Issuance of bonds	-	-	-	-	-	-	-	-	-	16,150	16,150	-
Transfers in	875	875	-	(875)	-	-	-	-	-	-	-	-
Transfers out	(150)	(150)	-	(150)	-	-	-	-	(149)	(149)	(149)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>725</b>	<b>725</b>	<b>-</b>	<b>(1,025)</b>	<b>-</b>	<b>(6,824)</b>	<b>753</b>	<b>7,577</b>	<b>(149)</b>	<b>16,001</b>	<b>16,001</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>364</b>	<b>(15,528)</b>	<b>3,152</b>	<b>18,380</b>	<b>273</b>	<b>(6,824)</b>	<b>753</b>	<b>7,577</b>	<b>(244)</b>	<b>843</b>	<b>14,909</b>	<b>14,066</b>
Fund balances (deficit) - beginning	13,120	13,120	13,120	-	8,497	8,497	8,497	-	(1,416)	(1,416)	(1,416)	-
<b>FUND BALANCES (DEFICIT) - ENDING</b>	<b>\$ 13,484</b>	<b>\$ (2,408)</b>	<b>\$ 16,272</b>	<b>\$ 18,380</b>	<b>\$ 8,770</b>	<b>\$ 1,673</b>	<b>\$ 9,250</b>	<b>\$ 7,577</b>	<b>\$ (1,660)</b>	<b>\$ (573)</b>	<b>\$ 13,493</b>	<b>\$ 14,066</b>

**CITY OF OAKLAND**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Special Revenue Funds**  
**For the Year Ended June 30, 2013**  
*(In Thousands)*

(Continued)

	Assessment Districts				Other Special Revenue				Parks, Recreation, and cultural			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>REVENUES</b>												
Taxes:												
Property	\$ -	\$ -	\$ -	\$ -	\$ 13,956	\$ 13,956	\$ 14,723	\$ 767	\$ -	\$ -	\$ -	\$ -
Local taxes:												
Voter approved special tax	1,837	1,691	1,796	105	16,321	16,321	17,158	837	-	-	-	-
Parking	-	-	-	-	6,888	6,888	7,618	730	-	-	-	-
Transient occupancy	-	-	-	-	2,963	3,377	3,377	-	-	-	-	-
Licenses and permits	-	-	-	-	11,751	11,889	11,937	48	-	-	-	-
Fines and penalties	-	-	-	-	1,015	1,120	890	(230)	-	-	-	-
Interest and investment income	-	-	-	-	-	57	307	250	33	33	-	(33)
Charges for services	-	-	-	-	14,569	14,731	14,538	(193)	-	-	-	-
Federal and state grants and subventions	-	-	-	-	1,428	2,178	2,532	354	-	592	118	(474)
Other	3	3	102	99	59	635	765	130	180	569	121	(448)
<b>TOTAL REVENUES</b>	<b>1,840</b>	<b>1,694</b>	<b>1,898</b>	<b>204</b>	<b>68,950</b>	<b>71,152</b>	<b>73,845</b>	<b>2,693</b>	<b>213</b>	<b>1,194</b>	<b>239</b>	<b>(955)</b>
<b>EXPENDITURES</b>												
Current:												
Elected and Appointed Officials:												
Mayor	-	-	-	-	79	95	38	57	-	176	96	80
City Administrator	3	4	3	1	2,041	2,809	1,845	964	33	520	-	520
City Attorney	-	-	-	-	950	994	998	(4)	-	-	-	-
Agencies/Departments:												
Information Technology	-	-	-	-	776	750	606	144	-	-	-	-
Financial Services	-	-	2	(2)	132	36	352	(316)	-	-	-	-
Police Services	-	-	-	-	12,966	12,390	11,052	1,338	-	-	-	-
Fire Services	1,857	2,618	1,784	834	8,298	10,791	8,068	2,723	-	-	-	-
Life Enrichment:												
Parks and Recreation	-	-	-	-	110	440	401	39	69	269	-	269
Library	-	-	-	-	15,045	15,745	13,310	2,435	111	602	233	369
Planning, Building & Neighborhood Preservation	-	-	-	-	-	24,692	22,070	2,622	-	-	-	-
Aging, Health and Human Services	-	-	-	-	17,594	22,473	17,034	5,439	-	-	-	-
Cultural and community services	-	-	-	-	20,379	189	125	64	-	-	-	-
Public Works	-	9	9	-	215	2,460	1,050	1,410	-	124	7	117
Housing & Community Development	-	-	-	-	1,255	3,107	1,275	1,832	-	-	-	-
Other	-	-	-	-	2,593	2,718	3,212	(494)	-	-	-	-
Capital outlay	-	6	-	6	304	9,659	1,017	8,642	-	1,058	364	694
<b>TOTAL EXPENDITURES</b>	<b>1,860</b>	<b>2,637</b>	<b>1,798</b>	<b>839</b>	<b>82,737</b>	<b>109,348</b>	<b>82,453</b>	<b>26,895</b>	<b>213</b>	<b>2,749</b>	<b>700</b>	<b>2,049</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>	<b>(20)</b>	<b>(943)</b>	<b>100</b>	<b>1,043</b>	<b>(13,787)</b>	<b>(38,196)</b>	<b>(8,608)</b>	<b>29,588</b>	<b>-</b>	<b>(1,555)</b>	<b>(461)</b>	<b>1,094</b>
<b>OVER (UNDER) EXPENDITURES</b>												
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in	151	151	151	-	17,012	17,219	10,954	(6,265)	-	-	-	-
Transfers out	-	-	-	-	(1,000)	(1,346)	(999)	347	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>151</b>	<b>151</b>	<b>151</b>	<b>-</b>	<b>16,012</b>	<b>15,873</b>	<b>9,955</b>	<b>(5,918)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>131</b>	<b>(792)</b>	<b>251</b>	<b>1,043</b>	<b>2,225</b>	<b>(22,323)</b>	<b>1,347</b>	<b>23,670</b>	<b>-</b>	<b>(1,555)</b>	<b>(461)</b>	<b>1,094</b>
Fund balance - beginning	3,012	3,012	3,012	-	21,779	21,779	21,779	-	3,884	3,884	3,803	-
<b>FUND BALANCES - ENDING</b>	<b>\$ 3,143</b>	<b>\$ 2,220</b>	<b>\$ 3,263</b>	<b>\$ 1,043</b>	<b>\$ 24,004</b>	<b>\$ (544)</b>	<b>\$ 23,126</b>	<b>\$ 23,670</b>	<b>\$ 3,884</b>	<b>\$ 2,329</b>	<b>\$ 3,423</b>	<b>\$ 1,094</b>

# NONMAJOR DEBT SERVICE FUNDS

Debt service funds account for the accumulation of resources to be used for the payment of general long-term debt principal and interest.

The **General Obligation Bonds Fund** accounts for monies received in connection with the General Obligation Bonds and the related payments on such debt. Proceeds from the General Obligation Bonds are to be used by the City to expand and develop park and recreation facilities, and to enhance the City's emergency response capabilities and for seismic reinforcement of essential public facilities and infrastructure.

The **Lease Financing Fund** accounts for monies received in connection with leases between the City and the Agency, and the City and the California Statewide Communities Development Authority. It also accounts for payments on bonds and other debt issued for the Oakland Museum, for capital improvements to certain City properties, and for the Scotlan and Kaiser Convention Centers.

The **JPFA Fund** accounts for monies received in connection with leases between the City and the JPFA.

The **Other Assessment Bonds Fund** accounts for special assessment monies received from property owners within the various special assessment districts to liquidate the improvement bonds. These districts include Rockridge Area Water Improvement, and the Fire Area Utility Underground.

**CITY OF OAKLAND**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds-Debt Service Funds**  
**June 30, 2013**  
*(In Thousands)*

	<b>General Obligation Bonds</b>	<b>Lease Financing</b>	<b>JPFA Fund</b>	<b>Other Assessment Bonds</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and investments	\$ 14,353	\$ 79	\$ 1,229	\$ 1,179	\$ 16,840
Receivables, net:					
Accrued interest and dividends	14	-	1	1	16
Property taxes	1,086	-	-	74	1,160
Restricted cash and investments	14	-	74,038	607	74,659
<b>TOTAL ASSETS</b>	<b>\$ 15,467</b>	<b>\$ 79</b>	<b>\$ 75,268</b>	<b>\$ 1,861</b>	<b>\$ 92,675</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 46	\$ -	\$ 1	\$ -	\$ 47
<b>TOTAL LIABILITIES</b>	<b>46</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>47</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property tax	480	-	-	67	547
<b>TOTAL DEFERRED INFLOWS</b>	<b>480</b>	<b>-</b>	<b>-</b>	<b>67</b>	<b>547</b>
<b>FUND BALANCES</b>					
Restricted	14,941	79	75,267	1,794	92,081
<b>TOTAL FUND BALANCES</b>	<b>14,941</b>	<b>79</b>	<b>75,267</b>	<b>1,794</b>	<b>92,081</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 15,467</b>	<b>\$ 79</b>	<b>\$ 75,268</b>	<b>\$ 1,861</b>	<b>\$ 92,675</b>

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

	<b>General Obligation Bonds</b>	<b>Lease Financing</b>	<b>JPFA Fund</b>	<b>Other Assessment Bonds</b>	<b>Total</b>
<b>REVENUES</b>					
Property taxes	\$ 25,270	\$ -	\$ -	\$ -	\$ 25,270
Fines and penalties	72	-	-	-	72
Interest and investment income	-	-	3,971	29	4,000
Other	13	-	-	833	846
<b>TOTAL REVENUES</b>	<b>25,355</b>	<b>-</b>	<b>3,971</b>	<b>862</b>	<b>30,188</b>
<b>EXPENDITURES</b>					
Departments:					
Financial services	-	-	-	56	56
Other	73	4	482	183	742
Debt Service:					
Principal repayment	9,666	12,320	11,835	95	33,916
Bond issuance cost	-	-	-	213	213
Payment to refund bond escrow agent	-	-	-	1,217	1,217
Interest charges	14,221	1,800	8,381	368	24,770
<b>TOTAL EXPENDITURES</b>	<b>23,960</b>	<b>14,124</b>	<b>20,698</b>	<b>2,132</b>	<b>60,914</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,395</b>	<b>(14,124)</b>	<b>(16,727)</b>	<b>(1,270)</b>	<b>(30,726)</b>
<b>OTHER FINANCING SOURCES</b>					
Issuance of refunding bonds	-	-	-	3,545	3,545
Premiums (discount) on issuance of bonds	-	-	-	41	41
Payment to refund bond escrow agent	-	-	-	(3,018)	(3,018)
Transfers in	-	14,120	9,058	-	23,178
Transfers out	-	-	(8,630)	(735)	(9,365)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>14,120</b>	<b>428</b>	<b>(167)</b>	<b>14,381</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,395</b>	<b>(4)</b>	<b>(16,299)</b>	<b>(1,437)</b>	<b>(16,345)</b>
Fund balances - beginning	13,546	83	91,566	3,231	108,426
<b>FUND BALANCES - ENDING</b>	<b>\$ 14,941</b>	<b>\$ 79</b>	<b>\$ 75,267</b>	<b>\$ 1,794</b>	<b>\$ 92,081</b>

**CITY OF OAKLAND**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Debt Service Funds**  
**For the Year Ended June 30, 2013**  
*(In Thousands)*

(Continued)

	General Obligation Bonds				Lease Financing			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>REVENUES</b>								
Taxes:								
Property	\$ 24,092	\$ 24,092	\$ 25,270	\$ 1,178	\$ -	\$ -	\$ -	\$ -
Fines and penalties	-	-	72	72	-	-	-	-
Interest and investment income	-	-	-	-	7	7	-	(7)
Other	-	-	13	13	21,500	21,500	-	(21,500)
<b>TOTAL REVENUES</b>	<b>24,092</b>	<b>24,092</b>	<b>25,355</b>	<b>1,263</b>	<b>21,507</b>	<b>21,507</b>	<b>-</b>	<b>(21,507)</b>
<b>EXPENDITURES</b>								
Current:								
Agencies/Departments:								
Other	39	51	73	(22)	7	7	4	3
Debt service:								
Principal repayment	11,421	12,306	9,666	2,640	33,827	33,820	12,320	21,500
Interest charges	12,629	16,788	14,221	2,567	1,800	1,800	1,800	-
<b>TOTAL EXPENDITURES</b>	<b>24,089</b>	<b>29,145</b>	<b>23,960</b>	<b>5,185</b>	<b>35,634</b>	<b>35,627</b>	<b>14,124</b>	<b>21,503</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3</b>	<b>(5,053)</b>	<b>1,395</b>	<b>6,448</b>	<b>(14,127)</b>	<b>(14,120)</b>	<b>(14,124)</b>	<b>(4)</b>
<b>OTHER FINANCING SOURCES</b>								
Transfers in	-	-	-	-	17,127	14,127	14,120	(7)
<b>NET CHANGE IN FUND BALANCES</b>	<b>3</b>	<b>(5,053)</b>	<b>1,395</b>	<b>6,448</b>	<b>3,000</b>	<b>7</b>	<b>(4)</b>	<b>(11)</b>
Fund balances - beginning	13,546	13,546	13,546	-	83	83	83	-
<b>FUND BALANCES - ENDING</b>	<b>\$ 13,549</b>	<b>\$ 8,493</b>	<b>\$ 14,941</b>	<b>\$ 6,448</b>	<b>\$ 3,083</b>	<b>\$ 90</b>	<b>\$ 79</b>	<b>\$ (11)</b>

**CITY OF OAKLAND**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Debt Service Funds**  
**For the Year Ended June 30, 2013**  
*(In Thousands)*

(Continued)

	JPFA Fund				Other Assessment Bonds				Special Revenue Bonds			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>REVENUES</b>												
Interest and investment income	\$ 4,593	\$ 4,593	\$ 3,971	\$ (622)	\$ -	\$ -	\$ 29	\$ 29	\$ -	\$ -	\$ 39	\$ 39
Other	-	-	-	-	898	898	833	(65)	-	-	4	4
<b>TOTAL REVENUES</b>	<u>4,593</u>	<u>4,593</u>	<u>3,971</u>	<u>(622)</u>	<u>898</u>	<u>898</u>	<u>862</u>	<u>(36)</u>	<u>-</u>	<u>-</u>	<u>43</u>	<u>43</u>
<b>EXPENDITURES</b>												
Current:												
Agencies/Departments:												
Financial Services	-	-	-	-	50	50	56	(6)	-	-	-	-
Police Services	-	-	-	-	-	-	-	-	-	120,403	120,403	-
Fire Services	-	-	-	-	-	-	-	-	-	89,597	89,597	-
Other	16	16	482	(466)	26	182	183	(1)	25	31	8	23
Debt service:												
Principal repayment	11,835	11,835	11,835	-	260	345	95	250	36,598	36,598	36,598	-
Bond issuance cost	-	-	-	-	-	213	213	-	-	1,370	1,370	-
Payment to refund bond escrow agent	-	-	-	-	-	1,352	1,217	-	-	-	-	-
Interest charges	8,381	8,381	8,381	-	246	470	368	102	28,187	36,028	34,623	1,405
Intergovernmental Payment- pension contribution	-	-	-	-	-	-	-	-	-	210,000	210,000	-
<b>TOTAL EXPENDITURES</b>	<u>20,232</u>	<u>20,232</u>	<u>20,698</u>	<u>(466)</u>	<u>582</u>	<u>2,612</u>	<u>2,132</u>	<u>345</u>	<u>64,810</u>	<u>494,027</u>	<u>492,599</u>	<u>1,428</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>	<u>(15,639)</u>	<u>(15,639)</u>	<u>(16,727)</u>	<u>(1,088)</u>	<u>316</u>	<u>(1,714)</u>	<u>(1,270)</u>	<u>309</u>	<u>(64,810)</u>	<u>(494,027)</u>	<u>(492,556)</u>	<u>1,471</u>
<b>OVER (UNDER) EXPENDITURES</b>												
<b>OTHER FINANCING SOURCES (USES)</b>												
Issuance of bonds	-	-	-	-	-	3,545	3,545	-	-	212,540	212,540	-
Premiums (discounts) on issuance of bonds	-	-	-	-	-	41	41	-	-	(1,170)	(1,170)	-
Payment to refund bond escrow agent	-	-	-	-	-	(3,018)	(3,018)	-	-	-	-	-
Transfers in	15,639	15,639	9,058	(6,581)	735	2,087	-	(2,087)	64,810	72,657	72,677	20
Transfers out	-	(8,630)	(8,630)	-	(734)	(2,593)	(735)	1,858	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>15,639</u>	<u>7,009</u>	<u>428</u>	<u>(6,581)</u>	<u>1</u>	<u>62</u>	<u>(167)</u>	<u>(229)</u>	<u>64,810</u>	<u>284,027</u>	<u>284,047</u>	<u>20</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	(8,630)	(16,299)	(7,669)	317	(1,652)	(1,437)	80	-	(210,000)	(208,509)	1,491
Fund balances - beginning	91,566	91,566	91,566	-	3,231	3,231	3,231	-	14,766	14,766	14,766	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 91,566</u>	<u>\$ 82,936</u>	<u>\$ 75,267</u>	<u>\$ (7,669)</u>	<u>\$ 3,548</u>	<u>\$ 1,579</u>	<u>\$ 1,794</u>	<u>\$ 80</u>	<u>\$ 14,766</u>	<u>\$ (195,234)</u>	<u>\$ (193,743)</u>	<u>\$ 1,491</u>

# INTERNAL SERVICE FUNDS

Internal service funds account for operations that provide goods or services to other City departments and agencies, or to other governments, on a cost-reimbursement basis.

The **Equipment Fund** accounts for the purchase of automotive and rolling equipment, and the related maintenance service charges and related billings for various City departments.

The **Radio Fund** accounts for the purchase, maintenance and operation of radio and other communication equipment being used by various City departments.

The **Facilities Fund** accounts for the repair and maintenance of City facilities, and for provision of custodial and maintenance services related thereto.

The **Reproduction Fund** accounts for the acquisition, maintenance and provision of reproduction equipment and services related to normal governmental operations.

The **Central Stores Fund** accounts for inventory provided to various City departments on a cost reimbursement basis.

The **Purchasing Fund** accounts for procurement of materials, equipments and services essential to providing governmental services for the City.

**Combining Statement of Fund Net Position**  
**Internal Service Funds**  
**June 30, 2013**  
*(In Thousands)*

	<u>Equipment</u>	<u>Radio</u>	<u>Facilities</u>	<u>Reproduction</u>	<u>Central Stores</u>	<u>Purchasing</u>	<u>Total</u>
<b>ASSETS</b>							
Current assets:							
Cash and Investments	\$ -	\$ 5,155	\$ -	\$ -	\$ -	\$ -	\$ 5,155
Accounts receivable	38	9	44	1	-	-	92
Inventories	193	-	-	-	-	-	193
Restricted cash and investments	12,270	-	-	-	-	-	12,270
Total Current assets	<u>12,501</u>	<u>5,164</u>	<u>44</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>17,710</u>
Non-current assets:							
Capital assets:							
Land and other assets not being depreciated	-	-	380	-	-	-	380
Facilities and equipment, net of depreciation	7,392	1,122	1,007	-	-	-	9,521
Total Non-current Assets	<u>7,392</u>	<u>1,122</u>	<u>1,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,901</u>
TOTAL ASSETS	<u>19,893</u>	<u>6,286</u>	<u>1,431</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>27,611</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and accrued liabilities	1,385	892	1,008	49	7	2	3,343
Accrued interest payable	24	-	34	-	-	-	58
Due to other funds	4,259	-	19,083	1,219	3,915	300	28,776
Other liabilities	-	-	7	-	-	-	7
Notes payable and capital leases	3,246	-	233	-	-	-	3,479
Total Current Liabilities	<u>8,914</u>	<u>892</u>	<u>20,365</u>	<u>1,268</u>	<u>3,922</u>	<u>302</u>	<u>35,663</u>
Non-current liabilities:							
Notes payable and capital leases	8,604	-	1,621	-	-	-	10,225
Total Non-current Liabilities	<u>8,604</u>	<u>-</u>	<u>1,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,225</u>
TOTAL LIABILITIES	<u>17,518</u>	<u>892</u>	<u>21,986</u>	<u>1,268</u>	<u>3,922</u>	<u>302</u>	<u>45,888</u>
<b>NET POSITION</b>							
Net investment in capital assets	7,812	1,122	1,387	-	-	-	10,321
Unrestricted	(5,437)	4,272	(21,942)	(1,267)	(3,922)	(302)	(28,598)
TOTAL NET POSITION	<u>\$ 2,375</u>	<u>\$ 5,394</u>	<u>\$ (20,555)</u>	<u>\$ (1,267)</u>	<u>\$ (3,922)</u>	<u>\$ (302)</u>	<u>\$ (18,277)</u>

