# CITY OF OAKLAND
# CALIFORNIA


## SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2017

# CITY OF OAKLAND

## CALIFORNIA

## SINGLE AUDIT REPORTS

### FISCAL YEAR ENDED JUNE 30, 2017

**PREPARED BY THE FINANCE DEPARTMENT**

**KIRSTEN LACASSE, CONTROLLER**

**PRINTED ON RECYCLED PAPER**

# CITY OF OAKLAND

## Single Audit Reports
## Year Ended June 30, 2017

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# CITY OF OAKLAND

## Single Audit Reports
## Year Ended June 30, 2017

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**CITY OF OAKLAND**
**SINGLE AUDIT REPORTS**

# PROJECT TEAM

## AUDIT/FINANCIAL STATEMENT COORDINATOR

Kirsten LaCasse, *Controller*

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## SPECIAL ASSISTANCE

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| David Jones | Sharon Holman |

## SPECIAL ASSISTANCE - DEPARTMENTS & OFFICES

City Administrator's Office

City Attorney's Office

Finance Department - Treasury Bureau

Human Resources Department

# FINANCIAL SECTION

Certified Public Accountants

# Independent Auditor's Report

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

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oakland, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Oakland Police and Fire Retirement System were not audited in accordance wit *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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards, the State of California Department of Community Services and Development supplemental schedules of revenue and expenditures, and the supplemental schedule of expenditures of Alameda County awards (collectively referred to as supplementary schedules), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principales, and Audit Requriements of Federal Awards*, the State of Caliofrnia Department of Community Services and Development, and the County of Alameda, respectively, and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are 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 December 22, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance..

Macias Gini É O'Connell LLP

Walnut Creek, California
December 22, 2017, except for our report on the supplementary
schedules, for which the date is March 28, 2018

This section of the City of Oakland's (the City) Comprehensive Annual Financial Report provides an overview and analysis of the financial activities of the City for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's financial statements and related notes and our letter of transmittal that precedes this section.

## FINANCIAL HIGHLIGHTS

The government-wide statement of net position for the City's governmental and business-type activities indicates that as of June 30, 2017, the total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $115.0 million compared to a net position of $44.3 million at June 30, 2016:

- $1.3 billion represents the City's investment in capital assets, less any related outstanding debt and related deferred outflows and inflows of resources used to acquire those assets *(net investment in capital assets).* These capital assets are used to provide services to citizens and are not available for future spending.
- $599.3 million represents resources that are subject to restrictions on their use and are available to meet the City's ongoing obligations for programs, of which $278.4 million pertains to Low and Moderate Income Housing Redevelopment.
- $1.8 billion represents a deficit in unrestricted net position that has primarily resulted from the underfunding of the pension liabilities and annual other postemployment benefits cost, and other unfunded long-term liabilities *(unrestricted net position).* The net pension liabilities deficit is the biggest contributing factor at $1.5 billion.
- $62.4 million increase in the net position was derived from governmental activities predominantly from increases in property tax, sales and use tax, transient occupancy tax, business license, and program revenues. These increases were off-set by increases in expenses of $94.4 million primarily in Public Safety, Community Services and General Government.
- $8.2 million increase in the net position was derived from the Business-type activities, mainly the Sewer related activities.

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

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

In addition, this report also contains other supplementary information.

### Government-wide Financial Statements

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

The *statement of net position* presents information on all the City's assets, deferred outflows and inflows of resources, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community services, community and economic development, and public works. The business-type activities of the City include the sewer service system and the parks and recreation. The government-wide financial statements do not include the fiduciary funds, which comprise the private purpose trust funds and pension trust funds. Resources in the fiduciary funds are not available to support the City's own programs.

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

## Fund Financial Statements

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

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

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

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

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

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

The City maintains the following two types of proprietary funds:

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

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

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

## Notes to the Basic Financial Statements

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

## Required Supplementary Information

The required supplementary information includes the budgetary schedule for the general fund and the other special revenue fund, schedules of changes in the net pension liability and related ratios and pension plan contributions, and schedules of funding progress for other postemployment benefits.

## Other Information

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

## Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of the City's financial condition. As of June 30, 2017, the City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $115.0 million compared to a net position of $44.3 million at June 30, 2016, which represents an increase in net position of $70.6 million. Cash and investments are higher by $165.2 million primarily due to higher property tax, licenses and permit revenues as well as the issuance of bonds. Additionally, capital assets increased by $56.6 million. These amounts were off-set by the net increases in the net pension liability and net OPEB obligation. The City's net position reflects the net investment in capital assets of $1.3 billion for governmental and business-type activities. Of the remaining balance, $599.3 million are subject to external restrictions on how they may be used. The unrestricted net position of $1.8 billion is comprised of a deficit balance of $1.8 billion for governmental activities, and a positive balance of $19.9million for business-type activities.

### Condensed Statement of Net Position

June 30, 2017 and 2016
(In Thousands)

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

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

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

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

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

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

**The net position** increased by $62.4 million to a deficit $93.0 million as of June 30, 2017. The City net position can be divided into three categories: net investment in capital assets, restricted, and unrestricted.

- $1.1 billion of the net position reflects its *investment in capital assets* (e.g., land, buildings infrastructure, facilities and equipment), net of any related outstanding debt and debt-related deferred outflows and inflows of resources that was used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. These assets, therefore, are *not* available for future spending.
- $599.3 million of the net position represents resources that are subject to restrictions on how they may be used and therefore restricted.
- $1.8 billion represents a deficit in unrestricted net position that has primarily resulted from the underfunding of the pension liabilities, annual other postemployment benefits cost, and other unfunded long-term liabilities.

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

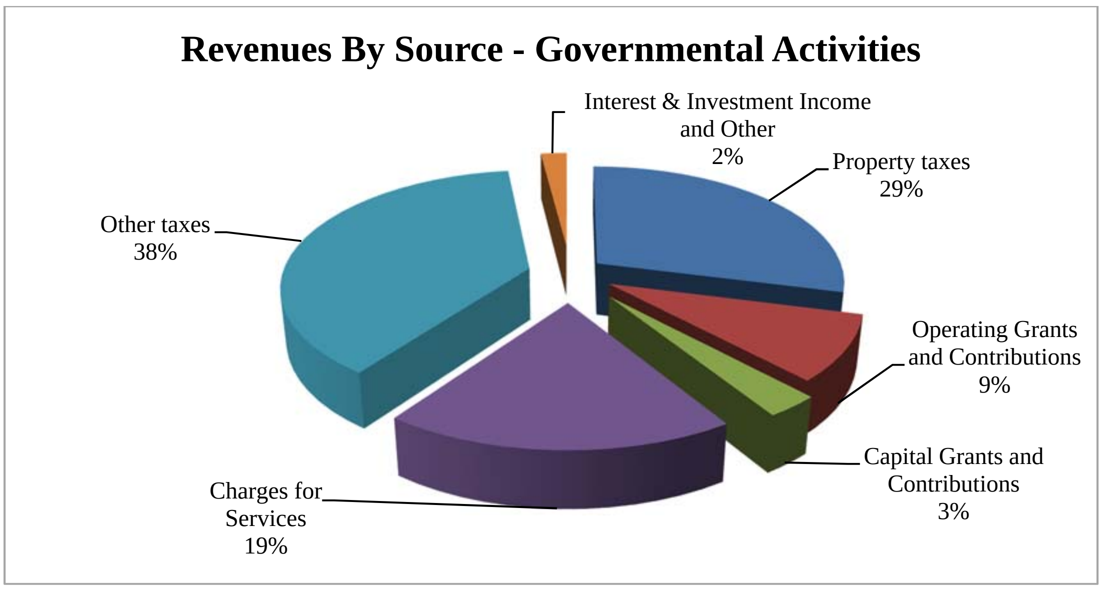
## Condensed Statement of Activities
**For the Years Ended June 30, 2017 and 2016**
(In Thousands)

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

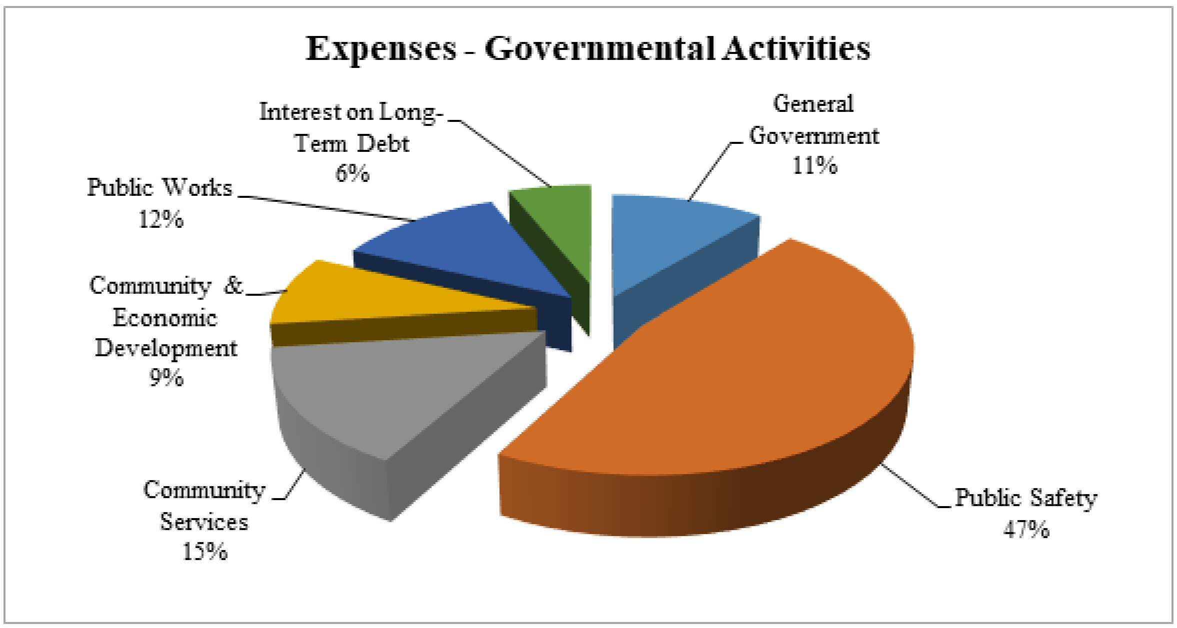
**Governmental activities:** Net position for governmental activities, increased by $62.4 million during fiscal year 2016-17. Total revenue increased by 3.6 percent and expenses increased by 10.3 percent. During FY 2015-16, revenues increased at a rate of 5.0 percent and expenses increased by 10.3 percent.

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

- Contributing factors resulting to increases in certain revenue categories are as follows: property tax increased by $32.3 million due to the restoration of assessed values that Proposition 8 temporarily decreased as a result of the previously declining property values during the recession. Charges for services increased by $24.8 million or 13.93 percent due to increasing licensing and permitting for development services. Transient occupancy taxes increased by $3.4 million or 13.16 percent due to thriving local hotel demand. Other factors contributing to revenue increase include: sales and use tax by $2.5 million or 3.23 percent and utility consumption tax by $1.6 million or 3.16%.
- Contributing factors resulting in a decrease in certain revenue categories are as follows: Capital grants and contributions decreased by $19.1 million from the conclusion of the Trade Corridor Improvement Fund (TCIF) grant for the Oakland Army Base development, and real estate transfer tax decreased by $10.5 million or 11.75 percent primarily due to the decrease in large property transactions. Real estate transfer tax is highly volatile and revenues can increase and decrease rapidly with changing market conditions because of the sale of high value properties.



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

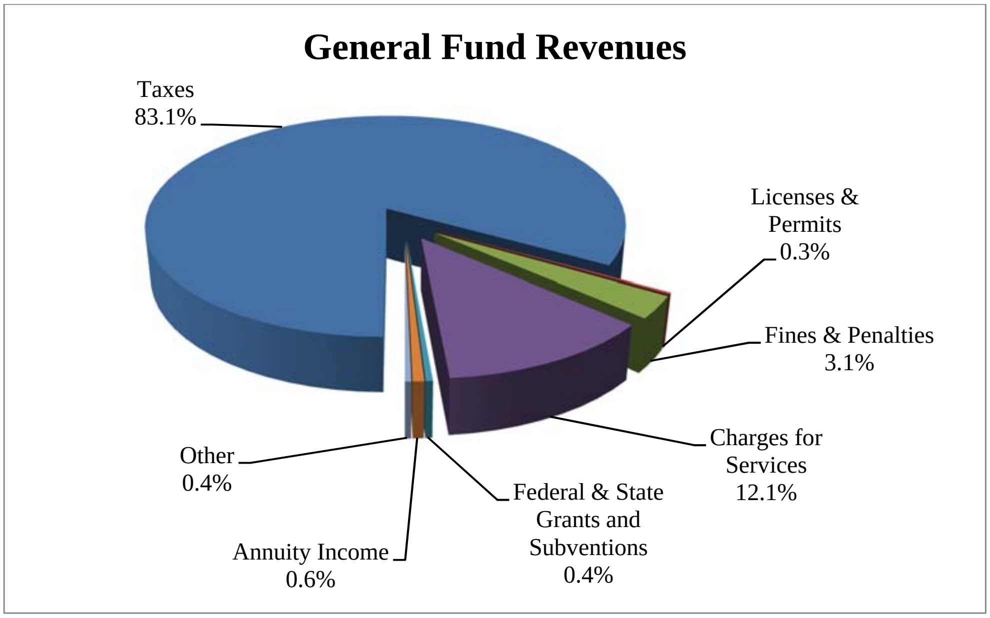



**Business-type activities:** Business-type activities ended the fiscal year with a positive change in its net position of $8.2 million compared to $17.4 million the previous fiscal year.

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

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

**General Fund:** The General Fund is the chief operating fund of the City. At June 30, 2017, its unassigned fund balance is $64.7 million or 18.7 percent of the $345.7 million total General Fund balance.



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

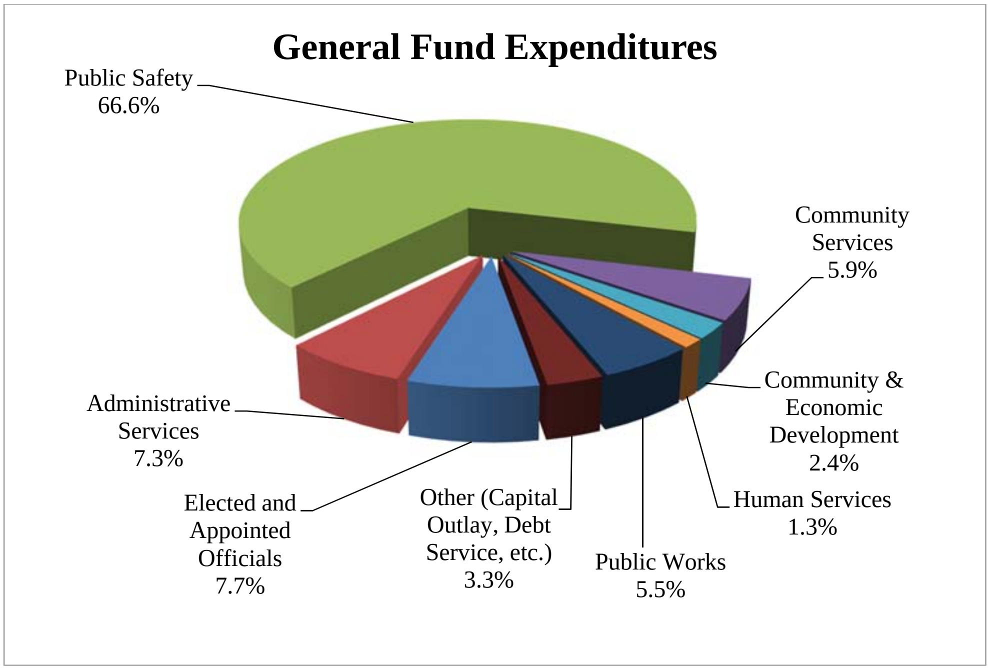
| | General Fund | | Increase / (Decrease) | |
|---|---|---|---|---|
| | 2017 | 2016 | Amount | % |
| **Revenues:** | | | | |
| Taxes: | | | | |
| Property taxes | $ 271,985 | $ 257,707 | $ 14,278 | 5.54% |
| State taxes: | | | | |
| Sales and use taxes | 53,702 | 52,192 | 1,510 | 2.89% |
| Motor vehicles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

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

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

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

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




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

- *Public safety* increased by $17.7 million or 4.7 percent due to the negotiated cost of living adjustment and overtime for sworn employees as a result of targeted crime reduction, unanticipated special enforcement, routine overtime and coverage of vacancies.
- *City elected offices and departments*, excluding public safety and debt service, are reporting a total increase of $4.4 million or 2.3% in expenditures mainly due to cost of living adjustments for all bargaining units of up to 4 percent for FY 2016-17.

**Federal and State Grant Fund:** The Federal and State Grant Fund had a deficit fund balance of $15.2 million as of June 30, 2017 that represents an increase in deficit of $7.1 million from the prior fiscal year. The federal/state grant fund deficit will be cleared by grant reimbursement submitted to granting agencies, but revenue has not been received within the City's availability period and is recorded as deferred inflows of resources for $6.0 million as of June 30, 2017.

