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AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Kirsten LaCasse
Interim Controller

SUBJECT: Oakland Redevelopment Successor Agency (ORSA) Audit Report

DATE: January 19, 2016

City Administrator Approval

Date:

1/26/16

RECOMMENDATION

Staff Recommends That The City Council Accept The Oakland Redevelopment Successor Agency (ORSA) Audit Report For The Year Ended June 30, 2015.

EXECUTIVE SUMMARY

The Finance Department, Controller's Bureau is pleased to present to the City Council the attached Oakland Redevelopment Successor Agency (ORSA) Audit Report.

The audit report incorporates the management's discussion and analysis, basic financial statements, notes to basic financial statements, and independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

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 ORSA as of June 30, 2015. The Auditors expressed an opinion that ORSA's financial statements are fairly stated and in accordance with accounting principles generally accepted in the United States.

Macias, Gini & O'Connell, the City's external auditor, performed the Oakland Redevelopment Successor Agency financial audit for the year ending June 30, 2015 (**Attachment A**). The Independent Auditor's Report for fiscal year ended June 30, 2015 did not contain any findings and did not identify any deficiencies in internal controls.

BACKGROUND / LEGISLATIVE HISTORY

The Oakland Redevelopment Agency (ORA) was established on October 11, 1956, for the purpose of redeveloping certain areas of the City designated as project areas. Its principal activities were acquiring real property for the purpose of removing or preventing blight,

Item: _____
Finance and Management Committee
February 9, 2016

constructing improvements thereon, and rehabilitating and restoring existing properties. The Oakland City Council served as the Redevelopment Agency's Board of Directors. 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. On January 10, 2012, the City Council passed Resolution No. 83679 C.M.S., electing for the City of Oakland to serve as the successor agency to the Redevelopment Agency of the City of Oakland, effective February 1, 2012. Also, at the same meeting, the City Council elected to retain the housing assets, functions, and powers previously performed by the former Agency.

Assembly Bill 1484 ("AB 1484") was enacted on June 27, 2012. AB 1484 provided that successor agencies must be organized as separate public entities from the sponsoring city. Therefore, on July 17, 2012, per Resolution No. 84107 C.M.S., the ORSA was created to serve as successor agency to the ORA to wind down the affairs of the former Redevelopment Agency. The ORSA is a separate public entity from the City, subject to the direction of the Oakland Oversight Board. The Oakland 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; one representative appointed by the County Superintendent of Education; one representative appointed by the Chancellor of California Community Colleges; and one representative appointed by the largest special district taxing entity, i.e. AC Transit. In general, 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. In future years, ORSA will only be allocated property tax revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency, until all these enforceable obligations have been paid in full and all assets have been liquidated. Based upon the nature of its custodial role, the ORSA is reported as fiduciary fund (private-purpose trust fund).

ANALYSIS AND POLICY ALTERNATIVES

The Oakland Redevelopment Successor Agency Financial Report

The Fiscal Year 2014-15 ORSA report provides information on the Successor Agency's financial activities for the year ended June 30, 2015, and is divided into the following sections:

- **Financial Section:** This section contains the Successor Agency's basic financial statements; notes to basic financial statements; the Independent Auditor's Report and the Management's Discussion and Analysis (MD&A);
- **Compliance Section:** This section provides independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

The Auditor's opinion contained in the document's Financial Section represents their unmodified opinion that the Successor Agency's financials are presented fairly and in conformity with Generally Accepted Accounting Principles (GAAP). The Auditors considered the Successor Agency's internal control over financial reporting as a basis for designing their auditing

procedures. The auditors did not identify any deficiencies in internal control over financial reporting. In addition, the auditors performed tests of compliance with certain provision of laws, regulations and grant agreements, non-compliance with which could have a direct and material effect on the financial statement.

Special Items: Transfer of Excess Bond Proceeds & Property Held for Resale to the City

The transfer of excess bond proceeds to the City as requested by ORSA and approved by the California Department of Finance (DOF) pursuant to Health and Safety Code section 34719 (h) qualifies as a special item since this action was under the control of ORSA's Oversight Board.

Under ABx1 26, as amended by AB 1484, all new redevelopment activities were suspended, with limited exceptions and redevelopment agencies were dissolved on February 1, 2012. The DOF and the California State Controller's Office have varying degrees of responsibility and oversight under this legislation.

Pursuant to Health and Safety Code section 34179 (h), DOF has completed its review of the Oversight Bond action on Bond Spending and on November 6, 2013, it approved the Bond Spending Plan for ORSA, which allows ORSA to utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. DOF approved the bond expenditure agreement between ORSA and the City to transfer excess tax allocation bond proceeds to the City. The special item loss of \$107.7 million recorded in the financial statements represents the excess bond proceeds transfer of \$10.2 million and transfer of properties held for resale of \$97.5 million.

Financial Highlights

For the fiscal year ended June 30, 2015, the Successor Agency achieved the following key financial results:

- Total liabilities exceeded total assets at June 30, 2015 by \$346.2 million – net position (deficit) held in trust. The net position decreased by \$110.9 million due primarily to the transfer of excess tax allocation bond proceeds to the City for \$10.2 million, transfer of properties held for resale to the City for \$97.5 million as well as a decrease in net position before special items of \$3.2 million.
- Total special item – The special item loss of \$107.7 million represents the excess bond proceeds transfer of \$10.2 million and transfer of properties held for resale of \$97.5 million (See note 2, page 13 of ***Attachment A***).
- Total long-term obligations at June 30, 2015 totaled \$437.9 million.

FISCAL IMPACT

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

PUBLIC OUTREACH / INTEREST

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

COORDINATION

This report was prepared in coordination with the Controller's Bureau, Budget Office, Economic & Workforce Development Department and City Attorney's Office.

SUSTAINABLE OPPORTUNITIES

Economic: There are no economic opportunities associated with this report.

Environmental: There are no environmental opportunities associated with this report.

Social Equity: There are no social equity opportunities associated with this report.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council accept the Oakland Redevelopment Successor Agency (ORSA) Audit Report For The Year Ended June 30, 2015.

For questions regarding this report, please contact Kirsten LaCasse, Interim Controller, at (510) 238-6776.