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

	<u>Equipment</u>	<u>Radio</u>	<u>Facilities</u>	<u>Reproduction</u>	<u>Central Stores</u>	<u>Purchasing</u>	<u>Total</u>
<b>OPERATING REVENUES</b>							
Charges for services	\$ 16,993	\$ 4,057	\$ 23,072	\$ 1,004	\$ 614	\$ 839	\$ 46,579
Other	143	-	330	-	-	2	475
<b>TOTAL OPERATING REVENUES</b>	<u>17,136</u>	<u>4,057</u>	<u>23,402</u>	<u>1,004</u>	<u>614</u>	<u>841</u>	<u>47,054</u>
<b>OPERATING EXPENSES</b>							
Personnel	5,009	1,256	8,236	380	337	679	15,897
Supplies	5,102	167	1,309	108	3	10	6,699
Depreciation and amortization	2,067	97	81	29	-	-	2,274
Contractual services and supplies	39	289	901	-	-	-	1,229
Repairs and maintenance	1,103	205	2,482	10	-	-	3,800
General and administrative	1,641	199	2,719	464	19	3	5,045
Rental	623	150	367	480	30	3	1,653
Other	-	160	4,721	7	2	7	4,897
<b>TOTAL OPERATING EXPENSES</b>	<u>15,584</u>	<u>2,523</u>	<u>20,816</u>	<u>1,478</u>	<u>391</u>	<u>702</u>	<u>41,494</u>
<b>OPERATING INCOME (LOSS)</b>	1,552	1,534	2,586	(474)	223	139	5,560
<b>NON-OPERATING REVENUES (EXPENSES)</b>							
Interest and investment income	5	(5)	22	1	5	-	28
Interest expense	(24)	-	(82)	-	-	-	(106)
Rental	-	-	44	-	-	-	44
Insurance claims and settlements	-	-	72	-	-	-	72
Other, net (Property sale proceeds)	770	-	-	-	-	85	855
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>751</u>	<u>(5)</u>	<u>56</u>	<u>1</u>	<u>5</u>	<u>85</u>	<u>893</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	2,303	1,529	2,642	(473)	228	224	6,453
Transfers out	(218)	-	(15)	-	-	-	(233)
<b>TOTAL TRANSFERS</b>	<u>(218)</u>	<u>-</u>	<u>(15)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(233)</u>
Change in net position	2,085	1,529	2,627	(473)	228	224	6,220
Total net Position - beginning	290	3,865	(23,182)	(794)	(4,150)	(526)	(24,497)
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 2,375</u>	<u>\$ 5,394</u>	<u>\$ (20,555)</u>	<u>\$ (1,267)</u>	<u>\$ (3,922)</u>	<u>\$ (302)</u>	<u>\$ (18,277)</u>

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

	<u>Equipment</u>	<u>Radio</u>	<u>Facilities</u>	<u>Reproduction</u>	<u>Stores</u>	<u>Purchasing</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from customers and users	\$ 17,013	\$ 4,058	\$ 23,089	\$ 1,004	\$ 614	\$ 839	\$ 46,617
Cash from other sources	913	-	446	-	-	87	1,446
Cash paid to employees	(5,009)	(1,256)	(8,236)	(380)	(337)	(679)	(15,897)
Cash paid to suppliers	(7,511)	(308)	(12,313)	(1,028)	(47)	(21)	(21,228)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>5,406</u>	<u>2,494</u>	<u>2,986</u>	<u>(404)</u>	<u>230</u>	<u>226</u>	<u>10,938</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Proceeds of interfund loans	-	-	-	403	-	-	403
Repayment of interfund loans	(3,502)	-	(2,119)	-	(235)	(226)	(6,082)
Transfers out	(218)	-	(15)	-	-	-	(233)
<b>NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES</b>	<u>(3,720)</u>	<u>-</u>	<u>(2,134)</u>	<u>403</u>	<u>(235)</u>	<u>(226)</u>	<u>(5,912)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES</b>							
Acquisition of capital assets	(1,755)	(1,049)	(569)	-	-	-	(3,373)
Disposal of capital assets	88	-	-	-	-	-	88
Lease proceeds	11,850	-	-	-	-	-	11,850
Repayment of long-term debt	-	-	(223)	-	-	-	(223)
Interest paid on long-term debt	(24)	-	(82)	-	-	-	(106)
<b>NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>10,159</u>	<u>(1,049)</u>	<u>(874)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,236</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest income (loss)	5	(5)	22	1	5	-	28
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>5</u>	<u>(5)</u>	<u>22</u>	<u>1</u>	<u>5</u>	<u>-</u>	<u>28</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	11,850	1,440	-	-	-	-	13,290
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	420	3,715	-	-	-	-	4,135
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 12,270</u>	<u>\$ 5,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,425</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ 1,552	\$ 1,534	\$ 2,586	\$ (474)	\$ 223	\$ 139	\$ 5,560
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>							
Other receipts	770	-	116	-	-	85	971
Depreciation	2,067	97	81	29	-	-	2,274
Changes in assets and liabilities:							
Receivables	(7)	1	17	-	-	-	11
Inventories	27	-	-	-	-	-	27
Accounts payable and accrued liabilities	997	862	186	41	7	2	2,095
Total Adjustments	3,854	960	400	70	7	87	5,378
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 5,406</u>	<u>\$ 2,494</u>	<u>\$ 2,986</u>	<u>\$ (404)</u>	<u>\$ 230</u>	<u>\$ 226</u>	<u>\$ 10,938</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS</b>							
Cash and investments	\$ -	\$ 5,155	\$ -	\$ -	\$ -	\$ -	\$ 5,155
Restricted cash and investment	12,270	-	-	-	-	-	12,270
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 12,270</u>	<u>\$ 5,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,425</u>

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# FIDUCIARY FUNDS

Fiduciary funds, including pension and private purpose trusts, account for resources held by the City which must be spent as provided in legal trust agreements and related state laws. Agency funds account for assets held for other funds, governments, private organizations or individuals. Agency funds do not measure the results of operations and generally serve as clearing accounts.

## PENSION TRUST FUNDS

The **Oakland Municipal Employees Retirement System (OMERS) Fund** is a closed benefit plan that covers non-uniformed employees hired prior to September 1970 who have not elected to transfer to the California Public Employees Retirement System.

The **Police and Fire Retirement System (PFRS) Fund** is a closed benefit plan administered by a Board of Trustees which covers uniformed police and fire employees. Membership in the plan is limited to uniformed employees hired prior to July 1, 1976. All subsequent hires are covered under the California Public Employees Retirement System.

## PRIVATE PURPOSE TRUST FUNDS

**Private Purpose Trust Fund** include (a) *the Oakland Redevelopment Successor Agency Trust Fund*, which accounts for the custodial responsibilities that are assigned to the Oakland Redevelopment Successor Agency with the passage of AB X1 26, (b) *the Private Purpose Trust Fund*, which accounts for the operations of certain trust funds, such as the Major Gifts Funds or the Youth Opportunity Program Fund, and retiree medical payments; that are not related to the former Oakland Redevelopment Agency projects or parks, recreation or cultural activities and (c) *the Private Pension Trust Fund* accounts for employee deferred compensation fund.

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

	<u>OMERS</u>	<u>PFRS</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 8,621	\$ 8,621
Receivables:			
Accrued interest and dividends	-	1,189	1,189
Investments and other	7	12,983	12,990
Restricted cash and investments:			
Short-term investments	47	11,231	11,278
U.S. government bonds	-	66,722	66,722
U.S. corporate bonds and mutual funds	1,281	118,312	119,593
Domestic equities and mutual funds	3,219	201,060	204,279
International equities and mutual funds	-	56,868	56,868
Total restricted cash and investments	<u>4,547</u>	<u>454,193</u>	<u>458,740</u>
Securities lending collateral	-	8,876	8,876
<b>TOTAL ASSETS</b>	<u>4,554</u>	<u>485,862</u>	<u>490,416</u>
<b>LIABILITIES</b>			
Due to primary government	62	-	62
Accounts payable and accrued liabilities	47	21,390	21,437
Securities lending liabilities	-	8,876	8,876
<b>TOTAL LIABILITIES</b>	<u>109</u>	<u>30,266</u>	<u>30,375</u>
<b>NET POSITION</b>			
<b>HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 4,445</u>	<u>\$ 455,596</u>	<u>\$ 460,041</u>

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

	<u>OMERS</u>	<u>PFRS</u>	<u>TOTAL</u>
<b>ADDITIONS:</b>			
Contributions:			
Members	\$ -	\$ 7	\$ 7
City	-	210,000	210,000
Total contributions	-	210,007	210,007
Investment Income:			
Net appreciation in fair value of investments	536	28,905	29,441
Interest	12	5,460	5,472
Dividends	56	4,382	4,438
Securities lending income	-	130	130
Total investment income, net	604	38,877	39,481
Investment expense	(24)	(1,542)	(1,566)
Borrowers' rebates and other agent fees and securities lending transactions	-	(32)	(32)
Net investment income	580	37,303	37,883
Other income	-	43	43
<b>TOTAL ADDITIONS</b>	<b>580</b>	<b>247,353</b>	<b>247,933</b>
<b>DEDUCTIONS:</b>			
Disbursements to members and beneficiaries:			
Retirement	310	36,008	36,318
Disability	62	21,735	21,797
Death	2	1,804	1,806
<b>TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES</b>	<b>374</b>	<b>59,547</b>	<b>59,921</b>
Administrative expenses	209	684	893
<b>TOTAL DEDUCTIONS</b>	<b>583</b>	<b>60,231</b>	<b>60,814</b>
Change in net position	(3)	187,122	187,119
Net position - beginning	4,448	268,474	272,922
<b>NET POSITION - ENDING</b>	<b>\$ 4,445</b>	<b>\$ 455,596</b>	<b>\$ 460,041</b>

**CITY OF OAKLAND**  
**Combining Statement of Fiduciary Net Position**  
**Other Private Purpose Trust Funds**  
**June 30, 2013**  
*(In Thousands)*

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	<u>Private Purpose Trust Fund</u>	<u>Private Pension Trust Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 7,140	\$ 118	\$ 7,258
Receivables:			
Accrued interest and dividends	3	-	3
Accounts receivable	<u>2</u>	<u>-</u>	<u>2</u>
<b>TOTAL ASSETS</b>	<u>7,145</u>	<u>118</u>	<u>7,263</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	<u>186</u>	<u>-</u>	<u>186</u>
<b>NET POSITION</b>			
Net position held in trust	<u>\$ 6,959</u>	<u>\$ 118</u>	<u>\$ 7,077</u>

**CITY OF OAKLAND**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Other Private Purpose Trust Funds**  
**For the Year Ended June 30, 2013**  
*(In Thousands)*

	<u>Private Purpose Trust Fund</u>	<u>Private Pension Trust Fund</u>	<u>Total</u>
<b>ADDITIONS:</b>			
Trust receipts	\$ 308	\$ -	\$ 308
Interest	(11)	-	(11)
Other income	<u>286</u>	<u>-</u>	<u>286</u>
<b>TOTAL ADDITIONS</b>	<u>583</u>	<u>-</u>	<u>583</u>
<b>DEDUCTIONS:</b>			
Administrative expenses	3	89	92
Police services	237	-	237
Aging & Health and Human Services	133	-	133
Housing & Community Development	205	-	205
Other	25	-	25
Capital outlay	<u>6</u>	<u>-</u>	<u>6</u>
<b>TOTAL DEDUCTIONS</b>	<u>609</u>	<u>89</u>	<u>698</u>
Change in net position	(26)	(89)	(115)
<b>NET POSITION - BEGINNING</b>	<u>6,985</u>	<u>207</u>	<u>7,192</u>
<b>NET POSITION - ENDING</b>	<u>\$ 6,959</u>	<u>\$ 118</u>	<u>\$ 7,077</u>

# STATISTICAL SECTION

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# CITY OF OAKLAND STATISTICS

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

## **Financial Trends**

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

## **Revenue Capacity**

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

## **Debt Capacity**

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

## **Pledged Revenue Coverage**

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

## **Demographic and Economic Information**

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

## **Operating Information**

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

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

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 1**

**NET POSITION BY COMPONENT**

*(in thousands)*

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities										
Net investment in capital assets	\$ 389,345	\$ 310,633	\$ 319,932	\$ 353,715	\$ 401,881	\$ 442,793	\$ 478,689	\$ 538,815	\$ 663,785	\$ 712,606
Restricted	316,026	292,415	267,824	317,558	336,908	338,514	372,439	382,563	274,004	142,506
Unrestricted	(260,074)	(55,983)	(8,522)	37,704	(117,971)	(156,331)	(301,692)	(334,771)	(18,621)	(51,171)
<b>Total net position - governmental activities</b>	<b>\$ 445,297</b>	<b>\$ 547,065</b>	<b>\$ 579,234</b>	<b>\$ 708,977</b>	<b>\$ 620,818</b>	<b>\$ 624,976</b>	<b>\$ 549,436</b>	<b>\$ 586,607</b>	<b>\$ 919,168</b>	<b>\$ 803,941</b>
Business-type activities										
Net investment in capital assets	\$ 113,610	\$ 107,396	\$ 110,279	\$ 109,886	\$ 111,881	\$ 113,961	\$ 113,718	\$ 114,297	\$ 122,911	\$ 129,542
Unrestricted	(6,185)	3,114	989	2,173	7,731	15,037	26,126	37,429	44,061	53,341
<b>Total net position - business-type activities</b>	<b>\$ 107,425</b>	<b>\$ 110,510</b>	<b>\$ 111,268</b>	<b>\$ 112,059</b>	<b>\$ 119,612</b>	<b>\$ 128,998</b>	<b>\$ 139,844</b>	<b>\$ 151,726</b>	<b>\$ 166,972</b>	<b>\$ 182,883</b>
Primary government										
Net investment in capital assets	\$ 502,955	\$ 418,029	\$ 430,211	\$ 463,601	\$ 513,762	\$ 556,754	\$ 592,407	\$ 653,112	\$ 786,696	\$ 842,148
Restricted	316,026	292,415	267,824	317,558	336,908	338,514	372,439	382,563	274,004	142,506
Unrestricted	(266,259)	(52,869)	(7,533)	39,877	(110,240)	(141,294)	(275,566)	(297,342)	25,440	2,170
<b>Total net position - primary government</b>	<b>\$ 552,722</b>	<b>\$ 657,575</b>	<b>\$ 690,502</b>	<b>\$ 821,036</b>	<b>\$ 740,430</b>	<b>\$ 753,974</b>	<b>\$ 689,280</b>	<b>\$ 738,333</b>	<b>\$ 1,086,140</b>	<b>\$ 986,824</b>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Statement of Net Position

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 2**

**CHANGES IN NET POSITION**

*(in thousands)*

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Expenses</b>										
Governmental Activities:										
General government	\$ 67,069	\$ 65,865	\$ 71,471	\$ 91,119	\$ 102,218	\$ 94,957	\$ 83,295	\$ 75,381	\$ 83,131	\$ 93,942
Public safety	297,869	319,908	335,171	348,436	412,050	424,435	411,333	372,587	351,566	363,597
Life enrichment	102,314	96,649	101,902	105,728	115,315	119,659	119,254	123,538	-	-
Community services	-	-	-	-	-	-	-	-	122,829	107,779
Community and economic development	121,160	117,689	140,351	183,968	203,406	182,327	222,226	158,209	138,596	81,182
Public works	70,369	107,457	100,448	101,075	79,348	74,081	70,757	88,321	101,892	75,158
Interest on long-term debt	58,820	62,238	73,224	79,864	74,545	71,552	73,735	93,618	68,948	62,744
Total governmental activities expenses	\$ 717,601	\$ 769,806	\$ 822,567	\$ 910,190	\$ 986,882	\$ 967,011	\$ 980,600	\$ 911,654	\$ 866,962	\$ 784,402
Business-type activities:										
Sewer	\$ 20,597	\$ 21,337	\$ 24,841	\$ 29,365	\$ 30,502	\$ 25,530	\$ 26,899	\$ 27,971	\$ 31,227	\$ 34,504
Parks and recreation	159	160	734	1,087	384	652	520	740	492	643
Total business-type activities	\$ 20,756	\$ 21,497	\$ 25,575	\$ 30,452	\$ 30,886	\$ 26,182	\$ 27,419	\$ 28,711	\$ 31,719	\$ 35,147
Total primary government expenses	\$ 738,357	\$ 791,303	\$ 848,142	\$ 940,642	\$ 1,017,768	\$ 993,193	\$ 1,008,019	\$ 940,365	\$ 898,681	\$ 819,549
<b>Program Revenues (see schedule 3)</b>										
Governmental activities:										
Charges for services:										
General government	\$ 14,913	\$ 25,641	\$ 16,266	\$ 13,741	\$ 22,276	\$ 21,128	\$ 24,382	\$ 20,360	\$ 19,924	\$ 17,756
Public safety	38,959	66,983	42,492	9,803	10,331	15,733	14,900	13,573	13,283	7,610
Life enrichment	73	125	79	3,992	5,110	11,084	8,128	8,483	-	-
Community services	-	-	-	-	-	-	-	-	8,302	6,342
Community and economic development	7,287	12,528	7,947	16,437	45,466	47,223	48,765	42,418	41,507	19,025
Public works	3,600	6,190	3,927	31,269	27,113	30,887	39,283	84,834	83,017	76,098
Operating grants and contributions	78,965	74,694	77,154	106,903	91,278	94,353	97,177	123,149	89,620	89,424
Capital grants and contributions	10,366	-	-	-	-	-	-	-	30,607	26,179
Total governmental activities program revenues	\$ 154,163	\$ 186,161	\$ 147,865	\$ 182,145	\$ 201,574	\$ 220,408	\$ 232,635	\$ 292,817	\$ 286,260	\$ 242,434
Business-type activities:										
Charges for services:										
Sewer	\$ 22,590	\$ 24,252	\$ 24,678	\$ 29,838	\$ 33,264	\$ 35,382	\$ 39,329	\$ 41,832	\$ 48,200	\$ 52,919
Parks and recreation	58	244	197	237	487	796	286	118	575	372
Operating grants and contributions	-	-	-	21	-	-	-	-	-	-
Total business-type activities program revenues	\$ 22,648	\$ 24,496	\$ 24,875	\$ 30,096	\$ 33,751	\$ 36,178	\$ 39,615	\$ 41,950	\$ 48,775	\$ 53,291
Total primary government program revenues	\$ 176,811	\$ 210,657	\$ 172,740	\$ 212,241	\$ 235,325	\$ 256,586	\$ 272,250	\$ 334,767	\$ 335,035	\$ 295,725
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (563,438)	\$ (583,645)	\$ (674,702)	\$ (735,868)	\$ (785,308)	\$ (746,603)	\$ (747,965)	\$ (618,837)	\$ (580,702)	\$ (541,968)
Business-type activities	1,892	2,999	(700)	(356)	2,865	9,996	12,196	13,239	17,056	18,144
Total primary government net expense	\$ (561,546)	\$ (580,646)	\$ (675,402)	\$ (736,224)	\$ (782,443)	\$ (736,607)	\$ (735,769)	\$ (605,598)	\$ (563,646)	\$ (523,824)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 200,731	\$ 234,127	\$ 268,693	\$ 317,666	\$ 358,338	\$ 359,851	\$ 346,859	\$ 324,516	\$ 288,923	\$ 256,333
Other taxes	72,906	68,451	67,304	67,723	73,928	67,642	57,745	65,068	66,940	70,498
Local taxes	197,873	251,301	261,815	256,658	235,470	214,266	216,072	220,684	222,237	244,207
Other	117,238	84,850	30,406	108,048	50,153	81,885	58,374	35,672	53,172	7,076
Interest and investment income	5,566	46,063	78,053	48,073	47,852	25,917	10,894	8,592	7,078	6,358
Transfers	600	621	600	600	600	1,200	1,463	1,476	1,893	1,911
Special Items	-	-	-	59,020	-	-	-	-	-	-
Extraordinary loss due to State Controller's Office asset transfer review and California Department of Finance disallowances	-	-	-	-	-	-	-	-	-	(156,902)
Extraordinary gain from dissolution of former Redevelopment Agency	-	-	-	-	-	-	-	-	273,020	-
Total governmental activities	\$ 594,914	\$ 685,413	\$ 706,871	\$ 857,788	\$ 766,341	\$ 750,761	\$ 691,407	\$ 656,008	\$ 913,263	\$ 429,481
Business-type activities:										
Interest and investment income	\$ 94	\$ 707	\$ 1,996	\$ 1,745	\$ 1,434	\$ 590	\$ 113	\$ 119	\$ 83	\$ (24)
Other	-	-	62	2	-	-	-	-	-	-
Transfers	(600)	(621)	(600)	(600)	(600)	(1,200)	(1,463)	(1,476)	(1,893)	(1,911)
Total business-type activities	\$ (506)	\$ 86	\$ 1,458	\$ 1,147	\$ 834	\$ (610)	\$ (1,350)	\$ (1,357)	\$ (1,810)	\$ (1,935)
Total primary government	\$ 594,408	\$ 685,499	\$ 708,329	\$ 858,935	\$ 767,175	\$ 750,151	\$ 690,057	\$ 654,651	\$ 911,453	\$ 427,546
<b>Change in Net Position</b>										
Governmental activities	\$ 31,476	\$ 101,768	\$ 32,169	\$ 129,743	\$ (18,967)	\$ 4,158	\$ (56,558)	\$ 37,171	\$ 332,561	\$ (112,487)
Business-type activities	1,386	3,085	758	791	3,699	9,386	10,846	11,882	15,246	16,209
Total primary government	\$ 32,862	\$ 104,853	\$ 32,927	\$ 130,534	\$ (15,268)	\$ 13,544	\$ (45,712)	\$ 49,053	\$ 347,807	\$ (96,278)