**Low and Moderate Income Housing Asset Fund ("LMIHF"):** Upon the dissolution of the Former Agency, the City retained the housing activities previously funded by the Former Agency and created LMIHF and transferred the assets and affordable housing activities of the low and moderate income fund to the City. The ending fund balance as of June 30, 2017 was $48.5 million and the fund's net loan receivable balance was $227.8 million.

**Municipal Capital Improvement Fund:** The Municipal Capital Improvement Fund had a fund balance of $219.8 million as of June 30, 2017 that represents an increase of $5.6 million or 2.6 percent from the prior fiscal year. Pursuant to Health and Safety Code (HSC) section 34179(h), the DOF completed its review of the Oversight Board action on the Bond Spending Plan and on November 6, 2013, it approved the Bond Spending Plan for Oakland Redevelopment Successor Agency ("ORSA"). The Bond Spending Plan allows ORSA to utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. DOF approved the bond expenditure agreement between ORSA and the City to transfer excess tax allocation bond proceeds to the City.

**The Other Special Revenue Fund** accounts for activities of several Special Revenue Funds, which include mainly the following local measures; Measure Z - Violence Prevention and Public Safety Act of 2014; Measure C – Oakland Hotel Tax; Measure Q – Library Services Retention and Enhancement; Measure WW – East Bay Regional Park District local grant program; Measure N – Paramedics Services Act; Oakland Kid's First Fund; Development Service Fund and Other miscellaneous special revenue funds. The ending fund balance as of June 30, 2017 was $101.8 million.

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

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

## General Fund Budgetary Highlights

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

In addition, there was a $20.4 million increase in appropriations between the original and final amended operating budget for the General Fund. The increase in appropriation is due primarily to the determination of actual project carryforwards for continuing appropriations for various multiyear projects, capital improvement projects, and other projects authorized by the City Council.

Actual budgetary basis expenditures of $585.3 million were $25.7 million less than the amended budget. Savings were experienced in all expenditure categories mainly due to budget contingency and project and encumbrance carryforwards for multi-year budgets.

## Capital Assets

The City's capital assets, net of depreciation, totaled $1.64 billion as of June 30, 2017 compared to $1.58 billion as of June 30, 2016, an increase of $56.6 million or 3.57 percent. Governmental activities additions of $102.1 million in capital assets from construction in progress which met the City's threshold for capitalization.

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

## Construction Commitments

The City has committed to funding in the amount of $200.5 million for a number of capital improvement projects for fiscal year 2017-18 through fiscal year 2018-19. These projects include building and facilities improvements; parks and open space; sewers and storm drains; streets and sidewalks construction; technology enhancements and traffic improvements. See Note (III) part C.1. for more details in construction commitments.

## Debt Administration:

### General Obligation Bonds and Other Bond Ratings

A credit rating is a value assigned by one or more of the recognized rating agencies that "grade" a jurisdiction's credit, or financial trustworthiness. The three primary rating agencies are Moody's Investors Service (Moody's), Standard & Poor's Rating Services (S&P), and Fitch Ratings (Fitch). These rating agencies serve as independent assessors of municipal and corporate credit strength. Rating agencies generally focus on four major areas when assigning credit ratings: finances, management, economy and outstanding debt. The City continues to maintain strong credit ratings on the City's existing general obligation bonds from all three national rating agencies despite the difficult financial and economic conditions nationally and locally. The City of Oakland's underlying ratings for its bonds as of June 30, 2017 were as follows:

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

[1] Insured Rating

[2] Ratings vary by series

### General Fund Bonded Debt Limit

At the end of the current fiscal year, the City's debt limit (3.75 percent of property valuation, net of exemptions subject to taxation) was $1.4 billion. The total amount of debt applicable to the debt limit was $216.7 million. The resulting legal debt margin was $1.2 billion.

## Long-Term Obligations

As of June 30, 2016, the City had total long-term obligations of $1.1 billion compared to $1.2 billion outstanding for the prior fiscal year, a decrease of 2.85 percent. Of this amount, $216.7 million is general obligation bonds backed by the full faith and credit of the City. The remaining $899.4 million is comprised of various long-term debt instruments listed below including accruals of year-end estimates for other long-term liabilities (in thousands):

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| General obligation bonds | $ 216,655 | $ 201,830 | $ - | $ - | $ 216,655 | $ 201,830 |
| Lease revenue bonds | 71,335 | 91,110 | - | - | 71,335 | 91,110 |
| Pension obligation bonds | 296,854 | 313,223 | - | - | 296,854 | 313,223 |
| Special assessment debt with government commitments | 5,335 | 5,685 | - | - | 5,335 | 5,685 |
| Accreted interest on appreciation bonds | 149,896 | 159,476 | - | - | 149,896 | 159,476 |
| Sewer-bonds and notes payable | - | - | 32,620 | 34,665 | 32,620 | 34,665 |
| Less: deferred amounts Bond issuance premiums | 23,246 | 24,054 | 4,115 | 4,458 | 27,361 | 28,512 |
| **Total Bonds Payable** | **763,321** | **795,378** | **36,735** | **39,123** | **800,056** | **834,501** |
| Notes & Leases payable | 75,823 | 73,909 | - | - | 75,823 | 73,909 |
| Other long-term liabilities | 240,142 | 240,388 | - | - | 240,142 | 240,388 |
| **Total Long Term Obligations** | **$ 1,079,286** | **$ 1,109,675** | **$ 36,735** | **$ 39,123** | **$ 1,116,021** | **$ 1,148,798** |

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

## Current Year Long-Term Debt Financing:

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

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

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

The economic indicators highlighted below, among others and including labor union contracts and concessions, were factored into the City's budget formulation process as they relate to revenue forecasting, program planning, and resource allocation for fiscal year 2016-17.

The City's economy continues to grow, which is resulting in a steady growth of General Fund revenues. While revenues are approaching pre-recession levels, the growth is not enough to restore pre-recession service levels due to rising costs. There is also pressure on the budget to fund long-term deferred maintenance and capital equipment, and long-term unfunded liabilities. The City adopted a balanced budget for fiscal years 2017-19 without layoffs, and continues to invest in public safety, stabilize our workforce, economic growth, job creation and training, education, equipment and technology, and quality of life.

In February 2017, the City issued a Five-Year Financial Forecast that forecasted revenues and expenditures. The purpose of the Five-Year Financial Forecast is to help the City of Oakland make informed financial and operational decisions by better anticipating long-term future revenues and expenditures. Since that time the City has experienced a continued growth in revenues and in the local economy. This economic growth will be reflected in subsequent reports on City revenues and expenditures.

In February of 2019 the City will release a new Five-Year Financial Forecast in preparation for the FY 2019-21 Biennial Budget. This new forecast will address the projected future growth rates of expenditures and revenues, and any other fiscal concerns, based upon information available through December of 2018.

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

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

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

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

## Requests for Information

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

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# BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

# City of Oakland
## Balance Sheet
## Governmental Funds
## June 30, 2017
*(In thousands)*

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

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

# City of Oakland

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position for Governmental Activities

### June 30, 2017

*(In thousands)*

| | | |
|---|---|---|
| Fund balances - total governmental funds (page 23) | | $ 768,122 |
| Amounts reported for governmental activities in the statement of net position are different due to the following: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | |
| Primary government capital assets, net of depreciation | 1,415,433 | |
| Less: internal service funds' capital assets, net of depreciation | (52,124) | 1,363,309 |
| Prepaid insurance premiums on long-term debt are not financial resources and, therefore, are not reported in the governmental funds. | | 789 |
| Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds. | | |
| Interest payable on long-term debt of the primary government | (23,282) | |
| Less: interest payable on long-term debt of the internal service funds | 398 | (22,884) |
| Deferred inflows of resources recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the government-wide financial statements. | | 401,443 |
| Long-term liabilities, including bonds payable and other postemployment benefits obligation, are not due and payable in the current period, and therefore are not reported in the governmental funds. | | |
| Long-term liabilities | (1,079,286) | |
| Net other post employment benefits obligation | (353,583) | |
| Less: long-term liabilities for internal service funds | 54,472 | (1,378,397) |
| Deferred outflows of resources in governmental activities related to losses on refunding of debt are not financial resources and, therefore, are not reported in the governmental funds. | | 17,314 |
| Net pension liability and deferred outflows of resources and deferred inflows of resources related to pensions on the government-wide statement of net position are not due and payable in the current period, and therefore are not reported in the governmental funds. | | |
| Net pension liability | (1,458,026) | |
| Deferred outflows of resources related to pensions | 271,230 | |
| Deferred inflows of resources related to pensions | (29,251) | (1,216,047) |
| Internal service funds are used by the City to charge the costs of providing supplies and services, fleet and facilities management, and use of radio and communication equipment to individual funds. Assets, deferred outflows, liabilities, and deferred inflows of resources of internal service funds are included in governmental activities in the statement of net position. | | (26,694) |
| NET POSITION OF GOVERNMENTAL ACTIVITIES (page 21) | | $ (93,045) |

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

# City of Oakland
## Statement of Revenues, Expenditures, and Changes in Fund Balances
## Governmental Funds
## Year Ended June 30, 2017
*(In thousands)*

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

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

# City of Oakland

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities of Governmental Activities

### Year Ended June 30, 2017

*(In thousands)*

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds (page 25) | | $ 100,301 |
| Amounts reported for governmental activities in the statement of activities are different due to the following: | | |
| Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and other capital transactions exceeds depreciation in the current period. | | |
| Primary government: | | |
| Capital asset acquisition | 106,415 | |
| Capital asset retirement | (17) | |
| Depreciation | (63,763) | |
| Less: net changes of capital assets within internal service funds | (6,929) | 35,706 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, loans made to developers and others are treated as urban redevelopment and housing expenditures at the time the loans are made and are reported as revenues when the loans are collected in the funds. This represents the change in the deferred inflows during the current period. | | 8,707 |
| Some expenses such as claims, workers' compensation, and vacation and sick leave reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds. | | (6,931) |
| The issuance of long-term debt provides current financial resources to governmental funds. This is the amount by which bond proceeds increases the liabilities in the statement of net position. | | (34,521) |
| The repayment of the principal of long-term debt consumes the current financing sources of the governmental funds. This is the amount by which principal retirement reduces the liabilities in the statement of net position. | | 83,431 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Amortization of bond premiums and discounts | 808 | |
| Amortization of prepaid bond insurance premium on long-term debt | (161) | |
| Amortization of deferred outflows of refunding loss | (1,484) | |
| Accreted interest on appreciation bonds | (17,194) | |
| Changes in accrued interest on bonds and notes payable | (596) | |
| Changes in Coliseum Authority pledged obligation | 4,128 | |
| Changes in mandated environmental remediation obligations | 717 | |
| Changes in net pension liability | (286,794) | |
| Changes in deferred outflows of resources related to pensions | 179,277 | |
| Changes in deferred inflows of resources related to pensions | 38,227 | |
| Changes on postemployment benefits other than pension benefits (OPEB) | (40,999) | |
| Changes on fair value of the interest swap agreement | 2,332 | (121,739) |
| Net expenses of activities of internal service funds is reported with governmental activities | | (2,537) |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 22) | | $ 62,417 |

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

# City of Oakland
## Statement of Fund Net Position
## Proprietary Funds
## June 30, 2017
*(In thousands)*

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

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

# City of Oakland
## Statement of Revenues, Expenses and Changes in Fund Net Position
## Proprietary Funds
## Year Ended June 30, 2017
*(In thousands)*

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

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

# City of Oakland
## Statement of Cash Flows
## Proprietary Funds
## Year Ended June 30, 2017
*(In thousands)*

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

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

# City of Oakland
## Statement of Fiduciary Net Position
## Fiduciary Funds
## June 30, 2017
*(In thousands)*

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

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

# City of Oakland
## Statement of Changes in Fiduciary Net Position
## Fiduciary Funds
## Year Ended June 30, 2017
*(In thousands)*

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

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

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# NOTES TO THE BASIC FINANCIAL STATEMENTS

## I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## A. REPORTING ENTITY

### Primary Government

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

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

### Fiduciary Component Unit

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

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

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

**Blended Component Unit**

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

**Discretely Presented Component Unit**

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

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

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

## B. FINANCIAL STATEMENT PRESENTATION

**Government-wide and Fund Financial Statements**

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

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

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

The City reports the following major governmental funds:

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

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

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

The ***Municipal Capital Improvement Fund*** accounts primarily for monies pertaining to capital improvement funds, which includes mainly capital financing projects funds:

- *Oakland Redevelopment Successor Agency* - Unspent bond proceeds transferred to the City. The California Department of Finance approved the bond expenditure agreement between ORSA and the City to transfer excess tax allocation bond proceeds to the City. The Bond Spending Plan allows ORSA to utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants.
- *Measure DD* – Capital improvement bond financing funds for clean water, safe parks and open space trust for the City.
- *Measure G* – Capital improvement bond financing funds for Oakland Zoo, Museum and Chabot Space and Science Center improvements.
- *Master Lease Agreement Financing* – Capital improvement for vehicles and equipment, and telecommunications.
- *Other miscellaneous capital improvement funds* - The fund comprises other municipal capital improvement funds, which may be used for the lease, acquisition, construction or other improvements of public facilities.

The ***Other Special Revenue Fund*** accounts for activities of several Special Revenue Funds, which include mainly the following local measures and funds:

- *Measure Y – Violence Prevention and Public Safety Act of 2004*. The measure provides for the following services; community and neighborhood policing; violence prevention services with an emphasis on youth and children; fire services and evaluation.
- *Measure C – Oakland Hotel Tax.* This additional transient occupancy tax was approved to fund the following entities; Oakland Convention and Visitors Bureau 50%; Oakland Zoo 12.5%; Oakland Museum of California 12.5%; Chabot Space and Science Center 12.5% and the City Cultural Arts Programs and Festivals 12.5%.
- *Measure Q – Library Services Retention and Enhancement.* In March 2004, the electorate of Oakland approved, by more than a two-thirds majority, the extension of the Library Services and Retention Act, Measure Q (formerly known as Measure O). The act re-authorized and increased a special parcel tax on residential and non-residential parcels for the purpose of raising revenue to retain and enhance library services. The term of the tax is 20 years, commencing July 1, 2004 and ending June 30, 2024.
- *Measure WW – East Bay Regional Park District local grant program*. The funds are for various Oakland parks and open space renovation projects.
- *Measure N – Paramedics Services Act*. The revenue from the measure are to provide for increase, enhance and support paramedic services in the City.
- *Oakland Kids' First Fund.* The charter requires 3.0% of the City's unrestricted general purpose fund revenues for the fund. The funds provide additional funding for programs and services benefiting children and youth.
- *Development Service Fund.* The revenue sources for the development service fund will be the fees and penalties for development and enforcement activities, such as land use, permit, inspection, and abatement services for both direct and indirect costs.
- *Other miscellaneous special revenue funds.* Account for several other restricted monies that are classified as special revenue funds.

The City reports the following major enterprise fund:

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

Additionally, the City reports the following fund types:

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

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

The ***Private Purpose Trust Funds*** include: (a) the Oakland Redevelopment Successor Agency Trust Fund, which accounts for the custodial responsibilities that are assigned to the Oakland Redevelopment

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

## C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

### D. Use of Estimates

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

### E. New Pronouncements

The City's adoption of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, did not have a material impact on the City's financial statements.

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

- In June 2014, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB plans, improving the accounting and financial reporting by state and local governments for OPEB and provides information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB Statement No. 75 is effective for the City's year ending June 30, 2018.

- In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements,* to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize revenues, assets, liabilities, and deferred inflows of resources. GASB Statement No. 81 is effective for the City's year ending June 30, 2018.

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

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

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

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

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

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

### 1. Cash and Investments

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

Income earned or losses arising from the investment of pooled cash are allocated on a monthly basis to the participating funds and component units based on their proportionate share of the average daily cash balance.

Proceeds from debt and other cash and investments held by fiscal agents by agreement are classified as restricted assets.

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

### 2. Property Taxes

The County of Alameda is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state law, and for remitting such amounts to the City. Property taxes are assessed and levied as of July 1 on all taxable property located in the City, and result in a lien on real property on January 1. Property taxes are then due in two equal installments—the first on November 1 and the second on February 1 of the following calendar year and are delinquent after December 10 and April 10, respectively. General property taxes are limited to a flat 1% rate applied to the 1975-76 full value of the property, or 1% of the sales price of the property or of the construction value added after the 1975-76 valuation. Assessed values on properties (exclusive of increases related to sales and construction) can rise a maximum of 2% per year. Taxes were levied at the maximum 1% rate during the year ended June 30, 2017.

### 3. Due From/Due To Other Funds and Internal Balances

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

### 4. Interfund Transfers

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

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

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

### 5. Prepaid Bond Insurance, Original Issue Discounts and Premiums, and Refundings

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

Amortizations of bond premiums and discounts and gains or losses from refunding of debt are recorded as a component of interest expense.

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

### 6. Inventories

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

### 7. Capital Assets

Capital assets, which include land, museum collections, intangibles, construction in progress, facilities and improvements, furniture, machinery and equipment, infrastructure (e.g., streets, streetlights, traffic signals, and parks), sewers and storm drains are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Capital outlay is recorded as expenditures in the governmental funds and as assets in the government-wide and proprietary financial statements to the extent the City's capitalization threshold is met. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life is not capitalized.