Respectfully submitted,



KIRSTEN LACASSE
Interim Controller, Finance Department

Attachments (1):

A: Oakland Redevelopment Successor Agency Independent Auditor's Reports and Basic Financial Statements For the Year Ended June 30, 2015.

<http://www.oaklandnet.com/government/fwawebite/accounting/CAFR.htm>

ATTACHMENT A

Oakland Redevelopment Successor Agency Independent Auditor's Reports and Basic Financial Statements For the Year Ended June 30, 2015.

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Independent Auditor's Reports
and Basic Financial Statements

For the Year ended June 30, 2015



Certified
Public
Accountants

**OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
FINANCIAL REPORT**

**PROJECT TEAM
AUDIT/FINANCIAL STATEMENT COORDINATOR**

Kirsten LaCasse
Interim Controller

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City Administrator's Office (CAO)

City Attorney's Office

Economic & Workforce Development Department

Finance Department – Treasury Bureau

Housing and Community Development (HCD)

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
For the Year Ended June 30, 2015

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Certified
Public
Accountants

Sacramento
Walnut Creek
Oakland
Los Angeles
Century City
Newport Beach
San Diego

Independent Auditor's Report

Board of Directors
Oakland Redevelopment Successor Agency
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Oakland Redevelopment Successor Agency (ORSA), a component unit of the City of Oakland (City), California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the ORSA'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the ORSA as of June 30, 2015, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015, on our consideration of the ORSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ORSA's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 10, 2015

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

(A Component Unit of the City of Oakland, California)

Management's Discussion and Analysis - Unaudited
For the Year Ended June 30, 2015

As management of the Oakland Redevelopment Successor Agency of the City of Oakland (ORSA), we offer readers of the ORSA's basic financial statements this narrative overview and analysis of the financial activities of ORSA for the year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the ORSA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

On May 29, 2013, The Department of Finance (DOF) issued its finding on ORSA using excess bond proceeds from bonds issued prior to 2011 pursuant to Health and Safety Code (HSC) section 34191.4. Based on DOF's findings, the Oakland Oversight Board approved ORSA's Bond expenditure Agreement between ORSA and the City of Oakland (City) that would transfer current and future excess tax allocation bond proceeds to the City to fund redevelopment projects and programs on July 29, 2013. For the fiscal year ended June 30, 2015, ORSA reports a total transfer of excess tax allocation bond proceeds of \$10.2 million to the City. On May 29, 2014, DOF approved the Long-Range Property Management Plan (LRPMP) to address the disposition and use of real property owned by the former Agency, including designating property for future development. For the fiscal year ended June 30, 2015, ORSA reported a total transfer of property held for sale of \$97.5 million to the City.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the ORSA's basic financial statements. The ORSA's basic financial statements comprise two components: 1) basic financial statements and 2) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements. These financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting.

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. At the close of June 30, 2015, ORSA has a net negative position of \$346.2 million. Under the former California Redevelopment Law, the former Agency issued bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increment revenues (See Note 6 to the basic financial statements).

In general, 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). These include public projects such as public parking, street improvements, park improvements, transportation improvements, cultural facilities, and community centers. Once redevelopment projects that were public facilities were completed by the former Agency, the responsibilities for their continued maintenance and operations were transferred to the appropriate public entity such as City including the capitalized redevelopment project costs.

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Management's Discussion and Analysis – Unaudited (Continued)
For the Year Ended June 30, 2015

In addition, completed projects with private developers were also transferred to the developers in accordance with the Disposition and Development Agreements. Although completed public facilities and Joint Agency-Private Partnership projects were transferred to the City or private entities, the related debt remained with the former Agency and was transferred to ORSA.

Shown below is a schedule that summarizes the ORSA's net position held in trust:

Statement of Fiduciary Net Position
(In thousands)

Assets	June 30, 2015	June 30, 2014
Current and other assets	\$ 69,871	\$ 76,844
Restricted cash and investments	29,759	58,779
Property held for resale	2,818	100,271
Total Assets	102,448	235,894
Deferred Outflows of Resources	2,229	2,335
Liabilities		
Other liabilities	13,040	14,847
Long-term liabilities	437,876	458,584
Total Liabilities	450,916	473,431
Total net position held in trust	\$ (346,239)	\$ (235,202)

As of June 30, 2015, ORSA has \$29.8 million in restricted cash and investments held in interest and principal reserves for repayment of debt, amounts required to be held in cash reserves per bond indenture, and temporary investments for unexpended bond proceeds. Other funds are held in escrow accounts pursuant to contracts and agreements made by the former Agency and their use is restricted for a particular purpose.

ORSA's property held for resale reflects a total net book value of \$2.8 million, which is a significant reduction from amounts reported in prior years. Property held for resale decreased during the fiscal year 2014-2015, because \$97.5 million of properties held for resale were transferred to the City pursuant to the LRPMP, which was discussed under Financial Highlights above.

ORSA's Long-term liabilities total \$437.9 million. Long-term liabilities are mainly represented by tax allocation bonds totaling \$317.6 million and housing set-aside bonds of \$112.6 million issued to finance redevelopment projects. The remaining balance represents the net of bond issuance premiums and discounts in the amount of \$7.7 million. Reduction due to scheduled debt service payments.

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Management's Discussion and Analysis – Unaudited (Continued)
For the Year Ended June 30, 2015

Operating activities. For the year ended June 30, 2015, ORSA's net position had decreased by \$110.9 million due primarily to the execution of DOF approved transfer of excess tax allocation bond proceeds to the City for \$10.2 million, transfer of properties held for resale to the City for \$97.5 million as well as a decrease in net position before special items of \$3.2 million.