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Statement of Activities

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 3**

**PROGRAM REVENUES BY FUNCTION/PROGRAM**

*(in thousands)*

<b>Function/Program</b>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities:										
Charges for services:										
General government	\$ 14,913	\$ 25,641	\$ 16,266	\$ 13,741	\$ 22,276	\$ 21,128	\$ 24,382	\$ 20,360	\$ 19,924	\$ 17,756
Public safety	38,959	66,983	42,492	9,803	10,331	15,733	14,900	13,573	13,283	7,610
Life enrichment	73	125	79	3,992	5,110	11,084	8,128	8,483	-	-
Community services	-	-	-	-	-	-	-	-	8,302	6,342
Community and economic development	7,287	12,528	7,947	16,437	45,466	47,223	48,765	42,418	41,507	19,025
Public works	3,600	6,190	3,927	31,269	27,113	30,887	39,283	84,834	83,017	76,098
Operating grants and contributions	78,965	74,694	77,154	106,903	91,278	94,353	97,177	123,149	89,620	89,424
Capital grants and contributions	10,366	-	-	-	-	-	-	-	30,607	26,179
Subtotal governmental activities	\$ 154,163	\$ 186,161	\$ 147,865	\$ 182,145	\$ 201,574	\$ 220,408	\$ 232,635	\$ 292,817	\$ 286,260	\$ 242,434
Business-type activities:										
Charges for services:										
Sewer	\$ 22,590	\$ 24,252	\$ 24,678	\$ 29,838	\$ 33,264	\$ 35,382	\$ 39,329	\$ 41,832	\$ 48,200	\$ 52,919
Parks and recreation	58	244	197	237	487	796	286	118	575	372
Operating grants and contributions	-	-	-	21	-	-	-	-	-	-
Subtotal business-type activities	\$ 22,648	\$ 24,496	\$ 24,875	\$ 30,096	\$ 33,751	\$ 36,178	\$ 39,615	\$ 41,950	\$ 48,775	\$ 53,291
Total primary government	\$ 176,811	\$ 210,657	\$ 172,740	\$ 212,241	\$ 235,325	\$ 256,586	\$ 272,250	\$ 334,767	\$ 335,035	\$ 295,725

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Statement of Activities

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 4**

**FUND BALANCES, GOVERNMENTAL FUNDS**

*(in thousands)*

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>			
General Fund (1)										
Reserved	\$ 10,779	\$ 151,494	\$ 134,151	\$ 138,891	\$ 126,575	\$ 116,543	\$ 103,372			
Unreserved	222,529	140,343	152,368	143,016	121,109	120,406	129,678			
Total general fund	<u>\$ 233,308</u>	<u>\$ 291,837</u>	<u>\$ 286,519</u>	<u>\$ 281,907</u>	<u>\$ 247,684</u>	<u>\$ 236,949</u>	<u>\$ 233,050</u>			
								<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund (2)										
Restricted								\$ 106,692	\$ 110,708	\$ 165,400
Committed								3,890	70,284	-
Assigned								65,985	6,256	58,452
Unassigned								48,794	68,681	21,791
Total general fund								<u>\$ 225,361</u>	<u>\$ 255,929</u>	<u>\$ 245,643</u>
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>			
All Other Governmental Funds (1)										
Reserved	\$ 284,475	\$ 445,531	\$ 496,474	\$ 797,702	\$ 828,314	\$ 788,476	\$ 761,679			
Unreserved, reported in:										
Special revenue funds	4,704	19,785	42,102	32,444	8,129	9,553	(16,486)			
Capital projects funds	164,788	143,456	130,221	98,912	73,147	41,322	66,136			
Total all other governmental funds	<u>\$ 453,967</u>	<u>\$ 608,772</u>	<u>\$ 668,797</u>	<u>\$ 929,058</u>	<u>\$ 909,590</u>	<u>\$ 839,351</u>	<u>\$ 811,329</u>			
								<u>2011</u>	<u>2012</u>	<u>2013</u>
All Other Governmental Funds (2)										
Restricted								\$ 481,124	\$ 264,460	\$ 248,517
Committed								139,178	13,420	16,075
Assigned								188,722	179,063	61,373
Unassigned								(2,669)	(1,416)	(9,849)
Total all other governmental funds								<u>\$ 806,355</u>	<u>\$ 455,527</u>	<u>\$ 316,116</u>

Note:

- (1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.
- (2) The City implemented GASB Statement No. 54 under which governmental fund balances are reported as restricted, committed, assigned, and unassigned compared to reserved and unreserved.

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 5**

**CHANGES IN FUND BALANCES,  
GOVERNMENTAL FUNDS**

(in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Taxes (see Schedule 6)	\$ 457,949	\$ 535,706	\$ 578,474	\$ 616,754	\$ 648,153	\$ 641,086	\$ 622,901	\$ 612,328	\$ 578,100	\$ 569,193
Licenses and permits	13,476	15,676	19,006	20,390	19,319	14,467	12,124	13,297	12,079	13,331
Fines and penalties	28,189	26,325	25,467	26,859	23,497	29,348	31,220	29,440	27,204	26,657
Interest/investment net income	7,672	38,495	30,721	49,141	49,894	27,520	11,495	9,147	7,558	6,330
Charges for services	67,176	73,133	70,711	75,242	76,735	77,285	82,289	124,707	126,750	86,842
Other intergovernmental revenues	-	-	-	-	33,561	35,588	45,116	-	-	-
Federal and State grants	-	-	-	-	-	-	-	-	-	-
and subventions	79,918	97,009	73,778	97,382	94,428	87,971	98,850	121,184	115,046	102,802
Other revenues	48,608	53,711	47,558	74,758	24,200	40,587	32,116	32,290	34,427	39,278
<b>Total revenues</b>	<b>\$ 702,988</b>	<b>\$ 840,055</b>	<b>\$ 845,715</b>	<b>\$ 960,526</b>	<b>\$ 969,787</b>	<b>\$ 953,852</b>	<b>\$ 936,111</b>	<b>\$ 942,393</b>	<b>\$ 901,164</b>	<b>\$ 844,433</b>
<b>Expenditures</b>										
General government	\$ 42,225	\$ 45,466	\$ 49,411	\$ 67,194	\$ 45,600	\$ 40,838	\$ 35,710	\$ 33,781	\$ 50,992	\$ 71,990
Financial and Personnel Services	22,339	22,197	24,181	26,018	35,761	34,863	30,943	28,756	27,371	15,337
Information Technology	-	-	-	-	13,666	12,975	9,137	8,276	7,746	7,753
Contracting and Purchasing	-	-	-	-	2,280	1,959	2,100	2,082	-	-
Police services	166,175	178,813	187,968	206,561	225,893	231,789	218,129	205,292	220,115	331,382
Fire services	91,542	98,029	111,162	112,699	118,429	119,711	111,583	111,339	125,585	200,054
Life enrichment	-	-	-	-	-	-	-	-	-	-
Administration	1	7	-	-	-	-	-	-	-	-
Parks & Recreation	29,445	16,740	17,296	19,148	20,872	20,308	20,259	20,914	20,465	21,260
Library	18,460	20,547	22,942	24,631	23,833	21,824	20,927	21,633	22,704	22,623
Museum	8,327	7,383	267	6,976	6,883	6,584	6,146	6,749	-	-
Marketing	2,367	-	-	-	-	-	-	-	-	-
Aging, Health & Human Services	33,238	35,609	46,581	53,228	56,239	62,382	59,441	63,031	61,851	60,978
Cultural Arts	41	-	6,832	-	-	-	-	-	-	-
Community & Economic Development	92,788	101,031	135,561	169,233	206,908	197,285	227,505	175,750	96,407	-
Planning, Building & Neighborhood Preservation	-	-	-	-	-	-	-	-	11,170	22,616
Cultural and community services	-	-	-	-	-	-	-	-	-	431
Housing & Community Development	-	-	-	-	-	-	-	-	19,132	43,420
Public Works	60,328	73,338	79,816	91,490	71,971	64,288	57,133	71,099	69,763	72,497
Other	30,372	38,327	23,048	10,641	10,597	20,099	8,328	27,062	18,460	13,243
Capital outlay	24,779	36,219	25,014	49,895	46,312	44,418	61,233	63,532	71,703	103,905
Debt service	-	-	-	-	-	-	-	-	-	-
Bond issuance costs	12,874	4,478	2,496	4,467	4,210	864	1,558	828	359	1,958
Other refunding cost	-	-	-	-	5,674	-	-	-	-	3,110
Principal	61,831	88,506	72,583	79,964	92,940	138,854	105,742	86,965	125,570	74,886
Interest	62,897	60,656	69,027	69,682	71,528	65,157	69,097	89,514	67,175	58,208
<b>Total expenditures</b>	<b>\$ 760,029</b>	<b>\$ 827,346</b>	<b>\$ 874,185</b>	<b>\$ 991,827</b>	<b>\$ 1,059,596</b>	<b>\$ 1,084,198</b>	<b>\$ 1,044,971</b>	<b>\$ 1,016,603</b>	<b>\$ 1,016,568</b>	<b>\$ 1,125,651</b>
Excess of revenues over(under) expenditures	\$ (57,041)	\$ 12,709	\$ (28,470)	\$ (31,301)	\$ (89,809)	\$ (130,346)	\$ (108,860)	\$ (74,210)	\$ (115,404)	\$ (281,218)
<b>Other Financing Sources (Uses)</b>										
Issuance of debt	\$ 3,927	\$ 433,956	\$ 105,840	\$ 143,988	\$ -	\$ 40,228	\$ 67,693	\$ 56,870	\$ 83,775	\$ -
Issuance of refunding bonds	188,650	-	-	102,590	241,410	-	-	-	-	216,085
Capital leases	-	-	-	-	-	-	-	-	-	16,150
Premiums/discounts on issuance of bonds	587	13,535	328	1,963	11,313	(779)	908	(2,052)	8,538	(1,129)
Payment to refund bond escrow agent	(96,395)	(247,860)	(27,853)	(22,729)	(221,250)	-	-	-	(57,998)	(3,018)
Property sale proceeds	1,497	394	4,262	618	4,045	8,723	5,013	4,481	32,213	67
Insurance claims and settlements	-	-	-	-	-	-	1,641	548	1,627	3,726
Transfers in	95,404	109,911	101,643	97,397	98,691	130,095	106,409	103,786	344,831	119,617
Transfers out	(94,804)	(109,311)	(101,043)	(95,897)	(98,091)	(128,895)	(104,725)	(102,086)	(342,843)	(117,473)
<b>Total other financing sources (uses)</b>	<b>\$ 98,866</b>	<b>\$ 200,625</b>	<b>\$ 83,177</b>	<b>\$ 227,930</b>	<b>\$ 36,118</b>	<b>\$ 49,372</b>	<b>\$ 76,939</b>	<b>\$ 61,547</b>	<b>\$ 70,143</b>	<b>\$ 234,025</b>
Special item	\$ -	\$ -	\$ -	\$ 59,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Extraordinary loss from dissolution of former Redevelopment Agency	-	-	-	-	-	-	-	-	(274,999)	-
Extraordinary loss due to State Controller's Office asset transfer review and California Department of Finance disallowances	-	-	-	-	-	-	-	-	-	(102,504)
<b>Net change in fund balances</b>	<b>\$ 41,825</b>	<b>\$ 213,334</b>	<b>\$ 54,707</b>	<b>\$ 255,649</b>	<b>\$ (53,691)</b>	<b>\$ (80,974)</b>	<b>\$ (31,921)</b>	<b>\$ (12,663)</b>	<b>\$ (320,260)</b>	<b>\$ (149,697)</b>
Total fund balance - beginning	645,450	687,275	900,609	955,316	1,210,965	1,157,274	1,076,300	1,044,379	1,031,716	711,456
<b>Total fund balance - ending</b>	<b>\$ 687,275</b>	<b>\$ 900,609</b>	<b>\$ 955,316</b>	<b>\$ 1,210,965</b>	<b>\$ 1,157,274</b>	<b>\$ 1,076,300</b>	<b>\$ 1,044,379</b>	<b>\$ 1,031,716</b>	<b>\$ 711,456</b>	<b>\$ 561,759</b>
Debt service as a percentage of noncapital expenditures	16.96%	18.85%	16.68%	15.89%	17.00%	20.33%	18.13%	18.85%	20.97%	13.74%

Note: Debt ratio was calculated by dividing principal and interest by total government expenditures excluding capital outlay \$156,715 for fiscal year 2013.

General government include Mayor, Council, City Administrator, City Attorney, City Auditor and City Clerk

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

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 6**

**TAX REVENUES BY SOURCE,  
GOVERNMENTAL FUNDS**

*(in thousands)*

<b>Fiscal Year</b>	<b>Property</b>	<b>Sales &amp; Use</b>	<b>Motor Vehicle in-lieu</b>	<b>Gas</b>	<b>Business License</b>	<b>Utility Consumption</b>	<b>Real Estate Transfer</b>	<b>Transient Occupancy</b>	<b>Parking</b>	<b>Voter Approved</b>	<b>Franchise</b>	<b>Total</b>
2004	200,646	47,760	18,178	6,968	44,223	48,056	55,665	9,857	9,799	5,205	11,592	457,949
2005	232,061	51,148	9,656	7,647	43,902	49,781	77,722	10,926	11,580	30,155	11,128	535,706
2006	268,361	56,844	2,984	7,476	43,790	48,770	79,483	11,690	15,196	31,728	12,152	578,474
2007	314,468	58,006	2,268	7,449	50,339	51,426	61,505	12,303	16,202	29,778	13,010	616,754
2008	358,074	64,812	1,811	7,305	52,542	52,524	36,205	12,400	15,747	32,942	13,791	648,153
2009	359,699	56,090	1,282	9,749	54,291	52,701	34,267	10,599	14,196	33,772	14,440	641,086
2010	349,084	45,503	1,251	10,991	54,141	51,107	36,971	10,085	13,885	35,228	14,655	622,901
2011	326,576	51,910	2,168	10,990	53,138	53,440	31,608	12,484	13,460	41,700	14,854	612,328
2012	288,923	55,659	221	11,060	58,712	51,434	30,653	13,822	15,975	35,812	15,829	578,100
2013	254,488	60,494	-	10,004	60,371	50,752	47,406	15,831	15,565	38,247	16,035	569,193
Change 2004-2013	26.8%	26.7%	-100.0%	43.6%	36.5%	5.6%	-14.8%	60.6%	58.8%	634.8%	38.3%	24.3%

Note: Reflects revenues of the General, Special Revenue, Debt Service, Capital Projects Funds, and Oakland Redevelopment Agency in FY2004 - FY2011, General, Special Revenue, Debt Service, Capital Projects Funds, Oakland Redevelopment Agency, and Housing Successor Agency in FY2012, General, Special Revenue, Debt Service, Capital Projects Funds, and Low and Moderate Income Housing Asset Fund in FY2013.

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

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 7**

**ASSESSED VALUE AND ESTIMATED  
VALUE OF TAXABLE PROPERTY**

*(in thousands)*

<u>Fiscal Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Less: Redevelopment Tax Increments</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Taxable Assessed Value</u>	<u>Taxable Assessed Value as a Percentage of Estimated Taxable Value</u>
2004	8,374,188	18,571,148	1,964,460	28,909,796	1,863,890	4,090,609	22,955,297	5.811	133,393,231	17.21%
2005	9,157,808	20,308,258	1,878,079	31,344,145	2,067,228	5,186,441	24,090,476	5.534	133,316,694	18.07%
2006	10,206,973	22,383,882	1,962,917	34,553,772	2,310,189	7,750,010	24,493,573	5.519	135,180,029	18.12%
2007	11,410,672	24,862,440	1,894,048	38,167,160	2,347,281	9,552,758	26,267,121	5.667	148,855,775	17.65%
2008	12,472,317	27,192,312	2,132,949	41,797,578	2,478,761	9,552,758	29,766,059	5.508	163,951,453	18.16%
2009	13,222,782	28,429,996	2,205,480	43,858,258	2,584,624	10,425,138	30,848,496	5.414	167,013,757	18.47%
2010	12,708,080	27,749,554	2,110,456	42,568,090	2,691,489	9,753,604	30,122,997	5.674	170,917,885	17.62%
2011	12,479,365	26,787,417	1,985,401	41,252,183	2,768,044	9,030,570	29,453,569	5.692	167,649,715	17.57%
2012	12,560,758	27,225,464	2,154,330	41,940,552	3,084,118	9,247,268	29,609,166	5.677	168,091,235	17.61%
2013	12,723,234	27,848,261	2,266,536	42,838,031	3,322,453	9,496,227	30,019,351	5.562	166,967,630	17.98%

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

Source: County of Alameda

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 8**

**DIRECT AND OVERLAPPING  
PROPERTY TAX RATES**

Fiscal Year	<u>City Direct Rates</u>				<u>Overlapping Rates</u>						East Bay Municipal Utility Debt	East Bay Regional Parks District	East Bay Reg. Parks District Debt
	Basic Rate	Debt Service Fund	1981 Pension Liability	Total Direct Rate	Alameda County	Education	Education Debt	BART and AC Transit	BART Debt	Other			
2004	0.3485	0.0751	0.1575	0.5811	0.3086	0.2165	0.0923	0.0517	-	0.0505	0.0079	0.0242	0.0057
2005	0.3485	0.0474	0.1575	0.5534	0.3086	0.2165	0.0875	0.0517	-	0.0505	0.0076	0.0242	0.0057
2006	0.3485	0.0459	0.1575	0.5519	0.3086	0.2165	0.1018	0.0517	-	0.0505	0.0072	0.0242	0.0057
2007	0.3485	0.0607	0.1575	0.5667	0.3086	0.2165	0.1074	0.0517	-	0.0505	0.0068	0.0242	0.0085
2008	0.3485	0.0448	0.1575	0.5508	0.3086	0.2165	0.1030	0.0517	-	0.0505	0.0065	0.0242	0.0080
2009	0.3485	0.0354	0.1575	0.5414	0.3086	0.2165	0.1197	0.0517		0.0505	0.0064	0.0242	0.0100
2010	0.3485	0.0614	0.1575	0.5674	0.3086	0.2165	0.1689	0.0517	0.0057	0.0505	0.0065	0.0242	0.0108
2011	0.3485	0.0632	0.1575	0.5692	0.3086	0.2165	0.1697	0.0517	0.0031	0.0505	0.0067	0.0242	0.0084
2012	0.3485	0.0617	0.1575	0.5677	0.3086	0.2165	0.1741	0.0517	0.0041	0.0505	0.0067	0.0242	0.0071
2013	0.3485	0.0502	0.1575	0.5562	0.3086	0.2165	0.1818	0.0517	0.0043	0.0505	0.0068	0.0242	0.0051

Note: Rates per \$1,000 assessed value

Source: County of Alameda

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 9**

**PRINCIPAL PROPERTY TAX PAYERS**

<u>Taxpayer</u>	<u>2004 (1)</u>			<u>2013 (2)</u>		
	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Rank</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Rank</u>
Kaiser Foundation Hospitals				1,110,688,767	2.811%	1
Oakland City Center Venture LLC	\$ 198,793,989	0.735%	1	240,601,320	0.609%	2
SIC Lakeside Drive LLC				212,718,150	0.538%	3
CIM Oakland Center 21 LP				176,683,175	0.447%	4
Kaiser Foundation Health Plan Inc	110,137,298	0.407%	5	157,967,889	0.400%	5
CIM Oakland 1 Kaiser Plaza LP				130,206,394	0.330%	6
Digital 720 2ND LLC				128,264,362	0.325%	7
1800 Harrison Foundation	108,415,864	0.401%	6	125,009,321	0.316%	8
Oakland Property LLC				125,000,000	0.316%	9
555 Twelfth Street Venture LLC	91,810,447	0.340%	8	118,911,753	0.301%	10
Kaiser Center, Inc.	135,450,568	0.501%	2	N/A		
KSL Claremont Resort, Inc.	126,056,775	0.466%	3	N/A		
Prentiss Properties Acquisition Partners LP	122,546,253	0.453%	4	N/A		
Lake Merritt Plaza	99,774,190	0.369%	7	N/A		
Clorox Company	89,724,898	0.332%	9	N/A		
Webster Street Partners, Ltd.	73,959,334	0.274%	10	N/A		
<b>Total</b>	<b>\$ 1,156,669,616</b>	<b>4.278%</b>		<b>\$ 2,526,051,131</b>	<b>6.393%</b>	

Notes:

(1) 2004 based on total assessed value of \$27,045,905,613

(2) 2013 based on total assessed value of \$39,515,578,256

Source: County of Alameda

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 10**

**PROPERTY TAX LEVIES  
AND COLLECTIONS**

*(in thousands)*

<b>1% TAX ROLL</b>							
<b>Fiscal Year Ended June 30,</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Year</b>	<b>Total Collections to Date</b>		
		<b>Amount</b>	<b>Percent of Levy</b>		<b>Amount</b>	<b>Percent of Levy</b>	
2004	65,248	63,546	97.39%	0	63,546	97.39%	
2005	68,095	66,301	97.37%	0	66,301	97.37%	
2006	73,331	71,198	97.09%	0	71,198	97.09%	
2007	79,357	75,654	95.33%	0	75,654	95.33%	
2008	86,220	81,048	94.00%	0	81,048	94.00%	
2009	89,482	84,063	93.94%	0	84,063	93.94%	
2010	85,706	82,015	95.69%	0	82,015	95.69%	
2011	83,960	81,013	96.49%	0	81,013	96.49%	
2012	84,590	81,823	96.73%	0	81,823	96.73%	
2013	85,791	83,756	97.63%	0	83,756	97.63%	