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

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

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

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

| | |
|---|---|
| Building and improvements | 5-50 years |
| Container cranes | 25 years |
| Systems and structures | 10-50 years |
| Other equipment | 5-10 years |
| Software | 20 years |

## 8. Property Held for Resale

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

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

## 9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for *deferred outflows of resourc*es. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources related to pension contributions subsequent to measurement date and other pension-related deferred outflows. Also, losses on refunding result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. Amortization of these balances is recorded as a component of interest expense.

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

## 10. Compensated Absences – Accrued Vacation, Sick Leave, and Compensatory Time

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

### 11. Retirement Plans

The City has three defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), and the Miscellaneous and the Public Safety Plans of the California Public Employees' Retirement System (CalPERS) (collectively, the Retirement Plans). For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Retirement Plans and additions to/deductions from the Retirement Plans' fiduciary net position have been determined on the same basis as they are reported by PFRS and CalPERS. Employer contributions and member contributions made by the employer to the Retirement Plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the provisions of the Retirement Plans. Refer to Note (III) A for additional information.

### 12. Other Postemployment Benefits (OPEB)

The OPEB plan covers the City's police, fire, and other (miscellaneous) employees. City retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. Retiree health benefits are described in the labor agreements between the City and local unions and in City resolutions. The demographic rates used for the CalPERS were public safety employees retirements benefits under a 3% at 50 formula and miscellaneous employees retirement benefits under a 2.7% at 55 formula. Refer to Note (III) B for additional information.

### 13. Pollution Remediation Obligations

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

### 14. Fund Balances

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

- *Restricted Fund Balance:* includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. It also includes a legally enforceable requirement that the resources can only be used for specific purposes enumerated in the law.

- *Committed Fund Balance:* includes amounts that can only be used for the specific purposes determined by City Council ordinance, which is the City's highest level of decision-making authority. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.

- *Assigned Fund Balance*: comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed through City Council budgetary action, which includes of appropriations and revenue sources pertaining to the next fiscal year's budget. The City Council adopted a resolution establishing the City's policy budget, which states that assigned fund balances are intended to be used for specific purposes through City Council budgetary actions. Intent is expressed by (a) the City Council or (b) the City Administrator to which the City Council has delegated the authority to assign amounts to be used for specific purposes. This category includes the City's encumbrances, project carry-forwards, and continuing appropriations.

- *Unassigned Fund Balance:* are amounts technically available for any purpose. It's the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other three fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned. Fund balances for all the major and nonmajor governmental funds as of June 30, 2017, were distributed as follows (in thousands):

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

[1] Low and Moderate Income Housing Asset Fund

## 15. Net Position

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

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

- *Restricted Net Position* consists of This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandated payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

- *Unrestricted Net Position* represents net position of the City that is not restricted for any project or purpose.

## (II) DETAILED NOTES ON ALL FUNDS

### A. CASH, DEPOSIT, AND INVESTMENTS

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

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

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

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

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

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

## Primary Government

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

The City's pooled and restricted investments has the following recurring fair value measurements as of June 30, 2017 (in thousands):

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

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

At June 30, 2017, the carrying amount of the City's deposits was $8.7 million. Deposits include checking accounts, interest earning savings accounts and money market accounts. The bank balance of $21.8 million was covered by FDIC insurance or collateralized with securities held by the pledging financial institution in the City's name, in accordance with Section 53652 of the California Government Code.

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

**Credit Risk:** Credit risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The most effective method for minimizing the risk of default by an issuer is to invest in high quality securities. Under the City investment policy, short-term debt shall be rated at least A-1 by Standard & Poor's (S&P), at the time security is purchased. Long-term debt shall be rated at least A by S&P. Per the California Debt and Management Advisory Commission (CDIAC), it is recommended that the portfolio be monitored, as practical, for subsequent changes in credit rating of existing securities.

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

Pooled Investments

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

Restricted Investments

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

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

Investments in one issuer that exceed 5% of the City's investment portfolio at June 30, 2017 are as follows (in thousands):

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

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

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

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

Pooled Investments

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

Restricted Investments

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

**Other Disclosures:** As of June 30, 2017, the City's investment in LAIF is $64.9 million. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately $77.6 billion, 97.11% is invested in non-derivative financial products and 2.89% in structured notes and asset-backed securities. The Local Investment Advisory Board (Advisory Board) has oversight responsibility for LAIF. The Advisory Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the City's position in the pool.

## Oakland Police and Fire Retirement System (PFRS)

### Deposits in the City's Investment Pool

As of June 30, 2017, cash and cash deposits consisted of cash in treasury held in the City's cash and investment pool as well as cash deposits held in bank and with a custodian. These funds are invested according to the investment policy adopted by the City Council. As of June 30, 2017, PFRS' share of the City's investment pool totaled $3.4 million. As of June 30, 2017, PFRS also had cash and cash deposits not held in the City's investment pool that totaled $18 thousand.

**Investments**

PFRS' investment policy authorizes investment in U.S. equities, international equities, U.S. fixed income instruments including U.S. Treasury notes and bonds, government agency mortgage backed securities, U.S. corporate notes and bonds, collateralized mortgage obligations, Yankee bonds and non-U.S. issued fixed income securities denominated in foreign currencies. PFRS' investment portfolio is managed by external investment managers, except for the bond iShares, which are managed internally. During the year ended June 30, 2017, the number of external investment managers was twelve.

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

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

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

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

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

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

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

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

**Interest Rate Risk:** PFRS' investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. The weighted average duration for PFRS' fixed income investment portfolio excluding fixed short-term investments and securities lending investments was 5.36 years as of June 30, 2017.

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

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

**Fair Value Highly Sensitive to Change in Interest Rates:** The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. PFRS has invested in collateralized mortgage obligations (CMOs), which are mortgage-backed bonds that pay pass-through rates with varying maturities. The fair values of CMOs are considered sensitive to interest rate changes because they have embedded options, which are triggers related to quantities of delinquencies or defaults in the loans backing the mortgage pool. If a balance of delinquent loans reaches a certain threshold, interest and principal that would be used to pay junior bondholders is instead directed to pay off the principal balance of senior bondholders and shortening the life of the senior bonds. The following table shows PFRS' investments in CMOs as of June 30, 2017 (in thousands):

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

**Custodial Credit Risk:** The City, on behalf of PFRS, does not have any funds or deposits that are not covered by depository insurance, which are either uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name. PFRS does not have any investments that are not registered in the name of PFRS and are either held by the counterparty or the counterparty's trust department or agent, but not in PFRS' name.

**Credit Risk:** This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The following tables provide information as of June 30, 2017 concerning credit risk of fixed income securities (in thousands):

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

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

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

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

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

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

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

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

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

**Securities Lending Transactions:** PFRS's investment policy authorizes participation in securities lending transactions, which are short-term collateralized loans of PFRS's securities to brokers-dealers with a simultaneous agreement allowing PFRS to invest and receive earnings on the collateral received. All securities loans can be terminated on demand by either PFRS or the borrower, although the average term of such loans is one week.

The administrator of the PFRS's securities lending activities is responsible for maintaining an adequate level of collateral in an amount equal to at least 102% of the market value of loaned U.S. government securities, common stock and other equity securities, bonds, debentures, corporate debt securities, notes, and mortgages or other obligations. Collateral received may include cash, letters of credit, or securities. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of said collateral. If securities collateral is received, PFRS cannot pledge or sell the collateral securities unless the borrower defaults.

As of June 30, 2017, management believes that PFRS has minimized its credit risk exposure to borrowers because the amounts held by PFRS as collateral exceeded the securities loaned by PFRS. PFRS' contract with the administrator requires it to indemnify PFRS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities borrowed) or fail to pay PFRS for income distributions by the securities' issuers while the securities are on loan.

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

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

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

As of June 30, 2017, the derivative instruments held by PFRS are considered investments and not hedges for accounting purposes. All investment derivatives are reported as investments at fair value in the statement of fiduciary net position. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

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

The tables below present the notional amounts, the fair values, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2017 (in thousands):

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

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

*Custodial Credit Risk* - The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2017, all of PFRS's investments in derivative instruments are held in PFRS's name and are not exposed to custodial credit risk.

*Interest Rate Risk* - The tables below describe the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2017 (in thousands):

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

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

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

**Oakland Redevelopment Successor Agency**

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

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

**Investments:** ORSA follows the Investment Policy of the City, which is governed by provisions of the California Government Code 53600 and the City's Municipal Code. ORSA also has investments subject to provisions of the bond indentures of the Former Agency's various bond issues. According to the Investment Policy and bond indentures, ORSA is permitted to invest in LAIF, obligations of the U.S. Treasury or U.S. government agencies, time deposits, money market mutual funds invested in U.S. government securities, along with various other permitted investments.

**Hierarchy:** The hierarchy is based on the valuation inputs used to measure fair value of the assets. At June 30, 2017, the ORSA does not have any of its investments using Level 1 and 3 inputs. The ORSA has the following recurring fair value measurements as of June 30, 2017 (in thousands):

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

**Custodial Credit Risk:** As of June 30, 2017, the carrying amount of the ORSA's deposits was $2.4 million. The deposits are insured by the FDIC insurance coverage limit of $0.25 million, and the remaining bank balance is collateralized with securities held by the pledging financial institutions as required by Section 53652 of the California Government Code.

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

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

**Credit Risk:** ORSA's Investment Policy has mitigated credit risk by limiting investments to the safest types of securities, by prequalifying financial institutions, by diversifying the portfolio and by establishing monitoring procedures.

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

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

**Concentration of Credit Risk:** The following table show's ORSA's investments in one issuer that exceed 5% of ORSA's investment portfolio at June 30, 2017 (in thousands):

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

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

### Discretely Presented Component Unit – Port of Oakland

The Port's cash, cash equivalents, investments and deposits in escrow consisted of the following at June 30, 2017 (in thousands):

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

Deposits in escrow consist of amounts received from construction contractors that are deposited into an escrow account in-lieu of retention withheld from construction progress billings. Interest on these deposits accrues to the contractor.

**Investments** Senior Lien Bonds reserves are on deposit with the Senior Lien Bonds trustee. The investment of funds held by the Senior Lien Bonds trustee is governed by the Senior Trust Indenture and is currently invested in either 1) U.S. Treasury Notes or 2) Government Securities Money Market Mutual Funds. There were no investments pertaining to the Intermediate Lien Debt.

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

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

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

**Investments Authorized by Debt Agreements:** The following are the types of investments generally allowed under the Senior Trust Indenture and the Intermediate Trust Indenture dated as of October 1, 2007 (Intermediate Trust Indenture, together with the Senior Trust Indenture, are referred to as the Trust Indentures): U.S. Government Securities, U.S. Agency Obligations, obligations of any State in the U.S., prime commercial paper, FDIC insured deposits, certificates of deposit/banker's acceptances, money market mutual funds, long or medium-term corporate debt, repurchase agreements, state-sponsored investment pools, investment contracts, and forward delivery agreements**.**

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

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

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

- Provisions of the Trust Indentures prescribe restrictions on the types of permitted investments of the monies held by the trustee in the funds and accounts created under the Trust Indentures, including agreements or financial institutions that must meet certain ratings, such as certain investments that must be rated in either of the two highest ratings by S&P and Moody's.
- **Concentration of Credit Risk:** The Trust Indentures place no limit on the amount the Port may invest in any one issuer

**Custodial Credit Risk:** Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or counterparty to a transaction, the Port will not be able to recover the value of its investment or collateral securities that are in possession of another party. To protect against custodial credit risk all securities owned by the Port under the terms of the Trust Indentures are held in the name of the Port for safekeeping by a third party bank trust department, acting as an agent for the Port. The Port had investments held by a third party bank trust department in the amount of $58.1 million at June 30, 2017.

The carrying amount of the Port's deposits in escrow was $3.7 million at June 30, 2017. Of this amount, bank balances and escrow deposits of $0.5 million on June 30, 2017 are insured or collateralized with securities held by the pledging financial institution's trust department in the Port's name and the remaining balance was exposed to custodial credit risk by not being insured or collateralized.

## B. INTERFUND TRANSACTIONS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash and interfund loans. The amounts due from the Oakland Redevelopment Successor Agency are related to advances and interfund loans made by the City for projects, loans, and services. The receivable amounts of ORSA relate to project advances made by ORSA for the City. The internal service funds' borrowing will be repaid over a reasonable period of time as described in Note (III) D.

**Primary Governments**

**1. Due from/Due to other funds**

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

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

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

**2. Interfund Transfers:**

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

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

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

(1) Transfers of $71.3 for debt service payments.
(2) Transfers to provide funds to cover the Central Service Overhead cost for certain federal funds.
(3) Transfers for the Kids' First Children's Program.
(4) Repayment of bridge funds for West Oakland Job Resource Center.
(5) Transfers to provide additional funds to cover the City's self-insurance programs.
(6) Transfers for the City's claims and liability payments.
(7) Transfer of net OPEB obligation.

**3. Due from the City**

As of June 30, 2017, ORSA has a total due from the City in the amount of $2.3 million, which has no change compared to the $2.3 million at June 30, 2016. The ending balance is composed of the Former Agency's assets transferred to the Housing Successor, which include the Former Agency's Central District Project Area Fund loan receivable from the City in the amount of $1.5 million, land sale receivable of $0.3 million as well as the Former Agency's Coliseum Project Area Fund loan receivable from the City in the amount of $0.5 million.

**4. Due to the City**

At June 30, 2017, ORSA has a payable to the City in the amount of $6.1 million, which included the former Agency's Low and Moderate Housing Fund loan of $1.5 million to the Central City East Project Funds where the Low and Moderate Housing Funds Assets were transferred to the Housing Successor, a loan of $2.7 million from the Capital Project Fund to the West Oakland Project for public improvements, and a payable of $1.9 million to the City for support services.

**Component Unit- Port of Oakland (Port)**

The City has entered into agreements with the Port for various services such as aircraft rescue and firefighting ("ARFF"), Special Services, General Services, and Lake Merritt Trust Services. The City provides these services to the Port.

Special Services include designated police services, personnel, City clerk, legislative programming, and treasury services. General Services includes fire, rescue, police, street maintenance, treasury, and similar services. Lake Merritt Trust Services includes items such as recreation services, grounds maintenance, security, and lighting.

Payments to the City for these services are made upon execution of appropriate agreements and/or periodic findings and authorizations from the Board.

**1. Special Services and Aircraft Rescue & Fire Fighters (ARFF)**

Payments for special services and ARFF are treated as a cost of Port operations pursuant to the City Charter Section 717(3) Third Clause and have priority over certain other expenses of Port revenues. Special services and ARFF totaled $7.5 million and are included in operating expenses. At June 30, 2017, $7.2 million was accrued as a current liability by the Port and as a receivable by the City.

**2. General Services and Lake Merritt Trust Services**

Payments for General Services provided by the City are payable only to the extent the Port determines annually that surplus monies are available under the Charter for such purposes. As of June 30, 2017, the Port accrued approximately $1.9 million of payments for General Services as a current liability and by the City as a receivable. Additionally, subject to certain conditions, the Port accrued approximately $1.1 million to reimburse the City for General Services for net City expenditures for Lake Merritt Tideland Trust properties in fiscal year 2017. Subject to availability of surplus monies, the Port expects that it will continue to reimburse the City annually for General Services and Lake Merritt Tideland Trust services.

## C. NOTES AND LOANS RECEIVABLE, NET OF ALLOWANCE

### Primary Government

The composition of the City's notes and loans receivable for governmental activities, net of the allowance for uncollectible accounts, as of June 30, 2017, is as follows (in thousands):

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

[1] Low and Moderate Income Housing Asset Fund

As of June 30, 2017, the City has a total of $367.1 million net notes and loans receivable, which is not expected to be received in the next twelve months. All of the City's notes and loans receivables are offset with deferred inflows of resources in the governmental funds as the collection of those notes and loans did not occur within the City's availability period.

Prior to effective date of the Redevelopment Dissolution Law, California Community Redevelopment Law required that at least 20% of the incremental tax revenues generated from certain redevelopment project areas be used to increase, improve, and preserve the affordable housing stock for families and individuals with very low, low, and moderate incomes. In response to this former requirement, the City established its 20% Housing Program and an additional 5% of the former tax increment to offer financial assistance to qualified developers, families, and individuals by providing loans at "below market" rates. Upon dissolution of the Former Agency, the City assumed the housing activity function of the Former Agency. All loans receivable relating to the Low and Moderate Income Housing Program have been transferred from the Former Agency to the LMIHF, which was established as of February 1, 2012 pursuant to City Council Resolution No. 83680 C.M.S. As of June 30, 2017, loans receivable relating to the LMIHF program totaled approximately $227.8 million, net of allowance for uncollectible accounts.

### Oakland Redevelopment Successor Agency (ORSA)

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

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

## D. CAPITAL ASSETS AND LEASES

### Primary Government

### 1. Summary Schedule

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

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

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

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

## 2. Depreciation

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

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

## Component Unit – Port of Oakland

### 1. Summary Schedule

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

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

### *2.* Capital Assets Under Operating Leases as Lessor

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

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

### 3. Operating Leases as Lessor

A major portion of the Port's capital assets are held for lease. Leased assets include maritime facilities, aviation facilities, office and commercial space, and land. The majority of the Port's leases are classified as operating leases.