Key elements of the ORSA's additions and deductions are presented below:

Statement of Changes in Fiduciary Net Position
(In thousands)

	Year Ended June 30, 2015	Year Ended June 30, 2014
Additions		
Redevelopment property tax revenues	\$ 61,001	\$ 73,684
Other revenues	7,147	16,827
Total additions	68,148	90,511
Deductions		
General and administrative	2,179	2,806
Project expenses	44,589	40,692
Interest on debt	24,641	27,240
Bond issuance costs	-	743
Other	80	162
Total deductions	71,489	71,643
Special items from		
Transfer of excess tax allocation bond proceeds	(10,243)	(88,309)
Approved asset transfers	(97,453)	-
Total special items	(107,696)	(88,309)
Change in net position		
Net position held in trust, beginning	(235,202)	(165,761)
Net position held in trust, end of year	\$ (346,239)	\$ (235,202)

For the year ended June 30, 2015, the County Auditor-Controller provided total property tax distributions of \$61.0 million. Other revenues of \$7.2 million include \$6.0 million of federal and state grants revenue, \$0.4 million of investment income and \$.07 million other revenue for the year ended June 30, 2015. Interest expense including accrued interest on ORSA's outstanding debt and amortization of deferred outflows for the period totaled \$24.5 million. The decrease in general and administrative expenditures is primary due to a 3% spending cap on administrative overhead and reduced activities in ORSA. The increase in project expenditure of \$3.9 million is the combined effect of an increase in Capital Project Funds of \$11.4 million and a drop in Federal and State Grants of \$4.9 million.

Debt Administration

At June 30, 2015, ORSA had long-term bonds outstanding aggregating to \$430.2 million, a decrease of \$19.6 million from fiscal year 2014, resulting from debt service payments on outstanding long-term debts (Tax Allocation Bonds and Housing Set-Aside Bonds), which are backed by redevelopment property tax revenues.

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Management's Discussion and Analysis – Unaudited (Continued)
For the Year Ended June 30, 2015

Below is a breakdown of the long-term debt is as follows (in thousands):

	June 30, 2015	June 30, 2014
Long-Term Debt		
Tax allocation bonds	\$ 317,575	\$ 332,185
Housing set-aside bonds	112,615	117,605
Subtotal - Bonds outstanding	430,190	449,790
 Unamortized amounts:		
Premiums and discounts	7,686	8,794
Total long-term debt	\$ 437,876	\$ 458,584

Bond Ratings

On September 5, 2013, Moody's confirmed the rating on ORSA's tax allocation bonds and subordinated housing set-aside bonds. The ratings reflect the credit strength of ORSA's value and size. The strengths that Moody's takes into account are ORSA's large geographic and total project area, sizable incremental and assessed valuation, and solid high period of debt service coverage.

The table below shows ORSA bond ratings for the outstanding bonds as of June 30, 2015:

Type of Obligation	Ratings		
	Moody's	S & P	Fitch
Tax Allocation Bonds:			
<u>Central District Redevelopment Project</u>			
Subordinated Tax Allocation Bonds, Series 2006T	A3	AA-	N/A
Subordinated Tax Allocation Bond Series 2009T	N/A	A-	N/A
Subordinated Tax Allocation Refunding Bonds, Series 2013	N/A	A-	N/A
<u>Coliseum Area Redevelopment Project</u>			
Tax Allocation Bonds, Series 2006B-TE, B-T	Ba1	A	N/A
<u>Central City East Redevelopment Project</u>			
Tax Allocation Bonds, Series 2006A-TE, A-T	Ba1	A-	N/A
<u>Broadway/MacArthur/San Pablo Redevelopment Project</u>			
Tax Allocation Bonds, Series 2006C-TE, C-T	Ba1	A+	N/A
Tax Allocation Bonds, Series 2010T	N/A	A-	N/A
Subordinated Housing Set-Aside Bonds:			
Revenue Refunding Bonds Series 2006A, A-T	Ba1	A	A-
Revenue Bonds, Series 2011A-T	Ba1	A	N/A

REVENUES AND RECOGNIZED OBLIGATIONS PAYMENT SCHEDULE

Pursuant to Assembly Bill X1 26 (AB X1 26), ORSA is required to adopt a Recognized Obligation Payments Schedule (ROPS). A ROPS, listing all enforceable obligations due and payable in the six month coverage period, is prepared semi-annually and is the basis for the distribution of property tax revenues from the Redevelopment Property Tax Trust Fund (Trust Fund). Management has determined that the ROPS will replace the ORSA's annual budget.

The semi-annual Administrative Budget for ORSA is presented and approved by the ORSA governing board and ORSA's Oversight Board, and subsequently approved as part of the ROPS by the DOF.

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
Management's Discussion and Analysis – Unaudited (Continued)
For the Year Ended June 30, 2015

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of ORSA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Finance Department, Controller's Bureau, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353, Oakland, California 94612-2093. Additional financial data may also be found on the ORSA's website (www.oaklandnet.com).

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BASIC FINANCIAL STATEMENTS

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

(A Component Unit of the City of Oakland, California)

Statement of Fiduciary Net Position

June 30, 2015

(In Thousands)

ASSETS

Current assets:

Cash and investments	\$ 51,013
Receivables:	
Accrued interest	364
Accounts receivable (net of allowance for uncollectable of \$31)	203
Due from City of Oakland	2,312
Prepaid expenses	2,258
Restricted cash and investments	29,759
Total current assets	<u>85,909</u>

Noncurrent assets:

Notes and loans receivable (net of allowance for uncollectable of \$46,675)	13,721
Property held for resale	2,818
Total noncurrent assets	<u>16,539</u>
Total assets	<u>102,448</u>

DEFERRED OUTFLOWS OF RESOURCES

Unamortized losses on refunding of debts	<u>2,229</u>
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LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	2,282
Accrued interest payable	8,460
Due to the City of Oakland	2,251
Deposits and other liabilities	47
Total current liabilities	<u>13,040</u>

Long-term liabilities:

Due within one year	27,393
Due in more than one year	410,483
Total noncurrent liabilities	<u>437,876</u>
Total liabilities	<u>450,916</u>

NET POSITION

Net position (deficit) restricted for redevelopment	<u>\$ (346,239)</u>
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See accompanying notes to the financial statements

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

(A Component Unit of the City of Oakland, California)

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2015

(In Thousands)

ADDITIONS

Redevelopment property tax revenues	\$	61,001
Investment income:		
Investment income		385
Net depreciation in fair value of investments		17
Federal and state grants		6,028
Other		717
Total additions		<u>68,148</u>

DEDUCTIONS

General and administrative:		
Salaries, wages and benefits		1,880
Materials, supplies and other services		299
Project expenses		44,589
Interest on debt		24,641
Other		80
Total deductions		<u>71,489</u>