<b>Voter-Approved Debt Tax Roll</b>							
<b>Fiscal Year Ended June 30,</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Year</b>	<b>Total Collections to Date</b>		
		<b>Amount</b>	<b>Percent of Levy</b>		<b>Amount</b>	<b>Percent of Levy</b>	
2004	61,760	59,602	96.51%	0	59,602	96.51%	
2005	59,673	57,558	96.46%	0	57,558	96.46%	
2006	63,369	60,887	96.08%	0	60,887	96.08%	
2007	75,071	70,586	94.03%	0	70,586	94.03%	
2008	76,453	70,621	92.37%	0	70,621	92.37%	
2009	75,753	70,494	93.06%	0	70,494	93.06%	
2010	83,581	79,172	94.72%	0	79,172	94.72%	
2011	85,262	81,506	95.59%	0	81,506	95.59%	
2012	85,076	82,413	96.87%	0	82,413	96.87%	
2013	82,312	80,328	97.59%	0	80,328	97.59%	

Note: Collections in subsequent year data not available

Source: County of Alameda

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 11**

**TAXABLE SALES BY CATEGORY**

*(in thousands)*

	<b>Fiscal Year</b>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Auto & Transportation	\$ 871,710	\$ 817,924	\$ 860,194	\$ 912,876	\$ 840,330	\$ 695,919	\$ 580,398	\$ 651,555	\$ 674,154	\$ 743,329
Business & Industry	700,079	622,816	667,630	613,457	691,322	574,628	490,566	512,453	642,399	655,454
General Consumer Goods	453,363	461,085	554,136	549,394	536,955	505,460	480,781	496,571	548,072	559,941
Restaurants and Hotels	406,565	441,158	496,814	483,765	527,276	515,602	525,068	566,973	606,936	681,562
Building & Construction	369,886	491,196	488,972	495,607	465,797	416,701	344,171	325,085	378,922	374,421
Food & Drugs	308,529	316,990	321,467	330,643	341,677	342,922	366,461	359,148	386,236	402,383
Fuel & Service Stations	593,926	869,866	1,058,122	1,186,535	1,236,876	638,147	433,207	620,279	888,349	733,489
<b>Total</b>	<b>\$ 3,704,058</b>	<b>\$ 4,021,035</b>	<b>\$ 4,447,335</b>	<b>\$ 4,572,277</b>	<b>\$ 4,640,233</b>	<b>\$ 3,689,379</b>	<b>\$ 3,220,652</b>	<b>\$ 3,532,064</b>	<b>\$ 4,125,068</b>	<b>\$ 4,150,579</b>
City direct sales tax rate			1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

Source: HdL Companies

**CITY OF OAKLAND  
STATISTICS**

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**SCHEDULE 12**

**DIRECT AND OVERLAPPING  
SALES TAX RATES**

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>State of California</u>
2004	n/a	n/a
2005	n/a	n/a
2006	1.50%	7.25%
2007	1.50%	7.25%
2008	1.50%	7.25%
2009	1.50%	8.25%
2010	1.50%	8.25%
2011	1.50%	8.25%
2012	1.50%	7.25%
2013	1.50%	7.50%

Source: California State Board of Equalization

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 13**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

*(in thousands)*

Fiscal Year	<u>Governmental Activities</u>											<u>Business-type Activities</u>				
	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Lease Revenue Bonds	Pension Obligation Bonds	Accreted Interest	Special Assessment Bonds	Notes Payable	Capital Leases	Premiums Discounts Refunding Loss	Pledge Oblig. For Authority Debt	Sewer Fund Notes Payable	Sewer Fund Bonds	Total Primary Government	Percentage of Personal Income (1)	Per Capita
2004	232,045	235,555	59,594	386,200	436,873	-	7,940	46,153	-	(8,503)	93,950	6,362	-	1,496,169	12.79%	4
2005	227,010	270,085	50,195	488,721	366,405	70,811	7,370	18,440	26,769	1,393	91,150	5,655	62,330	1,686,334	14.42%	4
2006	358,124	319,115	49,154	346,110	341,475	85,884	7,085	17,940	20,218	518	88,100	4,925	60,840	1,699,488	14.53%	4
2007	345,214	514,475	45,795	325,105	313,625	104,356	6,800	17,090	31,809	2,852	85,350	4,126	59,305	1,855,902	20.36%	4
2008	331,528	496,630	40,495	323,340	282,705	125,743	6,200	19,045	26,968	(2,454)	82,450	3,346	57,720	1,793,716	17.00%	4
2009	317,188	505,765	10,375	296,985	248,455	148,580	5,645	17,610	23,235	(2,167)	79,350	2,540	56,090	1,709,651	15.29%	4
2010	366,248	488,900	7,210	270,670	210,595	172,971	8,298	14,295	18,483	450	76,000	1,708	54,380	1,690,208	14.46%	4
2011	349,431	523,905	3,895	242,800	195,637	172,121	7,963	12,295	17,068	(1,278)	72,450	848	52,580	1,649,715	14.83%	4
2012	326,609	-	-	210,530	174,777	157,211	7,475	10,140	13,498	4,630	68,700	574	50,695	1,024,839	9.07%	3
2013	309,793	-	-	176,850	367,394	162,874	6,690	7,815	39,228	20,219	56,895	291	48,710	1,196,759	9.66%	3

(1) Per capita income \$31,030 multiplied by population 399,326 gives personal income \$12,391,085,780

Source: Notes to Basic Financial Statements, Note (12) - Long-term Obligations

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 14**

**RATIOS OF GENERAL BONDED  
DEBT OUTSTANDING**

*(in thousands)*

**General Bonded Debt Outstanding**

<b>Fiscal Year</b>	<b>Net Bonded Debt (1)</b>	<b>Assessed Value (2)</b>	<b>Percentage of Actual Taxable Value of Property (%)</b>	<b>Per Capita (3) <i>(in dollars)</i></b>
2004	1,489,807	27,046,000	5.5084	563.76
2005	1,618,349	29,277,000	5.5277	550.59
2006	1,633,723	32,244,000	5.0668	869.75
2007	-	35,820,000	5.0041	4,314.09
2008	1,732,650	39,319,000	4.4066	4,123.56
2009	1,651,021	41,274,000	4.0001	3,884.13
2010	1,634,120	39,877,000	4.0979	3,794.40
2011	1,596,287	38,484,140	4.1479	4,062.50
2012	973,570	38,856,435	2.5056	2,462.61
2013	1,147,758	39,515,578	2.9046	2,874.24

(1) Source: City of Oakland Annual Debt Service Roll Forward, General Obligation Debt Total as of June 30, 2013

(2) Source: County of Alameda.

(3) Population 399,326 as of 1/1/13 per State of California Demographic Information by City.

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 15**

**DIRECT AND OVERLAPPING  
GOVERNMENTAL ACTIVITIES DEBT**

<u>Governmental Unit</u>	<u>Estimated Percentage Applicable</u>	<u>City Share of Debt</u>
<b>Direct Bonded Debt</b>		
City of Oakland General Obligation Bonds	100	\$ 309,793,000
City of Oakland Lease Revenue Bonds	100	176,850,000
City of Oakland Pension Obligations	100	367,394,000
City of Oakland 1915 Act Bond Obligations	100	6,690,000
City of Oakland Accreted Interest on Appreciation Bonds	100	162,874,000
City of Oakland Unamortized Premium and Discount	100	20,219,000
City of Oakland Notes and Capital Leases	100	47,043,000
City of Oakland and Coliseum Authority General Fund Obligations	100	56,895,000
<b>Total Direct Bonded Debt:</b>		<u>\$ 1,147,758,000</u>
<b>Overlapping Bonded Debt</b>		
Alameda-Contra Costa Transit District Certificates of Participation	23.570	\$ 7,396,266
Alameda County and Coliseum Authority General Fund Obligation	20.180	128,942,128
Alameda County Pension Obligations	20.180	22,052,220
Bay Area Rapid Transit District	7.937	32,596,465
East Bay Municipal Utility District, Special District #1	52.379	9,718,923
East Bay Regional Park District	12.266	16,628,403
Chabot-Las Positas Community College District	0.828	3,629,587
Chabot-Las Positas Community College District General Fund Obligations	0.000	-
Peralta Community College District	55.019	228,592,941
Peralta Community College District Pension Obligation	55.019	88,112,428
Berkeley & Castro Valley Unified School District	0.004 & 0.121	123,434
Oakland Unified School District	99.999	740,417,596
Oakland Unified School District Certificates of Participation	99.999	46,814,532
San Leandro Unified School District	7.469	12,132,374
Castro Valley Unified School District Certificates of Participation	0.121	7,435
City of Emeryville 1915 Act Bonds	4.183	273,568
City of Piedmont 1915 Act Bonds	4.792	151,427
<b>Total Overlapping Bonded Debt:</b>		<u>\$ 1,337,589,727</u>
<b>Total Direct and Overlapping Debt</b>		<u>\$ 2,485,347,727</u>
Less: East Bay M.U.D. Special District #1 (100% self-supporting)		<u>9,718,923</u>
<b>Total Net Direct and Overlapping Bonded Debt</b>		<u><u>\$ 2,475,628,804</u></u>

Source: City of Oakland Treasury Division

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 16**

**LEGAL DEBT MARGIN INFORMATION**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 860,823,608	\$ 903,392,821	\$ 918,508,985	\$ 985,017,038	\$ 1,116,227,253	\$ 1,156,818,628	\$ 1,129,612,382	\$ 1,104,508,857	\$ 1,110,343,736	\$ 1,125,725,668
Total net debt applicable to limit	232,045,000	227,010,000	358,124,189	345,214,363	331,528,315	317,188,697	366,247,851	349,430,620	326,608,202	309,791,916
Legal debt margin	\$ 628,778,608	\$ 676,382,821	\$ 560,384,796	\$ 639,802,675	\$ 784,698,938	\$ 839,629,931	\$ 763,364,531	\$ 755,078,237	\$ 783,735,534	\$ 815,933,752
Total net debt applicable to the limit as a percentage of debt limit (%)	26.96%	25.13%	38.99%	35.05%	29.70%	27.42%	32.42%	31.64%	29.42%	27.52%

Source: County of Alameda and City of Oakland Annual Debt Service Roll Forward (General Obligation Debt Total as of June 30, 2013).

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 17**

**PLEGGED-REVENUE COVERAGE,  
PORT OF OAKLAND, OAKLAND REDEVELOPMENT AGENCY AND  
OAKLAND REDEVELOPMENT SUCCESSOR AGENCY**

*(thousands of dollars)*

Fiscal Year	Net Revenue Available for Debt Services	Principal	Interest	Total	Coverage
<b><u>PORT OF OAKLAND</u></b>					
2004	110,797	9,241	50,124	59,365	186.64%
2005	126,636	8,155	53,633	61,788	204.95%
2006	136,566	14,968	56,806	71,774	190.27%
2007	138,458	19,892	62,756	82,648	167.53%
2008	144,931	19,800	70,474	90,274	160.55%
2009	130,173	19,724	75,578	95,302	136.59%
2010	147,860	35,593	78,018	113,611	141.96% (1)
2011	155,502	36,500	69,378	105,878	146.87%
2012	161,254	48,763	59,571	108,334	149.68% (2)
2013	170,128	45,812	61,612	107,424	158.37%
<b><u>OAKLAND REDEVELOPMENT AGENCY</u></b>					
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%
<b><u>OAKLAND REDEVELOPMENT SUCCESSOR AGENCY</u></b>					
2012	2,949,755	503,540	348,207	851,747	346.32%
2013	2,856,580	480,995	318,894	799,889	357.12%

Notes: (from Port of Oakland)

(1) Revised from 130.15% to reflect the application of \$9.5 million bond reserve funds from Series F, Series K, Series L and Series N to debt service.

(2) Revised from 148.85% to reflect the application of unspent Series M bond proceeds to debt service.

Source: Port of Oakland and Oakland Redevelopment Successor Agency

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 18**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

<b>Calendar Year</b>	<b>Population</b>	<b>Personal Income</b> <i>(thousands of dollars)</i>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate (%)</b>
2004	411,600	18,163,496	44,129	33.3	49,334	6.1
2005	412,300	9,044,213	21,936	33.3	49,334	5.3
2006	411,755	11,697,548	28,409	33.3	41,467	7.1
2007	415,492	9,114,233	21,936	33.3	39,802	7.4
2008	420,183	10,554,157	25,118	36.1	39,705	9.6
2009	425,068	11,182,689	26,308	36.7	38,826	17.1
2010	390,757	10,607,099	27,145	37.1	38,450	17.2
2011	392,333	11,107,340	28,311	36.3	38,540	16.3
2012	394,832 (1)	11,281,140	28,572	36.2	37,742	14.3
2013	399,326	12,391,086	31,030	36.6	36,180	11.3

Note: In FY 2003 - 2004 median family income was used as per capital personal income

Source: Population - State of California Department of Finance, Per Capita Income and Median Age - DemographicsNow.com,  
School Enrollment - Oakland Unified School District, Unemployment Rate - State of California Employment Development Department

(1) 2012 is updated with newly available data from the California Department of Finance, Personal Income is also updated accordingly.

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 19**

**PRINCIPAL EMPLOYERS**

<u>Employer</u>	<u>2013</u>			<u>2006</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percent of Total Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percent of Total Employment</u>
Kaiser Permanente Medical Group	10,914	1	6.01%	5,450	3	3.00%
Oakland Unified School District	7,664	2	4.22%	8,000	2	4.41%
State of California	7,480	3	4.12%	N/A		
County of Alameda	6,218	4	3.43%	9,740	1	5.37%
City of Oakland	5,082	5	2.80%	4,290	5	2.36%
Alta-Bates Summit Medical Center	3,623	6	2.00%	N/A		
Children's Hospital & Research Center	2,600	7	1.43%	N/A		
Internal Revenue Service	2,500	8	1.38%	N/A		
Southwest Airlines	2,100	9	1.16%	N/A		
Peralta Community College District	1,420	10	0.78%	N/A		
Kaiser Foundation Hospitals	N/A			4,340	4	2.39%
Bay Area Rapid Transit	N/A			2,800	6	1.54%
Federal Express	N/A			2,790	7	1.54%
Alta-Bates Medical Center	N/A			2,620	8	1.44%
Kaiser Foundation Health Plan	N/A			2,590	9	1.43%
Summit Medical Center	N/A			2,230	10	1.23%
Total	<u>49,601</u>			<u>44,850</u>		

Note: Data pertaining to principal employers for the past 10 years is not readily available. As such, we used 2006 data as our base year which is the earliest information available.

Source: Fiscal Year 2006 - Economic Development Alliance for Business, Alameda County Largest Employers.  
 Fiscal Year 2013 - City of Oakland, Department of Economic and Workforce Development  
 Total employment of 181,499 (2013 estimate) from DemographicsNow.com is used to calculate the percentage of employment

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 20**

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

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Aging, Health & Human Services	224	219	210	213	208	204	217	231	218	219
Community & Economic Development Agency	285	266	258	262	419	380	364	241	N/A	N/A
Fire										
Firefighters and officers	481	464	445	456	462	448	434	427	411	410
Civilians	78	72	77	81	82	77	78	69	64	68
General Government										
Management services	214	207	199	222	211	204	184	169	280	280
Finance	184	175	201	210	209	196	176	172	63	55
Retirement Services	8	6	7	7	5	5	5	5	N/A	N/A
Personnel Resources Management	36	35	38	41	53	47	35	35	33	29
Contracts and Purchasing	N/A	N/A	N/A	N/A	22	22	22	23	N/A	N/A
Neighborhood Services	N/A	4								
Information Technology	73	72	76	76	92	88	67	62	60	55
Library	181	172	173	160	150	140	133	135	134	138
Cultural Arts/KTOP	22	22	22	22	21	20	12	12	8	8
Museum	67	61	56	58	55	51	42	38	N/A	N/A
Parks and Recreation	216	81	88	81	76	92	82	87	83	84
Planning, Building & Neighborhood Preservation	N/A	119	111							
Police										
Officers	759	714	701	725	746	791	763	627	634	621
Civilians	385	370	354	335	432	303	305	279	311	350
Public Works	609	698	709	727	561	546	482	593	593	588
Housing & Community Development	N/A	44	43							
<b>Total</b>	<b>3,822</b>	<b>3,634</b>	<b>3,614</b>	<b>3,676</b>	<b>3,804</b>	<b>3,614</b>	<b>3,401</b>	<b>3,205</b>	<b>3,055</b>	<b>3,063</b>

Source: City of Oakland Payroll Division

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 21**

**OPERATING INDICATORS BY  
FUNCTION/PROGRAM**

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government							
Building permits issued	16,488	14,957	13,055	12,951	13,648	13,696	13,513
Building inspections conducted	89,388	95,064	77,845	71,931	70,016	48,500	55,951
Authorized new dwelling units	2,035	704	395	555	528	237	486
Commercial value (in thousands)	171,157	213,696	117,876	95,851	108,767	150,613	65,152
Residential value (in thousands)	611,036	258,617	196,362	168,872	179,374	159,723	253,516
Police							
Dispatched calls	299,283	289,032	315,522	265,277	236,517	221,775	249,050
Field Contacts	7,221	9,641	8,393	20,220	23,391	16,638	21,280
Physical arrests	14,908	16,866	18,183	15,056	15,029	10,617	7,908
Parking violations	470,008	459,459	496,655	450,656	386,494	368,641	326,030
Traffic violations	39,098	44,897	51,019	33,484	20,731	N/A	N/A
Fire							
Emergency responses	61,470	49,784	51,255	49,887	51,041	46,672	55,334
Fires extinguished	2,021	3,800	2,601	1,143	1,073	1,207	1,108
Inspections	2,631	3,062	3,258	2,087	2,211	2,390	3,292
Port of Oakland							
Imports (in tonnage)	16,081,289	16,203,404	14,664,473	13,014,470	14,868,310	14,709,453	14,609,772
Exports (in tonnage)	14,710,407	16,191,383	16,258,547	17,357,582	17,647,626	18,429,153	18,370,822
Total tonnage	30,791,696	32,394,787	30,923,020	30,372,052	32,515,936	33,138,606	32,980,594
Containers	1,369,123	1,363,367	1,273,805	1,161,082	1,316,473	1,318,925	1,328,379
Other public works							
Street resurfacing (miles)	14.58	13.83	18.63	18.50	11.50	21.21	3.95
Potholes repaired	12,574	11,758	8,515	10,062	8,262	11,614	12,005
Parks and recreation							
Athletic field permits issued	543	330	340	346	378	409	409
Community center admissions	1,436,682	1,423,577	1,342,657	1,454,124	1,653,451	1,790,720	1,144,097
Library							
Volumes in collection	1,956,249	1,242,415	1,316,849	1,452,930	1,535,451	1,268,857	1,259,091
Total volumes borrowed	2,270,755	2,328,712	2,436,806	2,469,588	2,585,613	2,619,930	2,576,157
Water							
New connections	389	474	297	192	111	127	167
Water main breaks	261	251	410	242	263	260	278
Average daily consumption (gallons/family)	203	N/A	N/A	N/A	N/A	N/A	N/A
Peak daily consumption (thousands of gallons)	385,000	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater							
Average daily sewage treatment (thousands of gallons)	75,500	75,000	66,000	68,000	70,000	63,000	61,000

Source: City of Oakland, Port of Oakland, and East Bay Municipal Utility District  
Note: Port of Oakland data based on prior calendar year; fiscal year data unavailable.

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 22**

**CAPITAL ASSET STATISTICS  
BY FUNCTION/PROGRAM**

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Aviation facilities							
Airports operated	1	1	1	1	1	1	1
Paved airport runways	4	4	4	4	4	4	4
Total length of runways (in feet)	25,038	25,038	25,038	25,038	25,038	25,038	25,038
Area of airport (in acres)	2,600	2,600	2,600	2,600	2,600	2,600	2,600
Police							
Stations	7	8	8	7	7	7	7
Patrol units	630	622	633	602	592	634	610
Fire stations	25	25	25	25	25	25	25
Harbor facilities							
Miles at waterfront	19	19	19	19	19	19	19
Berthing length at wharves (in feet)	23,063	23,063	23,233	23,233	23,233	23,233	23,233
Harbor area (in acres)	786	786	786	786	779	779	779
Hospitals	2	4	4	4	4	4	4
Library branches	16	15	15	15	16	16	16
Museums	2	1	1	1	1	1	1
Other public works							
Streets (in lane miles)	2,287	2,288	2,323	1,963	1,965	1,965	1,965
Streetlights	33,952	36,219	36,219	36,219	37,000	37,000	37,000
Traffic signals	680	671	688	688	688	720	632
Parks and recreation							
Acreage	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Swimming pools	5	7	5	5	4	4	4
Tennis courts	36	44	44	44	44	44	44
Playgrounds	89	106	106	106	106	106	106
Baseball/softball diamonds	46	40	40	40	40	40	40
Soccer/football fields	15	15	15	15	15	15	15
Community centers	29	34	34	34	33	33	33
Water							
Water mains (miles)	N/A						
Fire hydrants	6,705	6,719	6,733	6,738	6,759	6,697	6,812
Storage capacity (thousands of gallons)	N/A						
Wastewater							
Sanitary sewers (miles)	29	29	29	29	29	29	29
Treatment capacity (million gallons per day)	120	320	320	320	320	320	320

Source: City of Oakland, Port of Oakland, and East Bay Municipal Utility District  
Note: Harbor Facilities data based on prior calendar year; fiscal year data unavailable.

# CITY OF OAKLAND STATISTICS

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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 399,326, ranking the eighth largest city in the State of California, Oakland is a city of contrasts. It has a thriving industrial port located near restored historic buildings. Major corporate headquarters are in close proximity to traditional businesses and small shops. Historic structures continue to be preserved and revitalized while new buildings are built.

