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OAKLAND

CITY OF OAKLAND

2014 FEB 27 PM 1:53

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Osborn K. Solitei

SUBJECT: Comprehensive Annual Financial
Report and Management Letter for FY 2012-13

DATE: February 14, 2014

City Administrator

Date

2/24/14

Approval

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council accept the Comprehensive Annual Financial Report (CAFR) and the Management Letter for the year ended June 30, 2013.

EXECUTIVE SUMMARY

The Controller's Office is pleased to present to the City Council the attached Comprehensive Annual Financial Report (CAFR) and the Management Letter for FY 2012-13.

The CAFR incorporates the audited basic financial statements of the City's financial activities and operations, including the Oakland Redevelopment Successor Agency ("ORSA"), Oakland Municipal Employees' Retirement System ("OMERS"), the Police and Fire Retirement System ("PFRS"), and the Port of Oakland.

The Management Letter outlines the Auditor's responsibilities, provides advice on accounting policies, and makes recommendations designed to improve operational efficiencies that further strengthen internal controls.

The Auditor's unmodified opinion letter for the audit report mentioned above declared that the basic financial statements contained therein accurately represent the financial condition of the City as of June 30, 2013. The auditors expressed an opinion that the City's financial statements are fairly stated and in accordance with accounting principles generally accepted in the United States.

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Finance and Management Committee

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There were no audit findings for the City's Comprehensive Annual Financial Report for the year ended June 30, 2013. The auditors provided two recommendations for the year ended June 30, 2013, which are discussed in detail in the attached "Communications to City Council Year Ended June 30, 2013". The status of prior year recommendations is discussed in the analysis section of this report below.

OUTCOME

City Council acceptance of the FY 2012-13 CAFR will provide relevant financial information to the City Council, residents of Oakland, creditors, investors and other interested parties. Also, the City will be in compliance with Section 809 of the City Charter and California Government Code Sections 25250 and 25253.

BACKGROUND/LEGISLATIVE HISTORY

The Comprehensive Annual Financial Report

The FY 2012-13 CAFR provides a description of the City's financial activities for the period of July 1, 2012 through June 30, 2013, and is generally divided into the following sections:

- **Introductory Section:** This section intends to familiarize the reader with the organizational structure of the City, the scope of City services and the City general government operations. This section also highlights the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting award for the previous fiscal year.
- **Financial Section:** This section contains the City's audited financial statements; the Independent Auditor's Report and Management's Discussion and Analysis (MD&A).
- **Statistical Section:** This section provides ten years of summary financial data, as well as demographic, economic, and statistical information related to the City and its operations.

The auditor's opinion contained in the Financial Section of the CAFR represents their unmodified opinion that the City's financials are presented fairly and in conformity with Generally Accepted Accounting Principles (GAAP).

The Management Letter or Auditor's Required Communication to City Council

The Management Letter is a required communication and recommendation by Statement on Auditing Standards (SAS) No. 114. The letter outlines the Auditor's responsibility, planned scope and timing of the audit, provides advice on accounting policies, evaluates accounting estimates, proposes audit adjustments, significant audit findings, status of prior years' recommendations, corrected and uncorrected misstatements, disagreement with management, management representation, and outlines any major difficulties encountered in performing the audit.

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The Management Letter is intended solely for the information and use of the City Council, the Finance Committee, the Federal grantor agencies, and the management of the City and is not intended to be and should not be used by anyone other than these specified parties.

ANALYSIS

The FY 2012-13 CAFR provides a comprehensive review of the City's financial operations. The CAFR is submitted to the City Council for consideration and acceptance and to provide relevant financial information to the residents of Oakland, creditors, investors, and other interested parties. Ensuring the financial integrity of our public institutions is crucial to maintaining the public's trust.

The auditors expressed an opinion that the City's financial statements for FY 2012-13 are fairly stated in conformity 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 the CAFR.

The City contracted with Macias, Gini & O'Connell LLP ("MGO"), a certified public accounting firm, licensed to practice in the State of California to perform the following annual independent audits:

- The Comprehensive Annual Financial Report (CAFR),
- The Oakland Redevelopment Successor Agency Audit Report (ORSA).
- The Single Audit Report,
- A separate audit of the Port of Oakland.

Patel & Associates LLP, a certified public accounting firm and sub-contractor of MGO, performed the following audits:

- Measure Y – Violence Prevention & Public Safety Act of 2004 audit report,
- Measure C - Transient Occupancy Tax Surcharge ("Hotel Tax"),
- Oakland Wildlife Prevention Assessment District Audit, and
- GANN Appropriation Limit Attestation.

William, Adley & Company, LLP a certified public accounting firm and sub-contractor of MGO performed the following audits:

- Oakland Municipal Employees Retirement System (OMERS) Audit,
- Police and Fire Retirement System (PFRS) Audit,

- Single Audit Report - Performed Internal Control over Financial Reporting procedures for seven (7) of the nine (9) major audit programs.

Financial Highlights

For the fiscal year ended June 30, 2013, the City achieved the following key financial results:

- Total assets exceeded total liabilities at June 30, 2013 by \$986.8 million (net position).
- Governmental funds reported combined ending fund balances of \$561.8 million at June 30, 2013, which are \$149.7 million or 31.0 percent less than the June 30, 2012 balances.
- Unassigned fund balance for the General Purpose Fund met the requirements of the City Council's 7.5% reserve policy based on the total General Purpose Fund expenditures for fiscal year 2013. As of June 30, 2013, the 7.5% reserve was \$33.2 million and the City Council contributed an additional \$3.96 million for a total designated reserve balance of \$37.16 million.
- Total long-term obligations increased by \$173 million during FY 2012-13 to \$1.58 billion at June 30, 2013, an increase of 12.3 percent over the amount of \$1.41 billion at June 30, 2012.

Status of Prior Recommendation:

2010-3 Inadequate IT Back-up Recovery Site Location
Significant Deficiency

Best practices for disaster recovery suggest that a back-up location should be at least 20 miles away from the main location and in a location that is not susceptible to the same types of disasters (flood, fire, terrorist acts, etc.) as the main location. The reason for this control is to ensure that the City's systems can be restored in the event of a disaster. The City's current back-up location is four blocks away from the main data center. This second location was chosen because it is a City building with good safety features, including a recent upgrade to withstand significant earthquakes. The City should research back-up locations outside of the 20-mile radius of the main location. Once back-up location options are determined, budgetary resources should be granted to fund the establishment of a back-up location that aligns with best practices and assures the City's back-up financial information and data are secured.

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The Department of Information Technology (DIT) has a routine for daily incremental and monthly full back-ups. Back-up tapes are rotated between Iron Mountain's Sacramento facility and a local site. In fiscal year 2012-2013, the DIT requested funding as part of the 2013-2015 capital improvement project planning process for the relocation or collocation of the City's primary Data Center.

Status of Corrective Action - Corrective action is in progress.

The objective of an effective disaster recovery and business continuance plan is accessibility to data anywhere and at any time. DIT recognizes that meeting these objectives is all but impossible with a single backup data center located only four blocks away from the primary data center location. DIT's approach to disaster recovery and business continuity involves a multifaceted strategy leveraging emerging technologies and services including:

- Infrastructure as a Service (IaaS)
- Platform as a Service (PaaS)
- Software as a Service (SaaS)
- Geo-redundant data centers

DIT has initiated a project to migrate the City's email system to a cloud based solution (SaaS). Once completed (December 2014), the project will store the City's email in geo-redundant data centers with synchronous backups with anywhere, anytime availability without dependence on the City's Data Centers. DIT is evaluating additional applications and data content that can be moved to cloud providers with built-in security, geo-redundant infrastructures and facilities to meet this requirement. Moving forward, a reliable consistent source of funding remains the primary impediment to compliance with this requirement. Additional funding is needed to fund business continuity initiatives as well as the necessary staff to implement and maintain the deployed solutions.

PUBLIC OUTREACH/INTEREST

This item did not require any additional outreach other than the required posting on the City's website. <http://www.oaklandnet.com/government/fwawebste/accounting/CAFR.htm>

COORDINATION

This report was prepared in coordination with the City Attorney's Office and the Budget Office.

COST SUMMARY/IMPLICATIONS

This is an informational report only; there is no fiscal impact.

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SUSTAINABLE OPPORTUNITIES

Economic: No direct economic opportunities have been identified.

Environmental: No environmental opportunities have been identified.

Social Equity: No social equity opportunities have been identified.

For questions regarding this report, please contact Osborn K. Solitei, Controller at (510) 238-3809.

Respectfully submitted,



OSBORN K. SOLITEI
Finance Director/Controller
Controller's Office

Link:

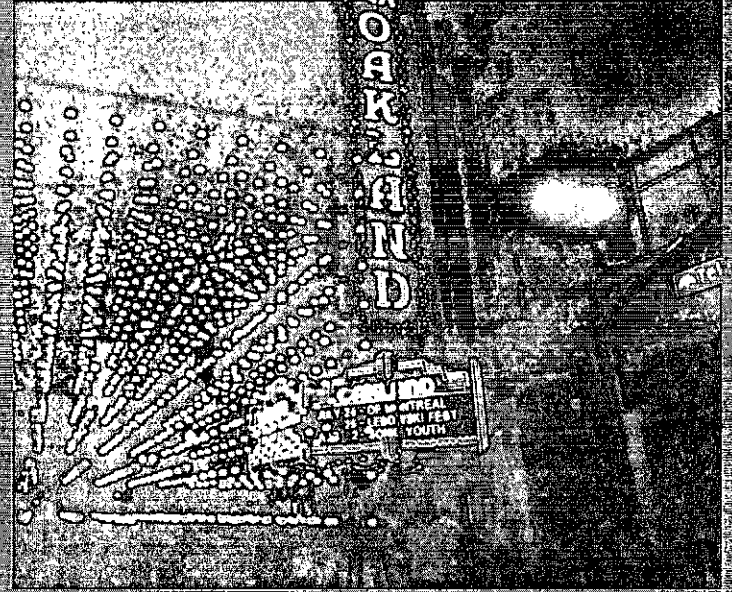
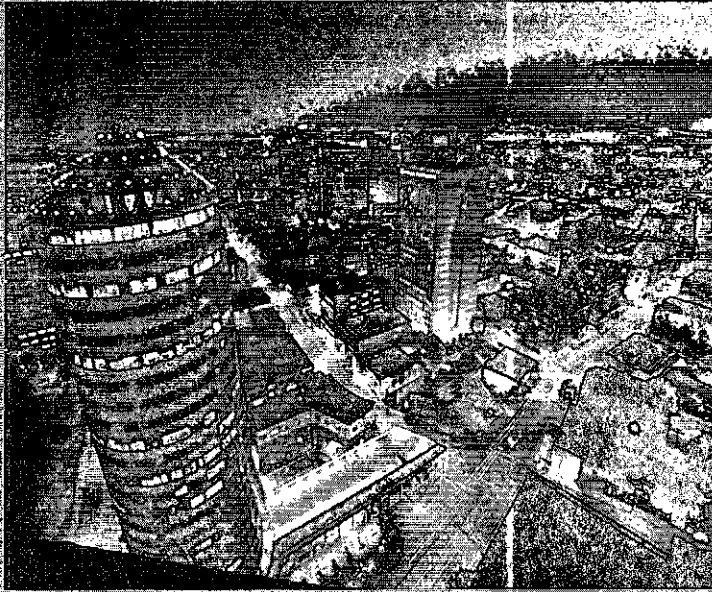
Comprehensive Annual Financial Report for the Year Ended June 30, 2013

Web Link: <http://www.oaklandnet.com/government/fwawebpage/accounting/CAFR.htm>

Attachment:

Management Letter

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Finance and Management Committee
March 11, 2014



CITY OF OAKLAND, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013



CITY OF OAKLAND

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

PREPARED BY THE ADMINISTRATIVE SERVICES DEPARTMENT

OSBORN K. SOLITEI, FINANCE DIRECTOR/CONTROLLER

PRINTED ON RECYCLED PAPER

CITY OF OAKLAND

Comprehensive Annual Financial Report Year Ended June 30, 2013

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Comprehensive Annual Financial Report

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INTRODUCTORY SECTION



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

Office of the City Administrator
Deanna J. Santana
City Administrator

(510) 238-3301
FAX (510) 238-2223

December 13, 2013

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

The Comprehensive Annual Financial Report of the City of Oakland

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

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

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

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

The Reporting Entity and Its Services

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

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

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

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

Profile of the Government

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

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

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

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

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

Economic Condition and Fiscal Outlook

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

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

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

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

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

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

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

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

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

Significant Events and Accomplishments

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

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

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

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

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

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

The Five-Year Financial Forecast

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

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

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

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

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

Single Audit

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

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

Budget Controls

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

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

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

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

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

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

Debt Management Policy

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

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

Cash Management Policies and Practices

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

Risk Management

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

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

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

Awards

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


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

Acknowledgements

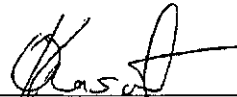
The preparation of this CAFR represents the culmination of a concerted team effort by the entire staff of the Administrative Services Department, most particularly the Controller's Office, Treasury, City Administrator's Office, and other departmental staff, who have demonstrated their professionalism,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

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

Respectfully submitted,



DEANNA J. SANTANA
City Administrator



OSBORN K. SOLITEI
Finance Director / Controller



Government Finance Officers Association

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

Presented to

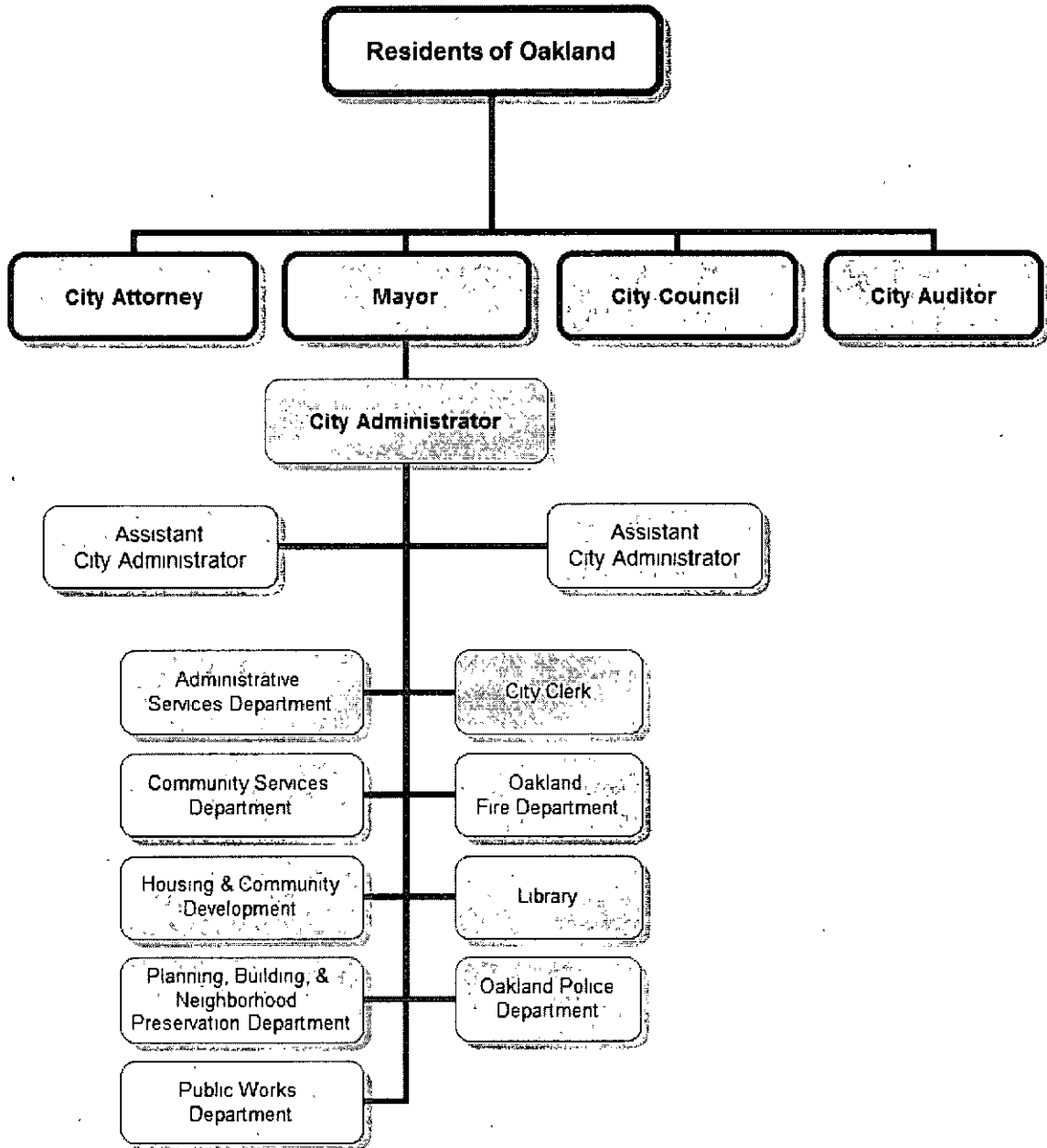
**City of Oakland
California**

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

Financial Statement Leaders

Theresa Woo
Financial Analyst

Connie L. Chu
Accountant III

Accounting CAFR Team

Michelle Wong
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



Certified Public Accountants.

Walnut Creek
2121 N. California Blvd. Suite 750
Walnut Creek, CA 94596
925 274 0190

Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

Changes in Accounting Principles

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

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

Macias Gini & Connell LLP

Oakland, California
December 13, 2013

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

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

FINANCIAL HIGHLIGHTS

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

In addition, this report also contains other supplementary information.