SPECIAL ITEMS

Transfer of excess tax allocation bond proceeds approved by the California Department of Finance		(10,243)
Approved asset transfer to the City		(97,453)
Total special items		<u>(107,696)</u>

Change in net position		(111,037)
Net position (deficit), beginning		<u>(235,202)</u>
Net position (deficit), ending	\$	<u>(346,239)</u>

See accompanying notes to the financial statements

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Notes to the Basic Financial Statements
For the Year Ended June 30, 2015
(Amounts in Thousands)

NOTE 1 – REPORTING ENTITY

The Redevelopment Agency of the City of Oakland (Agency) was established in 1956 by the Oakland City Council as a public entity legally separate from the City. Until June 28, 2011, the Agency had the authority to acquire, rehabilitate, develop, administer, and sell or lease property in a “Redevelopment Area.” Redevelopment projects are developed in cooperation with private developers. Public redevelopment projects are also developed under cooperation agreements between the Agency and the City or other public entity that will own the project.

On June 28, 2011, 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 ORSA and oversight boards that are responsible for overseeing the dissolution process and the wind down of redevelopment activity. At the City’s meeting on January 10, 2012, the City Council affirmed its decision as part of City resolution number 83679 C.M.S. to serve as the Agency of the City, effective February 1, 2012 as such a component unit of the City. Also upon dissolution, 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.

ORSA was created to serve as a custodian of the assets and to wind down the affairs of the former Agency. 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 one representative from the largest special district taxing entity.

In general, 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). In future fiscal years, 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 ORSA’s custodial role, ORSA is reported in a fiduciary fund (private-purpose trust fund) in the City’s financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Accounting

The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
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Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015
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which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Investments

ORSA records investment transactions on the trade date. Investments are reported at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value is defined as the amount that ORSA could reasonably expect to receive for an investment in a current sale between a willing buyer and seller and is generally measured by quoted market prices. Investment income, including unrealized gains and losses from investments, is recognized as revenue.

ORSA follows the practice of pooling cash of all operating funds for investment. Income or losses arising from the investment of pooled cash are allocated on a monthly basis to the participating funds based on their proportionate share of the average daily cash balance.

Proceeds from debt and other funds which are restricted for the payment of debt or for enforceable obligations in the ROPS and held by fiscal agents by agreement are classified as restricted assets.

Redevelopment Property Tax Revenues

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into ORSA's Trust Fund administered by the County of Alameda's Auditor-Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the County to the local agencies in the project area unless needed to pay enforceable obligations.

Distributions are to be made twice each year on the following cycles:

<u>Distribution Dates</u>	<u>Covers ROPS to be Paid</u>
January 2	January 1 through June 30
June 1	July 1 through December 31

The amounts distributed for ROPS are forward looking to the next six month period.

Restricted Assets

Assets are restricted for specified uses by bond debt requirements, grant provisions or other requirements and their use is limited by applicable bond covenants or agreements.

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Property Held for Resale

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 estimated of net realizable value of each property parcel based on its current use. The ORSA does not depreciate property held for resale, as it is the intention of the ORSA to only hold the property for a period of time until it can be resold for development. California DOF has approved ORSA's Long-Range Property Management Plan of Agency's use or disposition of properties on May 29, 2014, as discussed in Note 5.

Long-term Obligations

The former Agency issued Tax Allocation Bonds and Housing Set-Aside Bonds to finance housing and other redevelopment projects. Long-term debt and other long-term obligations are reported as liabilities.

Issuance costs are expensed in the year of debt issuance. Long-term debt is reported net of the applicable premiums and discounts. The premiums and discounts are amortized as a component of the interest expense on a straight-line basis over the remaining life of the debt instrument.

Special Items

Special items are significant transactions or events within the control of management that are either 1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) or 2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates). The transfer of excess bond proceeds pursuant to Health and Safety Code (HSC) section 34179 (h) and the transfer of properties held for resale to the City pursuant to HSC section 34191.4 qualify as special items since the actions were under the control of ORSA's Oversight Board and met the criteria of infrequent in occurrence.

Pursuant to HSC section 34179 (h), DOF has completed its review of the Oversight Bond action on Bond Spending Plan and on November 6, 2013, it approved the Bond Spending Plan for ORSA. The Plan allows ORSA to utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. DOF approved the bond expenditure agreement between ORSA and the City to transfer excess tax allocation bond proceeds and properties held for resale to the City. The special item loss of \$107.7 million recorded in the financial statements represents the excess bond proceeds transfer of \$10.2 and transfer of properties held for resale of \$97.5 million.

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

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Notes to the Basic Financial Statements (Continued)

For the Year Ended June 30, 2015

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NOTE 3 – CASH AND INVESTMENTS

The ORSA's cash and investments consist of the following at June 30, 2015:

<u>Cash & Investments</u>	<u>Amount</u>
Unrestricted cash and investments	\$ 51,013
Restricted cash and investments	<u>29,759</u>
Total cash and investments	<u>\$ 80,772</u>

Investments

ORSA follows the Investment Policy of the City, which is governed by provisions of the California Government Code 53600 and the City's Municipal Code. ORSA also has investments subject to provisions of the bond indentures of the former Agency's various bond issues. According to the Investment Policy and bond indentures, ORSA is permitted to invest in the State of California Local Agency Investment Fund (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.

As of June 30, 2015, ORSA invested a total amount of \$50.0 million with U.S. government agency securities, which is comprised of \$42.0 million from its unrestricted accounts, and \$8.0 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 and deposits in the amount of \$29.2 and \$1.5 million respectively.

Custodial Credit Risk

Custodial credit risk for deposits 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 held in the ORSA's name.

As of June 30, 2015, the carrying amount of the ORSA's deposits was \$1.5 million. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$0.5 million, and the remaining bank balance of \$1.0 million are collateralized with securities held by the pledging financial institutions as required by Section 53652 of the California Government Code.