Oakland has grown rapidly since World War II. It has striven to balance this growth by preserving its abundant natural beauty and resources. The City has 106 parks within its borders and several recreational areas along its perimeter. The downtown area includes Lake Merritt, the largest saltwater lake within a U.S. city. Its shoreline is a favorite retreat for joggers, office workers and picnickers. At dusk, the area sparkles as the lake is lit with the “Necklace of Lights.” Lake Merritt is the oldest officially declared wildlife sanctuary in the United States, dating back to 1870.

### ALL-AMERICAN CITY

According to U.S. Census figures, Oakland is the most culturally and ethnically diverse city in America. This diversity is reflected in a dynamic, multicultural arts, culture and dining scene. Less obvious to people passing through Oakland is the extraordinary number of individuals and groups of all ethnic backgrounds who work quietly, often voluntarily, usually with little public notice, to improve living conditions for everyone. There are about 150 neighborhood, community, and merchant organizations in Oakland, an unusually large number for any city.

In recognition of these activities, the City and its residents were awarded the National Civic League’s prestigious All-American City designation. Ten cities out of 151 applicants were selected. Each had to demonstrate broad-based citizen involvement reflecting the community’s demographics, the shared decision-making among its public and private sectors, the creative mobilization of community resources, and the willingness to confront critical local issues and results that have a lasting impact.

### GOVERNMENT

In November 1998, the citizens of Oakland passed Measure X to change the form of government from Council/Manager to Mayor/Council through a charter amendment. The legislative authority is vested in the City Council. The executive authority is vested in the Mayor with administrative authority resting with the City Manager under the direction of the Mayor. The City Auditor and the City Attorney are both elected officials and serve four-year terms.

The Mayor and City Council is the governing body of the City and is comprised of eight elected officials. One Council member is elected “at large”, while the other seven Council members represent specific districts. The Mayor and City Council are elected to serve four-year terms. The City Manager, appointed by the Mayor, is responsible for day-to-day administrative and fiscal operations of the City.

# CITY OF OAKLAND

## STATISTICS

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

The City provides a full range of services contemplated by statute or charter, including those functions delegated to cities under state law. These services include public safety (police and fire), sanitation and environmental health enforcement, recreational and cultural activities, public improvements, planning, zoning, and general administrative services. Oakland is also the seat of Alameda County, which is one of California’s largest counties.

### COMMERCIAL SECTORS

Oakland has made significant gains in diversifying its economic base. The economy offers a healthy mix of trade, government, information technology, financial, medical, publishing, and service-oriented occupations. Industries with the largest growth in jobs in the last few years are professional and business services, education and healthcare, government, leisure and hospitality, traditional and specialty food production.

Oakland is abundant in resources that are available to its businesses and residents. State-of-the-art transportation, communications, and utility facilities keep the City running smoothly. Waterfront restaurants, shops, and a movie theater at Jack London Square, as well as the burgeoning Old Oakland and Uptown districts provide lively nighttime attractions. In addition, new office and retail buildings, public facilities, hotels, park enhancements, farmer’s markets, outdoor cinema, art galleries and scores of public art installations and the annual Art & Soul festival have created a cosmopolitan environment in the downtown. The City’s neighborhood retail area continues to grow; it now has six Business Improvement Districts. Manufacturing remains an important segment of the City’s economy, some industrial areas have been converted into live/work use.

City departments and processes are being streamlined, restructured, and customer focused to better serve the needs of the businesses and the community. A variety of incentives are available to companies located in its Enterprise, Foreign Trade, and Recycling Market Development Zones. The staff link businesses with the many services available to them throughout the area and serves as an ombudsman for companies dealing with the City. Neighborhood Commercial Specialists work with merchants in each commercial district to promote the district, obtain loans, expedite permits, and arrange for City services.

Oakland is a city of rich history, impressive growth, and a promising future. Located within the **nation’s largest metropolitan area**, California’s eighth largest city is strategically positioned as the economic heart of the East Bay. Oakland has a diverse business base and opportunities for expansion in business services, retail, and the cutting-edge advanced technology industries. Downtown Oakland has the infrastructure and the amenities for both traditional and emerging enterprises, and it offers competitively priced office space.

As the economic, transportation, and civic hub of the East Bay, Oakland offers tremendous opportunity for retailers. The City’s approximately 399,326 residents per capita income in 2013 averaged \$31,030. Portions of Oakland are among the wealthiest consumer markets in California; average household income for this area was \$70,004, compared to the US average which was \$67,073. Estimated annual taxable sales were \$4.1 billion in 2013. Compared to other East Bay cities, Oakland sees a significant number of auto-related purchases, with opportunities available in consumer goods, building materials, and office products.

# CITY OF OAKLAND STATISTICS

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The City of Oakland has transformed itself into one of the most desirable communities to live and to do business in the country. Testimony to this transformation is well publicized in various media and comments by public officials. For example, the City:

- “...ranked America’s most exciting city.” (real estate website Movoto 2013)
- “...named among top 15 cities for tech startups.” (National Venture Capital Association 2013);
- “...ranked 5<sup>th</sup> most desirable destination to visit in the world.” (New York Times 2012);
- “...ranked 3<sup>rd</sup> Most Active City in the U.S.” (Men’s Health magazine 2011);
- “...ranked in top 10 for U.S. office, industrial and multi-housing markets.” (Grubb & Ellis Company, 2011);
- “...ranked 2<sup>nd</sup> in the Top “Can-Do” Cities in America.” (Newsweek, 2011);
- “...one of the 20 towns of the future.” (Sunset Magazine, 2011);
- “...ranked nation’s 5<sup>th</sup> coolest city according to Forbes Magazine 2010”;
- “...ranked 4<sup>th</sup> Green Cities.” (Mother Nature Network 2009);
- “...among the top ten in 2008 US Cities Sustainability Ranking.” (Sustainlane.com 2008);

## DEMOGRAPHICS

Oakland is a Mecca of culture, a community of people from all over the world working together to build a progressive City. At the same time, it has maintained a rich heritage of ethnic backgrounds and traditions.

The well-maintained four freeways (I-880, I-580, Hwy 13, and Hwy 24), mass transit systems, and ferry service make getting to and from downtown Oakland a relatively quick and easy process—travel times to San Francisco, San Jose and other area cities are surprisingly short.

Since taking office in January 2011, Mayor Quan regularly meets with neighborhood retailers, participates in meetings with regional business leaders, and co-hosted a Mega-Region Conference with the Chamber of Commerce and the Port of Oakland to encourage regional investment in the Port of Oakland. Her recent Trade Mission to China also focused on promoting the Port of Oakland as a West Coast hub for trade with China. Creating jobs in Oakland will help the City and its residents thrive as the economy rebounds.

### Mayor Quan Talks with Chinese Investors

They spent six days in China leading a trade mission with the Port of Oakland to Beijing, Shenzhen and Hong Kong to encourage increased trade through the Port and investment in Oakland. President Obama has set a goal of doubling the trade with Asia at the Port of Oakland that translates to 5,000 new jobs. This trip helped promote opportunities to make that goal a reality in Oakland.

### Get Connected Oakland!

The Mayor’s Office has joined a city-wide initiative to make Oakland one of the most “connected” cities in the nation. Eliminating the Digital Divide plays a pivotal role in the education and career success of young people and helps seniors stay connected and avoid isolation. The Mayor has joined a coalition of public and private organizations that is working together to expand broadband connection throughout the city. Working with recreation centers, senior programs, schools, senior centers, Oakland Housing Authority, the County and others, the goal is to provide easy access to the internet for Oakland residents no matter where they live or what their economic status.

# CITY OF OAKLAND

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### **Community & Economic Development**

Oakland can flourish with more local business incentives, and jobs, equitable opportunities, smart planning for thriving local districts, affordable housing, access to services and resourced parks, libraries and arts. They can start if every Oakland resident committed to spending just 25% more right here in Oakland. If they all fulfilled that commitment, they could pour between \$9 and \$12 million additional dollars into the Oakland economy each year.

### **HISTORY**

Oakland's first inhabitants, the Ohlone Indians, arrived about 1200 B.C. and lived in small tribal groups on the edge of the hills surrounding the Bay. The Ohlone Indians were a stocky hunting and gathering group who lived in such harmony with nature that they left no permanent mark on the landscape. They maintained such a peaceful attitude with each other that they had no word for war.

Spanish explorers first entered the area that is now Oakland by land in 1772. They reported the natural geography as possibly the most perfect on earth. Near the shore were magnificent oaks; on the hills stood acres of giant redwoods. In the spring, wildflowers filled the valley with golden poppies and purple iris. Deer, rabbits, bears and wildcats roamed the woods. Creeks tumbled into a Bay filled with salmons, crabs, sturgeons, smelts, lobsters, clams, and mussels. The marsh that would become Lake Merritt was alive with wildfowls.

Spain established a Presidio and a Mission on the west side of the Bay in 1776, and Mission San Jose (south of Oakland) is now Fremont. Mission San Jose had jurisdiction over Oakland, the area the Spaniards called Encinal, "grove of evergreen oaks." European diseases and settler hostility obliterated the Ohlones and most of their culture within a few years.

Development as a commercial and transportation center began with the California Gold Rush of 1849, when Oakland became the mainland staging point for passengers and cargo traveling between the Bay and the Sierra foothills.

Oakland was incorporated as a city in 1852, and construction of shipping wharfs began immediately. Ferry service between Oakland and San Francisco had existed for years, but by building large wharfs and dredging a shipping channel, Oakland became an independent destination. Oakland grew steadily through the 19th century. After the devastating earthquake in 1906, many people and businesses chose to relocate from San Francisco to Oakland. Oakland's population more than doubled between 1900 and 1910.

Oakland benefited from the general prosperity of the area through the 1920s. California farms expanded their markets, contributing to canning, processing and shipping companies based in Oakland. Automakers and steel companies led the industrial expansion throughout the East Bay. Construction businesses had plenty of work as homes went up south and east of the inner city and new high-rise office buildings were built in downtown Oakland.

World War II brought tremendous changes to Oakland. Huge numbers of workers moved to the Bay Area to work in local shipyards and many of these people, as well as large numbers of military personnel who mustered out at Treasure Island and the Oakland Army Base, chose to remain in the Bay Area. The population grew by almost one third between 1940 and 1950.

# CITY OF OAKLAND

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Oakland has a rich literary and cultural heritage. Such historical notables as writers Bret Harte, Jack London, Joaquin Miller, Ina Donna Coolbrith, Jessica Mitford, Narman Jayo, Ishmael Reed, and Gertrude Stein; architect Julia Morgan; and dancer Isadora Duncan are just a few who have left their cultural mark on the City. It is also the birthplace of the West Coast Blues.

### **TRANSPORTATION**

Located in the geographical center of the Bay Area, Oakland has been recognized as an important transportation hub for more than 100 years. The combination of train, bus, ferry, marine, aviation, freeways (I-880, I-580, Hwy 13, and Hwy 24) guarantees ease of travel for local residents and efficient channels of commerce for businesses relying on the City's easy access. Oakland is the headquarters of the Alameda-Contra Costa Transit District (AC Transit), and the Bay Area Rapid Transit (BART) system. Oakland's Port is a primary sea terminal for transporting cargo between the Western United States and the Pacific Rim, Latin America, and Europe. Air cargo service is minutes away at the Oakland International Airport.

### **The Port of Oakland**

The Port of Oakland is located on the east (or mainland) side of San Francisco Bay, one of the most beautiful natural harbors in the world. The Port is the fifth busiest container port in the United States and among the top 30 in the world. It is served by two railroad companies: the Burlington Northern Santa Fe (BNSF) and the Union Pacific.

The Port handles over 98 percent of Northern California's container traffic, which includes service by over 30 container lines. It has technically advanced facilities available not only for containers but for break-bulk, heavy-lift, and other specialized cargo. The Port has approximately 1,000 acres of developed terminal facilities and container storage and handling areas with 35 ship-to-shore container cranes in operation at these facilities. All Vision 2000 terminal facilities are open and operating. They consist of the 120 acre Hanjin container terminal, the 150 acre Stevedoring Services of America container terminal and the 85 acre intermodal rail terminal operated by the BNSF. The Port of Oakland is the only California container port that handles more exports than imports. It is the premier seaport for exporting agricultural goods from the Central Valley and the gateway for 90 percent of California's wine exports.

### **Oakland International Airport**

Oakland International is San Francisco Bay Area's most convenient airport and was ranked #1 for on-time arrivals in North America as measured by FlightStats.com in 2009. Strategically located at the center of the region, Oakland International handles over 9 million passengers and 1,000,000 metric tons of air cargo annually. It is the fourth largest international airport in California, and the second largest airport in the Bay Area, it offers approximately 150 commercial passenger flights daily to domestic and international destinations. The airport is comprised of two airfields: South Field (the main commercial airfield) and North Field (primarily used by general and corporate aviation and some cargo companies). Oakland offers flights to more than 40 destinations in the U.S., including services to four Hawaiian Islands as well as service to Mexico and Europe. A green-designed, state-of-the-art air traffic control tower is being constructed. The Port is also partnering with Bay Area Rapid Transit to build the \$484 million Oakland Airport Connector. When it is completed in 2014, it expects to carry over 3 million riders annually.

# CITY OF OAKLAND STATISTICS

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## **Air Cargo at Oakland International Airport**

Oakland International handles 1,000,000 metric tons of cargo every year, and it is the largest air cargo facility in Northern California. Five all-cargo carriers currently serve Oakland International. Additionally, air cargo is on the domestic and international passenger carriers that serve the airport. About one in every four employees works in a job related to cargo. FedEx maintains their West Coast North American Asia-Pacific hub at Oakland. UPS also has a major West Coast hub at Oakland.

## **Mass Transit**

Local bus service is provided by Alameda-Contra Costa (AC) Transit, the public bus system serving 13 cities (and adjacent unincorporated communities) in 364 square miles along the east shore of San Francisco Bay. Serving approximately 230,000 daily riders, AC Transit operates a network of 105 transbay and local East Bay bus routes, over 90% of which make transfer connections with the Bay Area Rapid Transit (BART) system. AC Transit buses also serve the Amtrak Station and ferry terminal at Jack London Square, the Oakland International Airport, and many other Bay Area attractions including downtown San Francisco.

BART is a 104-mile, automated rapid transit system serving over 3 million people in the three BART counties of Alameda, Contra Costa, and San Francisco counties, as well as northern San Mateo County. Trains traveling up to 80 mph connect 22 Bay Area cities and 44 stations. Travel time between downtown Oakland and downtown San Francisco averages only 11 minutes on BART.

Other modes of transportation include the Alameda/Oakland Ferry Service that links Oakland with San Francisco. Nine major U.S. and California highways pass through Oakland. Daily service to rail destinations throughout the U.S. is offered at the Oakland Amtrak Station. Greyhound Bus Lines offers daily bus service to cities throughout the United States.

Car-sharing is offered by City CarShare, Flexcar and Zipcar. There are over 90 miles of bike lanes, routes and paths for the public. Oakland was one of the first cities to pilot the “sharrow” lane – shared-lane pavement markings to indicate road lanes shared by cyclists and motorists.

## **EDUCATION**

The Oakland Unified School District is governed by the Board of Education consisting of seven elected members and three mayoral appointees. The day-to-day operations are managed by the Superintendent of Schools.

The District operates 53 elementary, 15 middle, and 15 high schools. They also operate 30 child development centers. In addition, there are over 30 charter schools and several adult education schools in Oakland.

There are two community colleges and four four-year institutions inside the city limits, with the world-renowned U.C. Berkeley campus located nearby. In addition, a variety of evening extension courses is offered in Oakland by nine other Bay Area colleges, including U.C. Berkeley. A wide array of non-profit, county and City-sponsored skills enhancement training programs are provided to Oakland residents, and career development is successfully encouraged at area high school academies.

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### HEALTH CARE

Oakland's medical facilities are among the best in the nation. The medical community provides the latest and most sophisticated medical technology for the diagnosis and treatment of disease. Over 1,500 physicians, 250 dentists, and four major hospitals are located within the City. Overall, the health care industry in Oakland employs approximately 14,000 people.

### PUBLIC SAFETY

The Oakland Police Department is striving to use successful and innovative techniques to reduce crime in the City. The Department continues to strengthen its commitment by developing and implementing a "Total Community Policing" model in Oakland. The Mission of the Oakland Police Department is to provide the people of Oakland an environment where they can live, work, play and thrive free from crime and the fear of crime.

### PARKS AND RECREATION

Sports, performing arts, boating, camping, gardens, and many other leisure activities are available at more than 140 parks, playgrounds, community centers, and other recreational facilities operated by the City. There are two public golf courses and a third driving range. Four public pools offer seasonal lap and recreational swimming, instruction and showers. The Parks and Recreation Department operates more than 40 tennis courts. Oakland's Feather River Camp, a family camp located in the Plumas National Forest, is operated by the nonprofit group Camps in Common and offers both tent and cabin sites for overnight camping. Families and groups enjoy the rustic amenities, swimming, a variety of activities, and theme weeks offered at the camp throughout the summer months. Instruction in sailing, wind surfing and kayaking are available at Lake Merritt. Boats are available for rent, including paddleboats, kayaks, rowboats, canoes, and sailboats. The City provides public boat launches at its seven-acre, waterfront park on the estuary and at Lake Merritt. The Port of Oakland owns and operates three marinas with berths.

There are over 79,000 acres of wilderness and parklands in the nearby East Bay Regional Park District, including 53 parks and 20 regional trails in Alameda and Contra Costa counties.

### CULTURAL ARTS

Oakland is home to one of the most vibrant visual, performing and cultural arts communities in the West Coast. It is experiencing a dynamic cultural renaissance and economic revitalization throughout downtown, the waterfront, and neighborhoods. There are more than 5,000 professional artists living and working in Oakland; 25 dance companies; 36 music groups and organizations; 12 theater companies; 40 visual arts galleries and 15 historic and museum sites.

The Mayor and City Council have established a priority to "Celebrate Arts and Culture to express the creativity and diversity of Oakland." The Cultural Arts & Marketing Division is the City's local arts agency which provides services to the arts community and sponsors culturally enriching programs, exhibitions, and events to celebrate Oakland's creative and cultural diversity. Through its three program areas, the Cultural Funding Program, Public Art Program, and Special Projects, the Cultural Arts & Marketing Division seeks to broaden and strengthen community participation in the development, support, and promotion of Oakland's rich artistic and cultural heritage at the local, regional, and national level.

## CITY OF OAKLAND STATISTICS

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**Cultural Funding Program**—The City of Oakland, through a competitive application process, awards over \$1.1 million in contracts over the years to Oakland-based nonprofit organizations and individual artists that collectively provide more than 5,000 arts and cultural activities to Oakland residents and visitors.

**Public Art Program**—The City of Oakland Public Art Program serves Oakland residents and visitors of all ages by commissioning permanent and temporary works of art to help create a positive vision and identity for the City and its neighborhoods. The Public Art Program supports downtown and neighborhood revitalization by engaging a diverse range of artists in contributing to the quality of the visual environment while communicating Oakland’s historical, social and cultural significance. Public Art Program Staff administers a variety of programs, including site-specific public art connected to City capital improvements.

**Special Projects**—The City collaborates with other community organizations, businesses, public institutions, and City agencies to produce programs, events, festivals, and celebrations that promote Oakland’s art and culture. Current projects include: Oakland Artisan Marketplace, Art & Soul Oakland Festival, and support for 20 major festivals citywide.

**Galleries**—Three new exhibition spaces downtown showcase high quality art by Oakland Bay Area visual artists in a variety of expressive mediums. They include the Craft and Cultural Arts City of Oakland/State of California Gallery, established through a ‘partnership in the arts’ collaboration, the Oakland Art Gallery, and the Galleries of Oakland space in City Hall. The Third Thursday Oakland Art Night, through which art patrons can tour downtown galleries until 8pm on the third Thursdays, is a newly created program.

**Oakland Museum of California**—It brings together collections of art, history and natural science under one roof to tell the extraordinary stories of California and its people. Oakland Museum of California connects collections and programs across disciplines, advancing an integrated, multilayered understanding of this ever-evolving state. With more than 1.8 million objects, the Museum is a leading cultural institution of the Bay Area and a resource for the research and understanding of California’s dynamic cultural and environmental heritage.

**Paramount Theater**—This 1931 movie place, authentically restored in 1973, is Oakland’s premiere live performance facility. The theater hosts an impressive variety of popular attractions, including the Oakland East Bay Symphony and the Oakland Ballet, hosts classical performance, Broadway shows, R&B concerts, gospel musicals, comedy performances and many special engagements.

**Malonga Casquelourd Center for the Arts** —The beautifully restored turn-of-the-century Arts Center, formerly known as the Alice Arts Center, is one of the area’s busiest performing arts facilities. Patrons can participate in a variety of arts programs or rent spaces for arts events and activities. This restored 1920s building is a popular multicultural, multidisciplinary performing arts complex sponsored by the city. The 350-seat theater and five performance spaces showcase drama, ballet, and African and contemporary dance.

**The Oakland School for the Arts**—It is a California Distinguished School and has been recognized by the national Arts Schools Network as an Exemplary School. Oakland School for the Arts (OSA) is part of the revitalization of uptown Oakland. Located in the recently restored historic Fox Theater, OSA anchors the uptown arts movement with its shows, productions and performances.

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## **SPORTS**

Oakland is a magnet for sports fans of all types. Whatever the season, Oakland pro and amateur games frequently garner large crowds and broad national media coverage. In the last three decades, Oakland's professional sports teams have won six world championships in three major sports.