Government-wide Financial Statements

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

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

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

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

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

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

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

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	(As Restated)	2013	(As Restated)	2013	2012	Amount	%
Assets:								
Current and other assets	\$ 1,417,618	\$ 1,369,730	\$ 60,226	\$ 51,122	\$ 1,477,844	\$ 1,420,852	\$ 56,992	4 0%
Capital assets	1,098,752	1,035,352	175,932	171,698	1,274,684	1,207,050	67,634	5 6%
Total assets	2,516,370	2,405,082	236,158	222,820	2,752,528	2,627,902	124,626	4 7%
Total deferred outflows of resources	17,088	18,546	-	-	17,088	18,546	(1,458)	-7 9%
Liabilities:								
Long-term liabilities	1,528,387	1,352,972	50,886	53,272	1,579,273	1,406,244	173,029	12 3%
Other liabilities	201,130	151,488	2,389	2,874	203,519	154,362	49,157	31 8%
Total liabilities	1,729,517	1,504,460	53,275	56,146	1,782,792	1,560,606	222,186	14 2%
Net Position:								
Net investment in capital assets	712,606	663,785	129,542	122,911	842,148	786,696	55,452	7 0%
Restricted	142,506	274,004	-	-	142,506	274,004	(131,498)	-48 0%
Unrestricted	(51,171)	(18,621)	53,341	43,763	2,170	25,142	(22,972)	-91 4%
Total net position	\$ 803,941	\$ 919,168	\$ 182,883	\$ 166,674	\$ 986,824	\$ 1,085,842	\$ (99,018)	-9 1%

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

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

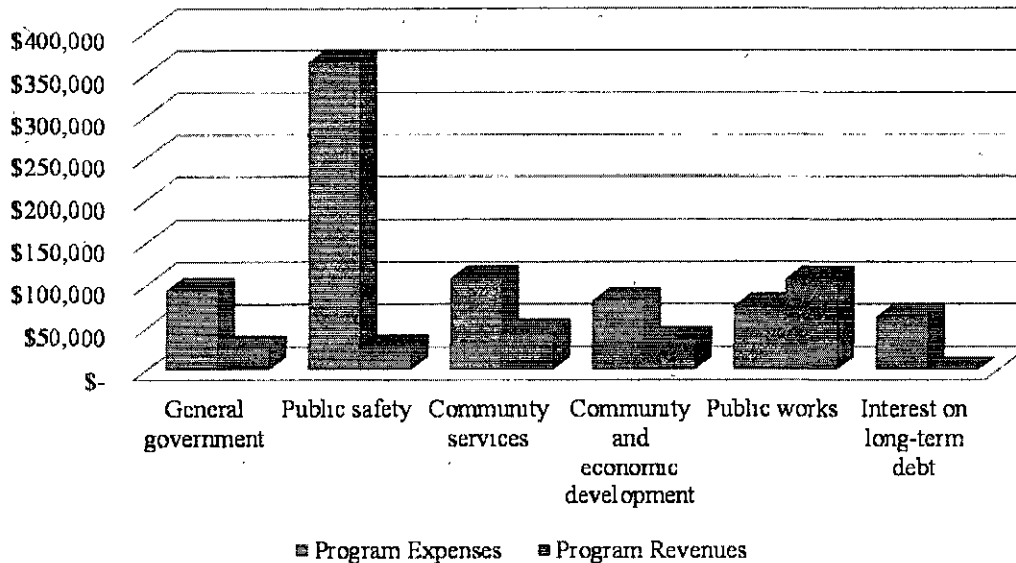
CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2013

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:

	Statement of Activities					
	(In Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues						
Charges for services	\$ 126,831	\$ 166,033	\$ 53,291	\$ 48,775	\$ 180,122	\$ 214,808
Operating grants and contributions	89,424	89,620	-	-	89,424	89,620
Capital grants and contributions	26,179	30,607	-	-	26,179	30,607
General revenues						
Property taxes	256,333	288,923	-	-	256,333	288,923
Sales and use taxes	60,494	55,659	-	-	60,494	55,659
Motor vehicles in-lieu tax	-	221	-	-	-	221
Gas tax	10,004	11,060	-	-	10,004	11,060
Local taxes						
Business license	60,371	58,712	-	-	60,371	58,712
Utility consumption	50,752	51,434	-	-	50,752	51,434
Real estate transfer	47,406	30,653	-	-	47,406	30,653
Transient occupancy	15,831	13,822	-	-	15,831	13,822
Parking	15,565	15,975	-	-	15,565	15,975
Voter approved special tax	38,247	35,812	-	-	38,247	35,812
Franchise	16,035	15,829	-	-	16,035	15,829
Interest and investment income	6,358	7,078	(24)	83	6,334	7,161
Other	7,076	53,172	-	-	7,076	53,172
Total revenues	<u>826,906</u>	<u>924,610</u>	<u>53,267</u>	<u>48,858</u>	<u>880,173</u>	<u>973,468</u>
Expenses:						
General government	93,942	83,131	-	-	93,942	83,131
Public safety	363,597	351,566	-	-	363,597	351,566
Community services	107,779	122,829	-	-	107,779	122,829
Community & economic development	81,182	138,596	-	-	81,182	138,596
Public works	75,158	101,892	-	-	75,158	101,892
Interest on long-term debt	62,744	68,948	-	-	62,744	68,948
Sewer	-	-	34,504	31,210	34,504	31,210
Parks and recreation	-	-	643	492	643	492
Total expenses	<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**



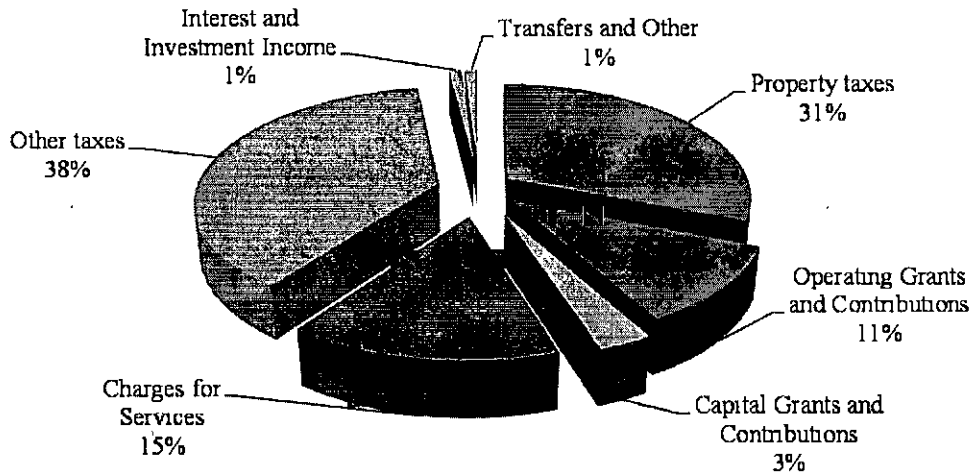
Governmental activities: Net position for governmental activities, excluding extraordinary loss of \$156.9 million due to SCO asset transfer review of the former Agency and last year extraordinary gain of \$273.0 million from dissolution of the former Agency, net position increased by \$44.4 million 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

Revenues By Source - Governmental Activities

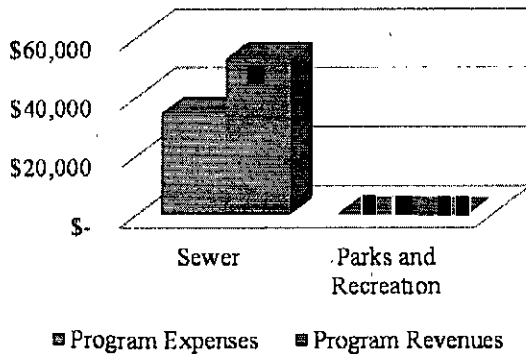


- General government expenses increased by \$10.8 million or 13.0 percent when compared to previous year primarily due to organizational restructuring of the former community and economic development agency into the city administrator as divisions; Cultural Arts division, office of neighborhood investment, 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.

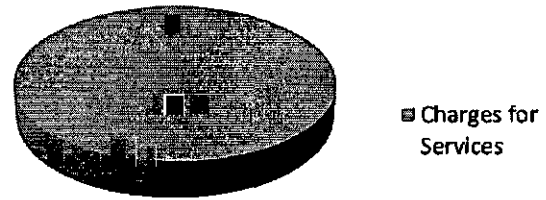
CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2013

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**

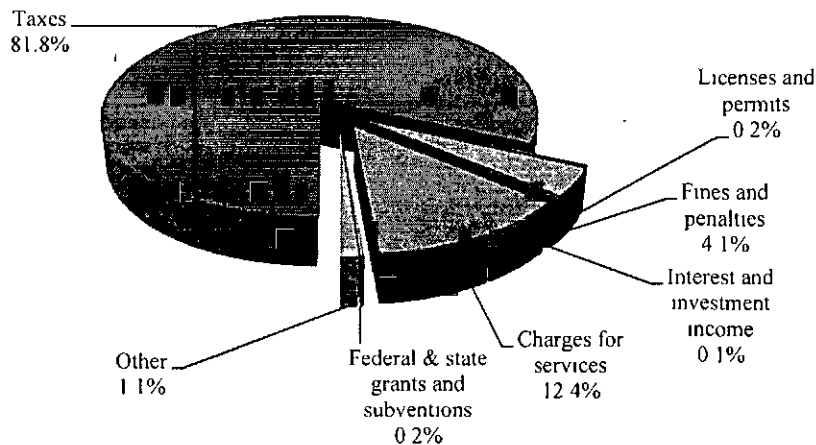


Financial Analysis of the Government's Funds

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):

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

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

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

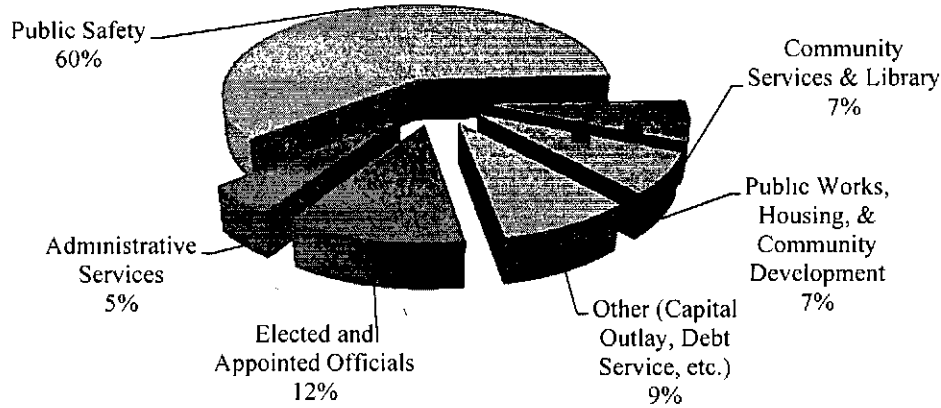
CITY OF OAKLAND
Management's Discussion and Analysis (unaudited) (continued)
Year Ended June 30, 2013

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

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

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

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

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

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:

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

¹ Rating as of September 5, 2013

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

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

General Fund Bonded Debt Limit

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

Outstanding Debt

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

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	1,043,820	899,778	50,886	53,272	1,094,706	953,050	141,656	14.9%
Notes & Leases payable	47,043	23,638	-	-	47,043	23,638	23,405	99.0%
Other long-term liabilities	437,524	429,556	-	-	437,524	429,556	7,968	1.9%
Total Outstanding Debt	\$ 1,528,387	\$ 1,352,972	\$ 50,886	\$ 53,272	\$ 1,579,273	\$ 1,406,244	\$ 173,029	12.3%

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

Current Year Long-Term Debt Financing:

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

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

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

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

Economic Factors and Next Year's Budgets and Tax Rates

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

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

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

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

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

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

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

City of Oakland
Statement of Net Position
June 30, 2013
(In Thousands)

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		Port of Oakland
ASSETS				
Cash and investments	\$ 287,601	\$ 38,341	\$ 325,942	\$ 179,440
Receivables (net of allowance for uncollectibles of \$20,527 for City and \$1,955 for Port)				
Accrued interest	248	-	248	25
Property taxes	15,517	-	15,517	-
Accounts receivable	45,929	16,344	62,273	34,052
Grants receivable	29,341	-	29,341	-
Due from Port	6,044	-	6,044	-
Due from Oakland Redevelopment Successor Agency	1,611	-	1,611	-
Due from Pension Trust Funds	62	-	62	-
Inventories	193	-	193	-
Restricted assets				
Cash and investments	297,975	5,279	303,254	71,867
Receivables	-	-	-	2,596
Property held for resale	76,966	-	76,966	-
Notes and loans receivable (net of allowance for uncollectibles of \$126,707 for the City)	325,705	-	325,705	-
Prepaid expenses	1,924	262	2,186	-
Other	640	-	640	50,784
Net pension asset	327,862	-	327,862	-
Capital assets				
Land and other capital assets not being depreciated	247,914	23,666	271,580	743,853
Facilities, infrastructures, and equipments, net of depreciation	850,838	152,266	1,003,104	1,455,232
TOTAL ASSETS	<u>2,516,370</u>	<u>236,158</u>	<u>2,752,528</u>	<u>2,537,849</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debts	17,088	-	17,088	14,512
TOTAL DEFERRED OUTFLOWS	<u>17,088</u>	<u>-</u>	<u>17,088</u>	<u>14,512</u>
LIABILITIES				
Accounts payable and other current liabilities	125,145	2,277	127,422	35,660
Accrued interest payable	10,284	106	10,390	9,732
Due to other governments	897	-	897	-
Due to primary government	-	-	-	6,044
Due to Oakland Redevelopment Successor Agency	48,894	-	48,894	-
Unearned revenue	3,756	-	3,756	105,254
Other	12,154	6	12,160	13,336
Non-current liabilities				
Due within one year	168,927	2,499	171,426	59,296
Due in more than one year	1,359,460	48,387	1,407,847	1,294,620
TOTAL LIABILITIES	<u>1,729,517</u>	<u>53,275</u>	<u>1,782,792</u>	<u>1,523,942</u>
NET POSITION				
Net investment in capital assets	712,606	129,542	842,148	944,974
Restricted for				
Debt service	13,757	-	13,757	-
Pension	97,723	-	97,723	-
Urban redevelopment and housing	11,207	-	11,207	-
Other purposes	19,819	-	19,819	14,178
Unrestricted	(51,171)	53,341	2,170	69,267
TOTAL NET POSITION	<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 Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
General government	\$ 93,942	\$ 17,756	\$ 8,092	\$ -	\$ (68,094)	\$ -	\$ (68,094)	
Public safety	363,597	7,610	17,591	2,062	(336,334)	-	(336,334)	
Community services	107,779	6,342	39,305	-	(62,132)	-	(62,132)	
Community and economic development	81,182	19,025	17,340	-	(44,817)	-	(44,817)	
Public works	75,158	76,098	7,096	24,117	32,153	-	32,153	
Interest on long-term debt	62,744	-	-	-	(62,744)	-	(62,744)	
TOTAL GOVERNMENTAL ACTIVITIES	784,402	126,831	89,424	26,179	(541,968)	-	(541,968)	
Business-type activities								
Sewer	34,504	52,919	-	-	-	18,415	18,415	
Parks and recreation	643	372	-	-	-	(271)	(271)	
TOTAL BUSINESS-TYPE ACTIVITIES	35,147	53,291	-	-	-	18,144	18,144	
TOTAL PRIMARY GOVERNMENT	\$ 819,549	\$ 180,122	\$ 89,424	\$ 26,179	(541,968)	18,144	(523,824)	
Component unit:								
Port of Oakland	\$ 309,455	\$ 315,518	\$ -	\$ 37,896				\$ 43,959
General revenues								
Property taxes					256,333	-	256,333	-
Sales and use taxes					60,494	-	60,494	-
Gas tax					10,004	-	10,004	-
Local taxes								
Business license					60,371	-	60,371	-
Utility consumption					50,752	-	50,752	-
Real estate transfer					47,406	-	47,406	-
Transient occupancy					15,831	-	15,831	-
Parking					15,565	-	15,565	-
Voter approved special tax					38,247	-	38,247	-
Franchise					16,035	-	16,035	-
Interest and investment income					6,358	(24)	6,334	1,095
Other					7,076	-	7,076	41,031
Transfers					1,911	(1,911)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					586,383	(1,935)	584,448	42,126
Extraordinary loss from State Controller's Office asset transfer review and California Department of Finance disallowances					(156,902)	-	(156,902)	-
Changes in net position					(112,487)	16,209	(96,278)	86,085
Net position, beginning of year, as previously reported					919,168	166,972	1,086,140	963,447
Prior year adjustment due to implementation of GASB Statement No 65					(2,740)	(298)	(3,038)	(21,113)
Net position, beginning of year, as restated					916,428	166,674	1,083,102	942,334
NET POSITION, END OF YEAR					\$ 803,941	\$ 182,883	\$ 986,824	\$ 1,028,419

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

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

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

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

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

Fund balances - total governmental funds		\$ 561,759
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Amounts reported for governmental activities in the statement of net position are different due to the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Primary government capital assets, net of depreciation	\$ 1,098,752	
Less: internal service funds' capital assets, net of depreciation	(9,901)	1,088,851

Net pension asset is recognized in the statement of net position as an asset; however, it is not considered a financial resource and, therefore, is not reported on the balance sheet of governmental funds.		327,862
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Prepaid insurance premium on long-term debt are not financial resources and, therefore, are not reported in the governmental funds		1,924
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Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds.

Interest payable on long-term debt for primary government	\$ (10,284)	
Add: Interest payable on long-term debt for internal service fund	58	(10,226)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred inflows of resources in the governmental funds.		349,643
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Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.

Long-term liabilities	\$ (1,528,387)	
Less: long-term liabilities for internal service funds	13,704	(1,514,683)

Deferred outflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		17,088
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Internal service funds are used by the City to charge the costs of providing supplies and services, fleet and facilities management, and use of radio and communication equipment to individual funds. Assets and liabilities of internal service funds are included in governmental activities in the statement of net position.		(18,277)
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NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ 803,941
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The notes to the basic financial statements are an integral part of this statement.

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

	General	Federal/State Grant Fund	Low and Moderate Income Housing Asset Fund	Municipal Capital Improvement	Special Revenue Bonds Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes							
Property	\$ 214,495	\$ -	\$ -	\$ -	\$ -	\$ 39,993	\$ 254,488
Sales and use tax	48,818	-	-	-	-	11,676	60,494
Gas tax	-	-	-	-	-	10,004	10,004
Local taxes							
Business license	60,371	-	-	-	-	-	60,371
Utility consumption	50,752	-	-	-	-	-	50,752
Real estate transfer	47,406	-	-	-	-	-	47,406
Transient occupancy	12,454	-	-	-	-	3,377	15,831
Parking	7,947	-	-	-	-	7,618	15,565
Voter approved special tax	-	-	-	-	-	38,247	38,247
Franchise	15,829	206	-	-	-	-	16,035
Licenses and permits	1,373	-	-	-	-	11,958	13,331
Fines and penalties	22,971	156	-	-	-	3,530	26,657
Interest and investment income	458	418	278	824	39	4,313	6,330
Charges for services	69,442	463	103	1,928	-	14,906	86,842
Federal and state grants and subventions	1,391	98,751	-	35	-	3,035	102,802
Other	6,329	2,670	26,097	-	4	4,178	39,278
TOTAL REVENUES	560,036	102,264	26,478	2,777	43	152,835	844,433
EXPENDITURES							
Current							
Elected and Appointed Officials							
Mayor	1,696	-	-	-	-	174	1,830
Council	3,509	-	-	-	-	-	3,509
City Administrator	36,325	8,344	1,297	4,449	-	1,900	52,315
City Attorney	9,712	48	-	-	-	1,138	10,898
City Auditor	1,369	-	-	-	-	-	1,369
City Clerk	2,069	-	-	-	-	-	2,069
Departments							
Administrative Service Department							
Human Resource Management	5,107	-	-	-	-	-	5,107
Information Technology	7,130	17	-	-	-	606	7,753
Financial Services	9,079	586	-	-	-	565	10,230
Public Safety							
Police Services	186,971	10,950	-	-	120,403	13,058	331,382
Fire Services	94,904	5,701	-	-	89,597	9,852	200,054
Community Service Department							
Parks and Recreation	16,690	98	-	6	-	4,466	21,260
Aging & Health and Human Services	4,945	37,491	290	-	-	18,252	60,978
Cultural and community services	306	-	-	-	-	125	431
Library	8,957	123	-	-	-	13,543	22,623
Planning, Building & Neighborhood Preservation	76	470	-	-	-	22,070	22,616
Public Works	29,564	7,124	-	3,065	-	32,744	72,497
Housing & Community Development	1,581	16,589	23,975	-	-	1,275	43,420
Other	8,011	172	-	1,086	8	3,966	13,243
Capital outlay	38,362	25,199	298	34,289	-	5,757	103,905
Debt service							
Principal repayment	2,047	2,325	-	-	36,598	33,916	74,886
Bond issuance costs	225	-	-	-	1,370	363	1,958
Payment to refund bond escrow agent	-	-	-	-	-	1,217	1,217
Interest charges	500	208	-	-	34,623	24,770	60,101
TOTAL EXPENDITURES	469,135	115,445	25,860	42,895	282,599	189,717	1,125,651
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	90,901	(13,181)	618	(40,118)	(282,556)	(36,882)	(281,218)
OTHER FINANCING SOURCES (USES)							
Issuance of bonds	-	-	-	-	212,540	3,545	216,085
Capital leases	-	-	-	-	-	16,150	16,150
Premiums (discount) on issuance of bonds	-	-	-	-	(1,170)	41	(1,129)
Payment to refund bond escrow agent	-	-	-	-	-	(3,018)	(3,018)
Property sale proceeds	67	-	-	-	-	-	67
Insurance claims and settlements	3,726	-	-	-	-	-	3,726
Transfers in	3,293	-	-	9,364	72,677	34,283	119,617
Transfers out	(106,960)	-	-	-	-	(10,513)	(117,473)
TOTAL OTHER FINANCING SOURCES (USES)	(99,874)	-	-	9,364	284,047	40,488	234,025
Extraordinary loss from State Controller's Office asset transfer review and California Department of Finance disallowances	(1,313)	-	-	(101,191)	-	-	(102,504)
NET CHANGE IN FUND BALANCES	(10,286)	(13,181)	618	(131,945)	1,491	3,606	(149,697)
Fund balances - beginning	255,929	9,478	10,589	263,473	14,766	157,221	711,456
FUND BALANCES (DEFICIT) - ENDING	\$ 245,643	\$ (3,703)	\$ 11,207	\$ 131,528	\$ 16,257	\$ 160,827	\$ 561,759