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

Interest Rate Risk

Interest rate risk is 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, 2015, ORSA had the following investments and original maturities (in thousands):

Pooled Cash and Investments

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Current Yield (%)</u>	<u>Maturities</u>	
			<u>Less than 1 Year</u>	
U.S. Government Agency Securities (Discount)	\$ 41,998	.020-.040	\$ 41,998	
Money Market Mutual Funds	7,500	0.10-0.11	7,500	
Sub-total	49,498		<u>\$ 49,498</u>	
Deposits	1,515			
Total	<u>\$ 51,013</u>			

Restricted Cash and Investments

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Current Yield (%)</u>	<u>Maturities</u>	
			<u>Less than 1 Year</u>	<u>1 - 3 Years</u>
U.S. Government Agency Securities	\$ 8,004	0.052	\$ -	\$ 8,004
Money Market Mutual Funds	21,755	0.02-0.04	21,755	-
Total	<u>\$ 29,759</u>		<u>\$ 21,755</u>	<u>\$ 8,004</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.

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The following tables show the ORSA's credit risk as rated by Standard & Poor's for the pooled and restricted portfolios as of June 30, 2015 (in thousands):

Pooled Cash and Investments

<u>Type of Investment</u>	<u>Fair Value</u>	<u>S&P Ratings</u> <u>as of June 30, 2015</u>	
		<u>Aaa/AAA</u>	<u>Aaa/AA</u>
U.S. Government Agency Securities (Discount)	\$ 41,998	\$ -	\$ 41,998
Money Market Mutual Funds	7,500	7,500	-
Total	<u>\$ 49,498</u>	<u>\$ 7,500</u>	<u>\$ 41,998</u>

Restricted Cash and Investments

<u>Type of Investment</u>	<u>Fair Value</u>	<u>S&P Ratings</u> <u>as of June 30, 2015</u>	
		<u>Aaa/AAA</u>	<u>Aaa/AA</u>
U.S. Government Agency Securities	\$ 8,004	\$ -	\$ 8,004
Money Market Mutual Funds	21,755	21,755	-
Total	<u>\$ 29,759</u>	<u>\$ 21,755</u>	<u>\$ 8,004</u>

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 ORSA's portfolio as of June 30, 2015 (in thousands):

<u>Type of Investment</u>	<u>Pooled</u> <u>Cash and Investments</u>		<u>Restricted</u> <u>Cash and Investments</u>	
	<u>Fair Value</u>	<u>% of Portfolio</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Government Agency Securities	\$ -	0.0%	\$ 8,004	26.9%
U.S. Government Agency Securities (Discount)	41,998	84.8%	-	0.0%
Money Market Mutual Funds	7,500	15.2%	21,755	73.1%
Total	<u>\$ 49,498</u>	<u>100.0%</u>	<u>\$ 29,759</u>	<u>100.0%</u>

The following table shows ORSA's investments in one issuer that exceed 5% of ORSA's investment portfolio at June 30, 2015 (in thousands):

<u>Type of Investment/Issuer</u>	<u>Amount</u>	<u>% of Portfolio</u>
U.S. Government Agency Securities		
Federal Home Loan Bank Discount	\$ 20,999	25.50%
Freddie Mac Discount	11,999	15.10%
Fannie Mae Discount	8,999	11.4%
Federal Farm Credit Bank	8,004	10.1%

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Notes to the Basic Financial Statements (Continued)

For the Year Ended June 30, 2015

(Amounts in Thousands)

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, 2015, the amounts held by the trustees fell by \$29 million to \$29.8 million. All restricted investments held by trustees as of June 30, 2015 were invested in U.S. Government Agency Securities and money market mutual funds, and were in compliance with the bond indentures.

NOTE 4 – LOANS RECEIVABLE

Composition of loans receivable as of June 30, 2015 is as follows:

Housing development project loans	\$ 1,462
Economic development loans	58,934
Gross notes and loans receivable	60,396
Allowance for uncollectible	(46,675)
Total notes and loans receivable, net	<u>\$ 13,721</u>

NOTE 5 – PROPERTY HELD FOR RESALE

As of June 30, 2015, ORSA has a total \$2.8 million for properties booked at the lower of cost or estimated conveyance value. On May 29, 2014, pursuant to HSC section 34191.4, the California Department of Finance approved ORSA Long-Range Property Management Plan (LRPMP) addressing the disposition and use of former Agency properties and authorizing the disposition of properties pursuant to the plan. During FY2015, ORSA transferred \$97.5 million of properties held for resale to the City pursuant to the Long-Range Property Management Plan (LRPMP).

The table below shows a summary of the changes in the Property Held for Resale during the year ended June 30, 2015:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Property held for resale	<u>\$ 100,271</u>	<u>\$ -</u>	<u>\$ 97,453</u>	<u>\$ 2,818</u>

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Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015
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NOTE 6 – DEBT

Long-term Debt

The following is a summary of long-term debt of ORSA as of June 30, 2015 (in thousands):

Type of Obligation	Original Issued Amount	Issued Year	Maturity Fiscal Year	Interest Rate Range	June 30, 2015 Principal Balance
Tax Allocation Bonds:					
<u>Central District Redevelopment Project</u>					
Subordinated Tax Allocation Bonds, Series 2006T	\$ 33,135	2006	2022	5.25% - 5.41%	\$ 12,385
Subordinated Tax Allocation Bond Series 2009T	38,755	2009	2021	5.30% - 8.50%	32,250
Subordinated Tax Allocation Refunding Bonds, 2013	102,960	2013	2023	3% - 5%	97,560
<u>Coliseum Area Redevelopment Project</u>					
Tax Allocation Bonds, Series 2006B-TE	28,770	2006	2037	4.00% - 5.00%	24,615
Tax Allocation Bonds, Series 2006B-T	73,820	2006	2036	5.26% - 5.54%	63,095
<u>Central City East Redevelopment Project</u>					
Tax Allocation Bonds, Series 2006A-TE	13,780	2006	2037	5.00%	13,780
Tax Allocation Bonds, Series 2006A-T	62,520	2006	2035	5.26% - 5.54%	51,795
<u>Broadway/MacArthur/San Pablo Redevelopment Project</u>					
Tax Allocation Bonds, Series 2006C-TE	4,945	2006	2037	5.00%	4,945
Tax Allocation Bonds, Series 2006C-T	12,325	2006	2033	5.28% - 5.59%	9,910
Tax Allocation Bonds, Series 2010T	7,390	2010	2041	7.20% - 7.40%	7,240
Subtotal	<u>378,400</u>				<u>317,575</u>
Subordinated Housing Set-Aside Bonds:					
Revenue Refunding Bonds Series 2006A	2,195	2006	2019	5.00%	2,195
Revenue Bonds Series 2006A-T	82,645	2006	2037	5.03% - 5.93%	67,180
Revenue Bonds, Series 2011A-T	46,980	2011	2042	3.25% - 9.25%	43,240
Subtotal	<u>131,820</u>				<u>112,615</u>
Total Long-term Debt	<u>\$ 510,220</u>				<u>\$ 430,190</u>