- Golden State Warriors – The Warriors were one of the most exciting teams in basketball to-watch in the 2008-2009 season. They continue to showcase exciting basketball games all these years. The most recent season was a season of change with new ownership, coaching and players.
- Oakland Athletics – The Oakland Athletics have won six American League Championships and four baseball World Series titles.
- Oakland Raiders – From dominance in three Super Bowl victories to improbable come-from-behind victories, the Raiders have been involved in some of professional football's most incredible moments.

## **MEDIA**

Oakland has its own daily and weekly regional newspapers, radio stations and a television station with daily award-winning newscasts. In addition to media and cable companies located in Oakland, the City is served by other major Bay Area newspapers, seven television stations (including the three major networks) and the Public Broadcasting System. Over 30 other Bay Area radio stations are easily received in Oakland.

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## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following statements are summaries of certain provisions of the Indenture, as supplemented by the First Supplemental Indenture, each dated as of December 1, 2004, and the Second Supplemental Indenture, dated as of March 1, 2014, by and between the City and the Trustee. Certain other provisions of the Indenture are summarized in the Official Statement under the headings “THE 2014 SERIES A BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE 2014 SERIES A BONDS”. Such summaries are not intended to be definitive. Reference is directed to the Indenture for the complete text thereof.

#### Definitions

The following terms as used in the Indenture and in this summary have the meanings set forth below. Each capitalized term not otherwise defined herein shall have the meaning set forth in the Indenture.

“Accreted Value” means, with respect to any Capital Appreciation Obligation and as of any date, the Initial Amount thereof plus the interest accrued thereon from its delivery date, compounded at the approximate interest rate with respect to such Capital Appreciation Obligation specified in or pursuant to the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligation on each date specified in the Indenture. The applicable Accreted Value at any date will be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, will be determined by straight-line interpolation with reference to such Accreted Value Table.

“Accreted Value Table” means, with respect to Capital Appreciation Obligations, the table denominated as such in, and to which reference is made in, the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligations.

“Additional Bonds” means Bonds issued in accordance with the terms and conditions of the Indenture for the purposes set forth in Section 3.02(a) of the Indenture.

“Additional Parity Obligations” means Parity Obligations, including Additional Bonds, issued for the purposes set forth in Section 3.02(a) of the Indenture and satisfying the conditions set forth in Section 3.04(e) of the Indenture.

“Authorized Denominations” means \$5,000 or any integral multiple thereof with respect to 2014 Series A Bonds.

“Authorized Representative” means the City Administrator and the Director of the Finance and Management Agency and any other officer of the City duly authorized to act as an Authorized Representative for purposes of the Bond Indenture by resolution of the City or written authorization of the City Administrator or the Director of the Finance and Management Agency.

“Balloon Indebtedness” means, with respect to any Series of Obligations, 25% or more of the principal of which matures on the same date or within a 12-month period (with Sinking Fund Installments on Term Obligations deemed to be payments of matured principal), that portion of such Series of Obligations which matures on such date or within such 12 month period. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such

indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date.

“Beneficial Holder” means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond, including, without limitation, any Persons holding bonds through nominees or depositories.

“Bond Counsel” means any attorney at law or firm of attorneys selected by the City, of nationally recognized standing in matters pertaining to the validity of and federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Indenture” means, with respect to a Series of Bonds, the Master Indenture as supplemented by the Supplemental Indenture authorizing such Series of Bonds.

“Bonds” means any or all of the City of Oakland Sewer Revenue Bonds authorized under and secured by the Indenture.

“Business Day” means any day other than Saturday, Sunday or a day on which banking institutions in Los Angeles, Oakland or San Francisco, California, or New York, New York, are authorized or required to be closed or a day on which the New York Stock Exchange is closed.

“Calculation Period” means, with respect to any certificate to be provided pursuant to the Indenture, any twelve consecutive month period within the eighteen consecutive months ending immediately prior to the issuance of the Additional Parity Obligations to which such certificate relates.

“Capital Appreciation Obligations” means any Obligations the interest on which is compounded and not scheduled to be paid until the maturity or prior redemption of such Obligations.

“Capital Improvement” means any addition, betterment, replacement, renewal, extension or improvement of or to the Sewer System, including, without limitation, the acquisition of land or any interests in the Indenture, which under Generally Accepted Accounting Principles are chargeable to a capital account and capital costs for the extension, reinforcement, enlargement or other improvement of facilities or property, or the acquisition of interests in the Indenture, whether or not included as part of the Sewer System, determined by the City to be necessary or convenient in connection with the utilization of the Sewer System.

“Certificate,” “Request,” “Requisition,” “Statement” and “Written Order” mean, respectively, a written certificate, request, requisition, statement or order signed, in the case of the City, by an Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the provisions of the Indenture, each Certificate shall include the statements provided for therein.

“Charter” means The Charter of the City of Oakland.

“City” means the City of Oakland, a chartered city, duly organized and existing under and by virtue of the Constitution and laws of the State of California.

“Code” means the Internal Revenue Code of 1986.

“Commercial Paper Program” means a program of short-term Obligations having the characteristics of commercial paper in that such Parity Obligations have a stated maturity not later than 270 days from their date of issue and that maturing Obligations of such program may be paid with the proceeds of renewal short-term Obligations.

“Consultant” means a consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the City to perform acts, prepare certificates or otherwise carry out the duties provided for a Consultant in the Indenture or any Supplemental Indenture. Such consultant, consulting firm, engineer, architect, engineering firm or architectural firm shall be nationally recognized within its profession for works of the character required. Such accountants or accounting firm shall be Independent Certified Public Accountants licensed to practice in the State of California.

“Continuing Disclosure Agreement” means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Agreement, dated the date of issuance and delivery of such Series of Bonds, by and between the City and the Trustee and Dissemination Agent named in the Indenture, as originally executed and as the same may from time to time be amended or supplemented pursuant to its terms.

“Cost” means, with respect to any Capital Improvement, all costs and expenses of planning, designing, acquiring, constructing, installing and financing such Capital Improvement, placing such Capital Improvement in operation, disposal of such Capital Improvement, and obtaining governmental approvals, certificates, permits and licenses with respect thereto, paid or incurred by the City. Payment of Cost shall include the reimbursement to the City for any of the costs included in this definition of Cost paid by the City which have not previously been reimbursed to the City and which are not to be reimbursed from contributions in aid of construction. The term Cost shall include, but shall not be limited to, funds required for:

- (a) Costs of preliminary investigation and development, the performance or acquisition of feasibility and planning studies, and the securing of regulatory approvals, as well as costs for land and land rights, engineering and contractors’ fees, labor, materials, equipment, utility services and supplies, legal fees and financing expenses.
- (b) Working capital and reserves therefor in such amounts as shall be determined by the City.
- (c) Interest accruing in whole or in part on Parity Obligations prior to and during construction of a Capital Improvement or any portion thereof, and for such additional period as the City may determine.
- (d) The deposit or deposits from the proceeds of the Bonds in any funds or accounts which deposit or deposits are required by the Indenture or any Supplemental Indenture.
- (e) The payment of principal, premium, if any, and interest when due (whether at the maturity of principal or at the due date of interest or upon redemption or otherwise) of any note or other evidence of indebtedness the proceeds of which were applied to any of the costs of a Capital Improvement described in the Indenture.
- (f) Training and testing costs which are properly allocable to the acquisition, placing in operation, or construction of a Capital Improvement.

(g) All costs of insurance applicable to the period of construction and placing a Capital Improvement in operation.

(h) All costs relating to injury and damage claims arising out of the acquisition or construction of a Capital Improvement less proceeds of insurance.

(i) Legally required or permitted federal, state and local taxes and payments in lieu of taxes applicable to the period of construction and placing a Capital Improvement in operation.

(j) Amounts due the United States of America as rebate of investment earnings with respect to the proceeds of Parity Obligations or as penalties in lieu thereof.

(k) Amounts payable with respect to capital costs for the expansion, reinforcement, enlargement or other improvement of facilities determined by the City to be necessary in connection with the utilization of a Capital Improvement and the costs associated with the removal from service or reductions in service of any facilities as a result of the expansion, reinforcement, enlargement or other improvement of such facilities or the construction of a Capital Improvement.

(l) Costs of Issuance of any Parity Obligations.

(m) Fees and expenses pursuant to any lending or credit facility or agreement applicable to the period for construction and placing a Capital Improvement in operation.

(n) All other costs incurred by the City, including, but not limited to, City staff costs, and properly allocable to the acquisition, construction, or placing in operation of a Capital Improvement or any portion thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City and related to the original authorization, execution, sale and delivery of Parity Obligations, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, including disclosure documents and documents relating to the sale of such Parity Obligations, initial fees and charges (including counsel fees) of any trustee, fiscal agent, any paying agent and any Credit Provider, legal fees and charges, financial advisor fees and expenses, fees and expenses of other consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Parity Obligations and any other cost, charge or fee in connection with the authorization, issuance, sale or original delivery of Parity Obligations.

“Credit Provider” means any municipal bond insurance company, bank or other financial institution or organization which is performing in all material respects its obligations under any Credit Support Instrument for some or all of the Parity Obligations.

“Credit Provider Reimbursement Obligations” means obligations of the City to pay from the Sewer Revenue Fund amounts due under a Credit Support Agreement, including without limitation amounts advanced by a Credit Provider pursuant to a Credit Support Instrument as credit support or liquidity for Parity Obligations and the interest with respect thereto.

“Credit Provider Bonds” means any Bonds purchased with funds provided under a Credit Support Instrument for so long as such Bonds are held by or for the account of, or are pledged to, the applicable Credit Provider in accordance with the applicable Bond Indenture.

“Credit Support Agreement” means, with respect to any Credit Support Instrument, the agreement or agreements (which may be the Credit Support Instrument itself) between the City and the applicable Credit Provider, as originally executed or as it may from time to time be replaced, supplemented or amended in accordance with the provisions thereof, providing for the reimbursement to the Credit Provider for payments under such Credit Support Instrument, and the interest thereon, and includes any subsequent agreement pursuant to which a substitute Credit Support Instrument is provided, together with any related pledge agreement, security agreement or other security document.

“Credit Support Instrument” means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit or liquidity support with respect to the payment of interest, principal or the Purchase Price of any Parity Obligations.

“Debt Service” means, for any Fiscal Year, the sum of (a) the interest payable during such Fiscal Year on all Outstanding Parity Obligations, assuming that all Outstanding Serial Parity Obligations are retired as scheduled and that all Outstanding Term Parity Obligations are redeemed or paid from Sinking Fund Installment as scheduled, (b) that portion of the principal amount of all Outstanding Serial Parity Obligations maturing on each principal payment date which falls in such Fiscal Year, including the Final Compounded Amount of any Capital Appreciation Obligations which are Series Parity Obligations, (c) that portion of the principal amount of all Outstanding Term Parity Obligations required to be redeemed or paid from Sinking Fund Installments becoming due during such Fiscal Year (together with the redemption premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Term Parity Obligations; provided that, for purposes of calculating Debt Service, the following adjustments and assumptions shall be made:

(a) in determining the amount of Debt Service constituting principal due in each Fiscal Year, principal payments with respect to Parity Obligations which are or upon issuance will be, part of a Commercial Paper Program, but which would not constitute Balloon Indebtedness, shall be treated as if such Parity Obligations were to be amortized with substantially level annual Debt Service payments over a term of 40 years commencing on the date the calculation of Debt Service is made;

(b) if all or any portion or portions of the Parity Obligations constitute, or upon issuance would constitute, Balloon Indebtedness, then, for purposes of determining Debt Service, each maturity which constitutes, or upon issuance would constitute, Balloon Indebtedness shall be treated as if it were to be amortized with substantially level annual Debt Service payments over a term of 40 years commencing on the date which is the first anniversary of the initial issuance of such Parity Obligations;

(c) if any Outstanding Parity Obligations constitute Tax-Exempt Variable Rate Indebtedness (except to the extent paragraph (g) applies), the interest rate on such Parity Obligations for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Parity Obligations during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Parity Obligations shall have been Outstanding;

(d) if any Outstanding Parity Obligations constitute Variable Rate Indebtedness which is not Tax-Exempt (except to the extent paragraph (g) applies), the interest rate on such Parity Obligations for any period as to which such interest rate has not been established shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Debt Service is made or if the One

Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the City;

(e) if Additional Parity Obligations proposed to be issued will be Tax-Exempt Variable Rate Indebtedness (except to the extent paragraph (h) applies), then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average TBMA Index during the calendar quarter preceding the calendar quarter in which the calculation of Debt Service is made, or if that index is no longer published, 75% of the One Month USD LIBOR Rate, or if the One Month USD LIBOR Rate is not available, another similar rate or index selected by the City;

(f) if Additional Parity Obligations proposed to be issued will be Variable Rate Indebtedness which is not Tax-Exempt (except to the extent paragraph (h) applies) then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation is made, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the City;

(g) if a Qualified Swap Agreement has been entered into in connection with any Outstanding Parity Obligations, the interest rate on such Outstanding Parity Obligations for each Fiscal Year or portion thereof during which payments are to be exchanged by the parties under such Qualified Swap Agreement shall be determined for purposes of calculating Debt Service by adding: (1) the amount of Debt Service paid or to be paid by the City as interest on the Outstanding Parity Obligations during such Fiscal Year or portion thereof (determined as provided in paragraph (c) or (d), as applicable, if such Outstanding Parity Obligations constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) paid or to be paid by the City under the Qualified Swap Agreement (after giving effect to payments made and received, and to be made and received, by the City under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Outstanding Parity Obligations constituting Variable Rate Indebtedness is assumed to bear interest;

(h) if a Qualified Swap Agreement has been entered into by the City with respect to any Additional Parity Obligations proposed to be issued, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof during which payments are to be exchanged under the Qualified Swap Agreement shall be determined for purposes of calculating Debt Service by adding: (1) the amount of Debt Service to be paid by the City as interest on such Additional Parity Obligations during such Fiscal Year or portion thereof (determined as provided in paragraph (e) or (f), as applicable, if such Additional Parity Obligations are to constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) to be paid by the City under the Qualified Swap Agreement (after giving effect to payments to be made and received by the City under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Additional Parity Obligations which are to constitute Variable Rate Indebtedness shall be assumed to bear interest; and

(i) if any Parity Obligations are, or upon issuance will be, Paired Obligations, the interest thereon shall be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations.

“Defeasance Obligations” means (i) non-callable Investment Securities described in clauses (1) and (2) of the definition thereof, (ii) for a particular Series of Bonds, any Investment Securities approved as Defeasance Obligations by the Credit Provider for such Series of Bonds, or (iii) any other investment designated in a Supplemental Indenture as a Defeasance Obligation for purposes of defeasing a Series of Bonds authorized by such Supplemental Indenture.

“Delivery Certificate” means, with respect to a Series of Bonds or any Subseries thereof, a certificate of an Authorized Representative establishing certain terms and conditions for such Series or Subseries and specifying the application of the proceeds of such Series or Subseries, all as authorized by the Supplemental Indenture authorizing such Series of Bonds.

“DTC” means The Depository Trust Company, New York, New York.

“Event of Default” means any of the events specified in the Indenture.

“Final Compounded Amount” means the Accreted Value of any Capital Appreciation Obligation on its maturity date.

“Financial Newspaper or Journal” means The Wall Street Journal or The Bond Buyer or any other newspaper or journal containing financial news, printed in the English language, customarily published on each business day and circulated in Los Angeles or San Francisco, California, and selected by the City, in its sole discretion whose decision shall be final and conclusive.

“First Supplemental Indenture” means the First Supplemental Indenture, as executed by the City and the Trustee in accordance with the Indenture, and which is supplemental to the Indenture.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the succeeding June 30, or any other twelve-month period selected and designated as the official fiscal year of the City.

“Generally Accepted Accounting Principles” means generally accepted accounting principles applied on a consistent basis set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants applicable to a government-owned utility applying all statements and interpretations issued by the Governmental Accounting Standards Board and statements and pronouncements of the Financial Accounting Standards Board which are not in conflict with the statements and interpretations issued by the Governmental Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

“Holder” or “Bondholder” means the person in whose name a Bond is registered.

“Independent Certified Public Accountant” means any firm of certified public accountants appointed by the City, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Information Services” means Financial Information, Inc., Daily Called Bond Service; Kenny Information Systems, Called Bond Department; Moody’s Investors Service, Information Center; Standard & Poor’s Rating Services, Called Bond Record; and any other information service providing information with respect to called bonds as the City may designate to the Trustee.

“Initial Amount” means the Accreted Value of a Capital Appreciation Obligation on its date of issuance and delivery to the original purchaser thereof.

“Initial Bonds” means the City of Oakland Sewer Revenue Bonds, 2004 Series A, issued on December 14, 2004 in the initial aggregate principal amount of \$62,330,000.

“Interest Payment Date” means with respect to any Series of Bonds the meaning set forth in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

“Interest Subsidy Payments” means cash subsidy payments received by the City from the United States Treasury with respect to Bonds or other Parity Obligations.

“Investment Securities” means any of the following:

(1) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies and federally sponsored entities set forth in clause (3) below to the extent unconditionally guaranteed by the United States of America and including interest strips of any such obligations or of bonds issued by the Resolution Funding Corporation and held in book-entry form by the Federal Reserve Bank of New York (“United States Treasury Obligations”);

(2) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (1);

(3) obligations of the Fannie Mae Corporation, the Government National Mortgage Association, Farm Credit System Financial Corporation, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Tennessee Valley Authority, Washington Metropolitan Area Transit Authority, United States Import-Export Bank, United States Department of Housing and Urban Development, Farmers Home Administration, General Services Administration and United States Maritime Administration;

(4) housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(5) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that such obligations are rated in the highest rating category by Fitch Ratings and Standard & Poor’s;

(6) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds

for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (1) or (2) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (1) or (2) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (6) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (6), as appropriate, and (d) which are rated in the highest long-term rating category by Fitch Ratings and Standard & Poor's;

(7) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee or any of its affiliates) or by a state licensed branch of any foreign bank, provided that such certificates of deposit shall be purchased directly from such a bank, trust company, national banking association or branch and shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities and obligations as are described above in clauses (1) through (5), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee or third-party agent, as custodian, by the bank, trust company, national banking association or branch issuing such certificates of deposit, and the bank, trust company, national banking association or branch issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking;

(8) taxable commercial paper or tax-exempt commercial paper rated A1/P1 by Fitch Ratings and Standard & Poor's which matures not more than 270 calendar days after the date of purchase;

(9) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate obligations themselves are rated in the highest short-term rating category, if any, and in the highest long-term rating category, if any, by Fitch Ratings and Standard & Poor's, and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligations by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in the highest long-term rating category by Fitch Ratings and Standard & Poor's;

(10) any repurchase agreement approved by the City which does not cause the rating on the Bonds to be reduced or withdrawn, or entered into with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company of which is rated) in the highest long-term rating category by Fitch Ratings and Standard & Poor's, which agreement is secured by any one or more of the securities and obligations described in clauses (1), (2), (3) or (4) above, which shall have a market value (exclusive of accrued interest and valued at least weekly) at least equal to one hundred three percent (103%) of the principal amount of such investment and shall be lodged with the Trustee or other fiduciary, as custodian, by the provider executing such repurchase agreement, and the provider executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to the Trustee that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least weekly) will be an amount equal to one hundred three percent (103%) of the principal amount of each such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(11) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (10) of this definition of Authorized Investments and any money market fund including money market funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund, the entire investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (10) of this definition of Investment Securities; provided that as used in this clause (11) and clause (12) investments will be deemed to satisfy the requirements of clause (10) if they meet the requirements set forth in clause (10) ending with the words "clauses (1), (2), (3) or (4) above" and without regard to the remainder of such clause (10);

(12) any investment agreement with, or the obligations under which are guaranteed by, a financial institution or insurance company or domestic or foreign bank which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated in the highest long-term rating category by Fitch Ratings and Standard & Poor's, approved by the City Council of the City (the "City Council") and which does not cause the rating on the Bonds to be reduced or withdrawn;

(13) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Indenture; and

(14) any other investment permitted under the City's then current Investment Policy.

"Issuing Instrument" means any indenture, trust agreement or other instrument or agreement under which Obligations are issued.

"Maintenance and Operation Costs" means the reasonable and necessary costs spent or incurred by the City for maintaining and operating the Sewer System, calculated in accordance with Generally Accepted Accounting Principles, including but not limited to the reasonable expenses of maintenance, repair, billing and collection and other expenses necessary to maintain and preserve the

Sewer System in good repair and working order, and including administrative costs of the City attributable to the Sewer System, salaries and wages of employees, payments to employees retirement systems (to the extent paid from Revenues), overhead, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Obligations, including any amounts required to be deposited in the Rebate Fund pursuant to the Tax Certificate, and fees and expenses payable to any Credit Provider (other than in repayment of a Credit Provider Reimbursement Obligation), but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor, (2) amortization of intangibles or other bookkeeping entries of a similar nature, (3) costs of capital additions, replacements, betterments, extensions or improvements to the Sewer System which under Generally Accepted Accounting Principles are chargeable to a capital account or to a reserve for depreciation, (4) charges for the payment of principal and interest on any Parity Obligations, and (5) all payments made pursuant to any Qualified Swap Agreement.

“Master Indenture” or “Indenture” means the Indenture, dated as of December 1, 2004, between the City and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture entered into pursuant to the provisions of the Indenture.