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

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

Net change in fund balances - total governmental funds	\$	(149,697)
Amounts reported for governmental activities in the statement of activities are different due to the following		
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and other capital transactions exceeds depreciation in the current period.		
Primary government		
Capital asset acquisition	\$	156,715
Disposal of properties		(42,201)
Adjustment for SCO asset transfer review on property transfers		40,058
Depreciation		(52,126)
Less net changes of capital assets within internal service funds		<u>1,011</u>
		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		<u>(695)</u>
		(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		<u>1,129</u>
		(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		<u>3,957</u>
		(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)		<u>(14,340)</u>
		(54,398)
The net income of activities of internal service funds is reported with governmental activities		<u>6,220</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(112,487)</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**NOTES TO BASIC
FINANCIAL STATEMENTS**

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

(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 his 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

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

Discretely Presented Component Unit – Port of Oakland

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

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

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

¹ Low and Moderate Income Housing Asset Fund

Extraordinary Items:

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

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

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

- *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

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

- 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

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):

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

Primary Government

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

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

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

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

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

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

Restricted Investments

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

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

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%
Total Pooled Investments	\$ 497,550	100.00%

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%
Total Restricted Investments	\$ 301,151	100.00%

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

As a means for limiting its exposure to changing interest rates, Section 53601 of the State of California Government Code and the City's Investment Policy limit certain investments to short-term maturities such as certificates of deposit and commercial paper, whose maturities are limited 360 days and 270 days, respectively. Also, Section 53601 of the State of California Government Code limits the maximum maturity of any investment to be no longer than 5 years unless authority for such investment is expressly

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	-
Total Pooled Investments	\$ 497,550		\$ 347,421	\$ 85,708	\$ 64,420

* 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 ¹	123,840	0.01	123,840	-	-	-
Commercial Papers (Discount)	354	0.01	354	-	-	-
Local Government Bond	73,957	4.86	7,603	15,429	16,027	34,897
Annuity Contract	88,000	2.40	-	-	-	88,000
Total Restricted Investments	\$ 301,151		\$ 146,797	\$ 15,429	\$ 16,027	\$ 122,897

¹ weighted average maturity used

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

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

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

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

Restricted Cash and Investments

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

Type of Investment	Fair Value	Ratings as of June 30, 2013	
		Aaa/AAA	Aaa/AA
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	-
Total Cash and Investments	<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	-
Total Cash and Investments	\$ 87,282	\$ 81,282	\$ 6,000

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

Pooled Cash and Investments

<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%
Total Cash and Investments	\$ 57,107	100.0%

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%
Total Cash and Investments	\$ 87,282	100.0%

The following table shows 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):

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

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&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 & 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&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
Total Foreign Currency	<u>\$ 36,560</u>

Securities Lending Transactions

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

The Bank of New York Mellon administers 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):

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

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

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

Discretely Presented Component Unit – Port of Oakland

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

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

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 ¹	\$ -	\$ 57,896
Government Securities Money Market				
Mutual Funds	120	Aaa ¹	120	-
City Investment Pool	190,396	Not Rated	190,396	-
Total Investments	\$ 248,412		\$ 190,516	\$ 57,896

¹ Per Moody's

Investments Authorized by Debt Agreements

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

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

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

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

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 (LMHF)	General Fund	<u>178</u>
Total		<u>\$ 41,713</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)
Total		\$ 119,617	

- (1) The \$34.3 million transferred from the General Fund consists of transfers made to provide funding for the following:
- \$10.9 million for the Kids' First Children's Program.
 - \$23.2 million for debt service payments.
 - \$0.2 million for City-owned parcels of land in the Wildfire Prevention Assessment District.
- (2) The \$72.7 million transferred from the General Fund to Special Revenue Bond Fund for debt service payments.
- (3) The \$1.1 million transfer from Other Governmental Funds to General Fund as one-time contribution to general purpose budget and for City's claims and liability payments.
- (4) The \$9.4 million transfer from Other Governmental Funds to Municipal Capital Improvement Fund for City capital improvement projects such as critical Information Technology projects.
- (5) The \$1.5 million transfer from the Sewer Service Fund to the General Fund is to provide funding for \$0.6 million for City-wide lease payments and \$0.9 million for City's claims and liability payments.
- (6) The \$0.4 million transfer from the Parks and Recreation Fund to the General Fund as contribution for general fund purposes as approved in the Budget.
- (7) The \$0.2 million transfer from the Internal Service Fund to the General Fund is to provide funds for City's claims and liability payments.

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

(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		Municipal Capital Improvement	Other Governmental Funds	Total
		Grant Fund	LMIH ¹			
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>

¹ Low and Moderate Income Housing Asset Fund

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

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

Notes and Loans Receivables Held by ORSA

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

Housing development project loans	\$ 1,462
Economic development loans	60,095
Gross notes and loans receivable	<u>61,557</u>
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):

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

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

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):

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

Discretely Presented Component Unit – Port of Oakland

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

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

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>\$ 1,231,187</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>\$194,357</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	\$ 3,315,694

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

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

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
Governmental Activities:			
General Fund	\$ 31,751	\$ 64,209	\$ 95,960
Federal/State Grant Fund	12,711	-	12,711
Low and Moderate Income Housing Asset Fund	1	-	1
Municipal Capital Improvement Fund	4,754	-	4,754
Special Revenue Bonds Fund	1	-	1
Other governmental funds	8,376	-	8,375
Subtotal	57,594	64,209	121,802
Internal service funds	3,343	-	3,343
TOTAL	\$ 60,937	\$ 64,209	\$ 125,145

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

	Accounts Payable	Accrued Payroll/ Employee Benefits	Total
Business-type Activities:			
Sewer Service Fund	\$ 2,271	\$ -	\$ 2,271
Nonmajor Fund - Parks and Recreation	6	-	6
TOTAL	\$ 2,277	\$ -	\$ 2,277

Accounts payable and accrued liabilities for the pension trust funds and private purpose trust funds at June 30, 2013, are as follows (in thousands):

Pension Trust Funds:	
Accounts payable	\$ 25
Investments payable	16,107
Accrued investment management fees	396
Member benefits payable	4,909
Total	21,437
Oakland Redevelopment Successor Agency Trust Fund	
Accounts payable and accrued liabilities	16,181
Private Purpose Trust Fund	
Accounts payable and accrued liabilities	186

(10) TAX AND REVENUE ANTICIPATION NOTES PAYABLE

The City issued tax and revenue anticipation notes in advance of property tax collections. The notes were used to satisfy General Fund obligations and carried an interest rate of 1.00% to yield at 0.21% at maturity. Principal and interest were paid on June 30, 2013.

The short-term debt activity for the year ended June 30, 2013, is as follows (in thousands):

	Beginning Balance	Issued	Redeemed	Ending Balance
2012 - 2013 Tax & Revenue Anticipation Notes	\$ -	\$ 83,125	\$ (83,125)	\$ -

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):

Governmental Activities			
Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Bonds Payable:			
General obligation bonds (A)	2039	3.50 - 6.25%	\$ 309,793
Lease revenue bonds (B)	2027	3.00 - 5.50%	176,850
Pension obligation bonds (C)	2026	2.374 - 6.89%	367,394
Accreted interest (B) and (C)			162,874
City guaranteed special assessment district bonds (C)	2039	2.00 - 6.70%	6,690
Plus Deferred Amounts:			
Bond issuance premiums			20,219
Total			<u>1,043,820</u>
Notes Payable and Capital Leases:			
Notes payable (B) and (D)	2017	1.00 - 8.27%	7,815
Capital leases (B) and (D)	2025	1.460 - 5.46%	39,228
Total			<u>47,043</u>
Other Long-Term Liabilities			
Accrued vacation and sick leave (E)			40,564
Self-insurance liability - workers' compensation (B)			80,596
Self-insurance liability - general liability (B)			28,554
Estimated environmental cost (B)			3,455
Pledge obligation for Coliseum Authority debt (B)			56,895
Net OPEB obligation (B)			215,252
Interest rate swap agreement (B)			12,208
Total			<u>437,524</u>
Total Governmental Activities Long-Term Obligations, Net			<u><u>\$ 1,528,387</u></u>

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

Business-Type Activities			
Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Sewer fund - Notes payable	2014	3.00 - 3.50%	\$ 291
Sewer fund - Bonds	2029	3.00 - 5.25%	48,710
Unamortized Bond Premium			1,885
Total Business-Type Activities Long-Term Obligations, Net			\$ 50,886

Component Unit - Port of Oakland			
Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Senior and intermediate lien bonds	2033	2.00- 5.50%	\$ 1,160,615
Notes and loans	2030	0.13 - 5.00%	83,755
Plus Deferred Amounts:			
Unamortized bond discounts and premiums, net			62,091
Total bonds, notes, and loans payable			1,306,461
Self-insurance liability - workers' compensation			9,630
Self-insurance liability - general liability			290
Accrued vacation, sick leave and compensatory time			7,481
Environmental remediation and other liabilities			19,601
Net OPEB obligation			10,453
Total other long-term obligations			47,455
Total Component Unit Long-Term Obligations, Net			\$ 1,353,916

Oakland Redevelopment Successor Agency			
Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Tax Allocation Bonds	2041	2.50 - 8.50%	\$ 358,980
Housing Set-Aside Bonds	2042	3.25 - 9.25%	122,015
Plus (less) Deferred Amounts:			
Issuance premiums			5,695
Issuance discounts			(2,387)
Total ORSA Long-Term Obligations, Net			\$ 484,303

Revenues Pledged for the Repayment of Debt Service - ORSA

Tax Allocation Bonds

The Tax Allocation Bonds (TAB), which are comprised of Series 1992, Series 2003, Series 2005, Series 2006T, Series 2009T, Series 2006A TE/T, Series 2006B TE/T, Series 2006C TE/T, and Series 2010T are issued primarily to finance redevelopment projects and are all secured by pledge of redevelopment property tax revenues (i.e. former tax increment), consisting of a portion of taxes levied upon all taxable properties within each the tax increment generating redevelopment project areas, and are equally and ratably secured on a parity with each TAB series.

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

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

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:

Calculation period (July 31)	Notional Amount	Fixed Rate To Counterparty	65% of LIBOR ¹	Net Rate
2013	\$ 61,200,000	5.6775%	0.1265%	5.5510%
2014	53,700,000	5.6775%	0.1265%	5.5510%
2015	46,400,000	5.6775%	0.1265%	5.5510%
2016	39,300,000	5.6775%	0.1265%	5.5510%
2017	32,500,000	5.6775%	0.1265%	5.5510%
2018	25,800,000	5.6775%	0.1265%	5.5510%
2019	19,300,000	5.6775%	0.1265%	5.5510%
2020	12,800,000	5.6775%	0.1265%	5.5510%
2021	6,400,000	5.6775%	0.1265%	5.5510%

¹ Rate is as of 1-month LIBOR on June 28, 2013. Rates are projections, LIBOR rate fluctuates daily

Terms The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2013 of \$61,200,000. The notional amount of the swap declines through 2021. Under the Swap, the City pays the counterparty a fixed payment of 5.6775% and receives a variable payment computed at 65% of LIBOR rate (total rate not to exceed 12%). The City's payments to the counterparty under the Swap agreement are insured by the third party bond insurer.

Fair Value Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of \$12,207,803 as of June 30, 2013. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the Swap.

Credit Risk The issuer and the counterparty take a credit risk to each other over the life of the swap agreement. This is the risk that either the issuer or the counterparty will fail to meet its contractual obligations under the swap agreement. The Counterparty was rated Aa2 by Moody's Investors Service, and AAA by Standard and Poor's as of June 30, 2013. To mitigate the potential for credit risk, if the counterparty's credit quality falls below A3 by Moody's Investors Service or A- by Standard and Poor's, the swap agreement provides the counterparty, the City, the bond insurer for the Bonds and a third party collateral agent to execute a collateral agreement within 30 days of such a downgrade.

Termination Risk An interest rate swap has some degree of termination risk. Linked to counterparty risk, a termination of the swap will result in a payment being made or received by the City depending on the then prevailing interest rate environment. The City may terminate the Swap if the counterparty fails to perform under the terms of the contract. The City also may terminate the Swap if the counterparty fails to execute a collateral agreement satisfactory to the City and the bond insurer within 30 days of the counterparty's ratings falling below "A3" by Moody's Investors Service or "A-" by Standard and Poor's.

The counterparty may terminate the Swap if the City fails to perform under the terms of the contract. The counterparty also may terminate the Swap if the City's ratings fall below "Baa3" by Moody's Investors Service or "BBB-" by Standard and Poor's. If at the time of termination, the Swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the Swap's fair value.

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):

Governmental Activities					
	Balance at July 1, 2012 ¹	Additional obligations, interest accretion and net increases (decreases)	Current maturities, retirements and net decreases (increases)	Balance at June 30, 2013	Amounts due within one year
Bonds Payable:					
General obligation bonds	\$ 326,609	\$ -	\$ 16,816	\$ 309,793	\$ 19,344
Lease revenue bonds	210,530	-	33,680	176,850	35,295
Pension obligation bonds	174,777	212,540	19,923	367,394	18,881
City guaranteed special assessment district bonds	7,475	3,545	4,330	6,690	325
Accreted interest on appreciation bonds	157,211	22,609	16,946	162,874	16,858
Unamortized premium and discount	23,176	(1,129)	1,828	20,219	1,829
Total	899,778	237,565	93,523	1,043,820	92,532
Notes Payable and Capital Leases:					
Notes payable	10,140	-	2,325	7,815	2,485
Capital Leases	13,498	28,000	2,270	39,228	6,925
Total	23,638	28,000	4,595	47,043	9,410
Other Long-Term Liabilities:					
Accrued vacation and sick leave	41,438	49,297	50,171	40,564	30,104
Pledge obligation for Cohscom Authority debt	61,408	-	4,513	56,895	3,670
Estimated environmental cost	4,433	50	1,028	3,455	1,000
Self-insurance liability - workers' compensation	85,558	17,297	22,259	80,596	20,821
Self-insurance liability - general liability	33,971	13,652	19,069	28,554	11,390
Net OPEB obligation	186,583	46,291	17,622	215,252	-
Interest rate swap agreement	16,165	-	3,957	12,208	-
Total	429,556	126,587	118,619	437,524	66,985
Total Governmental Activities Long- Term Obligations	\$ 1,352,972	\$ 392,152	\$ 216,737	\$ 1,528,387	\$ 168,927

¹ The July 1, 2012 balance were restated to reflect the impact of GASB No. 65 implementation

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, 2013	Additions	Current maturities, retirements and net decreases	Balance at June 30, 2013	Amounts due within one year
Sewer fund - Notes payable	\$ 574	\$ -	\$ 283	\$ 291	\$ 291
Sewer fund - Bonds	50,695	-	1,985	48,710	2,090
Unamortized bond premium	2,003	-	118	1,885	118
Total	\$ 53,272	\$ -	\$ 2,386	\$ 50,886	\$ 2,499

A summary of the Oakland Redevelopment Successor Agency changes in long-term debt for June 30, 2013 are as follows (in thousands):

Oakland Redevelopment Successor Agency

	Balance at 7/01/2012 ¹	Additions	Deductions	Balance at June 30, 2013	Due within One Year
Bonds Payable					
Tax allocation bonds	\$ 377,665	\$ -	\$ (18,685)	\$ 358,980	20,460
Housing set-aside revenue bonds	125,875	-	(3,860)	122,015	4,410
Plus (less) unamortized amounts:					
Issuance premiums	6,675	-	(980)	5,695	933
Issuance discount	(2,523)	-	136	(2,387)	(136)
Total	\$ 507,692	\$ -	\$ (23,389)	\$ 484,303	25,667

¹ The July 1, 2012 balance were restated to reflect the impact of GASB No. 65 implementation

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

Component Unit - Port of Oakland					
	Balance at July 1, 2012 ¹	Additions, interest accretion and net increases	Current maturities, retirements and net decreases	Balance at June 30, 2013	Amounts due within one year
Senior and intermediate lien bonds	\$ 1,262,965	\$ 383,890	\$ 486,240	\$ 1,160,615	\$ 41,445
Notes and loans	92,832	-	9,077	83,755	219
Plus unamortized amounts					
Unamortized bond discount and premium, net	19,773	46,323	4,005	62,091	6,800
Total	1,375,570	430,213	499,322	1,306,461	48,464
Accrued vacation, sick leave, and compensatory time	6,023	2,799	1,341	7,481	5,024
Environmental remediation and other liabilities	23,222	4,904	8,525	19,601	4,018
Self-insurance liability - workers' compensation	8,190	2,632	1,192	9,630	1,500
Self-insurance liability - general liability	5,663	-	5,373	290	290
Net OPEB obligation	10,510	10,984	11,041	10,453	-
Total	53,608	21,319	27,472	47,455	10,832
Total Component Unit Long-Term Obligations	\$ 1,429,178	\$ 451,532	\$ 526,794	\$ 1,353,916	\$ 59,296

¹ The July 1, 2012 balance were restated to reflect the impact of GASB No. 65 implementation

Repayment Schedule:

Primary Government

The annual repayment schedules for all long-term debt as of June 30, 2013, are as follows (in thousands):

Year Ending June 30	Governmental Activities ¹					
	General Obligation Bonds		Lease Revenue Bonds		Special Assessment District Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 19,343	\$ 15,637	\$ 35,295	\$ 8,155	\$ 325	\$ 276
2015	20,394	14,685	31,600	6,465	345	268
2016	19,350	13,700	18,845	5,290	335	260
2017	20,425	12,748	19,775	4,382	350	250
2018	21,462	11,752	5,660	3,398	365	237
2019-2023	97,445	42,494	32,830	12,468	1,960	986
2024-2028	39,343	25,526	32,845	3,388	1,155	662
2029-2033	45,895	14,780	-	-	625	480
2034-2038	21,795	5,223	-	-	825	261
2039-2041	4,340	271	-	-	405	26
Total	\$ 309,792	\$ 156,816	\$ 176,850	\$ 43,546	\$ 6,690	\$ 3,706

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

Governmental Activities ¹				
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	<u>\$ 7,815</u>	<u>\$ 547</u>	<u>\$ 39,228</u>	<u>\$ 5,336</u>

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	<u>\$ 367,394</u>	<u>\$ 292,807</u>	<u>\$ 407,651</u>	<u>\$ 907,769</u>	<u>\$ 292,807</u>	<u>\$ 617,602</u>
Less unaccreted interest	-	(129,933)	-	-	(129,933)	-
	<u>\$ 367,394</u>	<u>\$ 162,874</u>	<u>\$ 407,651</u>	<u>\$ 907,769</u>	<u>\$ 162,874</u>	<u>\$ 617,602</u>

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

Business-Type Activities						
Year Ending June 30	Sewer Revenue Bonds		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	<u>\$ 48,710</u>	<u>\$ 23,022</u>	<u>\$ 291</u>	<u>\$ 9</u>	<u>\$ 49,001</u>	<u>\$ 23,031</u>

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):

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 24,870	\$ 28,053	\$ 52,923
2015	19,865	26,651	46,516
2016	27,140	25,334	52,474
2017	29,760	23,670	53,430
2018	30,570	21,848	52,418
2019-2023	153,070	80,428	233,498
2024-2028	48,265	52,447	100,712
2029-2033	59,120	37,371	96,491
2034-2038	65,240	18,927	84,167
2039-2042	23,095	4,165	27,260
TOTAL	\$ 480,995	\$ 318,894	\$ 799,889

Discretely Presented Component Unit – Port of Oakland

The Port's required annual debt service payment for the outstanding long-term debt, not including Commercial Paper Notes, as of June 30, 2013, are as follows (in thousands):

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 61,797 ⁽¹⁾	\$ 61,953	\$ 123,750
2015	68,890	58,892	127,782
2016	71,654	54,469	126,123
2017	56,658	50,344	107,002
2018	53,208	47,798	101,006
2019-2023	290,971	199,574	490,545
2024-2028	357,690	120,463	478,153
2029-2033	283,502	34,815	318,317
TOTAL	\$ 1,244,370	\$ 628,308	\$ 1,872,678

⁽¹⁾ Commercial Paper has been classified as long-term debt because the Port has the intent and ability to continue to refinance this debt. Although the Port intends to refinance the Commercial Paper debt in the future, for purposes of this schedule, Commercial Paper debt is amortized over the fiscal year 2014-2018 pursuant to the "Term Loan" provisions of the Commercial Paper Reimbursement Agreements.