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

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Notes to the Basic Financial Statements (Continued)

For the Year Ended June 30, 2015

(Amounts in Thousands)

A summary of the changes in long-term debt for the year ended June 30, 2015 follows (in thousands):

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>	<u>Due within One Year</u>
Bonds Payable:					
Tax allocation bonds	\$ 332,185	\$ -	\$ (14,610)	\$ 317,575	\$ 21,044
Housing set-aside bonds	117,605	-	(4,990)	112,615	5,240
Sub-total	449,790	-	(19,600)	430,190	26,284
Less unamortized amounts:					
Issuance premiums	11,045	-	(1,244)	9,801	1,245
Issuance discount	(2,251)	-	136	(2,115)	(136)
Total	\$ 458,584	\$ -	\$ (20,708)	\$ 437,876	\$ 27,393

Tax Allocation Bonds and Housing Set-Aside Bonds

The Tax Allocation Bonds (TAB), which are comprised of Series 2006T, Series 2009T, Series 2006A TE/T, Series 2006B TE/T, Series 2006C TE/T, Series 2010T and Refunding Bond Series 2013 are issued primarily to finance redevelopment projects and are all secured by pledge of redevelopment property tax revenues (i.e. former tax increment), consisting of a portion of taxes levied upon all taxable properties within each of the tax increment generating redevelopment project areas, and are equally and ratably secured on a parity with each TAB series.

As of June 30, 2015, the total principal and interest remaining on these TABs was estimated at \$476.8 million and the property tax revenues are pledged until the year 2041, the final maturity date of the bonds. The former Agency's debt service payments are requested through the ROPS as enforceable obligations until the debt obligations have been satisfied.

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

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
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Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015
(Amounts in Thousands)

Housing Set-Aside Bonds

The Housing set-aside bonds, which is comprised of Series 2006A, Series 2006A-T and Series 2011A-T are issued to finance affordable housing projects and are secured by a pledge and lien upon the 20% redevelopment property tax revenue (i.e. former tax increment) set-aside for the low and moderate income housing fund.

As of June 30, 2015, the total principal and interest remaining on the Housing set-aside bonds was estimated at \$214.7 million and the property tax revenues are pledged until the year 2042, the final maturity date of the bonds. The former Agency's debt service payments are requested through the ROPS as enforceable obligations until the debt obligations have been satisfied.

In the future, in order to maintain compliance with bond indentures secured by the 20 percent tax increment, the ORSA plans to request the funds through the ROPS from the Trust Fund pursuant to HSC section 34183 (a)(2)(A), and segregate the funds in the debt service funds accordingly until the debt obligations have been satisfied.

Debt Service Requirements

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 housing set-aside bonds outstanding as of June 30, 2015, including mandatory sinking fund payments, are as follows (in thousands):

Year Ending June 30:	Tax Allocation Bonds		Housing Set-Aside Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 21,044	\$ 17,121	\$ 5,240	\$ 7,535	\$ 26,285	\$ 24,656
2017	23,295	15,878	5,505	7,226	28,800	- 23,104
2018	23,650	14,526	5,840	6,876	29,490	- 21,402
2019	25,520	13,127	6,205	6,506	31,725	- 19,633
2020	26,700	11,627	6,580	6,111	33,280	17,738
2021 - 2025	75,830	40,270	27,020	24,221	102,850	64,491
2026 - 2030	39,636	28,101	12,420	18,594	52,056	46,695
2031 - 2035	51,680	15,662	14,190	14,752	65,870	30,414
2036 - 2040	28,770	2,855	19,320	9,260	48,090	12,115
2041 - 2042	1,450	54	10,295	973	11,745	1,027
TOTAL	\$ 317,575	\$ 159,221	\$ 112,615	\$ 102,054	\$ 430,191	\$ 261,275

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015
(Amounts in Thousands)

Current Year Long-Term Debt Financings

ORSA did not incur any long-term financing activities during FY2015.

Outstanding Defeased Bonds

For financial reporting purposes, the ORSA's advance-refunded debt is considered defeased and therefore removed as a liability from ORSA's statement of fiduciary net position. Cumulatively, the defeased bonds had an outstanding debt balance of \$41.8 million at June 30, 2015.

NOTE 7 – TRANSACTIONS WITH THE CITY

City Expenses

In FY 2015, ORSA incurred a total of \$8.7 million expense in general administration and project-related overhead. Of this amount, \$2.2 million reimbursed the City for general and administrative overhead and \$6.5 million paid for project-related overhead and operational costs for support services provided by designated City employees.

Due from the City

As of June 30, 2015, ORSA has a total due from the City in the amount of \$2.3 million, which has no change compared to the \$2.3 million at June 30, 2014. The ending balance is composed of the former Agency's assets transferred to Housing Successor, which include the former Agency's Central District Project Area Fund loan receivable from the City in the amount of \$1.5 million, land sale receivable of \$0.3 as well as the former Agency's Coliseum Project Area Fund loan receivable from the City in the amount of \$0.5 million.

Due to the City

At June 30, 2015, ORSA has a payable to the City in the amount of \$2.2 million, which included the former Agency's Low and Moderate Housing Fund loan of \$1.5 million to the Central City East Project Funds where the Low and Moderate Housing Funds Assets were transferred to the Housing Successor and a payable of \$0.7 million to the City for support services.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Environmental Land Remediation Obligation

As of June 30, 2015, a review of ORSA's property reveals that there is no current pollution remediation required based on their current uses (i.e. surface parking and other uses). If in the future when a land remediation obligation occurs to a property due to a change in the purpose (i.e. convert to housing or retail project), ORSA will prepare estimates and comply with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

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Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015
(Amounts in Thousands)

Encumbrances

As of June 30, 2015, ORSA had encumbered \$958.7 million for contracted obligations, per the ROPS covering the July 1, 2015 through December 31, 2015 period, which was approved by the DOF on April 10, 2015.