“Maximum Annual Debt Service” means the greatest total Debt Service payable in any Fiscal Year during the period commencing with the next ensuing Fiscal Year and terminating with the Fiscal Year in which payments are due under the last Outstanding Parity Obligations.

“Net Revenues” means, for any Fiscal Year, the Revenues for such Fiscal Year less the Maintenance and Operation Costs for such Fiscal Year.

“Obligations” means (a) obligations with respect to borrowed money and includes bonds, notes, loans or other evidences of indebtedness, installment purchase payments under any contract, and lease payments under any financing or capital lease (determined to be such in accordance with Generally Accepted Accounting Principles), which are payable from the Sewer Revenue Fund, (b) obligations to replenish any debt service reserve fund with respect to obligations of the City described in (a) above; (c) obligations secured by or payable from any of obligations of the City described in (a) above; (d) obligations payable from the Sewer Revenue Fund and entered into in connection with, relating to, or otherwise serving as a hedge with respect to, an obligation described in (a), (b) or (c) above under (1) any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (2) any contract to exchange cash flows or a series of payments, or (3) any contract to hedge payment, currency, rate spread or similar exposure, including but not limited to interest rate swap agreements and interest rate cap agreements; and (e) Credit Provider Reimbursement Obligations.

“One Month USD LIBOR Rate” means the British Banker’s Association average of interbank offered rates in the London market for United States dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the City.

“Opinion of Counsel” means a written opinion of counsel who is selected by the City (including counsel to the City) and who is acceptable to the Trustee. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for therein.

“Outstanding” when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds with respect to which all liability of the City shall have been discharged in accordance with the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Paired Obligations” shall mean any Series (or portion thereof) of Parity Obligations designated as Paired Obligations in the Issuing Instrument authorizing the issuance thereof, which are simultaneously issued (a) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (b) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the City for the terms of such Paired Obligations.

“Parity Obligations” means (a) Bonds, and (b) Obligations which are payable from Net Revenues on a parity with the payment of the Bonds and which satisfy the applicable conditions of the Indenture, including payments due under Qualified Swap Agreements.

“Participating Underwriter” means any of the original underwriters of the 2014 Series A Bonds required to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, in connection with the offering of the 2014 Series A Bonds.

“Person” shall mean an individual, a corporation, a partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

“Principal Payment Date” means with respect to any Series of Bonds the meaning set forth in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

“Procedural Ordinance” means Ordinance No. 12624 C.M.S. adopted by the City Council of the City on October 19, 2004, as the same may be amended and supplemented, and any other ordinance which shall constitute the “Procedural Ordinance” for purposes of Section 812 of the Charter.

“Purchase Price” means, with respect to Bonds of any Series or Subseries, the amount set forth with respect to such Series or Subseries in the Supplemental Indenture authorizing the Bonds of such Series or Subseries, or the Delivery Certificate relating to such Series or Subseries, in each case as the amount to be paid to the Owners of such Bonds when such Bonds are tendered for purchase or deemed tender for purchase in accordance with the provisions of such Supplemental Indenture.

“Qualified Swap Agreement” means a contract or agreement, payable from Net Revenues on a parity with the payment of Parity Obligations and satisfying the conditions of the Indenture, intended to place Parity Obligations or the applicable investments on the interest rate, currency, cash flow or other basis desired by the City, including, without limitation, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the City and a counterparty.

“Rating Agency” means, on any given date, any nationally recognized rating agency designated by the City which then has outstanding a credit rating on the Bonds (or other obligations to which reference is made in the Indenture).

“Rating Confirmation” means written evidence from each Rating Agency then rating Outstanding Parity Obligations at the request of the City to the effect that, following the event which requires the Rating Confirmation, the then current rating for each Outstanding Parity Obligation will not be lowered or withdrawn solely as a result of the occurrence of such event.

“Record Date” means with respect to a Series of Bonds the meaning set forth in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

“Refunding Bonds” means Bonds issued in accordance with the terms and conditions of the Indenture for the purposes, and satisfying the conditions of, Section 3.03 of the Indenture.

“Refunding Parity Obligations” means Parity Obligations, including Refunding Bonds, issued for the purposes set forth in Section 3.03 of the Indenture and satisfying the conditions set forth in the Indenture.

“Representation Letter” means, with respect to any Series of Bonds, the Letter of Representations to The Depository Trust Company, New York, New York, from the City and the Trustee.

“Reserve Account Requirement” means, for each Series of Bonds, the reserve account requirement, if any, set forth in the Supplemental Indenture for such Series of Bonds.

“Responsible Officer” of the Trustee means and includes the president, every vice president, every assistant vice president, every trust officer, and every officer and assistant officer of the Trustee other than those specifically above mentioned, to whom any corporate trust matter is referred because of his knowledge of, and familiarity with, a particular subject.

“Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Sewer System, including, without limiting the generality of the foregoing,

(a) all income, rents, rates, fees, connection fees, charges, or other moneys derived by the City from the sewer services or facilities, and commodities or byproducts, sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Sewer System, and including, without limitation, investment earnings on the operating reserves to the extent that the use of such earnings is limited to the Sewer System by or pursuant to law, and earnings on any funds or accounts established for Bonds, Parity Obligations or Subordinated Obligations but only to the extent that such earnings may be utilized under the Issuing Instrument for the payment of debt service for such Bonds, Parity Obligations or Subordinated Obligations;

(b) standby charges and capacity charges derived from the services and facilities, sold, furnished or supplied through the Sewer System;

(c) any amount received from the levy or collection of taxes which are solely available and are earmarked for the support of the operation of the Sewer System;

(d) transfers from the Rate Stabilization Fund; and

(e) grants for maintenance and operations received from the United States of America or from the State of California; provided, however, that Revenues shall not include in all cases, customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City.

In addition, Revenues shall include Interest Subsidy Payments, but do not include fees and charges related to right-of-way and inspection services for private properties.

“Second Supplemental Indenture” means the Second Supplemental Indenture, as executed by the City and the Trustee in accordance with the Indenture, and which is supplemental to the Indenture.

“Securities Depositories” means: The Depository Trust Company; Midwest Securities Trust Company, Capital Structures Call Notification; Philadelphia Depository Trust Company, Reorganization Division; or such other securities depositories as the City may designate.

“Serial Bonds” means Bonds which are Serial Obligations.

“Serial Obligations” means Obligations for which no Sinking Fund Installments are established.

“Serial Parity Obligations” means Serial Obligations which are Parity Obligations.

“Series” means Obligations issued at the same time or sharing some other common term or characteristic and designated in the Issuing Instrument pursuant to which such Obligations were issued as a separate issue or series of Obligations.

“Sewer Service” means the collection, storage, treatment, distribution, administration, disposition or discharge services for sewage waste, its other commodities or byproducts made available or provided by the Sewer System.

“Sewer System” means the properties, improvements and works at any time owned, controlled or operated by the City as part of the system of the City for the collection, storage, treatment, distribution, administration, disposal or discharge of sewage waste and its other commodities or byproducts, whether located within or without the City for public and private use and any related or incidental operations designated by the City as part of the Sewer System.

“Sinking Fund Installment” means, with respect to any Term Parity Obligations, each amount so designated for such Term Parity Obligations in the Issuing Instrument authorizing the issuance of such Parity Obligations requiring payments by the City from the Sewer Revenue Fund to be applied to the retirement of such Parity Obligations on and prior to the stated maturity date thereof.

“State” means the State of California.

“Subordinated Obligation” means any Obligation which is expressly made subordinate and junior in right of payment from the Sewer Revenue Fund to the payment of Parity Obligations and which complies with the provisions of the Indenture.

“Subseries” means, with respect to any Series of Bonds, a portion of the Bonds of such Series identified as a Subseries in the Supplemental Indenture authorizing such Series or the Delivery Certificate relating to such Series or Subseries, which Bonds may bear interest at a different rate or based on a different interest rate determination method or otherwise have terms and conditions which vary from other Bonds of such Series, all to the extent provided in or authorized by the Supplemental Indenture authorizing such Series of Bonds.

“Supplemental Indenture” means any Indenture supplemental to or amendatory of the Indenture as theretofore in effect, executed and delivered by the City in accordance with the Indenture.

“Tax Certificate” means the certificate signed by the City on the date any Series of Bonds are issued relating to the requirements of the Code.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a “substantial user” of facilities financed with such obligations or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Tax-Exempt Securities” means bonds, notes or other securities the interest on which is Tax-Exempt.

“TBMA Index” means The Bond Market Association Municipal Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, Tax-Exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by The Bond Market Association; provided, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successors, then “TBMA Index” shall mean such other reasonably comparable index selected by the City.

“Tender Indebtedness” means any Parity Obligations or portions of Parity Obligations, a feature of which is an option or obligation, on the part of the owners thereof under the terms of such Parity Obligations, to tender all or a portion of such Parity Obligations to the City, a trustee, a fiscal agent, a paying agent, a tender agent or other agent for purchase and requiring that such Parity Obligations or portions thereof be purchased at the applicable Purchase Price if properly presented.

“Term Bonds” means Bonds which are Term Obligations.

“Term Obligations” means Obligations which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Obligations on or before their specified maturity dates.

“Term Parity Obligations” means Term Obligations which are Parity Obligations.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., as successor trustee or as authenticating agent or its successor as Trustee under the Indenture as provided therein.

“2004 Series A Bonds” means the City of Oakland Sewer Revenue Bonds, 2004 Series A, authorized under and secured by the Master Indenture and the First Supplemental Indenture.

“2014 Series A Bonds” means the City of Oakland Sewer Revenue Refunding Bonds, 2014 Series A, authorized under and secured by the Master Indenture and the Second Supplemental Indenture.

“Variable Rate Indebtedness” means any portion of indebtedness evidenced by Parity Obligations the interest rate on which is not established at the time of incurrence of such indebtedness and

has not, at some subsequent date, been established at a rate which is not subject to fluctuation or subsequent adjustment, excluding Paired Obligations.

### **Pledge of Net Revenues**

All Net Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Indenture (other than amounts on deposit in the Rebate Fund) are irrevocably pledged to the payment of the interest on and principal of the Bonds as provided in the Indenture; provided, however, that out of the Net Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Indenture. This pledge shall constitute a pledge of and charge and lien upon the Net Revenues, which pledge and lien upon the Net Revenues is on a parity with any pledge and lien of Parity Obligations, and all other moneys on deposit in the funds and accounts established under the Indenture (other than amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Bonds in accordance with the terms of the Indenture and thereof.

### **Establishment of Funds and Accounts; Flow of Funds**

The Indenture establishes the following funds and accounts: (1) the Sewer Revenue Fund, (2) the Interest Fund, (3) the Principal Fund, (4) the Reserve Fund, (5) the 2014 Series A Costs of Issuance Fund, (6) the 2014 Series A Optional Redemption Subaccount, (7) the Rate Stabilization Fund and (8) the Rebate Fund.

### **Receipt and Deposit of Revenues in the Sewer Revenue Fund**

The City agrees and covenants that all Revenues received by it shall be deposited when and as received in the City of Oakland Sewer Revenue Fund which fund the City agrees and covenants to maintain so long as Bonds shall be Outstanding, and all money on deposit in the Sewer Revenue Fund shall be applied and used only as provided in the Indenture, and shall be accounted for separate and apart from all other moneys, funds or other resources of the City. The City may, to the extent provided in the Indenture, transfer amounts in the Sewer Revenue Fund to the Rate Stabilization Fund or from the Rate Stabilization Fund to the Sewer Revenue Fund.

### **Establishment and Maintenance of Funds for Revenues**

Money in the Sewer Revenue Fund, after paying as they become due and payable all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not immediately required), shall be transferred to the Trustee for deposit in the following respective special funds (each of which is created by the Indenture and each of which the Trustee covenants and agrees to cause to be maintained) in the following order of priority, at the time specified in the Indenture:

- (a) Interest Fund,
- (b) Principal Fund, and
- (c) Reserve Fund (if any).

The City shall also, from moneys in the Sewer Revenue Fund, pay to the party entitled thereto or transfer or cause to be transferred to any applicable debt service or other payment fund or account for any Parity Obligations, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, on the dates specified in the Issuing Instrument relating to such

Parity Obligations, the sum or sums required to be paid or deposited in such debt service or other payment fund or account with respect to principal, premium, if any, and interest on Parity Obligations in accordance with the terms of such Parity Obligations.

(a) Interest Fund. On or before the Business Day preceding each Interest Payment Date, the City shall, from amounts in the Sewer Revenue Fund, transfer to the Trustee for deposit in the Interest Fund an amount which, together with amounts contained therein, is equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) Principal Fund. On or before the Business Day preceding each Principal Payment Date, the City shall, from amounts in the Sewer Revenue Fund, transfer to Trustee for deposit in the Principal Fund an amount which, together with amounts contained therein, is equal to the aggregate amount of all Sinking Fund Installments required to be made on such date into the respective Sinking Accounts for all Outstanding Term Bonds and the aggregate principal amount of all Outstanding Serial Bonds maturing on such date.

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each series and maturity, designated as the "Sinking Account" (the "Sinking Account"), inserting therein the series and maturity (if more than one such account is established for such series) designation of such Bonds. With respect to each Sinking Account, on each Sinking Fund Installment Date established for such Sinking Account, the Trustee shall apply the Sinking Fund Installment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the series and maturity for which such Sinking Account was established, upon the notice and in the manner provided in the Indenture; provided that, at least sixty days prior to the scheduled Mandatory Sinking Fund Installment Date, the Trustee may upon the Written Request of the City, apply moneys in such Sinking Account to the purchase of Term Bonds of such series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund), as may be directed by the City, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Fund Installment. If, during the twelve-month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such series and maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full principal amount thereof, to reduce said mandatory sinking account payment.

All money in the Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they shall become due and payable, whether at maturity or redemption, except that any money in any sinking fund account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such sinking fund account was created.

(c) Reserve Fund. On or before the Business Day preceding each Interest Payment Date, so long as any Bonds are Outstanding, the City shall, from money in the Sewer Revenue Fund, transfer to the Trustee for deposit in the applicable reserve account within the Reserve Fund that amount of money which shall be required to maintain each reserve account in the full amount of its Reserve Account Requirement; provided, that the aforesaid payments into each reserve account shall be made without priority of any one payment over any other payment, and in the event that the remaining money

in the Sewer Revenue Fund on any Interest Payment Date is not equal to the aggregate payments required to be made into the Reserve Fund on such date, then such money shall be applied pro rata in the proportion that such payments bear to each other; and provided further, that no deposit need be made in the reserve account established for any Series of Bonds if the amount contained in such account is at least equal to the amount required to be on deposit therein by any Supplemental Indenture authorizing the issuance of such Series of Bonds.

All money in the reserve accounts in the Reserve Fund shall be used and withdrawn by the Trustee as set forth in the Supplemental Indenture for each Series of Bonds secured by a reserve account within the Reserve Fund.

(d) **Surplus Funds.** All money on deposit in the Sewer Revenue Fund in excess of the sums required to be set aside prior to the immediately succeeding Interest Payment Date by the provisions of the foregoing paragraphs (a), (b) and (c), inclusive, shall be available for any lawful purpose of the City.

### **Rate Stabilization Fund**

The City shall maintain and hold a separate fund to be known as the “Rate Stabilization Fund,” which fund is established pursuant to the Procedural Ordinance. From time to time the City may deposit in the Rate Stabilization Fund from Net Revenues such amounts as the City shall determine, provided that deposits for each Fiscal Year may be made until (but not after) 180 days following the end of such Fiscal Year. The City may withdraw amounts from the Rate Stabilization Fund only for transfer to the Sewer Revenue Fund for inclusion in Revenues for any Fiscal Year, such withdrawals to be made until (but not after) 150 days after the end of such Fiscal Year. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Revenues.

### **Investment of Moneys in Funds**

All moneys in any of the funds and accounts established pursuant to the Master Indenture and held by the Trustee shall be invested by the Trustee in Investment Securities as directed by the City. The Trustee shall only invest funds under the Indenture in accordance with directions from the City and shall have no liability whatsoever with respect to the selection of such investments by the City.

For the purpose of determining the amount in any such fund or account, all Investment Securities credited to such fund or account shall be valued at market value or as otherwise provided in a Supplemental Indenture.

### **Rebate Fund**

The Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated the Rebate Fund. The City shall cause to be deposited in the Rebate Fund the rebate requirement as provided in the Tax Certificate for each Series of Tax-Exempt Bonds. Subject to the provisions of the Indenture, moneys held in the Rebate Fund are pledged to secure payments to the United States government, and the City and the owners shall have no rights in or claim to such moneys. The Trustee shall invest all amounts held in the Rebate Fund in accordance with directions from the City.

Upon receipt of the rebate instructions required to be delivered to the Trustee by the Tax Certificate, the Trustee shall remit part or all of the balance held in the Rebate Fund to the United States government as so directed. In addition, if the rebate instructions so direct, the Trustee shall deposit

moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as the rebate instructions direct.

The Trustee shall conclusively be deemed to have complied with the provisions of the Indenture if it follows the directions of the City set forth in the rebate instructions and shall not be required to take any actions under the Indenture in the absence of rebate instructions from the City.

Notwithstanding any of the above provisions, if the City shall provide to the Trustee any Opinion of Counsel that any specified action required under the Indenture is no longer required or that some further or different action is required to maintain the exclusion of interest on the Series of Bonds from gross income for federal income tax purposes, the Trustee and the City may conclusively rely on such opinion in complying with the requirements of the Indenture, and the covenants under the Indenture shall be deemed to be modified to that extent.

### **Covenants of the City**

Punctual Payments. The City shall pay or cause to be paid punctually the principal of, premium, if any, and interest due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Net Revenues and other assets pledged for such payment as provided in the Indenture.

No Extension of Payment of Principal and Interest on the Bonds. The City shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and claims for interest thereon which shall not have been so extended. Nothing in this paragraph shall be deemed to limit the right of the City to issue obligations for the purpose of refunding any outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Power to Issue Bonds and Make Pledge and Assignment. The City is duly authorized pursuant to law to issue the Bonds and to execute and deliver the Indenture and to pledge and assign the Net Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the valid and binding limited obligations of the City in accordance with their terms, and the City shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Net Revenues and other assets and all the rights of the Bondholders under the Indenture against all claims and demands of all persons whomsoever.

Amount of Rates, Fees and Charges. The City will at all times fix, prescribe and collect rates and charges for the Sewer Service during each Fiscal Year which will be at least sufficient to yield: (a) Net Revenues for such Fiscal Year at least equal to 120% of Debt Service on Parity Obligations for such Fiscal Year and (b) Net Revenues equal to 100% of Debt Service on all Parity Obligations and Subordinated Obligations for such Fiscal Year. The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this paragraph.

No Prior Lien. The City shall not issue any Obligation which has a lien on Net Revenues which is senior to the lien of the Indenture.

Sale of Sewer System. The Sewer System shall not be sold or otherwise disposed of, as a whole or substantially as a whole, unless such sale or other disposition be so arranged as to provide for a continuance of payments into the Sewer Revenue Fund sufficient in amount to permit payment therefrom when due, at maturity or upon redemption, of the principal of, premiums, if any, and interest on all Outstanding Bonds, or to provide for a continuance of payments sufficient for such purposes into some other fund charged with the payment of such principal, interest and premiums.

Audits. The City will cause the books and accounts of the Sewer System, including the Sewer Revenue Fund, to be audited annually by Independent Certified Public Accountants (which audit may be part of the City's comprehensive annual financial report) and will make available for inspection by the Owners of the Outstanding Bonds, at the Principal Office of the Trustee, a copy of the report of such accountants and will also furnish a copy thereof, upon request, to any Owner of an Outstanding Bond.

Maintenance and Operation of the Sewer System. The City will cause the Sewer System to be maintained in good repair, working order and condition at all times, and will continuously operate the Sewer System in an efficient and economical manner, and so that all lawful orders of any governmental agency or authority having jurisdiction in the premises shall be complied with, but the City shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith or the failure to comply will not have a material adverse effect on the operation or financial condition of the Sewer System. The City further covenants and agrees that it will at all times maintain and comply with all necessary permits and licenses issued by governmental authorities having jurisdiction unless the lawful requirement thereof is being contested in good faith or the failure to comply will not have a material adverse effect on the operation or financial condition of the Sewer System.

Payment of Taxes and Claims. The City will, from time to time, duly pay and discharge, or cause to be paid and discharged, any taxes, assessments or other governmental charges lawfully imposed upon the Sewer System or upon the Revenues when the same shall become due (except to the extent such charges may be contested in good faith).

Compliance with Indenture, Contracts, Laws and Regulations. The City shall faithfully observe and perform all the covenants, conditions and requirements of the Indenture, shall not issue any Bonds or Obligations in any manner other than in accordance with the Indenture, and shall not suffer or permit any default to occur under the Indenture, or do or permit to be done, anything that might in any way weaken, diminish or impair the security intended to be given pursuant to the Indenture. Subject to the limitations and consistent with the covenants, conditions and requirements contained in the Indenture, the City and the Trustee shall comply with the terms, covenants and provisions of all contracts concerning or affecting the application of proceeds of Bonds or the Revenues.

Further Assurances. The City will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in the Indenture.

Continuing Disclosure. Upon the issuance of any Series of Bonds requiring an undertaking regarding continuing disclosure under Rule 15c2-12, the City and the Trustee covenant and agree that the City will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed and delivered in connection with such Series of Bonds and applicable to them.

Notwithstanding any other provision of the Indenture, failure of the City or the Trustee to comply with the provisions of any Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee at the written request of any Participating Underwriter or the Holders of at least 50% aggregate principal amount of any Series of Bonds then Outstanding, shall, but only to the extent it has been indemnified to its satisfaction from any loss, liability, cost, claim or expense whatsoever, including, without limitation, fees and expenses of its attorneys, or any Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under this paragraph.