On October 10, 2012, the Port issued \$380.3 million of 2012 Series P (AMT) together with certain additional funds provided by the Port to refund and retire \$357.0 million of 2002 Series L and \$79.1 million of 2002 Series N. In addition, the Port issued \$3.6 million of 2012 Series Q (non-AMT) together with certain additional funds provided by the Port to refund and retire \$27.7 million of 2002 Series M. The final maturity date for the 2012 Series P is May 1, 2033 and for 2012 Series Q is May 1, 2014. The gross debt service savings through fiscal year 2033 is \$63.4 million with a present value savings of \$60.1 million. In addition, the Port recorded a deferred loss on refunding of \$1.8 million.

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

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 JPPA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	\$ 19,800	07/01/33	\$ 14,985
Redevelopment Agency of the City of Oakland, Multifamily Housing Revenue Bonds (Uptown Apartment Project), 2005 Series A	160,000	10/01/50	160,000
TOTAL	<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

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):

	2013	2012
Self-insurance liability -		
workers' compensation, beginning of year	\$ 85,558	\$ 82,045
Current year claims and changes in estimates	17,297	29,810
Claims payments	(22,259)	(26,297)
Self-insurance liability -		
workers' compensation, end of year	\$ 80,596	\$ 85,558

The estimated undiscounted liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

General Liability

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2013, the amount of liability determined to be probable of occurrence is approximately \$28,554,250. Of this amount, claims and litigation approximating \$11,389,651 are estimated to be due within one year. The recorded liability is the City's best estimate based on available information and may be revised as further information is obtained and as pending cases are litigated. The City and the ORSA are involved in various claims and litigation arising in the ordinary course of its activities. In the opinion of the ORSA's in-house counsel and the City Attorney's Office for the City, none of these claims are expected to have a significant impact on the financial position or changes in financial position of the City and the ORSA. The City has not accumulated or segregated assets or set aside fund balances for the payment of estimated claims and judgments.

Changes in general claims liabilities for the years ended June 30, 2013 and 2012 are as follows (in thousands):

	2013	2012
Self-insurance liability - general liability, beginning of year	\$ 33,971	\$ 36,687
Current year claims and changes in estimates	13,652	12,414
Claims payments	(19,069)	(15,130)
Self-insurance liability - general liability, end of year	\$ 28,554	\$ 33,971

The estimated undiscounted liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

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

(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

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):

For the Period Ending June 30,	Stadium Bonds		Arena Bonds	
	Principal	Interest	Principal	Interest ⁽¹⁾
2014	\$ 7,340	\$ 5,375	\$ 4,700	\$ 199
2015	7,560	5,121	5,100	188
2016	7,865	4,781	5,400	177
2017	8,255	4,379	5,800	165
2018	8,670	3,958	6,200	152
2019-2023	50,290	12,694	38,200	538
2024-2025	23,810	1,304	24,895	101
Total	<u>\$ 113,790</u>	<u>\$ 37,612</u>	<u>\$ 90,295</u>	<u>\$ 1,520</u>

⁽¹⁾ As of June 30, 2013, the variable interest rates for the Arena Bonds, which include Lease Revenue Bonds Series A-1 and Series A-2, are 0.20 and 0.24, respectively, and the term for the resets in the separate Commercial Paper Segment range from 31 and 60 days.

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

Under the joint exercise of power agreement, which formed the Authority, the City is responsible for funding up to 50% of the Authority's operating costs and debt service requirements, to the extent such funding is necessary. During the year ended June 30, 2013, the City made contributions of \$9,835,000 to fund its share of operating deficits and debt service payments of the Authority.

The Authority has anticipated a deficit for operating costs and repayment of its Stadium bonds, such that the City and County may have to contribute to base rental payments. Of the \$20,500,000 appropriated in the General Fund as part of the above agreements, it is estimated that the City may have to contribute \$10,250,000 for the 2013-14 fiscal year. There are many uncertainties in the estimation of revenues for the Authority beyond one year into the future; therefore, the City has established a liability to fund the Authority's deficit in the statement of net position in an amount equal to its contingent share (50%) of the outstanding Stadium bonds in the amount of \$56,895,000. The City has not established a contingent liability for the Arena Bonds because management is of the opinion that revenues from the Arena, including payments from the Warriors and revenues from Arena operations, will be sufficient to cover the debt payments.

(15) RETIREMENT PLANS

The City has four defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS), and the California Public Employees' Retirement System (PERS) Public Safety Retirement Plan and Miscellaneous Retirement Plan. PFRS and OMERS are closed plans that cover employees hired prior to July 1976 and September 1970, respectively. These two plans are considered part of the City's reporting entity and are included in the City's basic financial statements as pension trust funds. City employees hired subsequent to the Retirement Plans' closure dates are covered by PERS, which is administered by the State of California.

Member and employer contributions are recognized in the period in which the contributions are due pursuant to formal commitments, as well as contractual or statutory requirements, and benefits and refunds are recognized when due and payable, in accordance with the terms of the Retirement Plans.

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

	PFRS	OMERS	PERS
Type of plan	Single employer	Single employer	Agent multiple employer
Reporting entity	City	City	State
Most recent actuarial study	July 1, 2012	July 1, 2012	June 30, 2012

Police and Fire Retirement System (PFRS)

PFRS provides death, disability, and service retirement benefits to uniformed employees and their beneficiaries. Members who complete at least 25 years of service, or 20 years of service and have reached the age of 55, or have reached the age of 65, are eligible for retirement benefits. The basic retirement allowance equates 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:

Fiscal Year Ended June 30	Annual Pension Cost	Pension Contribution	Percentage (%) Contributed	Net Pension Asset
2011	\$ 43,901,549	\$ -	0%	\$ 156,101,262
2012	47,235,275	45,507,996	96%	154,373,983
2013	36,512,207	210,000,000	575%	327,861,776

Actuarial Assumptions and Funded Status

Information regarding the funded status of the plan as of the most recent valuation date is shown below (in millions).

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2012	\$ 658.3	\$ 257.2	\$ 401.1	39.1%	\$ 0.1	401100%

Multiyear trend actuarial information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time is presented in the Required Supplementary Information (RSI) immediately following the notes to the basic financial statements.

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:

Description	Method/Assumption	Method/Assumption
Valuation Date	July 1, 2012 ¹	July 1, 2011 ²
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Investment Rate of Return	6.75%	6.75%
Inflation Rate, U.S.	3.25%	3.25%
Inflation Rate, Bay Area	3.375%	3.375%
Long-term General Pay Increases	3.975%	3.975%
Long-term Postretirement Benefit Increases	3.975%	3.975%
Amortization Method	Level Dollar	Level Dollar
Amortization Period	23 years closed as of July 1, 2013	24 years closed as of July 1, 2012
Actuarial Value of Assets	Expected actuarial value plus 20% of the difference from market value, with 110% and 90% market value corridor.	Expected actuarial value plus 20% of the difference from market value, with 110% and 90% market value corridor.

¹ The July 1, 2012 valuation was used to determine the funded status

² The July 1, 2011 valuation was used to determine the annual required contribution for fiscal year 2013

Oakland Municipal Employees Retirement System (OMERS)

OMERS provides death, and service retirement benefits to participants of the plan. Members who complete at least 20 years of service and have reached the age of 52, or who complete at least 5 years of service and reach the age of 60, are eligible for retirement benefits. The retirement allowance is calculated on a basis which takes into account the final three-years' average compensation, age and the number of years of service. Benefit provisions and all other requirements are established by the Charter. The June 30, 2013 standalone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, CA 94612.

All active non-uniformed City employees hired prior to September 1970 have transferred to PERS as of July 1, 2004. Accordingly, OMERS did not receive any employee contributions during the year ended June 30, 2013, and will not receive any employee contributions in the future. Because of the OMERS' current funded status, the City is currently not required to make contributions to OMERS. The funding of the unfunded actuarial accrued liability is based on a level percentage of payroll over a period ending July 1, 2020, as required by the City Charter.

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 ¹	July 1, 2010 ²
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Asset Valuation Method	Market Value	Market Value
Investment Rate of Return	6.25%	6.50%
Inflation Rate	3.25%	3.25%
Cost-of-living Adjustments	3.00%	3.00%
Amortization Method	Closed Level Dollar	Closed Level Dollar
Amortization Period	6 Years	6 Years

¹ The July 1, 2012 valuation was used to determine the funded status

² The July 1, 2010 valuation was used to determine the annual required contribution for fiscal year 2013

California Public Employees Retirement Systems (PERS)

Plan Description

The City of Oakland contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street, Sacramento, CA 95814. A separate report for the City's plan is not available. The following are recent changes to the City pension plans:

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.

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

Funding Policy

Participants are required to contribute 8% for non-safety employees, 9% for police, and 13% for fire employees of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 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):

Safety Plan			
Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 51.1	100%	\$ -
2012	46.8	100%	-
2013	46.5	100%	-

Miscellaneous Plan			
Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 33.1	100%	\$ -
2012	42.2	100%	-
2013	42.9	100%	-

Funded Status and Funding Progress for Retirement Plans

Safety Plan

As of June 30, 2012, the most recent actuarial valuation date, the Public Safety plan was 77.3% funded. The actuarial accrued liability for benefits was \$1,398,098,675 and the actuarial value of Plan assets was \$1,080,138,724 resulting in an unfunded actuarial accrued liability (UAAL) of \$317,959,951. The annual covered payroll was \$118,924,175, and the ratio of the UAAL to the annual covered payroll was 267.4%.

A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan and the annual required contribution for the fiscal year ended June 30, 2013 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	June 30, 2012 ¹	June 30, 2010 ²
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	29 years closed as of the Valuation Date	31 years closed as of the Valuation Date
Asset Valuation Method	15 Years Smoothed Market	15 Years Smoothed Market

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%

¹ The July 1, 2012 valuation was used to determine the funded status

² The July 1, 2010 valuation was used to determine the annual required contribution for fiscal year 2013

Miscellaneous Plan

As of June 30, 2012, the most recent actuarial valuation date, the Miscellaneous Plan was 79.6% funded. The actuarial accrued liability for benefits was \$2,080,205,749 and the actuarial value of plan assets was \$1,655,997,001, resulting in an unfunded actuarial accrued liability (UAAL) of \$424,208,748. The annual covered payroll was \$184,568,347, and the ratio of the UAAL to the annual covered payroll was 229.8%. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry in PERS. Subsequent plan amendments are amortized as a level of payroll over a closed 20-year period.

A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan and the annual required contribution for the fiscal year ended June 30, 2013 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	June 30, 2012 ¹	June 30, 2010 ²
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	17 years closed as of the Valuation Date	18 years closed as of the Valuation Date
Asset Valuation Method	15 Years Smoothed Market	15 Years Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.50% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on age, service, and type of employment	3.55% to 14.45% depending on age, service, and type of employment
Inflation	2.75%	3.00%
Payroll Growth	3.00%	3.25%

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

Description	Method/Assumption	Method/Assumption
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

¹ The July 1, 2012 valuation was used to determine the funded status

² The July 1, 2010 valuation was used to determine the annual required contribution for fiscal year 2013

The schedules of funding progress for the Public Safety and Miscellaneous Plans are presented as RSI following the notes to the financial statements, and present multiyear trend information about whether the actuarial valuation of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(16) POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

Primary Government

Plan Description

The City has three programs in place to partially pay health insurance premiums for certain classes of retirees from City employment. City retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. The retiree health benefits are described in the labor agreements between the City and Local Unions and in City resolutions. The demographic rates used for the California Public Employee Retirement System (PERS) were public safety employees retirements benefits under a 3% @ 50 formula and miscellaneous employees retirement benefits under a 2.7% @ 55 formula.

The City's a single employer defined benefit retiree health plan (Retiree Health Plan) allows eligible retirees and their dependents to receive employer-paid medical insurance benefits through PERS. The medical insurance reimbursement is not to exceed the Kaiser-HMO family plan rate. The Retiree Health Plan also includes dental and vision benefits and reimbursement of Medicare part B monthly insurance premium. The Retiree Health Plan does not issue a separate financial report.

Funding Policy

The City pays part of the health insurance premiums for all retirees from City employment receiving a pension annuity earned through City service and participating in a City-sponsored PERS health benefit plan on a pay-as-you-go basis. The City paid \$17,622,496 for retirees under this program for the year ended June 30, 2013.

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	<u>(7,768)</u>
Annual OPEB cost	46,291
Employer Contribution	<u>(17,622)</u>
Increase in net OPEB obligation	28,669
Net OPEB obligation, beginning of year	186,583
Net OPEB obligation, end of year	<u><u>\$ 215,252</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed during the fiscal year, and the net OPEB obligation at the end of the year for the City's single employer Retiree Health Plan were as follows (in thousands):

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 46,451	33.8%	\$ 156,978
2012	46,401	36.2%	186,583
2013	46,291	38.1%	215,252

OPEB Funded Status and Funding Progress

As summarized in the table below, as of July 1, 2012, the most recent actuarial valuation date, the City's Retiree Health Plan was zero percent funded on an actuarial basis for other postemployment benefits (OPEB). Changes to the UAAL for the OPEB Plan was primarily the result of the actuarial value of assets being zero. The City is on a pay-as-you-go funding with no money set aside for future liabilities. The specific funded status for the OPEB plan is summarized in the table below, as of July 1, 2012 (in thousands):

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2012	\$ 553,530	\$ -	\$ 553,530	0.0%	\$ 304,373	182%

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the Notes to the Basic Financial Statements, presents information about whether the actuarial value of plan assets increased or decreased in relation to the actuarial accrued liability for benefits. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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:

Description	Method/Assumption
Valuation Date	July 1, 2012
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	30 years open as of the Valuation Date
Asset Valuation Method	5 Years Smoothed Market
Actuarial Assumptions:	
Discount Rate ¹	4.00%
Projected Salary Increases	2.5% per year growth
Inflation	3.00%
Demographic Rate	Retirement benefit at 3% 50 formula for Safety employees and at 2.7% @ 55 formula for Miscellaneous employees.
Health Care Cost Trends Rate	7.25% for fiscal year 2014, graded down to 5.00% for fiscal year 2025 and beyond. The trend rate is determined by the Plan sponsor based on historical data and anticipated experience under the Plan.

¹ The City does not pre-fund the ARC, and therefore the discount rate is based on the expected return on the City's general assets.

Discretely Presented Component Unit – Port of Oakland

Plan Description

The Port contributes to the California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit postemployment healthcare plan administered by PERS. The CERBT is an Internal Revenue Code (IRC) Section 115 Trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Postemployment Benefit (OPEB) costs.

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:

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

The employer contribution will be adjusted by the Port each year but cannot be less than the amount required by California Government Code Sections 22893 plus administrative fees and contingency reserve fund assessments.

Employees hired on or after October 1, 2009 (before January 1, 2013 for members of the Services Employees International Union (SEIU) and International Brotherhood of Electrical Workers (IBEW) are eligible to receive dental and vision coverage through the Port's Retiree Health Plan.

Funding Policy

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

As of June 30, 2013, there were approximately 526 employees who had retired from the Port and were participating in the Port's Retiree Health Plan. During fiscal year ended June 30, 2013, the Port contributed \$4,200,000 to the CERBT and made payments of \$6,840,944 on behalf of eligible retirees to third parties outside of the CERBT fund.

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):

Fiscal Year Ended	Annual OPEB Cost	Percentage OPEB Cost Contributed	Net OPEB Obligation
June 30,			
2011	\$ 11,193	99.4%	\$ 10,461
2012	10,983	99.6%	10,510
2013	10,984	100.5%	10,453

Funded Status and Funding Progress

The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over 30 years. The table below indicates the funded status of the Plan as of June 30, 2013, the most recent actuarial valuation date (in thousands):

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
6/30/2013	\$ 136,616	\$ 30,715.0	\$ 105,901	22.5%	\$ 47,823	221%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations.

CITY OF OAKLAND

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

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 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

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.

<u>Counterparty</u>	<u>Contract Ending Year</u>	<u>Contract Structure</u>	<u>Estimated Output</u>	<u>Estimated Annual Cost</u>
EBMUD	2017	Take and Pay - (Pay contract price only if energy is received)	8,000 MWH	Approx. \$584,000 with no annual escalator
WAPA	2024	Take or Pay - (Pay contract price without regard to energy received)	17,000 MWH	Approx. \$800,000 (Changes annually depending on revenue requirement for power generation projects)

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

Counterparty	Contract Ending Year	Contract Structure	Estimated Output	Estimated Annual Cost
SunEdison	2027	Take or Pay - (Pay contract price only if energy received)	1,200 MWH	Approx. \$200,000 with annual escalator

In addition to the aforementioned power purchase agreements, the Port had outstanding, as of June 30, 2013, approximately \$2.5 million of power purchases contracts with Powerex Corporation and Shell Energy North America with expiration dates of 18 months or less.

Environmental

The entitlements for the Airport Development Program (ADP) subject the Port to obligations arising from the adopted ADP Mitigation Monitoring and Reporting Program required under: the California Environmental Quality Act; permits issued by numerous regulatory agencies including the Regional Water Quality Control Board and the Bay Conservation and Development Commission; and settlement agreements. The majority of these obligations have been met, and monitoring and reporting are ongoing.

A summary of the Port's environmental liability accounts, net of the estimated recoveries, included in long-term obligations on the statement of net position at June 30, 2013, is as follows (in thousands):

Obligating Event	Liability	Estimated Recovery
Pollution poses an imminent danger to the public or environment	\$ 392	\$ -
Identified as responsible to clean up pollution	13,508	857
Named in a lawsuit to compel to clean up	31	-
Begins or legally obligates to clean up or post-clean up activities	3,743	60
Total by Obligating Event	<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

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

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**

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 percent of Covered Payroll ((a-b) / c)
			(Overfunded) AAL (UAAL) (a-b)			
7/1/2010	\$ 792,200,000	\$ 297,800,000	\$ 494,400,000	37.6%	\$ 100,000	494400%
7/1/2011	683,200,000	256,400,000	426,800,000	37.5%	100,000	426800%
7/1/2012 ¹	658,300,000	257,200,000	401,100,000	39.1%	100,000	401100%

¹ Actuarial valuation does not include the City's pension contribution of \$210 million of Pension Obligation Bond proceeds on July 30, 2012

Oakland Municipal Employees' Retirement System - Pension

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
			(Overfunded) AAL (UAAL) (a-b)			
7/1/2009 ¹	\$ 5,499,000	\$ 4,981,000	\$ 518,000	90.6%	\$ -	N/A
7/1/2010 ¹	5,471,000	4,728,000	743,000	86.4%	-	N/A
7/1/2012 ²	3,630,000	4,448,000	(818,000)	122.5%	-	N/A

¹ The decline in the funded ratio was primarily due to explicit recognition of future administrative expenses in the Plan's actuarial accrued liability, investment performance in FY 2008-09, and strengthening of the interest and mortality assumptions. The entry age normal cost method was used for disclosure and annual required contribution rates with the July 1, 2009 valuation.