NOTE 9 – LITIGATION

Litigation/Unpaid Claims

ORSA is subject to various claims and from time to time is involved in lawsuits in which damages are sought. As litigation is subject to many uncertainties and as the outcome of litigated matters cannot be predicted with certainty, it is reasonably possible that some of these legal actions could be decided unfavorably against ORSA. In the opinion of the City Attorney's Office for ORSA, none of these claims are expected to have a significant impact on the financial position or changes in financial position of ORSA.

NOTE 10 – SUBSEQUENT EVENTS

1. Passage of Senate Bill 107 (the Bill)

In September 2015, the State passed the Bill which contains additional provisions and provides specificity to existing law governing the dissolution of redevelopment agencies and the wind-down of their existing activities and obligations. The Bill includes specific language to ORSA that facilitates the issuance of bonds or other indebtedness for the purposes of low and moderate income housing and various infrastructure in the City, by allowing the pledge of revenues available in the Redevelopment Property Tax Trust Fund that are not otherwise pledged, subject to the approval of the Oversight Board. The Bill declares that the Central District Subordinated Tax Allocations Refunding Series 2013 and Subordinated Housing Set Aside Revenue Bonds, Series 2011A-T are finally and conclusively approved as enforceable obligations. The Bill required that remaining principal amount of any of the loans that were previously unpaid after September 2015 on page 18 shall be recalculated from the date of original of the loan on the basis at a simple interest rate of 3%.

2. Refunding of Subordinated Tax Allocation Refunding Bonds

In August 11, 2015, the ORSA issued Subordinated Tax Allocation Refunding Bonds, Series 2015-TE and Series 2015-T (the "Series 2015 Bonds") in an aggregate principal amount of \$89.2 million to refund all of the outstanding Series 2006A Bonds, Series 2006A-T Bonds, Series 2006A-TE Bonds, Series 2006B-TE Bonds, and Series 2006C-TE Bonds. The Series 2015 Bonds were issued with interest rates ranging from 1.329% to 5.00% and will mature in September 2036. Issuance of the Bonds generated approximately \$8.0 million or 7.7% in net present value of savings, which is approximately \$10.3 million in debt service savings through 2037.

3. Defeased Bond Payment

On September 1, 2015, ORSA made a \$33.2 million principal payment on ORSA's Subordinated Tax Allocation Bonds, Series 2003 and 2005 defeased bonds. The remaining outstanding balance of defeased bonds after the payment was \$8.6 million.

OTHER SUPPLEMENTARY INFORMATION

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
Combining Schedule of Fiduciary Net Position
June 30, 2015
(In Thousands)

	Redevelopment Obligation Retirement Fund	Planning Fund	Capital Project Funds	Federal & State Grant	Debt Service	Elimination	TOTAL
ASSETS							
Current Assets:							
Cash and investments	\$ 22,712	\$ 3,603	\$ 23,909	\$ 74	\$ 715	\$ -	\$ 51,013
Accrued interest receivable	153	24	169	8	10	-	364
Accounts receivable (net of allowance for uncollectable of \$31)	-	-	-	203	-	-	203
Due from other funds	10,211	-	-	-	-	(10,211)	-
Due from City of Oakland	-	-	2,312	-	-	-	2,312
Prepaid expenses	-	-	-	-	2,258	-	2,258
Restricted cash and investments	-	-	15,858	-	13,901	-	29,759
Total Current Assets	33,076	3,627	42,248	285	16,884	(10,211)	85,909
Non-Current Assets:							
Notes and loans receivable (net of allowance for uncollectable of \$46,675)	-	35	13,686	-	-	-	13,721
Property held for resale	-	-	2,818	-	-	-	2,818
Total Non-Current Assets:	-	35	16,504	-	-	-	16,539
Total assets	33,076	3,662	58,752	285	16,884	(10,211)	102,448
DEFERRED OUTFLOWS OF RESOURCES							
Unamortized losses on refunding of debts	-	-	-	-	2,229	-	2,229
LIABILITIES							
Current Liabilities:							
Accounts payable and accrued liabilities	-	103	1,976	203	-	-	2,282
Accrued interest payable	-	-	-	-	8,460	-	8,460
Due to other funds	-	-	10,211	-	-	(10,211)	-
Due to the City of Oakland	-	111	2,140	-	-	-	2,251
Deposits and other liabilities	-	6	41	-	-	-	47
Total Current Liabilities	-	220	14,368	203	8,460	(10,211)	13,040
Long-term Liabilities:							
Due within one year	-	-	-	-	27,393	-	27,393
Due in more than one year	-	-	-	-	410,483	-	410,483
Total Non-Current Liabilities	-	-	-	-	437,876	-	437,876
Total Liabilities	-	220	14,368	203	446,336	(10,211)	450,916
NET POSITION							
Net position (deficit) restricted for redevelopment	\$ 33,076	\$ 3,442	\$ 44,384	\$ 82	\$ (427,223)	\$ -	\$ (346,239)

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
Combining Schedule of Changes in Fiduciary Net Position
For the Year Ended June 30, 2015
(In Thousands)