Certain maritime facilities are leased under agreements, which provide the tenants with preferential, but nonexclusive, use of the facilities. Certain leases provide for rentals based on gross revenues of the leased premises or, in the case of marine terminal facilities, on annual usage of the facilities. The leases generally provide for minimum rentals with percentage rent contingent on business sales or activity.

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

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

The Port and Outer Harbor Terminal, LLC (formerly Ports America Outer Harbor Terminal, LLC), a private company, entered into a long-term concession and lease agreement on January 1, 2010 for the operation of berths 20-24 for 50 years. A $60.0 million upfront fee was paid to the Port in fiscal year 2010, which is being amortized over the life of the lease. In February 2016, Outer Harbor Terminal, LLC filed for Chapter 11 bankruptcy protection and subsequently announced their intent to cease operations at the Port. The Port terminated its long-term concession and lease agreement with Outer Harbor Terminal, LLC at the end of March 2016. These events resulted in the immediate recognition of the unamortized balance of the upfront fee, approximately $47.0 million.

Minimum future rental revenues for years ending June 30 under non-cancelable operating leases having an initial term in excess of one year are as follows (in thousands):

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

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

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

## E. PROPERTY HELD FOR RESALE

### Primary Government

On August 21, 2013, the State Controller's Office issued the asset transfer review pursuant to Health and Safety Code Section 34167.5 and reversed the March 3, 2011 agreement entered between the City and the Former Agency for the purchase and sale agreement of various Former Agency properties to the City. As a result, during the year ended June 30, 2015, the ORSA Trust Fund transferred property held for resale totaling $85.7 million to the City. At June 30, 2017, the City has a total of $162.7 million of property held for resale.

### Oakland Redevelopment Successor Agency (ORSA)

As of June 30, 2017, ORSA has a total $2.8 million for properties booked at the lower of cost or estimated conveyance value. On May 29, 2014, pursuant to HSC Section 34191.4, the California Department of Finance approved the ORSA's Long-Range Property Management Plan addressing the disposition and use of Former Agency properties and authorizing the disposition of properties pursuant to the plan.

## F. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

### Primary Government – Governmental Activities

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

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

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

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

## G. LONG-TERM AND OTHER OBLIGATIONS

### Primary Government

### 1. Summary Schedule of Long-Term Debt

The following is a summary of long-term obligations of the City as of June 30, 2017 (in thousands):

**Governmental Activities**

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

**Business-Type Activities**

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

## 2. Interest Rate Swap

### Oakland Joint Powers Financing Authority Lease Revenue Bonds, 1998 Series A1/A2

*Objective of the Interest Rate Swap:* On January 9, 1997, the City entered into a forward-starting synthetic fixed rate swap agreement (the "Swap") with Goldman Sachs Mitsui Marine Derivatives Products, U.S., L.P. (the "Counterparty") in connection with the $187.5 million Oakland Joint Powers Financing Authority (the "Authority") Lease Revenue Bonds, 1998 Series A1/A2 (the "1998 Lease Revenue Bonds"). Under the swap agreement, which effectively changed the City's variable interest rate on the bonds to a synthetic fixed rate, the City would pay the Counterparty a fixed rate of 5.6775% through the end of the swap agreement in 2021 and receive a variable rate based on the Bond Market Association index. The City received an upfront payment from the Counterparty of $15.0 million for entering into the Swap.

On March 21, 2003, the City amended the swap agreement to change the index on which the Swap is based from the Bond Market Association index to a rate equal to 65% of the 1-month London Interbank Offered Rates ("LIBOR"). This amendment resulted in an additional upfront payment from the Counterparty to the City of $6.0 million.

On June 21, 2005, all of the outstanding 1998 Lease Revenue Bonds were defeased by the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1, A-2 and B ("Series 2005 A & B Bonds"). $143.0 million was deposited with the trustee to defease the 1998 Lease Revenue Bonds. However, the Swap associated with the 1998 Lease Revenue Bonds still remains in effect. This is now a stand-alone swap with no association to any bond.

The amortization schedule is as follows as of June 30, 2017:

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

1 The 1-month LIBOR rate is 1.2272% as of June 30, 2017. Rates are projections, the LIBOR rate fluctuates daily.

*Terms:* The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2017 of $32.5 million. The notional amount of the swap declines through 2021. Under the Swap, the City pays the Counterparty a fixed payment of 5.6775% and receives a variable payment computed at 65% of LIBOR rate (total rate not to exceed 12%). The City's payments to the Counterparty under the Swap agreement are insured by the third party bond insurer.

*Fair Value:* The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the Swap. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the Swap. The fair value hierarchy of the interest rate swap is Level 2. Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of $3.7 million as of June 30, 2017.

*Credit Risk:* The issuer and the counterparty take a credit risk to each other over the life of the swap agreement. This is the risk that either the issuer or the counterparty will fail to meet its contractual obligations under the swap agreement. The Counterparty was rated Aa2 by Moody's, and AA- by S& P as of June 30, 2017. To mitigate the potential for credit risk, if the Counterparty's credit quality falls below A3 by Moody's or A- by S&P, the Swap provides the Counterparty, the City, the bond insurer for the Bonds and a third party collateral agent to execute a collateral agreement within 30 days of such a downgrade.

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

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

## 3. Summary of Changes in Long-term Obligations

### Primary Government

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

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

Debt service payments are made from the following sources:

(A) Property tax recorded in the debt service funds
(B) Revenues recorded in the general fund
(C) Property tax voter approved debt
(D) Revenues recorded in the special revenue funds
(E) Compensated absences are financed by governmental funds (General Fund, Federal/State Grant Fund, LMIHF, Municipal Capital Improvement Fund, and Other Governmental Funds) and proprietary funds (Sewer Service Fund) have funded the compensated absences through contributions to the General Fund.

Internal service funds predominantly serve governmental funds and therefore, the long-term liabilities of these funds are included as part of the above totals for governmental activities. At June 30, 2017, $46.9 million of bonds, notes payable, and capital leases related to the internal service funds are included in the above amounts.

## 4. Annual Requirements to Maturity

### Primary Government

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

Governmental Activities [1]

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

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

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

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

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

**Business-Type Activities**

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

The City pledged future net revenues to repay its sewer revenue bonds. The total principal and interest remaining to be paid on the bonds is $43.8 million. The principal and interest payments made in 2017 were $3.6 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2017 were $23.3 million.

### 5. New Debt Issuance

#### General Obligation Bonds - Series 2017C, Measure DD

On November 5, 2002, the City voters approved Measure DD to provide funds to acquire and construct water quality improvements for and related to Lake Merritt, Lake Merritt Channel, the Estuary and creeks in Oakland, to improve, renovate and construct youth and public recreational facilities, to rehabilitate and acquire parks, open space and other recreational, safety and maintenance facilities, and to provide safe public access to Lake Merritt, Lake Merritt Channel and the Estuary. In 2003, the City issued $71,450,000 General Obligation Bonds (Series 2003A, Measure DD) and in 2009, the City issued $64,545,000 General Obligation Bonds (Series 2009B, Measure DD).

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

#### General Obligation Bonds - Measure KK

At June 30, 2017, the City has $600.0 million (Measure KK) General Obligation Bonds authorized and unissued. The voters, in a City election on November 8, 2016, authorized these bonds. The bonds are to be issued by the City in general obligation bonds to improve public safety and invest in neighborhoods throughout Oakland by re-paving streets to remove potholes, rebuilding cracked and deteriorating sidewalks, funding bicycle and pedestrian safety improvements, funding affordable housing for Oaklanders, and providing funds for facility improvements, such as, neighborhood recreation centers, playgrounds, and libraries.

### Loan Payable - Oakland Army Base Credit Agreement

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

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

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

### Master Lease – Vehicle and Equipment Lease 2016

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

**Governmental Activities**

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

## Oakland Redevelopment Successor Agency (ORSA)

### 1. Summary Schedule of Long-Term Debt

The following is a summary of ORSA's long-term debt as of June 30, 2017 (in thousands):

**Oakland Redevelopment Successor Agency**

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

### 2. Revenues Pledged for the Repayment of Debt Service

### Tax Allocation Bonds

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

As of June 30, 2017, the total principal and interest remaining on these TABs was estimated at $356.0 million and the property tax revenues are pledged until the year 2041, the final maturity date of the bonds. The Former Agency's debt service payments are requested through the ROPS as enforceable obligations until the debt obligations have been satisfied.

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

### Housing Set-Aside Bonds

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

As of June 30, 2017, the total principal and interest remaining on the Housing set-aside bonds was estimated at $93.2 million and the property tax revenues are pledged until the year 2042, the final maturity date of the bonds. The former Agency's debt service payments are requested through the ROPS as enforceable obligations until the debt obligations have been satisfied.

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

### Subordinated Tax Allocation Refunding Bonds

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

### 3. Summary of Changes in Long-Term Obligations

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

**Oakland Redevelopment Successor Agency**

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

### 4. Annual Requirements to Maturity

The debt service requirements for all debt are based upon a fixed rate of interest. The annual requirements to amortize outstanding tax allocation bonds and other long-term debt outstanding as of June 30, 2017, including mandatory sinking fund payments, are as follows (in thousands):

**Oakland Redevelopment Successor Agency**

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

## Component Unit- Port of Oakland (Port)

### 1. Summary Schedule of Long-Term Debt

The following is a summary of long-term debt of the Port as of June 30, 2017 (in thousands):

**Component Unit - Port of Oakland**

| Type of Obligation | Final Maturity Year | Remaining Interest Rates | Amount |
|---|---|---|---|
| **Bonds, notes, and loans payable** | | | |
| Senior and intermediate lien bonds | 2033 | 3.375 - 5.125% | $ 979,565 |
| Notes and loans | 2030 | 0.42 - 4.50% | 102,272 |
| Unamortized bond discounts and premiums, net | | | 38,784 |
| **Total bonds, notes, and loans payable** | | | **$ 1,120,621** |

### 2. Revenues Pledged for the Repayment of Debt Service

The Port's long-term debt and final maturity consists primarily of tax-exempt bonds, short-term commercial paper notes and a loan from the California Department of Boating and Waterways. All of the Port's outstanding bonds, loans and commercial paper notes have been issued to finance or refinance capital improvements to the Port's aviation, maritime, and commercial real estate infrastructure. The majority of the Port's outstanding bonds are revenue bonds, which are secured by Pledged Revenues of the Port. Pledged Revenues are substantially all revenues and other cash receipts of the Port, including, without limitation, amounts held in the Port Revenue Fund with the City, but excluding amounts received from certain taxes, certain insurance proceeds, special facilities revenues, and certain other gifts, fees, and grants that are restricted by their terms to purposes inconsistent with the payment of debt service. In fiscal year 2017 pledged revenues amounted to $361.3 million.

Pledged Revenues do not include cash received from passenger facility charge (PFCs) or customer facility charge (CFCs) unless projects included in a financing are determined to be PFC or CFC eligible and bond proceeds are expended on such eligible projects and the Port elects to pledge PFCs or CFCs as supplemental security to such applicable bonds. Currently, the Port has no bonds for which PFCs or CFCs are pledged.

The Port did not capitalize any interest cost in fiscal year 2017.

***Senior Lien Bonds***

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

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

### *California Department of Boating and Waterways (DBW) Loan*

The DBW Loan is subordinate to the Senior Lien Bonds but superior to the Intermediate Lien Bonds and the Port's Commercial Paper Notes with respect to the Pledged Revenues. The Port turned over the operation of its marina, financed, in part, with DBW Loans, to a private company through a fifty-year capital lease in May 2004. As of June 30, 2017, only one DBW Loan remained outstanding with a balance of $4.4 million.

### *Intermediate Lien Bonds*

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

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

### *Commercial Paper Notes*

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

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

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

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

### 3. Summary of Changes in Long-Term Obligations

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

**Component Unit - Port of Oakland**

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

### 4. Annual Requirements to Maturity

The Port's required annual debt service payment for the outstanding long-term debt, not including Commercial Paper Notes, as of June 30, 2017, are as follows (in thousands):

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

(1) Although the Port intends to refinance the Commercial Paper debt in the future, for purposes of this schedule, Commercial Paper debt is amortized over the fiscal years 2018-2020 pursuant to the "Term Loan" provisions of the Commercial Paper Reimbursement Agreements.

The Port's required debt service payments on its Senior Lien Bonds and Intermediate Lien Bonds are due each May 1 and November 1 through May 1, 2033. The California Department of Boating and Waterways loan is due each August 1 through August 1, 2029. Commercial Paper has been classified as long-term debt because the Port has the intent and ability to continue to refinance this debt.

## City-Wide Long-Term Debt

### 1. Debt Compliance

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

### 2. Legal Debt Limit and Legal Debt Margin

As of June 30, 2017, the City's debt limit (3.75% of valuation subject to taxation) was $1.4 billion. The total amount of debt applicable to the debt limit was $216.7 million. The resulting legal debt margin was $1.2 billion.

### 3. Prior Years' Debt Defeasance

In prior years, the City defeased various bond issues by creating separate irrevocable escrow funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the escrow funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and is therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2017, the principal amount of defeased debt outstanding is $55.9 million.

### 4. Conduit Debt

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

The conduit debt issued and outstanding at June 30, 2017 (in thousands):

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

## H. GENERAL FUND BALANCE RESERVE POLICY

The City Council approved the original City Reserve Policy on March 22, 1994. Creation of the policy was to help pay any unanticipated expenditures and pay for claims arising from the City's insurance program. In May 2010, the City adopted a revised reserve policy equal to seven and one-half percent (7.5%) for unassigned fund balance of the General Purpose Fund (GPF) appropriation for each fiscal year. The GPF accounts for the City's operating budget that pays for basic programs and services as well as elected offices and municipal business functions. The GPF is reported within the General Fund.

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

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

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

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

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

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

## I. ESTIMATED LIABILITY FOR SELF-INSURANCE

### Primary Government

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; employee's injuries; natural disasters; unemployment coverage; and providing health benefits to employees, retirees and their dependents. For the past three years, there have been no significant reductions in any of the City's insurance coverage and no settlement amounts have exceeded commercial insurance coverage.

The City is self-insured for its general liability, malpractice liability, public official's errors and omissions, products and completed operations, employment practices liability, and auto liability up to $3,000,000 retention level and up to $750,000 retention level for workers' compensation and has excess insurance with the California State Association of Counties – Excess Insurance Authority as described in the Insurance Coverage section.

### 1. Property Damage

Property damage risks are covered on an occurrence basis by commercial insurance purchased from independent third parties. All properties are insured at full replacement values after a $10,000 deductible to be paid by the City. Vehicles are insured at full replacement value after a $20,000 deductible. Equipment valued at more than $250,000 is insured at full replacement after a $100,000 deductible.

### 2. Workers' Compensation

The City is self-insured for workers' compensation. Payment of claims is provided through annual appropriations, which are based on claim payment experience and supplemental appropriations. Of the $94.0 million in claims liabilities as of June 30, 2017, approximately $17.6 million is estimated to be due within one year.

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

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

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

## 3. General Liability

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2017, the amount of liability determined to be probable of occurrence is approximately $51.8 million. Of this amount, claims and litigation approximating $21.9 million are estimated to be due within one year. The recorded liability is the City's best estimate based on available information and may be revised as further information is obtained and as pending cases are litigated. The City and the ORSA are involved in various claims and litigation arising in the ordinary course of its activities. In the opinion of the ORSA's in-house counsel and the City Attorney's Office for the City, none of these claims are expected to have a significant impact on the financial position or changes in financial position of the City and the ORSA. The City has not accumulated or segregated assets or set aside fund balances for the payment of estimated claims and judgments.

Changes in general claims liabilities for the years ended June 30, 2017 and 2016 are as follows (in thousands):

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

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

## 4. Insurance Coverage

On July 15, 2002, the City entered into a contract with the California State Association of Counties Excess Insurance Authority (CSAC EIA), a joint powers authority, whose purpose is to develop and fund programs of excess insurance for its member counties and cities. Effective July 1, 2016, the self-insured retention levels and purchased insurance per occurrence are as follows:

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

## 5. Warehouse Fire Related Litigation

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

**Component Unit – Port of Oakland**

**1. Workers' Compensation**

The Port is self-insured for other workers' compensation of the Port's employees. The workers' compensation liability of $11.3 million at June 30, 2017 is based upon an actuarial study performed as of June 30, 2017 that assumed a probability level of 80% and a discount rate of 0.0%. Changes in liability, which is included as part of non-current liabilities, follows (in thousands):

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

**2. General Liability - Insurance**

The Port purchases insurance on certain risk exposures including but not limited to property, automobile liability, airport liability, umbrella liability, environmental liability, fidelity, fiduciary liability, and public officials liability. Port deductibles for the various insured programs range from $10,000 to $1,000,000 each claim. The Port is self-insured for other general liability and liability/litigation-type claims, and most first party exposures. During fiscal year 2017, the Port carried excess insurance over $1,000,000 for the self-insured general liability and workers compensation exposures. There have been no claim payments related to these programs that exceeded insurance limits in the last three years.

**3. Capital Improvement Projects**

The Port maintains an Owner Controlled Insurance Program (OCIP) and Owner Protective Professional Indemnity Insurance Program (OPPI) for contractors and consultants working on Port Capital Improvement Projects (CIP).