² There is no employer contribution requirement for this plan in FY 2014.

CITY OF OAKLAND
Budgetary Comparison Schedule - General Fund (unaudited)
For the Year Ended June 30, 2013
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes				
Property	\$ 186,529	\$ 211,804	\$ 214,495	\$ 2,691
Sales and use tax	41,036	48,818	48,818	-
Local taxes				
Business license	51,800	60,754	60,371	(383)
Utility consumption	50,500	50,752	50,752	-
Real estate transfer	28,490	47,297	47,406	109
Transient occupancy	10,925	12,455	12,454	(1)
Parking	8,104	7,946	7,947	1
Franchise	15,105	15,606	15,829	223
Licenses and permits	935	1,382	1,373	(9)
Fines and penalties	26,137	21,875	22,971	1,096
Interest and investment income	775	335	54	(281)
Charges for services	58,073	71,488	69,442	(2,046)
Federal and state grants and subventions	1,281	1,431	1,391	(40)
Annuity income	9,624	9,624	-	(9,624)
Other	11,425	8,106	6,329	(1,777)
TOTAL REVENUES	500,739	569,673	559,632	(10,041)
EXPENDITURES				
Current				
Elected and Appointed Officials				
Mayor	1,467	1,672	1,696	(24)
Council	3,419	3,743	3,509	234
City Administrator	35,601	36,817	36,325	492
City Attorney	10,182	17,168	9,712	7,456
City Auditor	901	1,399	1,369	30
City Clerk	2,109	2,538	2,069	469
Administrative Service Department				
Human Resource Management	4,923	5,502	5,107	395
Information Technology	7,067	10,119	7,130	2,989
Financial Services	7,826	9,315	9,079	236
Public Safety Department				
Police Serv	177,064	190,422	186,971	3,451
Fire Services	97,655	96,219	94,904	1,315
Community Service Department				
Parks and Recreation	16,463	17,320	16,690	630
Aging & Health and Human Services	4,913	5,609	4,945	664
Cultural and community services	236	236	306	(70)
Library	9,060	9,066	8,957	109
Planning, Building & Neighborhood Preservation	32	33	76	(43)
Housing & Community Development	1,699	1,786	1,581	205
Public Works	31,072	33,322	29,564	3,758
Other	8,872	1,789	8,011	(6,222)
Capital outlay	502	38,928	38,362	566
Debt service				
Principal repayment	2,586	2,074	2,047	27
Bond issuance costs	-	-	225	(225)
Interest charges	446	474	500	(26)
TOTAL EXPENDITURES	424,095	485,551	469,135	16,416
EXCESS OF REVENUES OVER EXPENDITURES	76,644	84,122	90,497	6,375
OTHER FINANCING SOURCES (USES)				
Property sale proceeds	67	67	67	-
Insurance claims and settlements	3	2,383	3,726	1,343
Transfers in	51,619	30,341	3,293	(27,048)
Transfers out	(123,821)	(131,410)	(106,960)	24,450
TOTAL OTHER FINANCING USES, NET	(72,132)	(98,619)	(99,874)	(1,255)
Extraordinary Item				
State Controller's asset transfer review	-	-	(1,313)	(1,313)
NET CHANGE IN FUND BALANCE	4,512	(14,497)	(10,690)	3,807
Fund balances - beginning	260,089	260,089	260,089	-
FUND BALANCES - ENDING	\$ 264,601	\$ 245,592	\$ 249,399	\$ 3,807

The notes to the required supplementary information are an integral part of this schedule

CITY OF OAKLAND

Notes to Required Supplementary Information (unaudited) (continued)

June 30, 2013

(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

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

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Total
ASSETS			
Cash and investments	\$ 57,251	\$ 16,840	\$ 74,091
Receivables, net			
Accrued interest and dividends	48	16	64
Property taxes	6,861	1,160	8,021
Accounts receivable	8,208	-	8,208
Grants receivable	2,319	-	2,319
Notes and loans receivable, net	32,858	-	32,858
Restricted cash and investments	16,188	74,659	90,847
Other Assets	16	-	16
TOTAL ASSETS	\$ 123,749	\$ 92,675	\$ 216,424
LIABILITIES			
Accounts payable and accrued liabilities	\$ 8,328	\$ 47	\$ 8,375
Due to other funds	1,086	-	1,086
Due to other governments	24	-	24
Other	5,087	-	5,087
TOTAL LIABILITIES	14,525	47	14,572
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	5,469	547	6,016
Unavailable revenue - notes and loans	32,858	-	32,858
Unavailable revenue - grants	2,151	-	2,151
TOTAL DEFERRED INFLOWS	40,478	547	41,025
FUND BALANCES			
Restricted	44,973	92,081	137,054
Committed	16,075	-	16,075
Assigned	10,213	-	10,213
Unassigned	(2,515)	-	(2,515)
TOTAL FUND BALANCES	68,746	92,081	160,827
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 123,749	\$ 92,675	\$ 216,424

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

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Total
REVENUES			
Taxes			
Property	\$ 14,723	\$ 25,270	\$ 39,993
Sales and use	11,676	-	11,676
Gas	10,004	-	10,004
Transient occupancy	3,377	-	3,377
Parking	7,618	-	7,618
Voter approved special tax	38,247	-	38,247
Licenses and permits	11,958	-	11,958
Fines and penalties	3,458	72	3,530
Interest and investment income	313	4,000	4,313
Charges for services	14,906	-	14,906
Federal and state grants and subventions	3,035	-	3,035
Other	3,332	846	4,178
TOTAL REVENUES	122,647	30,188	152,835
EXPENDITURES			
Current			
Elected and Appointed Officials			
Mayor	134	-	134
City Administrator	1,900	-	1,900
City Attorney	1,138	-	1,138
Departments			
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
TOTAL EXPENDITURES	128,803	60,914	189,717
EXCESS (DEFICIENCY) OF REVENUES			
OVER (UNDER) EXPENDITURES	(6,156)	(30,726)	(36,882)
OTHER FINANCING SOURCES (USES)			
Issuance of refunding bonds	-	3,545	3,545
Premiums (discount) on issuance of bonds	-	41	41
Payment to refund bond escrow agent	-	(3,018)	(3,018)
Capital leases	16,150	-	16,150
Transfers in	11,105	23,178	34,283
Transfers out	(1,148)	(9,365)	(10,513)
TOTAL OTHER FINANCING SOURCES (USES)	26,107	14,381	40,488
NET CHANGE IN FUND BALANCES	19,951	(16,345)	3,606
Fund balances - beginning	48,795	108,426	157,221
FUND BALANCES - ENDING	\$ 68,746	\$ 92,081	\$ 160,827

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

Other Special Revenue Funds account for other restricted monies that are classified as Special Revenue Funds.

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

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds-Special Revenue Funds
June 30, 2013
(In Thousands)

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessment District	Assessment Districts	Other Special Revenue	Parks, Recreation, and Cultural	Total
ASSETS							
Cash and Investments	\$ 12,934	\$ 9,255	\$ -	\$ 3,248	\$ 27,669	\$ 4,145	\$ 57,251
Receivable, net							
Accrued interest and dividends	11	8	-	3	23	3	48
Property taxes	-	-	2,599	147	3,821	294	6,861
Accounts receivable	3,892	191	776	125	3,224	-	8,208
Grants receivable	355	-	-	-	1,964	-	2,319
Notes and loans receivable, net	-	-	-	-	32,858	-	32,858
Restricted cash and investments	-	-	16,008	-	-	180	16,188
Other Assets	16	-	-	-	-	-	16
TOTAL ASSETS	\$ 17,208	\$ 9,454	\$ 19,383	\$ 3,523	\$ 69,559	\$ 4,622	\$ 123,749
LIABILITIES							
Accounts payable and accrued liabilities	\$ 635	\$ 204	\$ 2,559	\$ 135	\$ 4,774	\$ 21	\$ 8,328
Due to other funds	-	-	1,086	-	-	-	1,086
Due to other governments	-	-	-	-	24	-	24
Other	-	-	-	-	4,060	1,027	5,087
TOTAL LIABILITIES	635	204	3,645	135	8,858	1,048	14,525
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property tax	-	-	2,245	124	3,100	-	5,469
Unavailable revenue - notes and loans	-	-	-	-	32,858	-	32,858
Unavailable revenue - grants	301	-	-	1	1,617	232	2,151
TOTAL DEFERRED INFLOWS	301	-	2,245	125	37,575	232	40,478
FUND BALANCES							
Restricted	16,272	9,250	16,008	3,263	-	180	44,973
Committed	-	-	-	-	13,915	2,160	16,075
Assigned	-	-	-	-	9,211	1,002	10,213
Unassigned	-	-	(2,515)	-	-	-	(2,515)
TOTAL FUND BALANCES (DEFICIT)	16,272	9,250	13,493	3,263	23,126	3,342	68,746
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 17,208	\$ 9,454	\$ 19,383	\$ 3,523	\$ 69,559	\$ 4,622	\$ 123,749

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

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessment District	Assessment Districts	Other Special Revenue	Parks, Recreation, and Cultural	Total
REVENUES							
Taxes							
Property	\$ -	\$ -	\$ -	\$ -	\$ 14,723	\$ -	\$ 14,723
Sales and use	11,676	-	-	-	-	-	11,676
Gas	-	10,004	-	-	-	-	10,004
Transient occupancy	-	-	-	-	3,377	-	3,377
Parking	-	-	-	-	7,618	-	7,618
Voter approved special tax	-	-	19,293	1,796	17,158	-	38,247
Licenses and permits	-	-	21	-	11,937	-	11,958
Fines and 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
TOTAL REVENUES	16,787	10,142	19,736	1,898	73,845	239	122,647
EXPENDITURES							
Current							
Elected and Appointed Officials							
Mayor	-	-	-	-	38	96	134
City Administrator	2	-	50	3	1,845	-	1,900
City Attorney	30	110	-	-	998	-	1,138
Departments							
Administrative Service Department							
Information Technology	-	-	-	-	606	-	606
Financial Services	-	-	155	2	352	-	509
Public Safety							
Police Services	2,006	-	-	-	11,052	-	13,058
Fire Services	-	-	-	1,784	8,068	-	9,852
Community Service Department							
Parks and Recreation	-	-	4,065	-	401	-	4,466
Aging & Health and Human Services	1,218	-	-	-	17,034	-	18,252
Cultural and community services	-	-	-	-	125	-	125
Library	-	-	-	-	13,310	233	13,543
Planning, Building & Neighborhood Preservation	-	-	-	-	22,070	-	22,070
Public Works	7,003	8,268	16,407	9	1,050	7	32,744
Housing & Community Development	-	-	-	-	1,275	-	1,275
Other	-	11	1	-	3,212	-	3,224
Capital outlay	3,376	1,000	-	-	1,017	364	5,757
Debt Service							
Bond issuance cost	-	-	150	-	-	-	150
TOTAL EXPENDITURES	13,635	9,389	20,828	1,798	82,453	700	128,803
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,152	753	(1,092)	100	(8,608)	(461)	(6,156)
OTHER FINANCING SOURCES (USES)							
Proceeds from issuance of debt	-	-	16,150	-	-	-	16,150
Transfers in	-	-	-	151	10,954	-	11,105
Transfers out	-	-	(149)	-	(999)	-	(1,148)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	16,001	151	9,955	-	26,107
NET CHANGE IN FUND BALANCES	3,152	753	14,909	251	1,347	(461)	19,951
Fund balances (deficit) - beginning	13,120	8,497	(1,416)	3,012	21,779	3,803	48,795
FUND BALANCES (DEFICIT) - ENDING	\$ 16,272	\$ 9,250	\$ 13,493	\$ 3,263	\$ 23,126	\$ 3,342	\$ 68,746

CITY OF OAKLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Funds
For the Year Ended June 30, 2013
(In Thousands)

	Traffic Safety and Control				State Gas Tax				Landscape and Lighting District			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES												
Taxes												
Sales and use	\$ 10,060	\$ 10,222	\$ 11,676	\$ 1,454	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gas	-	-	-	-	10,822	10,822	10,004	(818)	-	-	-	-
Voter approved special tax	-	-	-	-	-	-	-	-	18,527	18,527	19,293	766
Licenses and permits	-	-	-	-	-	-	-	-	13	13	21	8
Fines and penalties	2,727	2,727	2,568	(159)	-	-	-	-	-	-	-	-
Interest and investment income	50	50	-	(50)	-	-	-	-	-	-	6	6
Charges for services	114	114	170	56	20	20	-	(20)	172	172	198	26
Federal and state grants and subventions	-	-	247	247	141	141	138	(3)	-	-	-	-
Other	-	2,903	2,126	(777)	-	-	-	-	-	175	218	43
TOTAL REVENUES	12,951	16,016	16,787	771	10,983	10,983	10,142	(841)	18,712	18,887	19,736	849
EXPENDITURES												
Current												
Elected and Appointed Officials												
City Administrator	-	15	2	13	-	-	-	-	62	82	50	32
City Attorney	29	29	30	(1)	111	111	110	1	-	-	-	-
Departments												
Administrative Service Departments												
Financial Services	35	35	-	35	-	-	-	-	-	5	155	(150)
Public Safety												
Police Services	2,267	2,269	2,006	263	-	-	-	-	-	-	-	-
Community Service Department												
Parks and Recreation	-	-	-	-	-	-	-	-	4,092	4,092	4,065	27
Aging & Health and Human Services	930	1,506	1,218	288	-	-	-	-	-	-	-	-
Public Works	5,551	7,637	7,003	634	8,049	9,329	8,268	1,061	14,653	29,588	16,407	13,181
Other	-	-	-	-	-	-	11	(11)	-	-	1	(1)
Capital outlay	4,500	20,778	3,376	17,402	2,550	8,367	1,000	7,367	-	128	-	128
Debt service												
Bond issuance cost	-	-	-	-	-	-	-	-	-	150	150	-
TOTAL EXPENDITURES	13,312	32,269	13,635	18,634	10,710	17,807	9,389	8,418	18,807	34,045	20,828	13,217
EXCESS (DEFICIENCY) OF REVENUES	(361)	(16,253)	3,152	19,405	273	(6,824)	753	7,577	(95)	(15,158)	(1,092)	14,066
OVER (UNDER) EXPENDITURES												
OTHER FINANCING SOURCES (USES)												
Issuance of bonds	-	-	-	-	-	-	-	-	-	16,150	16,150	-
Transfers in	875	875	-	(875)	-	-	-	-	-	-	-	-
Transfers out	(150)	(150)	-	(150)	-	-	-	-	(149)	(149)	(149)	-
TOTAL OTHER FINANCING SOURCES (USES)	725	725	-	(1,025)	-	-	-	-	(149)	16,001	16,001	-
NET CHANGE IN FUND BALANCES	364	(15,528)	3,152	18,380	273	(6,824)	753	7,577	(244)	843	14,909	14,066
Fund balances (deficit) - beginning	13,120	13,120	13,120	-	8,497	8,497	8,497	-	(1,416)	(1,416)	(1,416)	-
FUND BALANCES (DEFICIT) - ENDING	\$ 13,484	\$ (2,408)	\$ 16,272	\$ 18,380	\$ 8,770	\$ 1,673	\$ 9,250	\$ 7,577	\$ (1,660)	\$ (573)	\$ 13,493	\$ 14,066

CITY OF OAKLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Funds
For the Year Ended June 30, 2013
(In Thousands)

(Continued)

	Assessment Districts				Other Special Revenue				Parks, Recreation, and cultural			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES												
Taxes												
Property	\$ -	\$ -	\$ -	\$ -	\$ 13,956	\$ 13,956	\$ 14,723	\$ 767	\$ -	\$ -	\$ -	\$ -
Local taxes												
Voter approved special tax	1,837	1,691	1,796	105	16,321	16,321	17,158	837	-	-	-	-
Parking	-	-	-	-	6,888	6,888	7,618	730	-	-	-	-
Transient occupancy	-	-	-	-	2,963	2,963	3,377	-	-	-	-	-
Licenses and permits	-	-	-	-	11,751	11,889	11,937	48	-	-	-	-
Fines and penalties	-	-	-	-	1,015	1,120	890	(230)	-	-	-	-
Interest and investment income	-	-	-	-	-	57	307	250	33	33	-	(33)
Charges for services	-	-	-	-	14,569	14,731	14,538	(193)	-	-	-	-
Federal and state grants and subventions	-	-	-	-	1,428	2,178	2,532	354	-	592	118	(474)
Other	3	3	102	99	59	635	765	130	180	569	121	(448)
TOTAL REVENUES	1,840	1,694	1,898	204	68,950	71,152	73,845	2,693	213	1,194	239	(955)
EXPENDITURES												
Current												
Elected and Appointed Officials												
Mayor	-	-	-	-	79	95	38	57	-	176	96	80
City Administrator	3	4	3	1	2,041	2,809	1,845	964	33	520	-	520
City Attorney	-	-	-	-	950	994	998	(4)	-	-	-	-
Agencies/Departments												
Information Technology	-	-	2	(2)	776	750	606	144	-	-	-	-
Financial Services	-	-	-	-	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	-	-	-	-
Agng. Health and Human Services	-	-	-	-	17,594	22,473	17,034	5,439	-	-	-	-
Cultural and community services	-	-	-	-	20,379	189	125	64	-	-	-	-
Public Works	-	9	9	-	215	2,460	1,050	1,410	-	124	7	117
Housing & Community Development	-	-	-	-	1,255	3,107	1,275	1,832	-	-	-	-
Other	-	-	-	-	2,593	2,718	3,212	(494)	-	-	-	-
Capital outlay	-	6	-	6	304	9,659	1,017	8,642	-	1,058	364	694
TOTAL EXPENDITURES	1,860	2,637	1,798	839	82,737	109,348	82,453	26,895	213	2,749	700	2,049
EXCESS (DEFICIENCY) OF REVENUES	(20)	(943)	100	1,043	(13,787)	(38,196)	(8,608)	29,588	-	(1,555)	(461)	1,094
OVER (UNDER) EXPENDITURES												
OTHER FINANCING SOURCES (USES)												
Transfers in	151	151	151	-	17,012	17,219	10,954	(6,265)	-	-	-	-
Transfers out	-	-	-	-	(1,000)	(1,346)	(999)	347	-	-	-	-
TOTAL OTHER FINANCING SOURCES	151	151	151	-	16,012	15,873	9,955	(5,918)	-	-	-	-
NET CHANGE IN FUND BALANCES	131	(792)	251	1,043	2,225	(22,323)	1,347	23,670	-	(1,555)	(461)	1,094
Fund balance - beginning	3,012	3,012	3,012	-	21,779	21,779	21,779	-	3,884	3,884	3,803	-
FUND BALANCES - ENDING	\$ 3,143	\$ 2,220	\$ 3,263	\$ 1,043	\$ 24,004	\$ (544)	\$ 23,126	\$ 23,670	\$ 3,884	\$ 2,329	\$ 3,423	\$ 1,094

NONMAJOR DEBT SERVICE FUNDS

Debt service funds account for the accumulation of resources to be used for the payment of general long-term debt principal and interest.