	Redevelopment Obligation Retirement Fund	Planning Fund	Capital Project Funds	Federal and State Grants	Debt Service	Elimination	TOTAL
ADDITIONS							
Redevelopment property tax revenues	\$ 61,001		\$ -	\$ -	\$ -	\$ -	\$ 61,001
Investment income:							
Interest on investments	16	19	317	-	33	-	385
Net appreciation (depreciation) in fair value of investments	6	1	2	-	8	-	17
Federal Grants	-	-	-	-	224	-	224
State Grants	-	-	-	5,804	-	-	5,804
Other	-	-	717	-	-	-	717
	<u>61,023</u>	<u>20</u>	<u>1,036</u>	<u>5,804</u>	<u>265</u>	<u>-</u>	<u>68,148</u>
DEDUCTIONS							
General and project administration:							
Salaries, wages and benefits	-	1,880	-	-	-	-	1,880
Materials, supplies and other services	-	299	-	-	-	-	299
Project expenses	-	1,987	35,231	7,371	-	-	44,589
Interest on long-term debt	-	-	-	-	24,641	-	24,641
Other	-	-	-	-	80	-	80
	<u>-</u>	<u>4,166</u>	<u>35,231</u>	<u>7,371</u>	<u>24,721</u>	<u>-</u>	<u>71,489</u>
Net increase (decrease) before other financing sources (uses)	<u>61,023</u>	<u>(4,146)</u>	<u>(34,195)</u>	<u>(1,567)</u>	<u>(24,456)</u>	<u>-</u>	<u>(3,341)</u>
OTHER FINANCING SOURCES (USES):							
Transfers in	-	6,589	17,424	-	45,382	(69,395)	-
Transfers out	(67,919)	-	-	(1,476)	-	69,395	-
Total Other Financing Sources (Uses)	<u>(67,919)</u>	<u>6,589</u>	<u>17,424</u>	<u>(1,476)</u>	<u>45,382</u>	<u>-</u>	<u>-</u>
SPECIAL ITEM							
Transfer of excess tax allocation bond proceeds approved by California Department of Finance	-	-	(10,243)	-	-	-	(10,243)
Approved asset transfers	-	-	(97,453)	-	-	-	(97,453)
Total special items	<u>-</u>	<u>-</u>	<u>(107,696)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(107,696)</u>
Change in net position	(6,896)	2,443	(124,467)	(3,043)	20,926	-	(111,037)
Net position (deficit), beginning	39,972	999	168,851	3,125	(448,149)	-	(235,202)
Net position (deficit), ending	<u>\$ 33,076</u>	<u>\$ 3,442</u>	<u>\$ 44,384</u>	<u>\$ 82</u>	<u>\$ (427,223)</u>	<u>\$ -</u>	<u>\$ (346,239)</u>

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
Combining Schedule of Fiduciary Net Position for Capital Project Sub-Funds
June 30, 2015
(In Thousands)

	Capital Projects						Total Capital Project Funds	
	Central District	Coliseum	Central City East	Low and Moderate Housing	Broadway MacArthur San Pablo	Oakland Army Base		Other Projects
ASSETS								
Current Assets:								
Cash and investments	\$ -	\$ 8,652	\$ 8,489	\$ 4,047	\$ 740	\$ -	\$ 1,981	\$ 23,909
Accrued interest receivable	-	60	59	29	6	-	15	169
Due from City of Oakland	1,780	532	-	-	-	-	-	2,312
Restricted cash and investments	424	67	184	11,695	3,488	-	-	15,858
Total Current Assets	2,204	9,311	8,732	15,771	4,234	-	1,996	42,248
Non-Current Assets:								
Notes and loans receivable (net of allowance for uncollectable of \$46,675)	11,382	851	-	-	820	-	633	13,686
Property held for resale	2,818	-	-	-	-	-	-	2,818
Total Non-Current Assets	14,200	851	-	-	820	-	633	16,504
Total assets	16,404	10,162	8,732	15,771	5,054	-	2,629	58,752
LIABILITIES								
Current Liabilities:								
Accounts payable and accrued liabilities	-	-	-	-	1,976	-	-	1,976
Due to other funds	7,888	-	-	-	-	2,323	-	10,211
Due to the City of Oakland	229	118	1,511	96	41	127	18	2,140
Deposits and other liabilities	3	-	-	-	25	-	13	41
Total Liabilities	8,120	118	1,511	96	2,042	2,450	31	14,368
NET POSITION								
Net Position (deficit) Restricted for Dedevelopment	\$ 8,284	\$ 10,044	\$ 7,221	\$ 15,675	\$ 3,012	\$ (2,450)	\$ 2,598	\$ 44,384

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
Combining Schedule of Changes in Fiduciary Net Position for Capital Project Sub-Funds
For the Year Ended June 30, 2015
(In Thousands)

	Capital Projects							Total Capital Project Funds
	Central District	Coliseum	Central City East	Low and Moderate Housing	Broadway MacArthur San Pablo	Oakland Army Base	Other Projects	
ADDITIONS								
Investment income:								
Interest on investments	\$ 285	\$ 20	\$ 5	\$ 6	\$ -	\$ (1)	\$ 2	\$ 317
Net depreciation in fair value of investments	(2)	2	2	1	-	(1)	-	2
Other	492	225	-	-	-	-	-	717
	<u>775</u>	<u>247</u>	<u>7</u>	<u>7</u>	<u>-</u>	<u>(2)</u>	<u>2</u>	<u>1,036</u>
DEDUCTIONS								
Project expenses	2,572	1,507	753	25,733	4,343	-	323	35,231
Net increase (decrease) before other financing sources (uses)	(1,797)	(1,260)	(746)	(25,726)	(4,343)	(2)	(321)	(34,195)
OTHER FINANCING SOURCES (USES):								
Transfers in	8,324	2,628	1,510	3,792	680	-	490	17,424
SPECIAL ITEMS								
Transfer of excess tax allocation bond proceeds approved by California Department of Finance	(7,271)	-	-	(1,615)	(1,357)	-	-	(10,243)
Approved asset transfer to the City	(42,131)	(44,295)	(11,027)	-	-	-	-	(97,453)
Total Special Items	<u>(49,402)</u>	<u>(44,295)</u>	<u>(11,027)</u>	<u>(1,615)</u>	<u>(1,357)</u>	<u>-</u>	<u>-</u>	<u>(107,696)</u>
Change in net position	(42,875)	(42,927)	(10,263)	(23,549)	(5,020)	(2)	169	(124,467)
Net position (deficit), beginning	51,159	52,971	17,484	39,224	8,032	(2,448)	2,429	168,851
Net position (deficit), ending	<u>\$ 8,284</u>	<u>\$ 10,044</u>	<u>\$ 7,221</u>	<u>\$ 15,675</u>	<u>\$ 3,012</u>	<u>\$ (2,450)</u>	<u>\$ 2,598</u>	<u>\$ 44,384</u>