OCIP provides general liability insurance and workers' compensation insurance for contractors working on CIP projects. The Port is responsible for payment of the deductible/self-insured retention, which is currently $250,000 for each general liability and workers' compensation claim.

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

### 4. Gain on Long-Term Lease Terminations

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

**Outer Harbor Terminal Closure -** In February 2016, Outer Harbor Terminal, LLC (formerly Ports America Outer Harbor Terminal, LLC) ("OHT") filed for Chapter 11 bankruptcy protection. At that time, OHT held a 50-year lease with the Port to operate Berths 20-24, a month-to-month lease to operate Berth 25/26 (including crane maintenance), and a separate lease to operate and maintain cranes at Berths 20-24. On February 20, 2016, the Port reached a settlement agreement with OHT by which the Port would let OHT out of its lease obligations. This agreement was subsequently approved by the bankruptcy court. This event returned property to the Port that was in need of significant repairs and deferred maintenance. As of June 30, 2017, the Port estimated the cost to complete significant repairs and deferred maintenance over the next few years is approximately $20.0 million. In fiscal year 2016, the Port recognized a gain on the lease termination composed of the following (in thousands):

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

## J. JOINT VENTURE

### Oakland-Alameda County Coliseum

The City is a participant with the County of Oakland (Alameda) in a joint exercise of powers agreement forming the Oakland-Alameda County Coliseum Authority (Coliseum Authority), which was formed on July 1, 1995 to assist the City and the County in the financing of public capital improvements in the Oakland-Alameda County Coliseum Complex (Coliseum Complex) pursuant to the Marks-Roos Local Bond Pooling Act of 1985. The Oakland-Alameda County Coliseum Financing Corporation (Financing Corporation) is reported as a blended component unit of the Coliseum Authority. The eight-member Board of Commissioners of the Coliseum Authority consists of two council members from the City, two members of the Board of Supervisors from the County, two appointees of the City Council, and two appointees of the Board of Supervisors. The Board of Directors of the Financing Corporation consists of the City Manager and the County Administrator.

### Stadium Bonds – Background

In August 1995, the Coliseum Authority issued $9.2 million in Fixed Rate Refunding Lease Revenue Bonds and $188.5 million in Variable Rate Lease Revenue Bonds (collectively known as the Stadium Bonds) to satisfy certain obligations of the Coliseum Authority, the City, the County, the Financing Corporation and Oakland-Alameda County Coliseum Inc. (Coliseum Inc.), which then managed the operations of the Coliseum Complex, to finance the costs of remodeling the stadium portion of the Coliseum complex as well as relocating the Raiders to the City.

On May 31, 2012, the Coliseum Authority issued $122.8 million in Refunding Bonds Series 2012 A with coupons of 2 to 5 percent to refund and defease all outstanding variable rate 2000 Series C Refunding Bonds. The bonds were priced at a premium, bringing total proceeds to $138.1 million. These funds coupled with $13 million in the 2000 Series C reserve fund generated available funds of $151.1 million which was used to refund the 2000 C Refunding Bonds of $137.4 million, fund a reserve fund of $12.8 million and to pay underwriter's discount and issuance cost of $0.9 million. The all-in-interest cost of the 2012A refunding bonds was 3.04 percent. There was an economic loss of $23 million (difference between the present value of the old and the new debt service payments) due to the low variable interest rates on the old bonds and the higher fixed rates on the new bonds. The Coliseum Authority was unable to maintain the bonds at a variable rate because it was not able to renew the letters of credit as required due to the tightening of the credit markets since 2008. However, the Coliseum Authority was able to take advantage of the fixed rate market with historically low interest rates and issued fixed rate bonds that generated a premium of $15.3 million.

The Stadium Bonds are limited obligations of the Coliseum Authority payable solely from certain revenues of the Coliseum Authority, including revenues from the Stadium and Arena Complex and base rental payments from the City and the County. The source of the Coliseum Authority's revenues relating to football games consists primarily of a portion of the club dues, concession, and parking payments. The Coliseum Authority has pledged the base rental payments and most other revenues received under the Master Lease from the lessees, the City, and the County to the trustee to pay debt service on the bonds. In the event that football revenues and other revenues received in connection with the Stadium are insufficient to make base rental payments, the City and the County are obligated to make up the shortfall in the base rental payments from their respective general funds. The City and the County each have covenanted to appropriate $12 million annually to cover such shortfall in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the County could have to pay up to $24 million annually in the event of default by the City. Base rental payments are projected to cover one hundred percent of the debt service requirements over the life of the bonds. The obligation of the City and the County to make such payments is reduced to the extent the Coliseum Authority receives revenues generated at the complex to pay debt service and for operations and maintenance. The Stadium Bonds are not general obligations of either the City or the County.

### Arena Bonds – Background

On August 2, 1996, the Coliseum Authority issued $70 million Series A-1 and $70 million Series A-2 Variable Rate Lease Revenue Bonds (Arena Bonds) to finance the costs of remodeling the Coliseum Arena (Arena) and to satisfy certain obligations of the Coliseum Authority, the City, the County, and Coliseum Inc. in connection with the retention of the Golden State Warriors (the Warriors) to play professional basketball at the Arena for at least 20 basketball seasons, beginning with the 1997-98 season. These obligations are evidenced in a series of agreements (the Warriors Agreements) among the Warriors and the City, the County, Coliseum Inc., and the Coliseum Authority.

On April 14, 2015, the Authority issued $79,735,000 in Refunding Bonds Series 2015 with coupons of .8 to 3.793 percent to refund and defease all outstanding variable rate 1996 Series A-1 and A-2 Bonds. The bonds were sold at par, bringing total proceeds to $79,735,000. These funds coupled with $3,319,013 in the 1996 Series A reserve fund generated available funds of $83,054,013, which was used to refund the 1996 Series A Refunding Bonds of $79,735,000, to fund a reserve fund of $2,168,103, to pay underwriter's discount and issuance cost of $659,928 and $490,983 was returned to the Authority's general fund. The all-in true interest cost of the 2015A refunding bonds was 3.33 percent. There was an economic loss of $13,479,519 (difference between the present value of the old and the new debt service payments) due to the low variable interest rates on the old bonds and the higher fixed rates on the new bonds. The Authority was unable to maintain the bonds at a variable rate because it was not able to renew the letters of credit as required due to the tightening of the credit markets since 2008. However, the Authority was able to take advantage of the fixed rate market with historically low interest rates and issued fixed rate bonds.

Under the Warriors Agreements, the Arena Bonds are limited obligations of the Coliseum Authority, payable solely from revenues received by the Coliseum Authority on behalf of the City and the County. Revenues consist of base rental payments from the City and County, certain payments from the Warriors of up to $7.4 million annually from premium seating revenues, the sale of personal seat licenses by the Coliseum Authority, concessionaire payments and Arena naming rights. If necessary to prevent default, additional premium revenues up to $10 million may be pledged to service Arena debt. If the revenues received from the Warriors and from Arena operations are not sufficient to cover the debt service requirements in any fiscal year, the City and the County are obligated to make up the shortfall in the base rental payments from their respective general funds. The County and the City each have covenanted to appropriate up to $9.5 million annually to cover such shortfalls in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the County could have to pay up to $19 million annually in the event of default by the City.

## Debt Compliance

Long-term debt outstanding as of June 30, 2017 is as follows (in thousands):

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

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

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

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

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

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

| Year | Stadium Bonds | | Arena Bonds | | Total | |
|---|---|---|---|---|---|---|
| Ending June 30, | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | $ 8,670 | $ 4,139 | $ 6,200 | $ 2,096 | $ 14,870 | $ 6,235 |
| 2019 | 9,100 | 3,705 | 6,600 | 1,991 | 15,700 | 5,696 |
| 2020 | 9,555 | 3,250 | 7,000 | 1,838 | 16,555 | 5,088 |
| 2021 | 10,035 | 2,772 | 7,600 | 1,650 | 17,635 | 4,422 |
| 2022 | 10,535 | 2,271 | 8,200 | 1,426 | 18,735 | 3,697 |
| 2023-2025 | 34,875 | 3,544 | 32,935 | 2,774 | 67,810 | 6,318 |
| Total | $ 82,770 | $ 19,681 | $ 68,535 | $ 11,775 | $ 151,305 | $ 31,456 |

### Management of Coliseum Authority

The Coliseum Authority entered into an agreement with the Oakland Coliseum Joint Venture (OCJV) to manage the entire Coliseum complex beginning July 1, 1998. On January 1, 2001, the Coliseum Authority terminated its agreement with OCJV and reinstated its Operating Agreement with Coliseum Inc. Coliseum Inc. subcontracted all of the operations of the Coliseum Complex to OCJV. The Operating Agreement between the Coliseum Authority and Coliseum Inc. expired, by its terms, on July 31, 2006. The Coliseum Authority entered into a Termination Agreement whereby, in return for certain consideration, the Coliseum Authority agreed to perform the duties of Coliseum, Inc. on and after August 1, 2006. The Authority's management agreement with OCJV expired in June 2012. In July 2012, AEG Management Oakland, LLC took over management of the Coliseum Complex after signing a five year agreement.

Under the joint exercise of power agreement, which formed the Coliseum Authority, the City is responsible for funding up to 50 percent of the Coliseum Authority's operating costs and debt service requirements; to the extent such funding is necessary. During the year ended June 30, 2017, the City made contributions of $12.0 million to fund its share of operating deficits and debt service payments of the Coliseum Authority.

The Coliseum Authority has anticipated a deficit for operating costs and repayment of its Stadium Bonds, such that the City and County will have to contribute to base rental payments. Of the $24.0 million obligated, for the year ending June 30 2018, it is estimated that the City will have to contribute $12.0 million, which is appropriated in the debt service fund. There are many uncertainties in the estimation of revenues for the Coliseum Authority beyond one year into the future; therefore, the City has established a contingent liability to fund the Coliseum Authority deficit in the statement of net position in an amount equal to its contingent share (50 percent) of the outstanding Stadium Bonds, in the amount of $41.4 million. The City has not established a contingent liability for the Arena Bonds because management is of the opinion that revenues from the Arena, including payments from the Warriors and revenues from Arena operations, will be sufficient to cover the debt payments.

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

## (III) OTHER INFORMATION

### A. DEFINED BENEFIT PENSION PLANS

### 1. General Information About the Pension Plans

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

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

### 2. Benefits

***PFRS*** – PFRS provides death, disability, and service retirement benefits to uniformed employees and their beneficiaries. Members who completed at least 25 years of service, or 20 years of service and have reached the age of 55, or have reached the age of 65, were eligible for retirement benefits. The basic retirement allowance equals 50% of the compensation attached to the average rank held during the three years immediately preceding retirement, plus an additional allowance of 1-2/3% of such compensation for each year of service (up to ten) subsequent to: a) qualifying for retirement, and b) July 1, 1951. Early retirees received reduced benefits based on the number of years of service. Benefit provisions and all other requirements are established by the City Charter (Charter).

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

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

| Tier Pension Plans | CalPERS Miscellaneous Plan | CalPERS Safety Plan |
|---|---|---|
| Tier One (Classic Member) | Receive 2.7% at age 55. Final compensation is based on the twelve (12) highest paid consecutive months. | Receive 3% at age 50. Pension benefits are based on the one year of highest salary. |
| Tier Two (New Hires as of June 9, 2012) | Receive 2.5% at age 55. Final compensation is based on the highest average annual compensation of the three consecutive years. | Receive 3% at age 55. Pension benefits are based on the final average salary of 3 years under the Government Code 20037. |
| Tier Three: AB 340 (January 1, 2013) | Receive 2% at 62. Pension benefits are based on the final average salary of the three years subject to established cap. | Basic: 2% at age 57. Option 1: 2.5% at age 57. Option 2: 2.7% at age 57. Pension benefits are based on the final average salary of 3 years subject to established cap. |

***Covered Employees*** **-** As of June 30, 2017, the following employees were covered by the benefit terms of each pension plan:

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

## 3. Contributions

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

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

***PFRS*** – The City contributes, at a minimum, such amounts that are necessary, determined on an actuarial basis, to provide assets sufficient to meet benefits to be paid to PFRS members. The City is required to fund all liabilities for future benefits for all members by June 30, 2026. In order to do so, the City makes contributions at rates established by consulting actuaries based upon plan valuations using various assumptions as to salary progression, inflation, and rate of return on investments. The City's contributions are based on a level percentage of all uniformed employees' compensation. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefits.

On July 30, 2012, the City issued additional Pension Obligation Bonds (Series 2012) and contributed $210.0 million to PFRS. As a result of a funding agreement entered into between the PFRS Board and the City, no additional contributions are required until July 1, 2017. See Note (II) G for additional information on pension obligation bonds.

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

### 4. Net Pension Liability

The table below shows how the net pension liability as of June 30, 2017, is distributed (in thousands).

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

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

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

The City's net pension liability is measured for each plan as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures.

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

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

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

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

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

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

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

At June 30, 2017, the City reported $116.4 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

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

## 6. Actuarial Assumptions

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

| | PFRS Plan | CalPERS Miscellaneous and Safety Plans |
|---|---|---|
| Valuation date | July 1, 2016 | June 30, 2015 |
| Measurement date | June 30, 2016 | June 30, 2016 |
| Actuarial cost method | Entry-age normal cost method | Entry-age normal cost method |
| Actuarial cost method: | | |
| Discount rate | 6.44% | 7.65% |
| Investment rate of return | 6.44% | 7.65%, net of pension plan investment expenses, including inflation |
| Inflation rate | 2.75% to 2.85% | 2.75% |
| Payroll growth | n/a | 3.00% |
| Post retirement benefit increases | 3.25% | Contract cost of living adjustment up to 2.75% until purchasing power allowance floor on purchasing power applies, 2.75% thereafter |

For the PFRS Plan, the mortality rates for healthy and disabled lives were based on the CalPERS Healthy Table from the 2006-2011 Experience Study, and the CalPERS Industrial Disability Mortality Table from the 2006-2011 Experience Study, respectively. Mortality improvement tables are based on Scale MP-2014 using a base year of 2009. Actuarial assumptions used in the PFRS July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2014.

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

***Change in Assumptions*** – For the PFRS Plan, the City entered into new Memorandums of Understanding (MOU) for Police members between the valuation date and the measurement date, increasing Police retirees' Cost of Living Adjustments (COLAs). The updated procedures included the additional liability due to the new Police MOUs, and the addition of interest cost from the reduction in the discount rate 6.54% to 6.44%, offset by actual benefit payments.

***Discount Rates***

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

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

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

The discount rate used to measure the total pension liability was 6.44 percent. The projection of cash flows used to determine the discount rate assumed that the City would contribute to the PFRS Plan based on its July 1, 2012 funding agreement with the PFRS. This agreement suspends City contributions until the fiscal year beginning July 1, 2017, after which they will resume, based upon the recommendation of the actuary, with a Charter requirement that the PFRS Plan's liabilities be fully funded by July 1, 2026. A cash flow projection showed that the projected fiduciary net position would be greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***CalPERS*** **-** The discount rate used to measure each of the CalPERS Miscellaneous Plan and the Safety Plan total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10 [1] | Real Return Years 11+ [2] |
|---|---|---|---|
| Global Equity | 51.00% | 5.25% | 5.71% |
| Global Fixed Income | 20.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Private Equity | 10.00% | 6.83% | 6.95% |
| Real Estate | 10.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.00% | 4.50% | 5.09% |
| Liquidity | 1.00% | -0.55% | -1.05% |

(1) An expected inflation of 2.5% used for this period.
(2) An expected inflation of 3.0% used for this period.

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

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

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

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

## B. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

### Primary Government

### 1. Plan Description

The City has three programs in place to partially pay health insurance premiums for certain classes of retirees from City employment. City retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. The retiree health benefits are described in the labor agreements between the City and local unions and in City resolutions. The demographic rates used for the CalPERS plans were public safety employees retirements benefits under a 3% at 50 formula and miscellaneous employees retirement benefits under a 2.7% at 55 formula.

In 2014, the City began to partially pre-fund the annual required contribution (ARC) to the California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit postemployment healthcare plan administered by CalPERS. The CERBT is an Internal Revenue Code (IRC) Section 115 Trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and OPEB costs.

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

### 2. Funding Policy

The City pays part of the health insurance premiums for all retirees from City employment receiving a pension annuity earned through City service and participating in a City-sponsored CalPERS health benefit plan on a pay-as-you-go basis. The City paid $20.4 million for retirees under this program for the year ended June 30, 2017.

## 3. Annual OPEB Cost and Net OPEB Obligation

The City's annual postemployment benefit cost and net OPEB obligation for the Retiree Health Plan as of and for the year ended June 30, 2017 were as follows (in thousands):

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

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

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 2015 | $ 41,585 | 47.5% | $ 256,922 |
| 2016 | 68,584 | 29.9% | 305,324 |
| 2017 | 75,386 | 27.1% | 359,985 |

## 4. OPEB Funded Status and Funding Progress

As summarized in the table below, as of July 1, 2015, the most recent actuarial valuation date, the City's Retiree Health Plan was 0.3 percent funded on an actuarial basis. The City is on a pay-as-you-go funding progress.