The **General Obligation Bonds Fund** accounts for monies received in connection with the General Obligation Bonds and the related payments on such debt. Proceeds from the General Obligation Bonds are to be used by the City to expand and develop park and recreation facilities, and to enhance the City's emergency response capabilities and for seismic reinforcement of essential public facilities and infrastructure.

The **Lease Financing Fund** accounts for monies received in connection with leases between the City and the Agency, and the City and the California Statewide Communities Development Authority. It also accounts for payments on bonds and other debt issued for the Oakland Museum, for capital improvements to certain City properties, and for the Scotlan and Kaiser Convention Centers.

The **JPFA Fund** accounts for monies received in connection with leases between the City and the JPFA.

The **Other Assessment Bonds Fund** accounts for special assessment monies received from property owners within the various special assessment districts to liquidate the improvement bonds. These districts include Rockridge Area Water Improvement, and the Fire Area Utility Underground.

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds-Debt Service Funds
June 30, 2013
(In Thousands)

	General Obligation Bonds	Lease Financing	JPFA Fund	Other Assessment Bonds	Total
ASSETS					
Cash and investments	\$ 14,353	\$ 79	\$ 1,229	\$ 1,179	\$ 16,840
Receivables, net.					
Accrued interest and dividends	14	-	1	1	16
Property taxes	1,086	-	-	74	1,160
Restricted cash and investments	14	-	74,038	607	74,659
TOTAL ASSETS	\$ 15,467	\$ 79	\$ 75,268	\$ 1,861	\$ 92,675
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	\$ 46	\$ -	\$ 1	\$ -	\$ 47
TOTAL LIABILITIES	46	-	1	-	47
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property tax	480	-	-	67	547
TOTAL DEFERRED INFLOWS	480	-	-	67	547
FUND BALANCES					
Restricted	14,941	79	75,267	1,794	92,081
TOTAL FUND BALANCES	14,941	79	75,267	1,794	92,081
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 15,467	\$ 79	\$ 75,268	\$ 1,861	\$ 92,675

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

	General Obligation Bonds	Lease Financing	JPFA Fund	Other Assessment Bonds	Total
REVENUES					
Property taxes	\$ 25,270	\$ -	\$ -	\$ -	\$ 25,270
Fines and penalties	72	-	-	-	72
Interest and investment income	-	-	3,971	29	4,000
Other	13	-	-	833	846
TOTAL REVENUES	<u>25,355</u>	<u>-</u>	<u>3,971</u>	<u>862</u>	<u>30,188</u>
EXPENDITURES					
Departments					
- Financial services	-	-	-	56	56
Other	73	4	482	183	742
Debt Service					
Principal repayment	9,666	12,320	11,835	95	33,916
Bond issuance cost	-	-	-	213	213
Payment to refund bond escrow agent	-	-	-	1,217	1,217
Interest charges	14,221	1,800	8,381	368	24,770
TOTAL EXPENDITURES	<u>23,960</u>	<u>14,124</u>	<u>20,698</u>	<u>2,132</u>	<u>60,914</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,395</u>	<u>(14,124)</u>	<u>(16,727)</u>	<u>(1,270)</u>	<u>(30,726)</u>
OTHER FINANCING SOURCES					
Issuance of refunding bonds	-	-	-	3,545	3,545
Premiums (discount) on issuance of bonds	-	-	-	41	41
Payment to refund bond escrow agent	-	-	-	(3,018)	(3,018)
Transfers in	-	14,120	9,058	-	23,178
Transfers out	-	-	(8,630)	(735)	(9,365)
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>14,120</u>	<u>428</u>	<u>(167)</u>	<u>14,381</u>
NET CHANGE IN FUND BALANCES	1,395	(4)	(16,299)	(1,437)	(16,345)
Fund balances - beginning	13,546	83	91,566	3,231	108,426
FUND BALANCES - ENDING	<u>\$ 14,941</u>	<u>\$ 79</u>	<u>\$ 75,267</u>	<u>\$ 1,794</u>	<u>\$ 92,081</u>

CITY OF OAKLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service Funds
For the Year Ended June 30, 2013
(In Thousands)

(Continued)

	General Obligation Bonds				Lease Financing			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES								
Taxes								
Property	\$ 24,092	\$ 24,092	\$ 25,270	\$ 1,178	\$ -	\$ -	\$ -	\$ -
Fines and penalties	-	-	72	72	-	-	-	-
Interest and investment income	-	-	-	-	7	7	-	(7)
Other	-	-	13	13	21,500	21,500	-	(21,500)
TOTAL REVENUES	<u>24,092</u>	<u>24,092</u>	<u>25,355</u>	<u>1,263</u>	<u>21,507</u>	<u>21,507</u>	<u>-</u>	<u>(21,507)</u>
EXPENDITURES								
Current								
Agencies/Departments								
Other	39	51	73	(22)	7	7	4	3
Debt service								
Principal repayment	11,421	12,306	9,666	2,640	33,827	33,820	12,320	21,500
Interest charges	12,629	16,788	14,221	2,567	1,800	1,800	1,800	-
TOTAL EXPENDITURES	<u>24,089</u>	<u>29,145</u>	<u>23,960</u>	<u>5,185</u>	<u>35,634</u>	<u>35,627</u>	<u>14,124</u>	<u>21,503</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3</u>	<u>(5,053)</u>	<u>1,395</u>	<u>6,448</u>	<u>(14,127)</u>	<u>(14,120)</u>	<u>(14,124)</u>	<u>(4)</u>
OTHER FINANCING SOURCES								
Transfers in	-	-	-	-	17,127	14,127	14,120	(7)
NET CHANGE IN FUND BALANCES	<u>3</u>	<u>(5,053)</u>	<u>1,395</u>	<u>6,448</u>	<u>3,000</u>	<u>7</u>	<u>(4)</u>	<u>(11)</u>
Fund balances - beginning	13,546	13,546	13,546	-	83	83	83	-
FUND BALANCES - ENDING	<u>\$ 13,549</u>	<u>\$ 8,493</u>	<u>\$ 14,941</u>	<u>\$ 6,448</u>	<u>\$ 3,083</u>	<u>\$ 90</u>	<u>\$ 79</u>	<u>\$ (11)</u>

CITY OF OAKLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service Funds
For the Year Ended June 30, 2013
(In Thousands)

(Continued)

	JPFA Fund				Other Assessment Bonds				Special Revenue Bonds			
	Original -- Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES												
Interest and investment income	\$ 4,593	\$ 4,593	\$ 3,971	\$ (622)	\$ -	\$ -	\$ 29	\$ 29	\$ -	\$ -	\$ 39	\$ 39
Other	-	-	-	-	898	898	833	(65)	-	-	4	4
TOTAL REVENUES	<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>
EXPENDITURES												
Current												
Agencies/Departments												
Financial Services	-	-	-	-	50	50	56	(6)	-	-	-	-
Police Services	-	-	-	-	-	-	-	-	-	120,403	120,403	-
Fire Services	-	-	-	-	-	-	-	-	-	89,597	89,597	-
Other	16	16	482	(466)	26	182	183	(1)	25	31	8	23
Debt service												
Principal repayment	11,835	11,835	11,835	-	260	345	95	250	36,598	36,598	36,598	-
Bond issuance cost	-	-	-	-	-	213	213	-	-	1,370	1,370	-
Payment to refund bond escrow agent	-	-	-	-	-	1,352	1,217	-	-	-	-	-
Interest charges	8,381	8,381	8,381	-	246	470	368	102	28,187	36,028	34,623	1,405
Intergovernmental Payment- pension contribution	-	-	-	-	-	-	-	-	-	210,000	210,000	-
TOTAL EXPENDITURES	<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>
EXCESS (DEFICIENCY) OF REVENUES	<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>
OVER (UNDER) EXPENDITURES												
OTHER FINANCING SOURCES (USES)												
Issuance of bonds	-	-	-	-	-	3,545	3,545	-	-	212,540	212,540	-
Premiums (discounts) on issuance of bonds	-	-	-	-	-	41	41	-	-	(1,170)	(1,170)	-
Payment to refund bond escrow agent	-	-	-	-	-	(3,018)	(3,018)	-	-	-	-	-
Transfers in	15,639	15,639	9,058	(6,581)	735	2,087	-	(2,087)	64,810	72,657	72,677	20
Transfers out	-	(8,630)	(8,630)	-	(734)	(2,593)	(735)	1,858	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<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>
NET CHANGE IN FUND BALANCES	-	(8,630)	(16,299)	(7,669)	317	(1,652)	(1,437)	80	-	(210,000)	(208,509)	1,491
Fund balances - beginning	91,566	91,566	91,566	-	3,231	3,231	3,231	-	14,766	14,766	14,766	-
FUND BALANCES - ENDING	<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)

	Equipment	Radio	Facilities	Reproduction	Central Stores	Purchasing	Total
ASSETS							
Current assets							
Cash and Investments	\$ -	\$ 5,155	\$ -	\$ -	\$ -	\$ -	\$ 5,155
Accounts receivable	38	9	44	1	-	-	92
Inventories	193	-	-	-	-	-	193
Restricted cash and investments	12,270	-	-	-	-	-	12,270
Total Current assets	12,501	5,164	44	1	-	-	17,710
Non-current assets							
Capital assets							
Land and other assets not being depreciated	-	-	380	-	-	-	380
Facilities and equipment, net of depreciation	7,392	1,122	1,007	-	-	-	9,521
Total Non-current Assets	7,392	1,122	1,387	-	-	-	9,901
TOTAL ASSETS	19,893	6,286	1,431	1	-	-	27,611
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	1,385	892	1,008	49	7	2	3,343
Accrued interest payable	24	-	34	-	-	-	58
Due to other funds	4,259	-	19,083	1,219	3,915	300	28,776
Other liabilities	-	-	7	-	-	-	7
Notes payable and capital leases	3,246	-	233	-	-	-	3,479
Total Current Liabilities	8,914	892	20,365	1,268	3,922	302	35,663
Non-current liabilities							
Notes payable and capital leases	8,604	-	1,621	-	-	-	10,225
Total Non-current Liabilities	8,604	-	1,621	-	-	-	10,225
TOTAL LIABILITIES	17,518	892	21,986	1,268	3,922	302	45,888
NET POSITION							
Net investment in capital assets	7,812	1,122	1,387	-	-	-	10,321
Unrestricted	(5,437)	4,272	(21,942)	(1,267)	(3,922)	(302)	(28,598)
TOTAL NET POSITION	\$ 2,375	\$ 5,394	\$ (20,555)	\$ (1,267)	\$ (3,922)	\$ (302)	\$ (18,277)

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

	<u>Equipment</u>	<u>Radio</u>	<u>Facilities</u>	<u>Reproduction</u>	<u>Central Stores</u>	<u>Purchasing</u>	<u>Total</u>
OPERATING REVENUES							
Charges for services	\$ 16,993	\$ 4,057	\$ 23,072	\$ 1,004	\$ 614	\$ 839	\$ 46,579
Other	143	-	330	-	-	2	475
TOTAL OPERATING REVENUES	<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>
OPERATING EXPENSES							
Personnel	5,009	1,256	8,236	380	337	679	15,897
Supplies	5,102	167	1,309	108	3	10	6,699
Depreciation and amortization	2,067	97	81	29	-	-	2,274
Contractual services and supplies	39	289	901	-	-	-	1,229
Repairs and maintenance	1,103	205	2,482	10	-	-	3,800
General and administrative	1,641	199	2,719	464	19	3	5,045
Rental	623	150	367	480	30	3	1,653
Other	-	160	4,721	7	2	7	4,897
TOTAL OPERATING EXPENSES	<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>
OPERATING INCOME (LOSS)	1,552	1,534	2,586	(474)	223	139	5,560
NON-OPERATING REVENUES (EXPENSES)							
Interest and investment income	5	(5)	22	1	5	-	28
Interest expense	(24)	-	(82)	-	-	-	(106)
Rental	-	-	44	-	-	-	44
Insurance claims and settlements	-	-	72	-	-	-	72
Other, net (Property sale proceeds)	770	-	-	-	-	85	855
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>751</u>	<u>(5)</u>	<u>56</u>	<u>1</u>	<u>5</u>	<u>85</u>	<u>893</u>
INCOME (LOSS) BEFORE TRANSFERS	2,303	1,529	2,642	(473)	228	224	6,453
Transfers out	(218)	-	(15)	-	-	-	(233)
TOTAL TRANSFERS	<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)
TOTAL NET POSITION - ENDING	<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)

	Equipment	Radio	Facilities	Reproduction	Stores	Purchasing	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers and users	\$ 17,013	\$ 4,058	\$ 23,089	\$ 1,004	\$ 614	\$ 839	\$ 46,617
Cash from other sources	913	-	446	-	-	87	1,446
Cash paid to employees	(5,009)	(1,256)	(8,236)	(380)	(337)	(679)	(15,897)
Cash paid to suppliers	(7,511)	(308)	(12,313)	(1,028)	(47)	(21)	(21,228)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<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>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Proceeds of interfund loans	-	-	-	403	-	-	403
Repayment of interfund loans	(3,502)	-	(2,119)	-	(235)	(226)	(6,082)
Transfers out	(218)	-	(13)	-	-	-	(233)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>(3,720)</u>	<u>-</u>	<u>(2,134)</u>	<u>403</u>	<u>(235)</u>	<u>(226)</u>	<u>(5,912)</u>
CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES							
Acquisition of capital assets	(1,755)	(1,049)	(569)	-	-	-	(3,373)
Disposal of capital assets	88	-	-	-	-	-	88
Lease proceeds	11,850	-	-	-	-	-	11,850
Repayment of long-term debt	-	-	(223)	-	-	-	(223)
Interest paid on long-term debt	(24)	-	(82)	-	-	-	(106)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>10,159</u>	<u>(1,049)</u>	<u>(874)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,236</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest income (loss)	5	(5)	22	1	5	-	28
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>5</u>	<u>(5)</u>	<u>22</u>	<u>1</u>	<u>5</u>	<u>-</u>	<u>28</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,850	1,440	-	-	-	-	13,290
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	420	3,715	-	-	-	-	4,135
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 12,270</u>	<u>\$ 5,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,425</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Operating income (loss)	\$ 1,552	\$ 1,534	\$ 2,586	\$ (474)	\$ 223	\$ 139	\$ 5,560
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)							
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Other receipts	770	-	116	-	-	85	971
Depreciation	2,067	97	81	29	-	-	2,274
Changes in assets and liabilities							
Receivables	(7)	1	17	-	-	-	11
Inventories	27	-	-	-	-	-	27
Accounts payable and accrued liabilities	997	862	186	41	7	2	2,095
Total Adjustments	<u>3,854</u>	<u>960</u>	<u>400</u>	<u>70</u>	<u>7</u>	<u>87</u>	<u>5,378</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<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>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS							
Cash and investments	\$ -	\$ 5,155	\$ -	\$ -	\$ -	\$ -	\$ 5,155
Restricted cash and investment	12,270	-	-	-	-	-	12,270
TOTAL CASH AND CASH EQUIVALENTS	<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>
ASSETS			
Cash and investments	\$ -	\$ 8,621	\$ 8,621
Receivables:			
Accrued interest and dividends	-	1,189	1,189
Investments and other	7	12,983	12,990
Restricted cash and investments:			
Short-term investments	47	11,231	11,278
U.S. government bonds	-	66,722	66,722
U.S. corporate bonds and mutual funds	1,281	118,312	119,593
Domestic equities and mutual funds	3,219	201,060	204,279
International equities and mutual funds	-	56,868	56,868
Total restricted cash and investments	<u>4,547</u>	<u>454,193</u>	<u>458,740</u>
Securities lending collateral	-	8,876	8,876
TOTAL ASSETS	<u>4,554</u>	<u>485,862</u>	<u>490,416</u>
LIABILITIES			
Due to primary government	62	-	62
Accounts payable and accrued liabilities	47	21,390	21,437
Securities lending liabilities	-	8,876	8,876
TOTAL LIABILITIES	<u>109</u>	<u>30,266</u>	<u>30,375</u>
NET POSITION			
HELD IN TRUST FOR PENSION BENEFITS	<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>
ADDITIONS:			
Contributions:			
Members	\$ -	\$ 7	\$ 7
City	-	210,000	210,000
Total contributions	<u>-</u>	<u>210,007</u>	<u>210,007</u>
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	<u>580</u>	<u>37,303</u>	<u>37,883</u>
Other income	-	43	43
TOTAL ADDITIONS	<u>580</u>	<u>247,353</u>	<u>247,933</u>
DEDUCTIONS:			
Disbursements to members and beneficiaries			
Retirement	310	36,008	36,318
Disability	62	21,735	21,797
Death	2	1,804	1,806
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	<u>374</u>	<u>59,547</u>	<u>59,921</u>
Administrative expenses	209	684	893
TOTAL DEDUCTIONS	<u>583</u>	<u>60,231</u>	<u>60,814</u>
Change in net position	(3)	187,122	187,119
Net position - beginning	4,448	268,474	272,922
NET POSITION - ENDING	<u>\$ 4,445</u>	<u>\$ 455,596</u>	<u>\$ 460,041</u>

CITY OF OAKLAND
Combining Statement of Fiduciary Net Position
Other Private Purpose Trust Funds
June 30, 2013
(In Thousands)

	<u>Private Purpose Trust Fund</u>	<u>Private Pension Trust Fund</u>	<u>Total</u>
ASSETS			
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>
TOTAL ASSETS	<u>7,145</u>	<u>118</u>	<u>7,263</u>
LIABILITIES			
Accounts payable and accrued liabilities	<u>186</u>	<u>-</u>	<u>186</u>
NET POSITION			
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>
ADDITIONS:			
Trust receipts	\$ 308	\$ -	\$ 308
Interest	(11)	-	(11)
Other income	286	-	286
TOTAL ADDITIONS	<u>583</u>	<u>-</u>	<u>583</u>
DEDUCTIONS:			
Administrative expenses	3	89	92
Police services	237	-	237
Aging & Health and Human Services	133	-	133
Housing & Community Development	205	-	205
Other	25	-	25
Capital outlay	6	-	6
TOTAL DEDUCTIONS	<u>609</u>	<u>89</u>	<u>698</u>
Change in net position	(26)	(89)	(115)
NET POSITION - BEGINNING	<u>6,985</u>	<u>207</u>	<u>7,192</u>
NET POSITION - ENDING	<u>\$ 6,959</u>	<u>\$ 118</u>	<u>\$ 7,077</u>

STATISTICAL SECTION

CITY OF OAKLAND STATISTICS

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Pledged Revenue Coverage

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

Demographic and Economic Information

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

Operating Information

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

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

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 1

NET POSITION BY COMPONENT
(in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 389,745	\$ 310,673	\$ 319,932	\$ 353,715	\$ 401,881	\$ 442,791	\$ 478,689	\$ 538,815	\$ 663,785	\$ 712,606
Restricted	316,026	292,415	267,824	317,558	336,908	338,514	372,439	382,563	274,004	142,506
Unrestricted	(260,074)	(55,983)	(8,522)	37,704	(117,971)	(156,331)	(301,692)	(334,771)	(18,621)	(51,171)
Total net position - governmental activities	\$ 445,697	\$ 547,065	\$ 579,234	\$ 708,977	\$ 620,818	\$ 624,976	\$ 549,436	\$ 586,607	\$ 919,168	\$ 803,941
Business-type activities										
Net investment in capital assets	\$ 113,610	\$ 107,396	\$ 110,279	\$ 109,886	\$ 111,881	\$ 111,961	\$ 111,718	\$ 114,297	\$ 122,911	\$ 129,542
Unrestricted	(6,185)	3,114	989	2,171	7,711	15,037	26,126	37,429	44,061	53,341
Total net position - business-type activities	\$ 107,425	\$ 110,510	\$ 111,268	\$ 112,059	\$ 119,612	\$ 128,998	\$ 139,844	\$ 151,726	\$ 166,972	\$ 182,883
Primary government										
Net investment in capital assets	\$ 502,953	\$ 418,029	\$ 430,211	\$ 463,601	\$ 513,762	\$ 556,754	\$ 592,407	\$ 653,112	\$ 786,696	\$ 842,148
Restricted	316,026	292,415	267,824	317,558	336,908	338,514	372,439	382,563	274,004	142,506
Unrestricted	(266,259)	(52,869)	(7,533)	39,877	(110,240)	(141,294)	(275,566)	(297,342)	25,440	2,170
Total net position - primary government	\$ 552,722	\$ 657,575	\$ 690,502	\$ 821,036	\$ 740,430	\$ 751,974	\$ 689,280	\$ 738,333	\$ 1,086,140	\$ 986,824

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Statement of Net Position.