### **Additional Bonds**

One or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of paying all or a portion of the Costs of any Capital Improvement. Additional Bonds may be issued in a principal amount sufficient to pay such Costs, including making of any deposits into the funds or accounts required by the provisions of the applicable Bond Indenture. The proceeds, including accrued interest, of the Additional Bonds of each Series shall be applied simultaneously with the delivery of such Bonds as provided in the Supplemental Indenture authorizing such Series of Bonds. The issuance of Additional Bonds is conditional upon the satisfaction of the conditions in the Indenture, including but not limited to the coverage requirements described in subsection (e) under “Conditions to Issuance of Parity Obligations.”

### **Refunding Bonds**

One or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance for the purpose of refunding all or any portion of the Outstanding Parity Obligations. Refunding Bonds may be issued in a principal amount sufficient to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds, and the making of any deposits into the funds and accounts required by the provisions of the applicable Bond Indenture. The issuance of Refunding Bonds need not satisfy the coverage requirements set forth below in subsection (e) of “Conditions to Issuance of Parity Obligations.”

### **Conditions to Issuance of Parity Obligations**

(a) Without regard to subsection (e) of this section, the City may at any time issue or enter into an obligation or commitment which is a Qualified Swap Agreement, provided (i) the Qualified Swap Agreement shall relate to a principal amount of Outstanding Parity Obligations or investments held under an Issuing Instrument for Parity Obligations, in each case specified by an Authorized Representative; and (ii) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Parity Obligation or the amount of such investments, as applicable.

(b) Without regard to subsection (e) of this section, the City may at any time issue Refunding Parity Obligations provided that the Trustee receives an Opinion of Bond Counsel to the effect that the Parity Obligations to be refunded are deemed paid pursuant to the Issuing Instrument authorizing such Parity Obligations.

(c) Without regard to subsection (e) of this section, the City may issue the Initial Bonds.

(d) Without regard to subsection (e) of this section, the City may enter into Credit Support Instruments or otherwise become obligated for Credit Provider Reimbursement Obligations from time to time.

(e) The City may, at any time and from time to time, issue any Additional Parity Obligations, provided the City obtains or provides a certificate or certificates, prepared by the City or at the City's option by a Consultant, showing that

(i) Net Revenues for the applicable Calculation Period, which Calculation Period shall be selected by the City in its sole discretion, shall have amounted to at least 1.20 times the Maximum Annual Debt Service on all Parity Obligations to be Outstanding immediately after the issuance of the proposed Additional Parity Obligations, or

(ii) estimated Net Revenues during the first Fiscal Year in which Debt Service on the Additional Parity Obligations is payable (other than from Obligation proceeds) is at least equal to 1.20 times the Maximum Annual Debt Service on all Parity Obligations to be Outstanding immediately after the issuance of the proposed Additional Parity Obligations.

For purposes of preparing the certificate or certificates described in this subsection, the City and any Consultant may rely upon the books and records of the City or any financial statements prepared by the City which have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the particular Calculation Period selected by the City are not available.

(f) For purposes of the computations to be made as described in subsection (e)(ii) above, the estimated Net Revenues:

(1) may take into account any increases in rates and charges which relate to the Sewer System and which have been approved by the City Council, and shall take into account any reduction in such rates and charges which have been approved by the City Council, which will be effective during the Fiscal Year for which such estimate is made; provided that an increase may only be taken into account if such increase takes effect within two years of issuance of the Additional Parity Obligations; and

(2) may take into account an allowance for any estimated increase in such Net Revenues from any revenue producing additions or improvements to or extensions of the Sewer System, to be made with the proceeds of such Additional Parity Obligations or with the proceeds of Parity Obligations previously issued, all in an amount equal to the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions during the Fiscal Year contemplated by subsection (e)(ii); and

(3) for the Fiscal Year contemplated by subsection (e)(ii) Maintenance and Operation Costs shall initially be deemed to be equal to such costs for the 12 consecutive months immediately prior to incurring such Additional Parity Obligations for the Fiscal Year, but adjusted if deemed necessary by the City or a Consultant, as applicable, for any increased Maintenance and Operations Costs which are, in the judgment of the City or a Consultant, as applicable, essential to maintaining and operating the Sewer System and which will occur during the Fiscal Year contemplated by subsection (e)(ii).

## Conditions of Issuance of Subordinated Obligations

(a) The City may, at any time or from time to time, issue Subordinated Obligations without satisfying the requirements of subsection (e) described above for any purpose in connection with the Sewer System, including, without limitation, the financing of a part of the cost of acquisition and construction of any additions to or improvements of the Sewer System or the refunding of any Subordinated Obligations or Outstanding Parity Obligations (or portions thereof). Such Subordinated Obligations shall be payable out of amounts in the Sewer Revenue Fund as may from time to time be available therefor, provided that any such payment shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of such Parity Obligations as may be Outstanding from time to time, including Parity Obligations issued after the issuance of such Subordinated Obligations.

(b) The resolution, indenture or other instrument authorizing the issuance of Subordinated Obligations shall contain provisions (which shall be binding on all owners of such Subordinated Obligations) not more favorable to the owners of such Subordinated Obligations than the following:

(1) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the City or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the City, whether or not involving insolvency or bankruptcy, the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full of all principal and interest due on all such Parity Obligations in accordance with the provisions of the Issuing Instrument authorizing the issuance of such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive any payment from the Sewer Revenue Fund on account of principal (and premium, if any) or interest upon the Subordinated Obligations.

(2) In the event that any Subordinated Obligation is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Parity Obligations Outstanding at the time such Subordinated Obligation so becomes due and payable because of such event of default, shall be entitled to receive payment in full of all principal and interest on all such Parity Obligations before the owners of such Subordinated Obligation are entitled to receive any accelerated payment from the Sewer Revenue Fund of principal (and premium, if any) or interest upon such Subordinated Obligation.

(3) If any default with respect to any Outstanding Parity Obligation shall have occurred and be continuing (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full of all principal and interest on all such Parity Obligations as the same become due and payable before the owners of the Subordinated Obligations are entitled to receive, subject to the provisions of (5) below, any payment from the Sewer Revenue Fund of principal (and premium, if any) or interest upon the Subordinated Obligations.

(4) No Bondowner shall be prejudiced in his right to enforce subordination of the Subordinated Obligations by any act or failure to act on the part of the City or the Trustee.

(5) The Subordinated Obligations may provide that the provisions (1), (2), (3) and (4) above are solely for the purpose of defining the relative rights of the Owners of the Bonds and the owners of all other Outstanding Parity Obligations on the one hand, and the owners of Subordinated Obligations on the other hand, and that nothing therein shall impair, as between the City and the owners

of the Subordinated Obligations, the obligation of the City, which may be unconditional and absolute, to pay to the owners of such Subordinated Obligations the principal thereof and premium, if any, and interest thereon in accordance with their terms, nor shall anything therein prevent the owners of the Subordinated Obligations from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under (1), (2), (3) and (4) above of the Owners of Outstanding Bonds and the owners of other Outstanding Parity Obligations to receive payment from the Sewer Revenue Fund otherwise payable or deliverable to the owners of the Subordinated Obligations; and the Subordinated Obligations may provide that, insofar as a trustee, fiscal agent or paying agent for such Subordinated Obligations is concerned, the foregoing provisions shall not prevent the application by such trustee, fiscal agent or paying agent of any moneys deposited with such trustee, fiscal agent or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Obligations if such trustee, fiscal agent or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

(c) Any Subordinated Obligations may have such rank or priority with respect to any other Subordinated Obligations as may be provided in the resolution, indenture or other instrument, authorizing the issuance or incurrence, or securing of such Subordinated Obligations and may contain such other provisions as are not in conflict with the provisions of the Master Indenture.

## **Events of Default**

The following events are Events of Default under the Indenture:

(a) default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as in the Indenture expressed, by proceedings for redemption, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable; or

(c) default by the City in the observance of any of the covenants, agreements or conditions on its part of the Indenture or in the Bonds contained, other than a default described in (a) or (b) above, and continuance of such default for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the City by the Trustee, or to the City and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding.

(d) if the City files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(e) if a court of competent jurisdiction shall enter an order, judgment or decree declaring the City an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the City, or approving a petition filed against the City seeking reorganization of the City under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof; or

(f) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the City, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control.

### **Acceleration of Maturities**

If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the request of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding shall, upon notice in writing to the City, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. The Trustee shall immediately give notice of such declaration to Bondholders, in the same manner that notices of redemption are given, specifying the date of such declaration, that as of the Business Day immediately following such declaration the Bonds shall cease to bear interest; and that all principal of and interest on the Bonds to the Business Day immediately following such declaration of acceleration shall be payable upon the surrender thereof at the principal office of the Trustee.

### **Application of Net Revenues and Other Funds After Default**

If an Event of Default shall occur, then, and in every such case during the continuance of such Event of Default, all Net Revenues and any other moneys then held or thereafter received by the Trustee under any of the provisions of the Indenture, shall be applied by the Trustee as follows and in the following order:

- (i) To the payment of any compensation and expenses as due to the Trustee under the Indenture;
- (ii) To the payment of the principal of and interest then due on the Bonds as provided in the Indenture.

### **Trustee to Represent Bondholders**

The Trustee is attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds and the Indenture, as well as under applicable provisions of any other law.

### **Bondholders' Direction of Proceedings**

The Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction and the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders pursuant to the Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

## **Limitation on Bondholders' Right to Sue**

No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture or any applicable law with respect to such Bond, unless: (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (5) the Trustee shall not have received contrary directions from the Holders of a majority of the Bonds then Outstanding.

## **The Trustee**

There shall at all times be a trustee under the Indenture which shall be a corporation organized and doing business under the laws of the United States or the State of California, authorized under such laws to exercise corporate trust powers, having its corporate trust office and place of business in San Francisco, California, having a combined capital and surplus of at least one hundred million dollars (\$100,000,000), and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus shall be as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture, the Trustee shall resign upon written notice from the City or a Bondholder in the manner and with the effect specified in the Indenture.

The Trustee may at any time resign by giving 30 days written notice to the City and by giving to the Bondholders notice by mail, first class postage prepaid, at the addresses of the owners set forth on the registration books of the Trustee. Upon receiving such notice of resignation, the City shall promptly appoint a successor trustee by an instrument in writing. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the receipt by the City of such notice of resignation, the resigning trustee at the expense of the City may petition any court of competent jurisdiction for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

The City may in its sole and absolute discretion remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the Indenture, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of the Indenture shall become effective upon acceptance of appointment by the successor trustee as provided in the Indenture.

## Modification of Indenture

The City and the Trustee from time to time and at any time, subject to the conditions and restrictions contained in the Indenture, may enter into an indenture or indentures supplemental to the Indenture, which indenture or indentures thereafter shall form a part of the Indenture, for any one or more or all of the following purposes --

(a) to add to the covenants and agreements of the City in the Indenture contained, other covenants and agreements thereafter to be observed, or to surrender any right or power in the Indenture reserved to or conferred upon the City;

(b) to evidence the succession of another corporation, whether public or private, to the City, or successive successions, and the assumption by a successor corporation of the covenants and obligations of the City in the Bonds and in the Indenture contained;

(c) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to any matters or any questions arising under the Indenture, as the City may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially adversely affect the interests of the owners of the Bonds;

(d) to conform to the terms and conditions of the Issuing Instrument for Additional Parity Obligations, provided such modification shall not materially adversely affect the interests of the owners of the Bonds;

(e) to make any changes necessary or convenient to provide for the issuance of a Series of Bonds pursuant to the provisions of the Indenture including any changes necessary or convenient in connection with the establishment of an interest rate mode, tender and purchase provisions;

(f) to make any changes required by a Rating Agency in order to obtain or maintain a rating for any Series of Bonds; or

(g) to modify, alter, amend or supplement the Indenture in any other respect desired by the City which is not materially adverse to the Holders.

Any Supplemental Indenture authorized by the provisions of the Indenture may be executed by the City and the Trustee without the consent of the owners of any of the Bonds at the time outstanding but the Trustee shall not be obligated to enter into any such Supplemental Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

With the consent (evidenced as provided in the Indenture) of the owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, the City and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to, or changing in any manner, or eliminating any of the provisions of, the Indenture or of any Supplemental Indenture; provided, however, that no such Supplemental Indenture shall (1) extend the stated maturity of the Bonds or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption of the Indenture, without the consent of the owner of each Bond so affected, or (2) reduce the aforesaid percentage of owners of Bonds required to approve any such Supplemental Indenture, without the consent of the owners of all Bonds then outstanding. Upon receipt

by the Trustee of a Certificate of the City authorizing the execution of any such Supplemental Indenture, and upon the filing with the Trustee of evidence of the consent of Bondholders, the Trustee shall join with the City in the execution of such Supplemental Indenture unless such Supplemental Indenture affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obliged to, enter into such Supplemental Indenture.

It shall not be necessary for the consent of the Bondholders to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

### **Defeasance**

Bonds may be paid by the City in any of the following ways provided that the City also pays or causes to be paid any other sums payable under the Indenture by the City and related to the Bonds:

- (a) by paying or causing to be paid the principal, and interest on Outstanding Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem Outstanding Bonds; or
- (c) by delivering to the Trustee, for cancellation by it, Outstanding Bonds.

If the City shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable under the Indenture by the City, then and in that case, at the election of the City (evidenced by a Certificate of the City, filed with the Trustee, signifying the intention of the City to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Net Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the City under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Indenture and except for the obligation of the City to pay any amounts under and to otherwise satisfy all of its obligations to the Trustee under the Indenture. In such event, upon Request of the City, the Trustee shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee and any paying agent shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by them pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

### **Discharge of Liability on Bonds**

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given or provision shall have been made for giving notice as provided in the Indenture then all liability of the City in respect of such Bond shall cease, terminate and be completely discharged, except only that thereafter the owner thereof shall be entitled only to payment of the principal of and interest on such Bond by the City, and the City shall remain liable for such payment, but only out of such money or securities deposited with the Trustee for such purpose.

## **Deposit of Money or Securities with Trustee**

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be--

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal, premium, if any, and all unpaid interest thereon to the redemption date; or

(b) Defeasance Obligations the principal of and interest on which when due will provide money sufficient to pay the principal, premium, if any, and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal, premium, if any, and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the City) to apply such money to the payment of such principal and interest with respect to such Bonds.

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**APPENDIX D**  
**PROPOSED FORM OF BOND COUNSEL OPINION**

[Closing Date]

City of Oakland  
Oakland, California

City of Oakland  
Sewer Revenue Refunding Bonds, 2014 Series A  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Oakland (the “City”) in connection with the issuance of \$40,590,000 aggregate principal amount of City of Oakland Sewer Revenue Refunding Bonds, 2014 Series A (the “Bonds”), issued pursuant to a Master Indenture, dated as of December 1, 2004, as heretofore supplemented and as further supplemented by the Second Supplemental Indenture, dated as of March 1, 2014 (as supplemented, the “Indenture”), between the City and The Bank of New York Mellon Trust Company, N.A. as successor trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate, dated the date hereof (the “Tax Certificate”), opinions of counsel to the City and the Trustee, certificates of 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 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 Indenture 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 Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the City.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Net Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual, amount or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”) is executed and delivered by, as of March 1, 2014, the CITY OF OAKLAND, CALIFORNIA (the “City”), in connection with the issuance of \$40,590,000 City of Oakland Sewer Revenue Bonds, 2014 Series A (the “Bonds”). The 2014 Series A Bonds are issued pursuant to a Master Indenture, dated as of December 1, 2004, as supplemented by a Second Supplemental Indenture, dated as of March 1, 2014, each by and between the City and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”) (as supplemented, the “Indenture”).

The City covenants and agrees as follows:

Section 1. Purpose of This Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City, under the Rule (as hereinafter defined) in connection with the Bonds for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with the Rule but shall not be deemed to create any monetary liability on the part of the City to any other persons, including Owners or Beneficial Owners of the Bonds based on the Rule. The sole remedy in the event of any failure of the City to comply with this Disclosure Agreement shall be an action to compel performance of any act required hereunder.

Section 2. Definitions. The definitions set forth in the Indenture shall apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section. The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Section 3 and 4 of this Disclosure Agreement.

“Annual Report Date” shall mean the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“Beneficial Owner” or “beneficial owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Bond holders” or “Owners” shall mean, while the Bonds are registered in the name of The Depository Trust Company, any applicable participant in its depository system, or the owner of any Bond for federal income tax purposes.

“Dissemination Agent” shall mean the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

“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 January 30, 2014.

“Participating Underwriters” shall mean any of 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(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

“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 the Annual Report Date, commencing nine months after the end of the City’s 2013-2014 fiscal year, with the report for the 2013-2014 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the requirement set forth herein the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the postaudit financial transactions and records of the City for the fiscal year may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if 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(f).
- (b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached hereto as Exhibit A.
- (c) With respect to the Annual Report, the Dissemination Agent shall:
  - (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
  - (ii) if the Dissemination Agent is other than the City, file a report with the City, certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If, however, the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), then the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the Annual Report Date, financial information and operating data with respect to the City for the preceding Fiscal Year, substantially similar to that provided in the corresponding tables and charts in the Official Statement for the Bonds:

1. Table 3 – Revenues by Type of Account
2. Table 6 – Current Sewer System Rates
3. Table 8 – Historical Revenues and Expenses
4. Table 9 – Historical Debt Service Coverage
5. Table 12 – Balance Sheet

(c) In addition to any of the information expressly required to be provided under this Disclosure Agreement, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the EMMA web site of the MSRB or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occurs: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, 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 trustee or the change of name of a trustee.

- (c) The City shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a), as provided in Section 3(b).
- (d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.
- (e) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format accompanied by such identifying information, all 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 Owners of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The obligations of the City under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or if less than all the Bonds are defeased, with respect to those Bonds. If such termination occurs prior to the final maturity date of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out the obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent. The initial Dissemination Agent shall be the City.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Section 3(a), 4, 5(a), (b), (d) or (f), or 8(a), 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 either (i) is approved by the Owners of a majority in aggregate principal amount of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of the nationally recognized bond counsel, materially impair the interests of the Owners or

Beneficial Owners of the Bonds. The City also may amend this Disclosure Agreement without approval by the Owners to the extent permitted by rule, order or other official pronouncement of the SEC.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), 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 Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any Annual Report or future notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner or any Participating Underwriter of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Participating Underwriters and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity (except the right of the Dissemination Agent or any Owner or Beneficial Owner to enforce the provisions of the Disclosure Agreement on behalf of the Owners). This Disclosure Agreement is not intended to create any monetary rights on behalf of any person based upon the Rule.

Section 12. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the City shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof, and the Owners of the Bonds shall retain all the benefits afforded to them hereunder. The City hereby declares that it would have executed and delivered this Disclosure Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or

more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 13. Governing Law. The laws of the State shall govern this Disclosure Agreement, the interpretation thereof and any right or liability arising hereunder. Any action or proceeding to enforce or interpret any provision of this Disclosure Agreement shall be brought, commenced or prosecuted in any court of the State located in Alameda County, California.

Section 14. Effective Date. This Disclosure Agreement shall be effective on and as of the date hereof.

Section 15. Notices. Any notice or communication to the City relating to this Disclosure Agreement may be given as follows:

City of Oakland  
Administrative Services  
Agency – Treasury Division  
150 Frank H. Ogawa Plaza, Suite 5330  
Oakland, California 94612  
Telephone: (510) 238-3201  
Fax: (510) 238-2137

The City may, by written notice to the other parties acting hereunder, designate a different address and/or telephone number(s) to which subsequent notices or communications should be sent.

IN WITNESS WHEREOF, this Disclosure Agreement is given by the City as of the date set forth above.

CITY OF OAKLAND

By: \_\_\_\_\_  
City Administrator

**EXHIBIT A**

**NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF  
FAILURE TO FILE ANNUAL REPORT**

Name of Obligor: City of Oakland, California

Name of Bond Issue: City of Oakland Sewer Revenue Bonds, 2014 Series A

Date of Delivery: March \_\_, 2014

NOTICE IS HEREBY GIVEN that the City of Oakland, California (the "City"), has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated as of March [\_\_], 2014, relating to the Bonds. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

CITY OF OAKLAND, CALIFORNIA

By: \_\_\_\_\_  
City Administrator

## APPENDIX F

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this section regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and the City and the Underwriters take no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2014 Series A Bonds . The 2014 Series A 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 bond certificate will be issued for each maturity of each series of the 2014 Series A Bonds , each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the 2014 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2014 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2013 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 2014 Series A 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 2014 Series A Bonds , except in the event that use of the book-entry system for the 2014 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2013 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 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2014 Series A Bonds ; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013 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 2013 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2014 Series A Bonds , such as redemptions, tenders, defaults and proposed amendments to the 2013 Bond documents. For example, Beneficial Owners of 2013 Bonds may wish to ascertain that the nominee holding the 2014 Series A 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 the notices be provided directly to them.

While the 2014 Series A Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the 2014 Series A Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2014 Series A 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 City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2014 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2014 Series A 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 City or the Trustee on the 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 or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City 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.

DTC may discontinue providing its services as depository with respect to the 2014 Series A Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the 2014 Series A Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the 2014 Series A Bonds will be printed and delivered to DTC.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the City and the City believes to be reliable, but the City and the Underwriters do not take any responsibility for the accuracy thereof.

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