The specific funded status for the OPEB plan is summarized in the table below, as of July 1, 2015 (in thousands):

| Actuarial Valuation Date | Actuarial Accrued Liability (AAL) (a) | Actuarial Value of Assets (b) | Unfunded AAL (UAAL) (a-b) | Funded Ratio (b/a) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((a-b)/c) |
|---|---|---|---|---|---|---|
| 7/1/2015 | $ 862,892 | $ 2,902 | $ 859,990 | 0.3% | $ 360,858 | 238.3% |

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the Notes to the Basic Financial Statements, presents information about whether the actuarial value of plan assets increased or decreased in relation to the actuarial accrued liability for benefits.

### 5. Actuarial Methods and Assumptions for OPEB Plan

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrual liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The more significant actuarial methods and assumptions used in the calculations of the annual OPEB cost and the annual required contribution for the year ended June 30, 2017 and the funded status as of July 1, 2015 are as follows:

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

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

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

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

**Component Unit – Port of Oakland**

**1. Plan Description**

The Port contributes to the CERBT, an agent multiple-employer defined benefit postemployment healthcare plan administered by CalPERS. The CERBT is an Internal Revenue Code Section 115 trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and OPEB costs.

The Port's Retiree Health Plan allows eligible retirees and their dependents to receive employer paid medical insurance benefits through CalPERS, subject to certain limitations described below. Additionally, through the Port's Retiree Health Plan, employees hired before October 1, 2009 [before January 1, 2013 for members of the Services Employees International Union (SEIU) and International Brotherhood of Electrical Workers (IBEW)] are eligible to receive dental and vision benefits.

Prior to 2011, eligible retirees must have attained the age of fifty or over at the time of retirement, have five or more years of CalPERS service, and must be eligible to receive CalPERS retirement benefits. On July 21, 2011, the Port adopted resolutions that established a Health Benefit Vesting Requirement for employees hired on or after September 1, 2011 (on or after April 1, 2013 for members of SEIU and IBEW). The vesting schedule does not apply to employees that are granted a disability retirement.

Under the adopted vesting schedule, the Port shall pay a percentage of retiree medical coverage for a retiree and his or her eligible dependents based on the provisions of Section 22893 of the California Government Code. Under these rules, a retiree must have at least 10 years of credited service with a CalPERS agency, at least 5 of which are with the City/Port.

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

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

## 2. Funding Policy

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

As of June 30, 2017, there were approximately 575 employees who had retired from the Port and were participating in the Port's Retiree Health Plan. During the year ended June 30, 2017, the Port contributed $6.4 million to the CERBT and made payments of $7.4 million on behalf of eligible retirees to third parties outside of the CERBT fund.

## 3. Annual OPEB Cost and Net OPEB Obligation

The Port's annual OPEB cost is equal to (a) ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45, plus (b) one year's interest on the beginning balance of the net OPEB obligation, and minus (c) an adjustment to the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over a "closed" period of 30 years.

The following table shows the components of the Port's annual OPEB cost for the year, the amount contributed, and changes in the net OPEB obligation to the Plan as of June 30, 2017 (in thousands):

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

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

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 2015 | $ 12,780 | 101.2% | $ 10,249 |
| 2016 | 13,653 | 100.9% | 10,121 |
| 2017 | 13,654 | 101.0% | 9,979 |

### 4. Funded Status and Funding Progress

The table below indicates the funded status of the Plan as of June 30, 2015, the most recent actuarial valuation date (in thousands):

| Actuarial Valuation Date | Actuarial Accrued Liability (AAL) (a) | Actuarial Value of Assets (b) | Unfunded AAL (UAAL) (a-b) | Funded Ratio (b/a) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((a-b)/c) |
|---|---|---|---|---|---|---|
| 6/30/2015 | $ 157,351 | $ 47,870 | $ 109,481 | 30.4% | $ 50,093 | 219% |

### 5. Actuarial Methods and Assumptions

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial cost method used for determining the benefit obligations of the Port is the Projected Unit Credit Cost Method. Under the principles of this method, the actuarial present value of the projected benefits is the value of benefits expected to be paid for active and retired employees. The AAL is the present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement. The ARC for fiscal year 2017 was based on an actuarial valuation of the Port's plan as of June 30, 2015, which amortized the Port's UAAL over a "closed" period of 30 years beginning June 30, 2013. There are 28 years remaining as of June 30, 2015.

Actuarial assumptions used for the valuation of the Port's plan include a discount rate, which is based on the CERBT expected rate of return for the plan assets, and annual health care cost trends, which is based on the "Getzen" model published by the Society of Actuaries. The June 30, 2015 valuation used a discount rate of 7.00% and annual healthcare costs were assumed to increase at rates ranging from 2.75% to 8.25%, and a general inflation rate of 2.5% was used.

The schedules presented as Required Supplementary Information following the notes to basic the financial statements, presents multiyear trend information. The Schedule of Funding Progress – Port of Oakland Postemployment Benefits presents information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

## C. COMMITMENTS AND CONTINGENCIES

### 1. Construction Commitments

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

| | General Fund | Federal/State Grant Fund | Municipal Capital Improvement | Other Special Revenue | Other Governmental Funds | Internal Service Funds | Total Governmental Activities |
|---|---|---|---|---|---|---|---|
| Building, facilities and infrastructure | $ 124 | $ 1,579 | $ 7,965 | $ 103 | $ 42,897 | $ 1,132 | $ 53,800 |
| Parks and open space | - | 831 | 23,957 | 812 | 2,082 | - | 27,682 |
| Sewers and storm drains | - | 158 | - | - | - | - | 158 |
| Streets and sidewalks | 1,016 | 12,878 | 27,088 | 46 | 12,602 | - | 53,630 |
| Technology enhancements | 7,489 | 100 | 1,930 | - | 166 | 4,704 | 14,389 |
| Traffic improvements | - | 2,413 | 3,582 | 14 | 7,393 | - | 13,402 |
| **Total** | **$ 8,629** | **$ 17,959** | **$ 64,522** | **$ 975** | **$ 65,140** | **$ 5,836** | **$ 163,061** |

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

### *2.* Other Commitments and Contingencies

#### *ORSA Encumbrances*

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

#### Component Unit – Port of Oakland

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

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

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

## 1. Power Purchases

The Port purchases electrical power for resale and self-consumption and currently has three power purchase agreements with East Bay Municipal Utility ("EBMUD"), the Western Area Power Administration ("WAPA") and SunEdison, LLC ("SunEdison") with expiration dates greater than four years.

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

In addition to the aforementioned power purchase agreements, the Port had outstanding, as of June 30, 2017, multiple forward power purchase contracts totaling approximately $3.9 million with Powerex Corporation and Shell Energy North America. The forward power purchase contracts have various expiration dates through December 31, 2019.

## 2. Environmental Remediation

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

A summary of the Port's environmental remediation liability accounts, net of the estimated recoveries, included in long-term obligations on the statement of net position at June 30, 2017, is as follows (in thousands):

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

The environmental remediation liability accounts in the summary tables are listed by the initial obligating event. Due to new information, the obligating event may change from the initial obligating event. Obligating events include without limitations: 1) the Port is named, or evidence indicates that it will be named, by a regulator such as the Department of Toxic Substances Control or the Regional Water Quality Control Board, as a responsible party or potentially responsible party for remediation; and 2) the Port has commenced, or has legally obligated itself to commence, clean-up activities or monitoring or operation and maintenance of the remediation effort (e.g., by undertaking a soil and groundwater pre-development investigation).

***Methods and Assumptions***

The Port measured the environmental liabilities for pollution remediation sites on Port-owned property using the Expected Cash Flow technique. The measurements are based on the current value of the outlays expected to be incurred. The cash flow scenarios include each component which can be reasonably estimated for outlays such as testing, monitoring, legal services and indirect outlays for Port labor instead of ranges of all components. Reasonable estimates of ranges of possible cash flows are limited from a single scenario to a few scenarios. Data used to develop the cash flow scenarios is obtained from outside consultants, Port staff, and the Port's outside legal counsel.

Changes to estimates will be made when new information becomes available. Estimates for the pollution remediation sites will be developed when the following benchmarks or changes in estimated outlays occur:

- Receipt of an administrative order.
- Participation, as a responsible party or a potentially responsible party, in the site assessment or investigation.
- Completion of a corrective measures feasibility study.
- Issuance of an authorization to proceed.
- Remediation design and implementation, through and including operation and maintenance and post-remediation monitoring.
- Change in the remediation plan or operating conditions, including but not limited to type of equipment, facilities and services that will be used and price increases.
- Changes in technology.
- Changes in legal or regulatory requirements.

**3. Recoveries**

The environmental liabilities balances listed on the prior page have been reduced by estimated future recoveries. In calculating the estimated future recoveries, Port staff and outside legal counsel reviewed and applied the requirements of GASB Statement No. 49 for accounting for recoveries. For example, if a Port tenant has a contract obligation to reimburse the Port for certain pollution remediation costs, or if an insurance carrier has paid money on a certain claim and the Port is pursuing additional costs from the insurance carrier associated with the claim, then a recovery was estimated. If an insurance carrier has not yet acknowledged coverage, then a recovery was not estimated.

## D. DEFICIT FUND BALANCES/NET POSITION

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

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

The deficit in the Federal/State Grant Fund will be cleared by grant reimbursement submitted to granting agencies, but revenue has not been received within the City's availability period. The deficit in the Landscape and Lighting Assessment District is expected to be cured from collections from special assessments. The City's equipment, facilities, reproduction, central stores, and purchasing fund deficits are expected to be funded through increased user charges in future years. During the 2011-13 Budget, the City revised the repayment plan for the internal service funds to eliminate the funds' net position deficit by 2019.

At June 30, 2017, ORSA has a negative net position of $294.1 million. Under the former California Redevelopment Law, the Former Agency issued bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increment revenues. In general, ORSA's revenues can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). The deficit in the Private Pension Trust Fund will be cured by future revenues and reduction in costs.

## E. SUBSEQUENT EVENTS

### Debt Issuance – City

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

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

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

**Debt Issuance – Port**

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

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

**Additional Contributions to OPEB**

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

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# REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF OAKLAND

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

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

**Note to schedule:**

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

# CITY OF OAKLAND

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

| **Fiscal year** | **2016-17** | **2015-16** | **2014-15** |
|---|---|---|---|
| **Measurement period** | 2015-16 | 2014-15 | 2013-14 |
| **Total pension liability** | | | |
| Service cost | $ 37,856 | $ 37,347 | $ 37,135 |
| Interest on the total pension liability | 177,626 | 172,693 | 166,822 |
| Changes of assumptions | - | (39,092) | - |
| Differences between expected and actual experience | (16,210) | (7,769) | - |
| Benefit payments, including refunds of employee contributions | (132,473) | (126,730) | (121,423) |
| Net change in total pension liability | 66,799 | 36,449 | 82,534 |
| Total pension liability, beginning | 2,385,420 | 2,348,971 | 2,266,437 |
| Total pension liability, ending | **$ 2,452,219** | **$ 2,385,420** | **$ 2,348,971** |
| **Plan fiduciary net position** | | | |
| Contributions, employer | $ 65,067 | $ 63,531 | $ 52,556 |
| Contributions, employee | 17,291 | 16,904 | 17,431 |
| Plan ot plan resource movement | - | 24 | - |
| Net investment income | 8,647 | 37,833 | 256,552 |
| Administrative expenses | (1,032) | (1,919) | - |
| Benefit payments, including refunds of employee contributions | (132,473) | (126,730) | (121,423) |
| Net change in plan fiduciary net position | (42,500) | (10,357) | 205,116 |
| Plan fiduciary net position, beginning | 1,693,856 | 1,704,213 | 1,499,097 |
| **Plan fiduciary net position, ending** | **$ 1,651,356** | **$ 1,693,856** | **$ 1,704,213** |
| **Plan net pension liability** | **$ 800,863** | **$ 691,564** | **$ 644,758** |
| **Plan fiduciary net position as a percentage of the total pension liability** | **67.3%** | **71.0%** | **72.6%** |
| **Covered payroll** | **$ 200,132** | **$ 200,562** | **$ 188,886** |
| **Plan net pension liability as a percentage of covered payroll** | **400.2%** | **344.8%** | **341.3%** |

**Note to schedule:**

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Change in assumptions - In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts were based on the 7.50% discount rate.

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

# CITY OF OAKLAND

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

| Fiscal year | 2016-17 | 2015-16 | 2014-15 |
|---|---|---|---|
| **Measurement period** | 2015-16 | 2014-15 | 2013-14 |
| **Total pension liability** | | | |
| Service cost | $ 36,434 | $ 32,899 | $ 34,590 |
| Interest on the total pension liability | 129,920 | 121,444 | 115,261 |
| Changes of assumptions | - | (31,738) | - |
| Differences between expected and actual experience | 32,162 | 4,892 | - |
| Benefit payments, including refunds of employee contributions | (80,752) | (74,198) | (68,751) |
| Net change in total pension liability | 117,764 | 53,299 | 81,100 |
| Total pension liability, beginning | 1,688,298 | 1,634,999 | 1,553,899 |
| Total pension liability, ending | **$ 1,806,062** | **$ 1,688,298** | **$ 1,634,999** |
| **Plan fiduciary net position** | | | |
| Contributions, employer | $ 47,172 | $ 44,366 | $ 37,007 |
| Contributions, employee | 16,221 | 15,027 | 14,598 |
| Plan to plan resource movement | - | (24) | - |
| Net investment income | 6,311 | 26,057 | 175,344 |
| Administrative expenses | (719) | (1,337) | - |
| Benefit payments, including refunds of employee contributions | (80,752) | (74,198) | (68,751) |
| Net change in plan fiduciary net position | (11,767) | 9,891 | 158,198 |
| Plan fiduciary net position, beginning | 1,180,828 | 1,170,937 | 1,012,739 |
| **Plan fiduciary net position, ending** | **$ 1,169,061** | **$ 1,180,828** | **$ 1,170,937** |
| **Plan net pension liability** | **$ 637,001** | **$ 507,470** | **$ 464,062** |
| **Plan fiduciary net position as a percentage of the total pension liability** | **64.7%** | **69.9%** | **71.6%** |
| **Covered payroll** | **$ 125,299** | **$ 119,980** | **$ 120,396** |
| **Plan net pension liability as a percentage of covered payroll** | **508.4%** | **423.0%** | **385.4%** |

**Note to schedule:**

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Change in assumptions - In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts were based on the 7.50% discount rate.

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

# CITY OF OAKLAND

## Required Supplementary Information (unaudited)
## Schedule of Employer Pension Contributions –
## Police and Fire Retirement System
## Last Four Fiscal Years*
### *(In Thousands)*

**Oakland Police and Fire Retirement System**

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

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

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

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

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

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

**Miscellaneous Plan**

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

**Safety Plan**

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

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

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

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

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

| | |
|---|---|
| ADC for fiscal year........ | June 30, 2017 |
| Actuarial valuation date.... | June 30, 2014 |
| Actuarial cost method...... | Entry-Age Normal Cost Method |
| Asset valuation method.... | Actuarial value of assets |
| Inflation..................... | 2.75% |
| Salary increases............ | Varies by entry age and services |
| Payroll growth............. | 3.00% |
| Investment rate of return.. | 7.50%, net of pension plan investment and administrative expenses, includes inflation. |
| Retirement age............ | The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. |
| Mortality.................... | The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. |

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

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

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

| | |
|---|---|
| ADC for fiscal year........ | June 30, 2015 |
| Actuarial valuation date.... | June 30, 2012 |
| Actuarial cost method...... | Entry-Age Normal Cost Method |
| Asset valuation method.... | Actuarial value of assets |
| Inflation..................... | 2.75% |
| Salary increases............ | Varies by entry age and services |
| Payroll growth............. | 3.00% |
| Investment rate of return.. | 7.50%, net of administrative expenses. |
| Retirement age............ | The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. |
| Mortality.................... | The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. |

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

| | |
|---|---|
| ADC for fiscal year........ | June 30, 2014 |
| Actuarial valuation date.... | June 30, 2011 |
| Actuarial cost method...... | Entry-Age Normal Cost Method |
| Asset valuation method.... | Actuarial value of assets |
| Inflation..................... | 2.75% |
| Salary increases............ | Varies by entry age and services |
| Payroll growth............. | 3.00% |
| Investment rate of return.. | 7.50%, net of administrative expenses. |
| Retirement age............ | The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. |
| Mortality.................... | The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. |

# CITY OF OAKLAND

## Required Supplementary Information (unaudited)
## Schedules of Funding Progress – Other Postemployment Benefits
## Year Ended June 30, 2017
## *(In Thousands)*

The schedules of funding progress below show the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to covered payroll. The required contributions were determined as part of the actuarial valuation using the entry age normal actuarial cost method.