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 2

CHANGES IN NET POSITION

(in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities										
General government	\$ 67,069	\$ 65,865	\$ 71,471	\$ 91,119	\$ 102,218	\$ 94,957	\$ 83,295	\$ 75,381	\$ 83,131	\$ 93,942
Public safety	297,869	119,908	335,171	348,436	412,050	424,435	431,333	372,587	351,566	363,597
Late 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	121,180	117,680	140,351	183,968	203,406	182,327	222,226	158,209	138,596	81,182
Public works	70,969	107,457	100,448	101,075	79,748	74,081	70,757	88,121	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	\$ 25,510	\$ 26,899	\$ 27,971	\$ 31,227	\$ 34,504
Parks and recreation	159	160	734	1,087	184	652	520	740	492	643
Total business-type activities	\$ 20,756	\$ 21,497	\$ 25,575	\$ 30,452	\$ 30,886	\$ 26,162	\$ 27,419	\$ 28,711	\$ 31,719	\$ 35,147
Total primary government expenses	\$ 738,357	\$ 791,303	\$ 848,142	\$ 940,642	\$ 1,017,768	\$ 993,173	\$ 1,008,019	\$ 940,365	\$ 898,681	\$ 819,549
Program Revenues (see schedule 3)										
Governmental activities										
Charges for services										
General government	\$ 14,911	\$ 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
Late enrichment	73	125	79	3,992	5,110	11,084	8,128	8,483	-	-
Community services	-	-	-	-	-	-	-	-	8,302	6,142
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	73,154	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	\$ 220,468	\$ 232,655	\$ 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	772
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	\$ 256,646	\$ 272,270	\$ 334,767	\$ 335,035	\$ 295,725
Net (Expense)/Revenue										
Governmental activities	\$ (563,438)	\$ (583,645)	\$ (674,702)	\$ (735,868)	\$ (785,308)	\$ (746,601)	\$ (747,965)	\$ (618,837)	\$ (580,702)	\$ (541,968)
Business-type activities	1,892	2,999	(700)	(356)	2,865	9,996	12,196	13,239	17,056	18,144
Total primary government net expense	\$ (561,546)	\$ (580,646)	\$ (675,402)	\$ (736,224)	\$ (782,443)	\$ (736,607)	\$ (735,769)	\$ (605,598)	\$ (563,646)	\$ (523,824)
General Revenues and Other Changes In Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 200,731	\$ 234,127	\$ 268,693	\$ 317,666	\$ 358,538	\$ 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	70,406	108,048	50,155	81,885	58,374	35,672	51,172	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	\$ 613,263	\$ 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	\$ 611,453	\$ 427,546
Change in Net Position										
Governmental activities	\$ 11,476	\$ 101,768	\$ 32,169	\$ 129,743	\$ (18,967)	\$ 4,158	\$ (56,558)	\$ 17,171	\$ 132,561	\$ (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	\$ 12,862	\$ 104,853	\$ 32,927	\$ 130,534	\$ (15,268)	\$ 13,544	\$ (45,712)	\$ 29,053	\$ 147,807	\$ (96,278)

Note: The City began to report actuarial information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Statement of Activities

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 3

PROGRAM REVENUES BY FUNCTION/PROGRAM
(in thousands)

Function/Program	<u>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>		<u>2011</u>	<u>2012</u>	<u>2013</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	\$ 233,308	\$ 291,837	\$ 286,519	\$ 281,907	\$ 247,684	\$ 236,949	\$ 233,050				
General Fund (2)											
Restricted									\$ 106,692	\$ 110,708	\$ 165,400
Committed									3,890	70,284	-
Assigned									65,985	6,256	58,452
Unassigned									48,794	68,681	21,791
Total general fund									\$ 225,361	\$ 255,929	\$ 245,643
All Other Governmental Funds (1)											
Reserved	\$ 284,475	\$ 445,531	\$ 496,474	\$ 797,702	\$ 828,314	\$ 788,476	\$ 761,679				
Unreserved reported in:											
Special revenue funds	4,704	19,785	42,102	32,444	8,129	9,553	(16,486)				
Capital projects funds	164,788	143,456	130,221	98,912	73,147	41,322	66,136				
Total all other governmental funds	\$ 453,967	\$ 608,772	\$ 668,797	\$ 929,058	\$ 909,590	\$ 839,351	\$ 811,329				
All Other Governmental Funds (2)											
Restricted									\$ 481,124	\$ 264,460	\$ 248,517
Committed									139,178	13,420	16,075
Assigned									188,722	179,063	61,373
Unassigned									(2,669)	(1,416)	(9,849)
									\$ 806,355	\$ 455,527	\$ 316,116

Note

- (1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002
(2) The City implemented GASB Statement No. 54 under which governmental fund balances are reported as restricted, committed assigned and 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
Revenues										
Taxes (see Schedule 6)	\$ 457,949	\$ 535,706	\$ 578,474	\$ 616,754	\$ 648,153	\$ 641,086	\$ 622,901	\$ 612,328	\$ 578,100	\$ 569,193
Licenses and permits	13,476	15,676	19,006	20,390	19,319	14,467	12,124	13,297	12,079	13,331
Fines and penalties	28,189	26,325	25,467	26,859	23,497	29,348	31,220	29,440	27,204	26,657
Interest/investment net income	7,672	18,495	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	74,258	24,200	40,587	32,116	32,290	34,427	39,278
Total revenues	\$ 702,988	\$ 840,055	\$ 845,715	\$ 960,526	\$ 969,787	\$ 953,832	\$ 936,111	\$ 942,393	\$ 901,164	\$ 844,433
Expenditures										
General government	\$ 42,225	\$ 45,466	\$ 49,411	\$ 67,194	\$ 45,600	\$ 40,838	\$ 35,710	\$ 33,781	\$ 50,992	\$ 71,990
Financial and Personnel Services	22,339	22,197	24,181	26,018	35,761	34,863	30,943	28,756	27,371	15,337
Information Technology	-	-	-	-	13,666	12,975	9,137	8,276	7,746	7,753
Contracting and Purchasing	-	-	-	-	2,280	1,959	2,100	2,082	-	-
Police services	166,175	178,813	187,968	206,561	225,895	231,789	218,129	205,292	220,115	331,382
Fire services	91,542	98,029	111,162	112,699	118,429	119,711	111,383	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	45,420
Public Works	60,328	73,338	79,816	91,490	71,971	64,288	57,133	71,099	69,763	72,497
Other	30,372	38,327	23,048	10,641	10,597	20,099	8,328	27,062	18,460	13,243
Capital outlay	24,779	36,219	25,014	49,895	46,312	44,418	61,233	63,532	71,703	103,905
Debt service										
Bond issuance costs	12,874	4,478	2,496	4,467	4,210	864	1,558	828	359	1,958
Other refunding cost	-	-	-	-	5,674	-	-	-	-	3,110
Principal	61,831	88,506	72,583	79,964	92,940	138,854	105,742	86,965	125,570	74,886
Interest	62,897	60,656	69,027	69,682	71,528	65,157	69,097	89,514	67,175	58,208
Total expenditures	\$ 760,029	\$ 827,346	\$ 874,185	\$ 991,827	\$ 1,059,596	\$ 1,084,198	\$ 1,044,971	\$ 1,016,603	\$ 1,016,568	\$ 1,125,651
Excess of revenues over (under) expenditures	\$ (57,041)	\$ 12,709	\$ (28,470)	\$ (31,301)	\$ (89,809)	\$ (130,346)	\$ (108,860)	\$ (74,210)	\$ (115,404)	\$ (281,218)
Other Financing Sources (Uses)										
Issuance of debt	\$ 1,927	\$ 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	13,555	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)	(117,475)
Total other financing sources (uses)	\$ 98,866	\$ 240,625	\$ 83,177	\$ 227,930	\$ 36,118	\$ 49,572	\$ 76,939	\$ 61,547	\$ 70,143	\$ 234,025
Special item	\$ -	\$ -	\$ -	\$ 59,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Extraordinary loss from dissolution of former Redevelopment Agency	-	-	-	-	-	-	-	-	(274,999)	-
Extraordinary loss due to State Controller's Office asset transfer review and California Department of Finance disallowances	-	-	-	-	-	-	-	-	-	(102,504)
Net change in fund balances	\$ 41,825	\$ 213,334	\$ 54,707	\$ 255,649	\$ (53,691)	\$ (80,974)	\$ (31,921)	\$ (12,663)	\$ (320,260)	\$ (149,697)
Total fund balance - beginning	645,450	687,275	900,609	955,316	1,210,965	1,157,274	1,076,300	1,044,379	1,031,716	711,456
Total fund balance - ending	\$ 687,275	\$ 900,609	\$ 955,316	\$ 1,210,965	\$ 1,157,274	\$ 1,076,300	\$ 1,044,379	\$ 1,031,716	\$ 711,456	\$ 561,759
Debt service as a percentage of noncapital expenditures	16.96%	18.85%	16.68%	15.89%	17.00%	20.33%	18.13%	18.85%	20.97%	13.74%

Note: Debt ratio was calculated by dividing principal and interest by total government expenditures excluding capital outlay \$156,715 for fiscal year 2013.

General government include Mayor, Council, City Administrator, City Attorney, City Auditor and City Clerk.

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

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 6

**TAX REVENUES BY SOURCE,
GOVERNMENTAL FUNDS**

(in thousands)

Fiscal Year	Property	Sales & Use	Motor Vehicle in-lieu	Gas	Business License	Utility Consumption	Real Estate Transfer	Transient Occupancy	Parking	Voter Approved	Franchise	Total
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	City Direct Rates				Overlapping Rates								
	Basic Rate	Debt Service Fund	1981 Pension Liability	Total Direct Rate	Alameda County	Education	Education Debt	BART and AC Transit	BART Debt	Other	East Bay Municipal Utility Debt	East Bay Regional Parks District	East Bay Reg. Parks District Debt
2004	0.3485	0.0751	0.1575	0.5811	0.3086	0.2165	0.0923	0.0517	-	0.0505	0.0079	0.0242	0.0057
2005	0.3485	0.0474	0.1575	0.5534	0.3086	0.2165	0.0875	0.0517	-	0.0505	0.0076	0.0242	0.0057
2006	0.3485	0.0459	0.1575	0.5519	0.3086	0.2165	0.1018	0.0517	-	0.0505	0.0072	0.0242	0.0057
2007	0.3485	0.0607	0.1575	0.5667	0.3086	0.2165	0.1074	0.0517	-	0.0505	0.0068	0.0242	0.0085
2008	0.3485	0.0448	0.1575	0.5508	0.3086	0.2165	0.1030	0.0517	-	0.0505	0.0065	0.0242	0.0080
2009	0.3485	0.0354	0.1575	0.5414	0.3086	0.2165	0.1197	0.0517		0.0505	0.0064	0.0242	0.0100
2010	0.3485	0.0614	0.1575	0.5674	0.3086	0.2165	0.1689	0.0517	0.0057	0.0505	0.0065	0.0242	0.0108
2011	0.3485	0.0632	0.1575	0.5692	0.3086	0.2165	0.1697	0.0517	0.0031	0.0505	0.0067	0.0242	0.0084
2012	0.3485	0.0617	0.1575	0.5677	0.3086	0.2165	0.1741	0.0517	0.0041	0.0505	0.0067	0.0242	0.0071
2013	0.3485	0.0502	0.1575	0.5562	0.3086	0.2165	0.1818	0.0517	0.0043	0.0505	0.0068	0.0242	0.0051

Note: Rates per \$1,000 assessed value

Source: County of Alameda

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 9

PRINCIPAL PROPERTY TAX PAYERS

Taxpayer	2004 (1)			2013 (2)		
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Rank	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Rank
Kaiser Foundation Hospitals				1,110,688,767	2.811%	1
Oakland City Center Venture LLC	\$ 198,793,989	0.735%	1	240,601,320	0.609%	2
SIC Lakeside Drive LLC				212,718,150	0.538%	3
CIM Oakland Center 21 LP				176,683,175	0.447%	4
Kaiser Foundation Health Plan Inc	110,137,298	0.407%	5	157,967,889	0.400%	5
CIM Oakland 1 Kaiser Plaza LP				130,206,394	0.330%	6
Digital 720 2ND LLC				128,264,362	0.325%	7
1800 Harrison Foundation	108,415,864	0.401%	6	125,009,321	0.316%	8
Oakland Property LLC				125,000,000	0.316%	9
555 Twelfth Street Venture LLC	91,810,447	0.340%	8	118,911,753	0.301%	10
Kaiser Center, Inc	135,450,568	0.501%	2	N/A		
KSL Claremont Resort, Inc	126,056,775	0.466%	3	N/A		
Prentiss Properties Acquisition Partners LP	122,546,253	0.453%	4	N/A		
Lake Merritt Plaza	99,774,190	0.369%	7	N/A		
Clorox Company	89,724,898	0.332%	9	N/A		
Webster Street Partners, Ltd	73,959,334	0.274%	10	N/A		
Total	\$ 1,156,669,616	4.278%		\$ 2,526,051,131	6.393%	

Notes

(1) 2004 based on total assessed value of \$27,045,905,613

(2) 2013 based on total assessed value of \$39,515,578,256

Source: County of Alameda

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 10

**PROPERTY TAX LEVIES
AND COLLECTIONS**

(in thousands)

1% TAX ROLL							
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Year	Total Collections to Date		
		Amount	Percent of Levy		Amount	Percent of Levy	
2004	65,248	63,546	97.39%	0	63,546	97.39%	
2005	68,095	66,301	97.37%	0	66,301	97.37%	
2006	73,331	71,198	97.09%	0	71,198	97.09%	
2007	79,357	75,654	95.33%	0	75,654	95.33%	
2008	86,220	81,048	94.00%	0	81,048	94.00%	
2009	89,482	84,063	93.94%	0	84,063	93.94%	
2010	85,706	82,015	95.69%	0	82,015	95.69%	
2011	83,960	81,013	96.49%	0	81,013	96.49%	
2012	84,590	81,823	96.73%	0	81,823	96.73%	
2013	85,791	83,756	97.63%	0	83,756	97.63%	

Voter-Approved Debt Tax Roll							
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Year	Total Collections to Date		
		Amount	Percent of Levy		Amount	Percent of Levy	
2004	61,760	59,602	96.51%	0	59,602	96.51%	
2005	59,673	57,558	96.46%	0	57,558	96.46%	
2006	63,369	60,887	96.08%	0	60,887	96.08%	
2007	75,071	70,586	94.03%	0	70,586	94.03%	
2008	76,453	70,621	92.37%	0	70,621	92.37%	
2009	75,753	70,494	93.06%	0	70,494	93.06%	
2010	83,581	79,172	94.72%	0	79,172	94.72%	
2011	85,262	81,506	95.59%	0	81,506	95.59%	
2012	85,076	82,413	96.87%	0	82,413	96.87%	
2013	82,312	80,328	97.59%	0	80,328	97.59%	

Note: Collections in subsequent year data not available

Source: County of Alameda

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 11

TAXABLE SALES BY CATEGORY

(in thousands)

	Fiscal Year									
	<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
Total	\$ 3,704,058	\$ 4,021,035	\$ 4,447,335	\$ 4,572,277	\$ 4,640,233	\$ 3,689,379	\$ 3,220,652	\$ 3,532,064	\$ 4,125,068	\$ 4,150,579
City direct sales tax rate			1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

Source: HdL Companies

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 12

**DIRECT AND OVERLAPPING
SALES TAX RATES**

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>State of California</u>
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 Oblg 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	7,708	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

Fiscal Year	Net Bonded Debt (1)	Assessed Value (2)	Percentage of Actual Taxable Value of Property (%)	Per Capita (3) <i>(in dollars)</i>
2004	1,489,807	27,046,000	5.5084	563.76
2005	1,618,349	29,277,000	5.5277	550.59
2006	1,633,723	32,244,000	5.0668	869.75
2007	1,792,471	35,820,000	5.0041	4,314.09
2008	1,732,650	39,319,000	4.4066	4,123.56
2009	1,651,021	41,274,000	4.0001	3,884.13
2010	1,634,120	39,877,000	4.0979	3,794.40
2011	1,596,287	38,484,140	4.1479	4,062.50
2012	973,570	38,856,435	2.5056	2,462.61
2013	1,147,758	39,515,578	2.9046	2,874.24

(1) Source: City of Oakland Annual Debt Service Roll Forward, General Obligation Debt Total as of June 30, 2013

(2) Source: County of Alameda

(3) Population 399,326 as of 1/1/13 per State of California Demographic Information by City.

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 15

**DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT**

<u>Governmental Unit</u>	<u>Estimated Percentage Applicable</u>	<u>City Share of Debt</u>
Direct Bonded Debt		
City of Oakland General Obligation Bonds	100	\$ 309,793,000
City of Oakland Lease Revenue Bonds	100	176,850,000
City of Oakland Pension Obligations	100	367,394,000
City of Oakland 1915 Act Bond Obligations	100	6,690,000
City of Oakland Accreted Interest on Appreciation Bonds	100	162,874,000
City of Oakland Unamortized Premium and Discount	100	20,219,000
City of Oakland Notes and Capital Leases	100	47,043,000
City of Oakland and Coliseum Authority General Fund Obligations	100	56,895,000
Total Direct Bonded Debt:		<u>\$ 1,147,758,000</u>
Overlapping Bonded Debt		
Alameda-Contra Costa Transit District Certificates of Participation	23 570	\$ 7,396,266
Alameda County and Coliseum Authority General Fund Obligation	20 180	128,942,128
Alameda County Pension Obligations	20 180	22,052,220
Bay Area Rapid Transit District	7 937	32,596,465
East Bay Municipal Utility District, Special District #1	52 379	9,718,923
East Bay Regional Park District	12 266	16,628,403
Chabot-Las Positas Community College District	0 828	3,629,587
Chabot-Las Positas Community College District General Fund Obligations	0 000	-
Peralta Community College District	35 019	228,592,941
Peralta Community College District Pension Obligation	55 019	88,112,428
Berkeley & Castro Valley Unified School District	0 004 & 0 121	123,434
Oakland Unified School District	99 999	740,417,596
Oakland Unified School District Certificates of Participation	99 999	46,814,532
San Leandro Unified School District	7 469	12,132,374
Castro Valley Unified School District Certificates of Participation	0 121	7,435
City of Emeryville 1915 Act Bonds	4 183	273,568
City of Piedmont 1915 Act Bonds	4 792	151,427
Total Overlapping Bonded Debt:		<u>\$ 1,337,589,727</u>
Total Direct and Overlapping Debt		<u>\$ 2,485,347,727</u>
Less East Bay M U D Special District #1 (100% self-supporting)		<u>9,718,923</u>
Total Net Direct and Overlapping Bonded Debt		<u>\$ 2,475,628,804</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

**PLEGDED-REVENUE COVERAGE,
PORT OF OAKLAND, OAKLAND REDEVELOPMENT AGENCY AND
OAKLAND REDEVELOPMENT SUCCESSOR AGENCY**

(thousands of dollars)

Fiscal Year	Net Revenue Available for Debt Services	Principal	Interest	Total	Coverage
<u>PORT OF OAKLAND</u>					
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%
<u>OAKLAND REDEVELOPMENT AGENCY</u>					
2009	3,456,253	505,595	343,747	849,342	406.93%
2010	3,100,961	488,900	316,344	805,244	385.10%
2011	3,041,760	523,905	378,570	902,475	337.05%
<u>OAKLAND REDEVELOPMENT SUCCESSOR AGENCY</u>					
2012	2,949,755	503,540	348,207	851,747	346.32%
2013	2,856,580	480,995	318,894	799,889	357.12%

Notes (from Port of Oakland)

(1) Revised from 130.15% to reflect the application of \$9.5 million bond reserve funds from Series F, Series K, Series L and Series N to debt service

(2) Revised from 148.85% to reflect the application of unspent Series M bond proceeds to debt service

Source: Port of Oakland and Oakland Redevelopment Successor Agency

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 18

DEMOGRAPHIC AND ECONOMIC STATISTICS

Calendar Year	Population	Personal Income <i>(thousands of dollars)</i>	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate (%)
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	49,601			44,850		

Note: Data pertaining to principal employers for the past 10 years is not readily available. As such, we used 2006 data as our base year which is the earliest information available.