**City Other Postemployment Benefits**

| Valuation Date | Actuarial Accrued Liability (AAL) (a) | Actuarial Value of Assets (b) * | Unfunded (Overfunded) AAL (UAAL) (a-b) | Funded Ratio (b)/(a) | Covered Payroll (c) | UAAL as a percent of Covered Payroll ((a-b) / c) |
|---|---|---|---|---|---|---|
| 7/1/2011 | $ 553,530 | $ - | $ 553,530 | 0.0% | $ 304,373 | 181.9% |
| 7/1/2013 | 463,851 | - | 463,851 | 0.0% | 322,170 | 144.0% |
| 7/1/2015 | 862,892 | 2,902 | 859,990 | 0.3% | 360,858 | 238.3% |

**Port Other Postemployment Benefits**

| Valuation Date | Actuarial Accrued Liability (AAL) (a) | Actuarial Value of Assets (b) | Unfunded (Overfunded) AAL (UAAL) (a-b) | Funded Ratio (b)/(a) | Covered Payroll (c) | UAAL as a percent of Covered Payroll ((a-b) / c) |
|---|---|---|---|---|---|---|
| 6/30/2011 | $ 128,906 | $ 19,145 | $ 109,761 | 14.9% | $ 44,627 | 246.0% |
| 6/30/2013 | 136,616 | 30,715 | 105,901 | 22.5% | 47,823 | 221.4% |
| 6/30/2015 | 157,351 | 47,870 | 109,481 | 30.4% | 50,093 | 218.6% |

* The City began to partially pre-fund the annual required contribution in the year ended June 30, 2014 by participating in California Employers' Retiree Benefit Trust sponsored by CalPERS.

# CITY OF OAKLAND

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

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

# CITY OF OAKLAND

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

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

## (1) BUDGETARY DATA

In accordance with the provisions of the City Charter, the City prepares and adopts a budget on or before June 30 for each fiscal year. The City Charter prohibits expending funds for which there is no legal appropriation. Therefore, the City is required to adopt budgets for all City funds.

Prior to July 1, the original adopted budget is finalized through the passage of a resolution by the City Council. The level of legal budgetary control by the City Council is established at the fund level. For management purposes, the budget is controlled at the departmental level of expenditure within funds.

In June 2015, the City Council approved the City's two-year budget for fiscal years 2016 and 2017. Although appropriations are adopted for a 24-month period, they are divided into two one-year spending plans. Agencies/departments ending the first year with budgetary non-project surplus, according to Council policy, will be allowed to carry-forward 1/3 for their operating budget, 1/3 for their capital spending, and 1/3 for reverting to the General Fund balance.

The final budgetary data presented in the required supplementary information reflects approved changes to the original 2015-17 budget. Certain projects are appropriated on a multiyear rather than annual basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations are carried forward to the following year with the approval of the City Administrator.

Transfers of appropriations between funds and supplemental appropriations financed by unanticipated revenues must be approved by the City Council.

Transfers of appropriations between projects within the same fund must be approved by the City Administrator. Final budget amounts reported in the required supplementary information reflect both the appropriation changes approved by the City Council and the transfers approved by the City Administrator.

### Budgetary Basis of Accounting

The City adopts budgets each fiscal year on a basis of accounting which is substantially the same as accounting principles generally accepted in the United States of America (GAAP) except for certain investment earnings.

Certain funds of the City contain capital projects, grant projects, loan programs or other programs that are budgeted on a multiyear basis. The amounts of the projects and programs budgeted on a multiyear basis are significant compared to the items budgeted on an annual basis; therefore, a comparison of budget to actual for the fund would not be meaningful. As a result, such funds that are excluded from budgetary reporting are:

- Federal/State Grant Fund
- Low and Moderate Income Housing Asset Fund
- Municipal Capital Improvement Fund

While the City adopts budgets for all funds, the budgets to actual comparisons for proprietary and fiduciary funds are not presented because some projects and programs are adopted on a multiyear basis.

## (2) RECONCILIATION OF OPERATIONS ON MODIFIED ACCRUAL BASIS TO BUDGETARY BASIS

The governmental fund financial statements have been prepared on the modified accrual basis of accounting in accordance with GAAP. The "Budgetary Comparison Schedule – General Fund" has been prepared on a budgetary basis, which is different from GAAP.

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP. The results of operations are presented in the budget to actual comparison schedule in accordance with the budgetary process (Budgetary Basis) to provide a meaningful comparison with the budget.

The main difference between actual amounts on a budgetary basis and a GAAP basis is due to timing.

In October 2001, the City entered into a debt service deposit agreement with a third party whereby the City received approximately $9.6 million in exchange for forgoing its right to receive investment earnings on the amounts deposited with the trustee in advance of the date that the related debt was due to the bondholders. The compensation to the City was recorded as revenue in fiscal year 2002 when received on a budgetary basis. On a GAAP basis, the revenue was deferred and is being recognized over the 21-year life of the agreement. Amortization for the year ended June 30, 2017, was $0.3 million.

The following schedule is a reconciliation of the GAAP and budgetary results of operations (in thousands):

| | General Fund |
|---|---|
| Net change in fund balance - GAAP basis | $ 35,590 |
| Amortization of debt service deposit agreement | (383) |
| Net change in fund balance - Budgetary basis | $ 35,207 |

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

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

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# FEDERAL AWARDS PROGRAMS

Certified Public Accountants

**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***

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

We have audited, in accordance with the 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, 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, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2017. The financial statements of the Oakland Police and Fire Retirement System were not audited in accordance with *Government Auditing Standards*.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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.

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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

**City's Response to Finding**

The City's response to the finding identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini É O'Connell LLP

Walnut Creek, California
December 22, 2017

MGO Certified Public Accountants

## Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

### Report on Compliance for Each Major Federal Program

We have audited the City of Oakland's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Port of Oakland (Port), which expended $13,757,662 in federal awards which is not included in the City's schedule of expenditures of federal awards during the year ended June 30, 2017. Our audit, described below, did not include the operations of the Port because the Port engaged us to perform a separate audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Basis for Qualified Opinion on Home Investment Partnerships Program***

As described in the accompany schedule of findings and questioned costs, the City did not comply with requirements regarding CFDA 14.239, Home Investment Partnerships Program, as described in finding number 2017-002 for Earmarking. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

***Qualified Opinion on Home Investment Partnerships Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Home Investment Partnerships Program for the year ended June 30, 2017.

***Opinion on Each of the Other Major Federal Programs***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

***Other Matter***

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-002 that we consider to be a material weakness.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
March 28, 2018

# CITY OF OAKLAND
## Schedule of Expenditures of Federal Awards
## Year Ended June 30, 2017

| Federal Grantor/Passed through Grantor/Program Title | Catalog of Federal Domestic Assistance Number (CFDA) | Grant Number | Federal Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF AGRICULTURE** | | | | |
| Passed through State of California, Department of Education | | | | |
| Child and Adult Care Food Program | 10.558 | 04008-CACFP-01-GM-CS | $ 239,327 | $ - |
| Summer Food Service Program for Children | 10.559 | E116-01 | 371,295 | - |
| **TOTAL U.S. DEPARTMENT OF AGRICULTURE** | | | 610,622 | - |
| **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** | | | | |
| Direct Programs | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-16-MC-06-0013 | 8,224,508 | 2,158,499 |
| Emergency Solutions Grant Program | 14.231 | E-15-MC-06-0013 | 156,396 | 107,565 |
| Emergency Solutions Grant Program | 14.231 | E-16-MC-06-0013 | 591,678 | 506,866 |
| Subtotal Emergency Solutions Grant Program | | | 748,074 | 614,431 |
| Home Investment Partnerships Program | 14.239 | M13-MC060208 | 194,320 | - |
| Home Investment Partnerships Program | 14.239 | M14-MC060208 | 2,141,779 | - |
| Home Investment Partnerships Program | 14.239 | M15-MC060208 | 569,120 | - |
| Home Investment Partnerships Program | 14.239 | M16-MC060208 | 330,754 | - |
| Subtotal Home Investment Partnerships Program | | | 3,235,973 | - |
| Housing Opportunities for Persons with AIDS | 14.241 | CA-H13-F001 | 133 | 133 |
| Housing Opportunities for Persons with AIDS | 14.241 | CA-H14-F001 | 349,755 | 349,755 |
| Housing Opportunities for Persons with AIDS | 14.241 | CA-H15-F001 | 1,401,217 | 1,401,217 |
| Housing Opportunities for Persons with AIDS | 14.241 | CA-H16-F001 | 1,006,029 | 943,080 |
| Subtotal Housing Opportunities for Persons with AIDS | | | 2,757,134 | 2,694,185 |
| Community Development Block Grants/Brownfields Economic Development Initiative | 14.246 | E-95-EZ-06-0001 | 264,991 | 75,008 |
| Continuum of Care Program | 14.267 | CA0103L9T021508 | 196,657 | 193,838 |
| Continuum of Care Program | 14.267 | CA0103L9T021407 | 57,047 | 57,047 |
| Continuum of Care Program | 14.267 | CA1270L9T021300 | 221,171 | 217,136 |
| Continuum of Care Program | 14.267 | CA0106L9T021508 | 687,666 | 642,209 |
| Continuum of Care Program | 14.267 | CA1270L9T021501 | 523,787 | 165,496 |
| Continuum of Care Program | 14.267 | CA0106L9T021407 | 17,872 | 17,424 |
| Continuum of Care Program | 14.267 | CA0093L9T021508 | 231,174 | 223,003 |
| Continuum of Care Program | 14.267 | CA0096L9T021508 | 1,097,915 | 1,044,873 |
| Continuum of Care Program | 14.267 | CA0096L9T021609 | 893,582 | 887,441 |
| Continuum of Care Program | 14.267 | CA0093L9T021609 | 51,107 | 51,107 |
| Continuum of Care Program | 14.267 | CA1465L9T021500 | 48,892 | 48,892 |
| Subtotal Continuum of Care Program | | | 4,026,870 | 3,548,466 |
| **TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** | | | 19,257,550 | 9,090,589 |
| **U.S. DEPARTMENT OF JUSTICE** | | | | |
| Direct Programs | | | | |
| Community-Based Violence Prevention Program | 16.123 | 2015-MU-MU-K001 | 103,506 | - |
| Juvenile Justice and Delinquency Prevention - Allocation to States | 16.540 | 2010-PB-FX-K011 | 262,156 | 28,000 |
| Public Safety Partnership and Community Policing Grants | 16.710 | 2011ULWX0002 | 504,708 | - |
| Public Safety Partnership and Community Policing Grants | 16.710 | 2013ULWX0010 | 1,070,123 | - |
| Public Safety Partnership and Community Policing Grants | 16.710 | 2015ULWX0006 | 745,738 | - |
| Public Safety Partnership and Community Policing Grants | 16.710 | 2016ULWX0014 | 453,599 | - |
| Subtotal Public Safety Partnership and Community Policing Grants | | | 2,774,168 | - |

See notes to the schedule of expenditures of federal awards.

# CITY OF OAKLAND

## Schedule of Expenditures of Federal Awards (continued)

## Year Ended June 30, 2017

| Federal Grantor/Passed through Grantor/Program Title | Catalog of Federal Domestic Assistance Number (CFDA) | Grant Number | Federal Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF JUSTICE (Continued)** | | | | |
| Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | CQ14-10-7503 | $ 2,453 | $ - |
| Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | CQ16-12-7503 | 6,419 | - |
| Subtotal Paul Coverdell Forensic Sciences Improvement Grant Program | | | 8,872 | - |
| Forensic Casework DNA Backlog Reduction Program | 16.743 | 2014-DN-BX-0014 | 131,114 | - |
| Forensic Casework DNA Backlog Reduction Program | 16.743 | 2015-DN-BX-0106 | 282,009 | - |
| Subtotal Forensic Casework DNA Backlog Reduction Program | | | 413,123 | - |
| Passed Through Alameda County | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2014-DJ-BX-0275 | 83,786 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2015-DJ-BX-0209 | 489,977 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2016-DJ-BX-0748 | 105,275 | - |
| Subtotal Edward Byrne Memorial Justice Assistance Grant Program | | | 679,038 | - |
| **TOTAL U.S. DEPARTMENT OF JUSTICE** | | | 4,240,863 | 28,000 |
| **U.S. DEPARTMENT OF LABOR** | | | | |
| Passed through Senior Service America, Inc. | | | | |
| Senior Community Service Employment Program | 17.235 | SCSEP-233 | 93,879 | - |
| Passed through State of California, Employment Development Department | | | | |
| WIA/WIOA Cluster | | | | |
| WIA Adult Program | 17.258 | K698378 | 11,231 | - |
| WIA Adult Program | 17.258 | K7102050 | 1,356,727 | 1,098,305 |
| Subtotal WIA Adult Program | | | 1,367,958 | 1,098,305 |
| WIA Youth Activities | 17.259 | K698378 | 598,215 | 489,416 |
| WIA Youth Activities | 17.259 | K7102050 | 1,218,830 | 917,675 |
| Subtotal WIA Youth Program | | | 1,817,045 | 1,407,091 |
| WIA/WIOA Dislocated Worker Formula Grants | 17.278 | K698378 | 433,252 | 297,232 |
| WIA/WIOA Dislocated Worker Formula Grants | 17.278 | K7102050 | 1,074,778 | 611,197 |
| Subtotal WIA/WIOA Dislocated Worker Formula Grants | | | 1,508,030 | 908,429 |
| Subtotal WIA/WIOA Cluster | | | 4,693,033 | 3,413,825 |
| **TOTAL U.S. DEPARTMENT OF LABOR** | | | 4,786,912 | 3,413,825 |
| **U.S. DEPARTMENT OF TRANSPORTATION** | | | | |
| Passed through State of California, Department of Transportation | | | | |
| Highway Planning and Construction | 20.205 | ATPL-5012(136) | 3,453 | - |
| Highway Planning and Construction | 20.205 | ATPL-5012(143) | 3,325 | - |
| Highway Planning and Construction | 20.205 | ATPL-5012(144) | 65,386 | - |
| Highway Planning and Construction | 20.205 | BPMP-5012(103) | 39,884 | - |
| Highway Planning and Construction | 20.205 | CML-5012(127) | 939,593 | - |
| Highway Planning and Construction | 20.205 | CML-5012(128) | 138,597 | - |
| Highway Planning and Construction | 20.205 | CML-5012(135) | 15,905 | - |
| Highway Planning and Construction | 20.205 | CML-5012(145) | 24,780 | - |
| Highway Planning and Construction | 20.205 | HSIPL-5012(117) | 598,054 | - |
| Highway Planning and Construction | 20.205 | HSIPL-5012(118) | 547,697 | - |
| Highway Planning and Construction | 20.205 | HSIPL-5012(119) | 376,893 | - |
| Highway Planning and Construction | 20.205 | HSIPL-5012(126) | 21,783 | - |
| Highway Planning and Construction | 20.205 | HSIPL-5012(129) | 27,565 | - |
| Highway Planning and Construction | 20.205 | HSIPL-5012(139) | 265 | - |
| Highway Planning and Construction | 20.205 | HSIPL-5012(140) | 4,220 | - |
| Highway Planning and Construction | 20.205 | HSIPL-5012(141) | 13,910 | - |
| Highway Planning and Construction | 20.205 | HSIPL-5012(142) | 131,500 | - |
| Highway Planning and Construction | 20.205 | STPL-5012(028) | 133,689 | - |
| Highway Planning and Construction | 20.205 | STPL-5012(122) | 203,670 | - |
| Highway Planning and Construction | 20.205 | STPLZ-5012(037) | 10,791,680 | - |
| Highway Planning and Construction | 20.205 | STPLZ-5012(123) | 2,899,086 | - |
| Highway Planning and Construction | 20.205 | STPLZ-5012(124) | 345,001 | - |
| Subtotal Highway Planning and Construction | | | 17,325,936 | - |
| **TOTAL U.S. DEPARTMENT OF TRANSPORTATION** | | | 17,325,936 | - |

See notes to the schedule of expenditures of federal awards.

# CITY OF OAKLAND
## Schedule of Expenditures of Federal Awards (continued)
## Year Ended June 30, 2017

| Federal Grantor/Passed through Grantor/Program Title | Catalog of Federal Domestic Assistance Number (CFDA) | Grant Number | Federal Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | | |
| Direct Programs | | | | |
| Substance Abuse and Mental Services | 93.243 | 1H79SM063517-01 | $ 513,582 | $ - |
| Head Start | 93.600 | 09CH9006/44-02 | 74,595 | - |
| Head Start | 93.600 | 09CH01039901-01 | 15,621,915 | 4,528,924 |
| Subtotal Head Start | | | 15,696,510 | 4,528,924 |
| Passed through State of California, Department of Community Services and Development | | | | |
| Community Services Block Grant | 93.569 | 16F-5002 | 850,761 | 465,046 |
| Community Services Block Grant | 93.569 | 16F-5510 | 32,078 | 27,000 |
| Community Services Block Grant | 93.569 | 17F-2002 | 553,584 | 218,885 |
| Subtotal Community Services Block Grant | | | 1,436,423 | 710,931 |
| Passed through State of California, Department of Aging | | | | |
| Medical Assistance Program | 93.778 | MS-1516-01 | 4,207 | - |
| Medical Assistance Program | 93.778 | MS-1617-01 | 1,252,934 | - |
| Subtotal Medical Assistance Program | | | 1,257,141 | - |
| **TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | 18,903,656 | 5,239,855 |
| **U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE** | | | | |
| Direct Programs | | | | |
| Foster Grandparent/Senior Companion Cluster | | | | |
| Foster Grandparent Program | 94.011 | 15SFPCA006 | 21,798 | - |
| Senior Companion Program | 94.016 | 15SCPCA010 | 287,126 | - |
| Subtotal Foster Grandparent/Senior Companion Cluster | | | 308,924 | - |
| **TOTAL U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE** | | | 308,924 | - |
| **U.S. DEPARTMENT OF HOMELAND SECURITY** | | | | |
| Direct Programs | | | | |
| National Urban Search and Rescue (US&R) Response System | 97.025 | EMW-2015-CA-00036 | 603,691 | - |
| National Urban Search and Rescue (US&R) Response System | 97.025 | EMW-2016-CA-APP-00041 | 816,535 | - |
| National Urban Search and Rescue (US&R) Response System | 97.025 | PDMC-PJ-09-CA-206-004 | 19,850 | - |
| Subtotal National Urban Search and Rescue | | | 1,440,076 | - |
| Port Security Grant Program | 97.056 | EMW-2014-PU-00321 | 14,716 | - |
| Port Security Grant Program | 97.056 | EMW-2015-00078-OES | 32,527 | - |
| Subtotal Port Security Grant Program | | | 47,243 | - |
| Staffing for Adequate Fire and Emergency Response | 97.083 | EMW-2014-FH-00782 | 3,017,152 | - |

See notes to the schedule of expenditures of federal awards.