Source: Fiscal Year 2006 - Economic Development Alliance for Business, Alameda County Largest Employers
 Fiscal Year 2013 - City of Oakland, Department of Economic and Workforce Development
 Total employment of 181,499 (2013 estimate) from DemographicsNow.com is used to calculate the percentage of employment.

**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	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4
Information Technology	73	72	76	76	92	88	67	62	60	55
Library	181	172	173	160	150	140	133	135	134	138
Cultural Arts/KTOP	22	22	22	22	21	20	12	12	8	8
Museum	67	61	56	58	55	51	42	38	N/A	N/A
Parks and Recreation	216	81	88	81	76	92	82	87	83	84
Planning, Building & Neighborhood Preservation	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	119	111
Police										
Officers	759	714	701	725	746	791	763	627	634	621
Civilians	385	370	354	335	432	303	305	279	311	350
Public Works	609	698	709	727	561	546	482	593	593	588
Housing & Community Development	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	44	43
Total	3,822	3,634	3,614	3,676	3,804	3,614	3,401	3,205	3,055	3,063

Source: City of Oakland Payroll Division

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 21

**OPERATING INDICATORS BY
FUNCTION/PROGRAM**

<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)	<u>14,710,407</u>	<u>16,191,383</u>	<u>16,258,547</u>	<u>17,357,582</u>	<u>17,647,626</u>	<u>18,429,153</u>	<u>18,370,822</u>
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	N/A	N/A	N/A	N/A	N/A	N/A
Fire hydrants	6,705	6,719	6,733	6,738	6,759	6,697	6,812
Storage capacity (thousands of gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater							
Sanitary sewers (miles)	29	29	29	29	29	29	29
Treatment capacity (million gallons per day)	120	320	320	320	320	320	320

Source: City of Oakland, Port of Oakland, and East Bay Municipal Utility District
 Note: Harbor Facilities data based on prior calendar year, fiscal year data unavailable

CITY OF OAKLAND STATISTICS

GENERAL INFORMATION

The City of Oakland is located on the eastern side of the Oakland/San Francisco Bay in the County of Alameda. Its western border offers 19 miles of coastline, while the rolling hills to the east present views of the Bay and the Pacific Ocean. In between are traditional, well-kept neighborhoods, a progressive downtown and superior cultural and recreational amenities. It is the administrative site for the County of Alameda, the regional seat for the federal government, the district location of primary state offices, and the *transportation hub and center of commerce* for the Bay Area.

With an estimated population of over 399,326, ranking the eighth largest city in the State of California, Oakland is a city of contrasts. It has a thriving industrial port located near restored historic buildings. Major corporate headquarters are in close proximity to traditional businesses and small shops. Historic structures continue to be preserved and revitalized while new buildings are built.

Oakland has grown rapidly since World War II. It has striven to balance this growth by preserving its abundant natural beauty and resources. The City has 106 parks within its borders and several recreational areas along its perimeter. The downtown area includes Lake Merritt, the largest saltwater lake within a U.S. city. Its shoreline is a favorite retreat for joggers, office workers and picnickers. At dusk, the area sparkles as the lake is lit with the "Necklace of Lights." Lake Merritt is the oldest officially declared wildlife sanctuary in the United States, dating back to 1870.

ALL-AMERICAN CITY

According to U.S. Census figures, Oakland is the most culturally and ethnically diverse city in America. This diversity is reflected in a dynamic, multicultural arts, culture and dining scene. Less obvious to people passing through Oakland is the extraordinary number of individuals and groups of all ethnic backgrounds who work quietly, often voluntarily, usually with little public notice, to improve living conditions for everyone. There are about 150 neighborhood, community, and merchant organizations in Oakland, an unusually large number for any city.

In recognition of these activities, the City and its residents were awarded the National Civic League's prestigious All-American City designation. Ten cities out of 151 applicants were selected. Each had to demonstrate broad-based citizen involvement reflecting the community's demographics, the shared decision-making among its public and private sectors, the creative mobilization of community resources, and the willingness to confront critical local issues and results that have a lasting impact.

GOVERNMENT

In November 1998, the citizens of Oakland passed Measure X to change the form of government from Council/Manager to Mayor/Council through a charter amendment. The legislative authority is vested in the City Council. The executive authority is vested in the Mayor with administrative authority resting with the City Manager under the direction of the Mayor. The City Auditor and the City Attorney are both elected officials and serve four-year terms.

The Mayor and City Council is the governing body of the City and is comprised of eight elected officials. One Council member is elected "at large", while the other seven Council members represent specific districts. The Mayor and City Council are elected to serve four-year terms. The City Manager, appointed by the Mayor, is responsible for day-to-day administrative and fiscal operations of the City.

CITY OF OAKLAND STATISTICS

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

The City provides a full range of services contemplated by statute or charter, including those functions delegated to cities under state law. These services include public safety (police and fire), sanitation and environmental health enforcement, recreational and cultural activities, public improvements, planning, zoning, and general administrative services. Oakland is also the seat of Alameda County, which is one of California's largest counties.

COMMERCIAL SECTORS

Oakland has made significant gains in diversifying its economic base. The economy offers a healthy mix of trade, government, information technology, financial, medical, publishing, and service-oriented occupations. Industries with the largest growth in jobs in the last few years are professional and business services, education and healthcare, government, leisure and hospitality, traditional and specialty food production.

Oakland is abundant in resources that are available to its businesses and residents. State-of-the-art transportation, communications, and utility facilities keep the City running smoothly. Waterfront restaurants, shops, and a movie theater at Jack London Square, as well as the burgeoning Old Oakland and Uptown districts provide lively nighttime attractions. In addition, new office and retail buildings, public facilities, hotels, park enhancements, farmer's markets, outdoor cinema, art galleries and scores of public art installations and the annual Art & Soul festival have created a cosmopolitan environment in the downtown. The City's neighborhood retail area continues to grow; it now has six Business Improvement Districts. Manufacturing remains an important segment of the City's economy, some industrial areas have been converted into live/work use.

City departments and processes are being streamlined, restructured, and customer focused to better serve the needs of the businesses and the community. A variety of incentives are available to companies located in its Enterprise, Foreign Trade, and Recycling Market Development Zones. The staff link businesses with the many services available to them throughout the area and serves as an ombudsman for companies dealing with the City. Neighborhood Commercial Specialists work with merchants in each commercial district to promote the district, obtain loans, expedite permits, and arrange for City services.

Oakland is a city of rich history, impressive growth, and a promising future. Located within the **nation's largest metropolitan area**, California's eighth largest city is strategically positioned as the economic heart of the East Bay. Oakland has a diverse business base and opportunities for expansion in business services, retail, and the cutting-edge advanced technology industries. Downtown Oakland has the infrastructure and the amenities for both traditional and emerging enterprises, and it offers competitively priced office space.

As the economic, transportation, and civic hub of the East Bay, Oakland offers tremendous opportunity for retailers. The City's approximately 399,326 residents per capita income in 2013 averaged \$31,030. Portions of Oakland are among the wealthiest consumer markets in California; average household income for this area was \$70,004, compared to the US average which was \$67,073. Estimated annual taxable sales were \$4.1 billion in 2013. Compared to other East Bay cities, Oakland sees a significant number of auto-related purchases, with opportunities available in consumer goods, building materials, and office products.

CITY OF OAKLAND STATISTICS

The City of Oakland has transformed itself into one of the most desirable communities to live and to do business in the country. Testimony to this transformation is well publicized in various media and comments by public officials. For example, the City:

- "...ranked America's most exciting city." (real estate website Movoto 2013)
- "...named among top 15 cities for tech startups." (National Venture Capital Association 2013);
- "...ranked 5th most desirable destination to visit in the world." (New York Times 2012);
- "...ranked 3rd Most Active City in the U.S." (Men's Health magazine 2011);
- "...ranked in top 10 for U.S. office, industrial and multi-housing markets." (Grubb & Ellis Company, 2011);
- "...ranked 2nd in the Top "Can-Do" Cities in America." (Newsweek, 2011);
- "...one of the 20 towns of the future." (Sunset Magazine, 2011);
- "...ranked nation's 5th coolest city according to Forbes Magazine 2010";
- "...ranked 4th Green Cities." (Mother Nature Network 2009);
- "...among the top ten in 2008 US Cities Sustainability Ranking." (Sustainlane.com 2008);

DEMOGRAPHICS

Oakland is a Mecca of culture, a community of people from all over the world working together to build a progressive City. At the same time, it has maintained a rich heritage of ethnic backgrounds and traditions.

The well-maintained four freeways (I-880, I-580, Hwy 13, and Hwy 24), mass transit systems, and ferry service make getting to and from downtown Oakland a relatively quick and easy process—travel times to San Francisco, San Jose and other area cities are surprisingly short.

Since taking office in January 2011, Mayor Quan regularly meets with neighborhood retailers, participates in meetings with regional business leaders, and co-hosted a Mega-Region Conference with the Chamber of Commerce and the Port of Oakland to encourage regional investment in the Port of Oakland. Her recent Trade Mission to China also focused on promoting the Port of Oakland as a West Coast hub for trade with China. Creating jobs in Oakland will help the City and its residents thrive as the economy rebounds.

Mayor Quan Talks with Chinese Investors

They spent six days in China leading a trade mission with the Port of Oakland to Beijing, Shenzhen and Hong Kong to encourage increased trade through the Port and investment in Oakland. President Obama has set a goal of doubling the trade with Asia at the Port of Oakland that translates to 5,000 new jobs. This trip helped promote opportunities to make that goal a reality in Oakland.

Get Connected Oakland!

The Mayor's Office has joined a city-wide initiative to make Oakland one of the most "connected" cities in the nation. Eliminating the Digital Divide plays a pivotal role in the education and career success of young people and helps seniors stay connected and avoid isolation. The Mayor has joined a coalition of public and private organizations that is working together to expand broadband connection throughout the city. Working with recreation centers, senior programs, schools, senior centers, Oakland Housing Authority, the County and others, the goal is to provide easy access to the internet for Oakland residents no matter where they live or what their economic status.

CITY OF OAKLAND STATISTICS

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 salmon, 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 STATISTICS

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

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.

CITY OF OAKLAND STATISTICS

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

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.

CITY OF OAKLAND STATISTICS

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.

CITY OF OAKLAND

Communications to City Council
Year Ended June 30, 2013

Certified Public Accountants.

Certified Public Accountants.

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Sacramento

Walnut Creek

LAVCentury City

Newport Beach

San Diego

Seattle

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oakland (City) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. Our report includes a reference to other auditors who audited the financial statements of the Oakland Municipal Employees' Retirement System (OMERS) and the Oakland Police and Fire Retirement System (PFRS), as described in our report on the City's financial statements dated December 13, 2013. This communication does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We have also included other recommendations identified in our audit in the accompanying Current Year Recommendations section of this report. The City's responses to the recommendations are also described in the accompanying Current Year Recommendations section. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them. In addition, we would be pleased to discuss the recommendations in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

CITY OF OAKLAND

Communications to City Council
Year Ended June 30, 2013

REQUIRED COMMUNICATIONS

Significant Audit Findings

I. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 2 to the financial statements. As described in Note 2 to the financial statements, the City changed accounting policies related to the following:

- ***GASB 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 non-governmental 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.

- ***GASB Statement No. 61 – The Financial Reporting Entity: Omnibus***

This statement modifies existing requirements for the assessment of potential component units (as stated in GASB Statement No. 14 – *The Financial Reporting Entity* and Statement No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*) in determining what should be included in the financial reporting entity and financial reporting disclosure requirements. As of July 1, 2012, the City adopted the provisions of this statement, which did not have a significant impact on its financial statements.

- ***Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements***

This statement incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict 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 Statement No. 63 – The Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***

This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements in Statement No. 34 – *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. As of July 1, 2012, the City adopted the provisions of this statement, which did not have a significant impact on its financial statements.

CITY OF OAKLAND

Communications to City Council
Year Ended June 30, 2013

REQUIRED COMMUNICATIONS (Continued)

I. Qualitative Aspects of Accounting Practices (Continued)

- *GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities*

This statement 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 of July 1, 2012, the City implemented this statement and restated the beginning net position by \$3.0 million in the primary government, \$21.1 million in the Port, and \$4.1 million in the Oakland Redevelopment Successor Agency (ORSA) to write off unamortized bond issuance costs that were previously reported as assets. In addition, the remaining balance of prepaid insurance was reclassified from deferred charges to assets and the remaining unamortized loss on refunding was reclassified from contra liabilities to deferred outflows of resources.

The City presents the Port of Oakland (Port) in a unique manner as compared to other local governmental entities with port operations. All local government entities we sampled reflect their ports as departments of the organization rather than as a discretely presented component unit. Some of these ports have similar management structures with a Board of Commissioners appointed by the sponsoring city's mayor/city council to oversee the operations of the port. Management's representation to us was that the Port operates with a separate legal standing (i.e. using its own corporate powers) under the City Charter, which would allow for this presentation. In addition, the City Attorney's Office has represented that the Port operates very similar to a corporation with the Charter acting as its Articles of Incorporation and By-Laws. Ultimately, the City's presentation of the Port makes it less comparable to other cities that have port operations, thus, being a unique presentation.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

- *Fair value of investments.* The City's investments are generally carried at fair value, which is defined as the amount that the City could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller and is generally measured by quoted market prices.
- *Estimated unbilled sewer service revenue.* The estimates for unbilled sewer service revenue are based on an evaluation of the sewer service reports from the East Bay Municipal Utility District (EBMUD), cash flows, monthly billing cycles, and historical billings.
- *Estimated allowance for losses on accounts receivable.* The allowance for losses on accounts receivable represents aged receivables over 360 days.

CITY OF OAKLAND

Communications to City Council
Year Ended June 30, 2013

REQUIRED COMMUNICATIONS (Continued)

I. Qualitative Aspects of Accounting Practices (Continued)

- *Estimated allowance for losses on loans receivable.* The allowance for losses on loans receivable is based on the types of loan (e.g., forgivable, deferred, grant or amortizing) and management's estimate regarding the likelihood of collectability based on loan provisions and collateral.
- *Depreciation estimates for capital assets, including depreciation methods and useful lives assigned to depreciable properties.* The estimated useful lives of capital assets were determined based on the nature of the capital assets and management's estimate of the economic life of the assets.
- *Accrual of compensated absences.* Accrual of vacation and sick leave is based on unused employee sick leave, vacation, and other compensatory time, and employees pay rates at year-end.
- *Estimated claims liabilities.* Reserves for estimated claims liabilities were based on actuarial evaluations using historical loss, other data, and attorney judgment about the ultimate outcome of the claims.
- *Valuation of the net pension asset.* The net pension asset is the amount that exceeded the City's actuarially determined annual required contribution, which is based upon certain approved actuarial assumptions. This amount is then amortized over the amortization period used by the actuary to recognize the excess contribution as pension costs over time.
- *Annual required contributions to pension and other postemployment benefit plans.* The City is required to contribute to its pension plans at an actuarially determined rate and to measure other postemployment benefit costs based upon certain approved actuarial assumptions.

The actuarial pension and other postemployment benefits data, including the funded status and required contributions of the plans, is based on actuarial calculations performed in accordance with the parameters set forth in GASB Statements No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27* for the pension plans and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the other postemployment benefits, which incorporate actuarial methods and assumptions adopted by the City.

- *Estimated environmental costs.* Estimated environmental costs are based on reports from the City's Public Works Department Environmental Services and external consultants.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are the disclosures related to extraordinary items, investments, long-term obligations, and pension and other postemployment benefits. The disclosures about extraordinary items, investments, long-term obligations, and pension and other postemployment benefits are described in Notes 2, 3, 11, 15 and 16, respectively, to the financial statements. The financial statement disclosures are neutral, consistent, and clear.

CITY OF OAKLAND

Communications to City Council
Year Ended June 30, 2013

REQUIRED COMMUNICATIONS (Continued)

II. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

III. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

IV. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

V. Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 13, 2013.

VI. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

VII. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

CITY OF OAKLAND

Communications to City Council
Year Ended June 30, 2013

REQUIRED COMMUNICATIONS (Continued)

Other Matters

VIII. Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

IX. Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the financial statements and our report does not extend beyond the financial information identified in our audit report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. The City includes its financial statements and our report in its Comprehensive Annual Financial Report (CAFR). However, we read the other information in City's CAFR and considered whether such information, or its manner of presentation, was materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. Nothing came to our attention that caused us to believe that such information, or manner of its presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

During the year, the City included audited financial statements for the year ended June 30, 2012 in various debt offering documents (e.g., Official Statements). We do not have an obligation to perform any procedures to corroborate other information contained in such debt offering documents. We were not associated with and did not have any involvement with such documents. Accordingly, we did not perform any procedures on these documents and provide no assurance as to the other information contained in the debt offering documents.

CITY OF OAKLAND

Communications to City Council
Year Ended June 30, 2013

STATUS OF PRIOR RECOMMENDATION

2010-3 Inadequate IT Back-up Recovery Site Location

Significant Deficiency

Best practices for disaster recovery suggest that a back-up location should be at least 20 miles away from the main location and in a location that is not susceptible to the same types of disasters (flood, fire, terrorist acts, etc.) as the main location. The reason for this control is to ensure that the City's systems can be restored in the event of a disaster. The City's current back-up location is four blocks away from the main data center. This second location was chosen because it is a City building with good safety features, including a recent upgrade to withstand significant earthquakes. The City should research back-up locations outside of the 20-mile radius of the main location. Once back-up location options are determined, budgetary resources should be granted to fund the establishment of a back-up location that aligns with best practices and assures the City's back-up financial information and data are secured.

Status of Corrective Action:

Corrective action is in progress.

The Department of Information Technology (DIT) has a routine for daily incremental and monthly full back-ups. Back-up tapes are rotated between Iron Mountain's Sacramento facility and a local site. The DIT requested funding as part of the 2013-2015 capital improvement project planning process for the relocation or collocation of the City's primary Data Center.

The IT Back-up Recovery Site Location request was not funded as of June 30, 2013. However, the DIT has initiated a project to migrate the City's email system to a cloud based solution. Once completed, the project will store the City's email in a geo-redundant email infrastructure with built-in recovery capabilities.