# CITY OF OAKLAND
## Schedule of Expenditures of Federal Awards (continued)
## Year Ended June 30, 2017

| Federal Grantor/Passed through Grantor/Program Title | Catalog of Federal Domestic Assistance Number (CFDA) | Grant Number | Federal Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF HOMELAND SECURITY (Continued)** | | | | |
| Passed through City and County of San Francisco | | | | |
| Homeland Security Grant Program | 97.067 | 2014-SS-00093-PA | $ 617 | $ - |
| Homeland Security Grant Program | 97.067 | 2015-SS-00078-PA | 515,270 | - |
| Homeland Security Grant Program | 97.067 | 2015-SS-00078-PD | 129,256 | - |
| Homeland Security Grant Program | 97.067 | 2015-SS-00078-PF | 2,656 | - |
| Homeland Security Grant Program | 97.067 | 2016-0102 | 129,612 | - |
| Subtotal Homeland Security Grant Program | | | 777,411 | - |
| Passed through California Governor's Office of Emergency Services | | | | |
| Hazard Mitigation Grant | 97.039 | FEMA-4240-DR-CA-0065 | 19,840 | - |
| Hazard Mitigation Grant | 97.039 | FEMA-4240-DR-CA-0024 | 4,707 | - |
| Subtotal Hazard Mitigation Grants | | | 24,547 | - |
| Passed through County of Alameda | | | | |
| Metropolitan Medical Response System | 97.071 | 233-03-0095 | 95,649 | - |
| **TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY** | | | 5,402,078 | - |
| **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | | $ 70,836,541 | $ 17,772,269 |

See notes to the schedule of expenditures of federal awards.

# CITY OF OAKLAND
## Notes to the Schedule of Expenditures of Federal Awards
## Year Ended June 30, 2017

**Note 1 – General**

The accompanying schedule of expenditures of federal awards (SEFA) presents the expenditures of all federal award programs of the City of Oakland, California (City) for the year ended June 30, 2017. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the SEFA.

The City's reporting entity is described in Note I.A. to the City's basic financial statements. The City's basic financial statements include the operations of the Port of Oakland (Port), which expended $13,757,662 of federal awards during the year ended June 30, 2017. The Port's federal expenditures are not included in the SEFA because such expenditures are audited and reported on separately.

**Note 2 – Basis of Accounting**

The accompanying SEFA is presented using the modified accrual basis of accounting for grants as described in Note I.C. to the City's basic financial statements. The City did not elect to use the 10% de minimis cost rate as covered in U.S. Code of Federal Regulations, Title 2 Section 200.414 Indirect (F&A) costs.

**Note 3 – Relationship to the Financial Statements**

Expenditures of federal awards are reported in the City's basic financial statements as expenditures in the Federal/State Grant special revenue fund.

**Note 4 – California Department of Aging Awards**

The terms and conditions of local agency contracts with the California Department of Aging (CDA) require local agencies to display state-funded expenditures discretely along with the related federal expenditures. CDA grant expenditures that involve federal funding have been presented in the Schedule. For state grants not involving federal funding, the amounts are to be displayed separately. The City did not receive any state grants from the CDA for the year ended June 30, 2017.

# CITY OF OAKLAND
## Schedule of Findings and Questioned Costs
## Year Ended June 30, 2017

## Section I – Summary of Auditor's Results

### Financial Statements:

| | |
|---|---|
| Type of auditor's report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America: | Unmodified |
| Internal control over financial reporting: | |
| • Material weaknesses identified? | Yes |
| • Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted? | No |

### Federal Awards:

| | |
|---|---|
| Internal control over major programs: | |
| • Material weaknesses identified? | Yes |
| • Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified except for Home Investment Partnerships Program (CFDA No. 14.239) which is qualified. |
| Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a)? | Yes |

Identification of major programs:

| Program Title | CFDA Number |
|---|---|
| • Emergency Solutions Grant Program | 14.231 |
| • Housing Opportunity For Persons With Aids | 14.241 |
| • Home Investment Partnerships Program | 14.239 |
| • Highway Planning and Construction | 20.205 |
| • Head Start | 93.600 |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $2,125,096 |
| Auditee qualified as low-risk auditee? | No |

## Section II – Financial Statement Findings

### 2017-001 Significant Deficiency Over Financial Reporting Accounting for Non-Routine Transactions and Incomplete Trial Balance

***Observation:***
As part of our audit procedures, we assess an organization's environment, risk assessment and monitoring of controls and determine whether internal controls have been effective over financial reporting. If controls do not exist, are poorly designed or not operating effectively, we must evaluate the control deficiency and report the deficiency to management, including whether the control deficiency is a significant deficiency or material weakness.

During the audit, we noted that the City's financial reporting process relies on numerous manual spreadsheets to support computations to prepare its financial statements. This manual process is prone to errors such as the audit adjustment identified related to the City's net pension liability and related pension activities if not carefully analyzed.

***Recommendation:***
We recommend the City evaluate its financial reporting process and its preparation of the financial report and consider investing in other tools and trainings to automate its year-end financial reporting process in order to increase efficiency and decrease errors.

***Views of Responsible Officials:***
Please refer to the City's Corrective Action Plan.

## Section III – Federal Award Findings and Questioned Costs

**2017-002 Earmarking**

*Material Noncompliance and Material Weakness in Internal Controls*

| | |
|---|---|
| Federal Program Title: | Home Investment Partnership Program |
| Federal Catalog Number: | 14.239 |
| Federal Agency: | U.S. Department of Housing and Urban Development |
| Federal Award Number and Year: | Not available |

***Criteria:***

Per 24 CFR Section 92.207, a participating jurisdiction may expend, for payment of reasonable administrative and planning costs of the HOME program, not more than ten percent of the sum of the Fiscal Year HOME basic formula allocation plus any funds received in accordance with Section 92.102(b) to meet or exceed participation threshold requirements that Fiscal Year. A participating jurisdiction may also use up to ten percent of any program income, as defined in 24 CFR Section 92.2, calculated at the time of deposit in its local HOME account, for administrative and planning costs.

***Condition:***

On September 5, 2015, the U.S. Department of Housing and Urban Development (HUD) approved the City's Annual Action Plan. HUD's approval included $2,061,879 attributed from the HOME program for the City's fiscal year ended June 30, 2017. In addition, we noted that the City's total program income for the year was $249,942. As a result, the City could expend up to $231,182 for administrative and planning costs.

During our audit, we noted that the City claimed $569,120 as administrative and planning costs for year ended June 30, 2017, which is more than ten percent of the total allocation plus program income.

***Cause:***

As of June 30, 2016, the City already has exhausted the reserve that was accumulated for administrative and planning costs according to the Consolidated Annual Performance and Evaluation Report (CAPER) submitted by the City. The City's Department of Housing and Community Development was using a single project code to keep track of the administrative costs, and was aware that the reserve would be depleted and adjustments would need to be made during the fiscal year 2017. However, the City did not have procedures in place to monitor the related spending during the grant period, nor did they have a process to perform a year-end review to ensure compliance with HUD's limits.

***Effect:***

The City is not in compliance with the HUD requirements.

## Section III – Federal Award Findings and Questioned Costs

**2017-002 Earmarking (continued)**

***Questioned Costs:***
$337,938 – the questioned cost was the difference of actual administrative costs charged to the HOME program ($569,120) and the 10% of total annual allocation and program income ($231,182).

***Identification of Repeat Finding*:**
Not applicable.

***Recommendation:***
The City should develop processes and procedures to monitor spending against the 10% limit during the grant period and to perform a review at year-end to ensure compliance with grant requirements.

***Views of Responsible Officials:***
Please refer to the City's Corrective Action Plan.

# SUPPLEMENTARY SCHEDULES

## State of California Department of Community Services and Development (CSD)
## Community Services Block Grant (CSBG) – CFDA No. 93.569
## Contract No. 16F-5002/16F-5510, Project No. 1000411
## For the Period January 1, 2016 to June 30, 2017

| | January 1, 2016 through June 30, 2016 | July 1, 2016 through June 30, 2017 | Total Actual | Total Reported [1] | Total Budget |
|---|---|---|---|---|---|
| Revenue | | | | | |
| Grant Amount | $ 497,037 | $ 882,839 | $ 1,379,876 | $ 1,379,876 | $ 1,379,876 |
| Expenditures | | | | | |
| Personnel Costs | | | | | |
| Salaries and Wages | $ 84,108 | $ 139,011 | $ 223,119 | $ 223,118 | $ 220,452 |
| Fringe Benefits | 86,000 | 147,587 | 233,587 | 233,587 | 244,040 |
| Subtotal Personnel Costs | 170,108 | 286,598 | 456,706 | 456,705 | 464,492 |
| Non-Personnel Costs | | | | | |
| Operating Expense | 1,124 | 30,104 | 31,228 | 31,228 | 30,122 |
| Travel | 7,156 | 3,505 | 10,661 | 10,661 | 10,000 |
| Sub-Contractors/Consultants | 306,164 | 541,576 | 847,740 | 847,740 | 840,493 |
| Other Costs | 12,485 | 21,056 | 33,541 | 33,542 | 34,769 |
| Subtotal Non-Personnel Costs | 326,929 | 596,241 | 923,170 | 923,171 | 915,384 |
| Total Expenditures | $ 497,037 | $ 882,839 | $ 1,379,876 | $ 1,379,876 | $ 1,379,876 |

[1] The reported column represents expenditures reported to the State of California Department of Community Services and Development since the inception of the grant.

# CITY OF OAKLAND
## Supplemental Schedule of Revenue and Expenditures

**State of California Department of Community Services and Development (CSD)**
**Community Services Block Grant (CSBG) – CFDA No. 93.569**
**Contract No. 17F-2002, Project No. 1001402**
**For the Period January 1, 2016 to June 30, 2017**

| | Total Actual | Total Reported [1] | Total Budget |
|---|---|---|---|
| Revenue | | | |
| Grant Amount | $ 98,749 | $ - | $ 1,347,798 |
| Expenditures | | | |
| Personnel Costs | | | |
| Salaries and Wages | $ 121,662 | $ 121,664 | $ 256,453 |
| Fringe Benefits | 132,870 | 132,870 | 289,123 |
| Subtotal Personnel Costs | 254,532 | 254,534 | 545,576 |
| Non-Personnel Costs | | | |
| Operating Expenses | 9,223 | 9,223 | 27,144 |
| Travel | 10,349 | 10,348 | 13,000 |
| Sub-Contractors/Consultants | 260,477 | 260,477 | 721,588 |
| Other Costs | 19,003 | 19,003 | 40,490 |
| Subtotal Non-Personnel Costs | 299,052 | 299,051 | 802,222 |
| Total Expenditures | $ 553,584 | $ 553,585 | $ 1,347,798 |

[1] The reported column represents expenditures reported to the State of California Department of Community Services and Development since the inception of the grant.

# CITY OF OAKLAND
## Supplemental Schedule of Expenditures of Alameda County Awards
## Year Ended June 30, 2017

| Alameda County Award/Program Title | Contract Number | Exhibit/PO Number | Expenditures |
|---|---|---|---|
| **Department of Adult and Aging Services** | | | |
| Information and Assistance (Outreach) | 900163 | 14483 | $ 49,802 |
| Total Department of Adult and Aging Services | | | 49,802 |
| **Housing and Community Development Department** | | | |
| Winter Shelter Program | C-14447 | None | 128,022 |
| Boomerang Rapid Rehousing | C-12090 | B-1 | 292,427 |
| Total Housing and Community Development Department | | | 420,449 |
| **Department of Workforce and Benefits Administration** | | | |
| Henry J. Robinson Multi-Service Center | 900163 | 14483 | 288,092 |
| Total Department of Workforce and Benefits Administration | | | 288,092 |
| **Total Alameda County Awards** | | | $ 758,343 |

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# AUDIT FINDINGS FOLLOW-UP

CITY OF OAKLAND

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

Office of the City Administrator
Sabrina B. Landreth
City Administrator

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

In relation to the City of Oakland's (City) annual financial statement audit and the single audit for the year ended June 30, 2017, the City hereby submits a summary schedule of prior audit findings and a corrective action plan, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Section 511 *Audit findings follow-up*.

**Summary Schedule of Prior Audit Findings**

| | |
|---|---|
| **Reference Number:** | **Financial Statement Findings 2016-001** |
| 2016-001 | Significant Deficiency Over Financial Reporting Accounting for Non-Routine Transactions and Incomplete Trial Balance |
| Audit Finding: | The Oakland Redevelopment Successor Agency (ORSA)'s financial records should be maintained in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board.<br><br>In fiscal year 2016, the ORSA refunded three of its outstanding bonds: 2006A Subordinated Housing Set Aside Revenue Refunding Bonds; the 2006A-TE Central City East Redevelopment Project Tax Allocation Bonds; and the 2006C-TE Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds. The ORSA also partially refunded two of its outstanding bonds: 2006A-T Subordinated Housing Set Aside Revenue Bonds and the 2006B-TE Coliseum Area Redevelopment Project Tax Allocation Bonds. These are non-routine transactions of the ORSA. Due to the current financial system upgrade project and other changes in the allocation of personnel, the ORSA did not have adequate time to familiarize themselves with the accounting and financial reporting requirements associated with these types of transactions, which resulted in audit adjustments reducing ORSA's net position in the amount of $1.4 million. In addition, the ORSA provided a trial balance for the year-end audit that did not include the ORSA's closing journal entries related to the unearned revenue and notes and loans receivable accounts. These errors were subsequently corrected during the audit. |
| Year in which Finding Initially Occurred: | Fiscal year 2015-16. |
| Status of Corrective Action: | Corrective action has been implemented. |

| | |
|---|---|
| **Reference Number:** | **Federal Award Finding 2016-002** |
| CFDA number(s)/ Program Name(s): | 17.235– Senior Community Service Employment Program |
| Audit Finding: | Eligibility for the participants whose files are missing cannot be substantiated. |

CITY OF OAKLAND

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

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| | |
|---|---|
| Year in which Finding Initially Occurred: | Fiscal year 2015-16. |
| Status of Corrective Action: | Corrective action has been implemented. |

CITY OF OAKLAND

LIONEL J. WILSON BUILDING ● 150 FRANK H. OGAWA PLAZA, SUITE 4353 ● OAKLAND, CALIFORNIA 94612-2092

Department of Human Services
ASSETS Senior Employement Opportunties Program

(510) 238-3535
FAX (510) 238-7724
TDD (510) 238-3254

## Corrective Action Plan

The findings listed herein are discussed and numbered consistently with the findings in the Schedule of Findings and Questioned Costs.

### Section II – Financial Statement Findings

**2017-001 Material Weakness Over Financial Reporting**
**Internal Controls Over Financial Reporting and Reliability of Financial Statements**

Management acknowledges that the reliance on manual spreadsheets and report preparation is prone to errors. The Finance Department is in the process of evaluating several vendors that provide automated solutions for financial reporting where the Comprehensive Annual Financial Report (CAFR) is an area of expertise. The systems use advanced mapping and data links to ensure consistency and improved efficiencies. The new system is anticipated to be in place, and staff trained, for the City's FY 2017-18 CAFR process.

Contact person responsible for corrective action: Kirsten LaCasse, Controller

Anticipated completion date: Fiscal year ending June 30, 2018

In relation to the City of Oakland's (City) single audit for the year ended June 30, 2017, the City hereby submits a corrective action plan for finding number 2017-002 for the Home Investent Partnership Program.

### Section III – Federal Award Findings and Questioned Costs

**2017-002 Earmarking**

Management acknowledges that the frequency of monitoring and adjusting the administrative expenditures during the grant term was inadequate for a multi-year grant. The Housing and Community Development Department has established procedures to program staff costs allocated to the HOME Administration project during the budget process at the allowable limit of 10 percent of the HOME formula allocation plus 10 percent of any HOME program income. Staff will monitor and adjust spending quarterly for each fiscal year during the grant period and make any necessary corrections to transfer ineligible staff costs to other eligible funds prior to year-end to ensure compliance with grant requirements.

Contact person responsible for corrective action: Dan Dayananthan, Fiscal Services Manager

Anticipated completion date: Completed March 2018