# CITY OF OAKLAND
# CALIFORNIA

## OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

(A COMPONENT UNIT OF THE CITY OF OAKLAND)

FOR THE YEAR ENDED JUNE 30, 2018

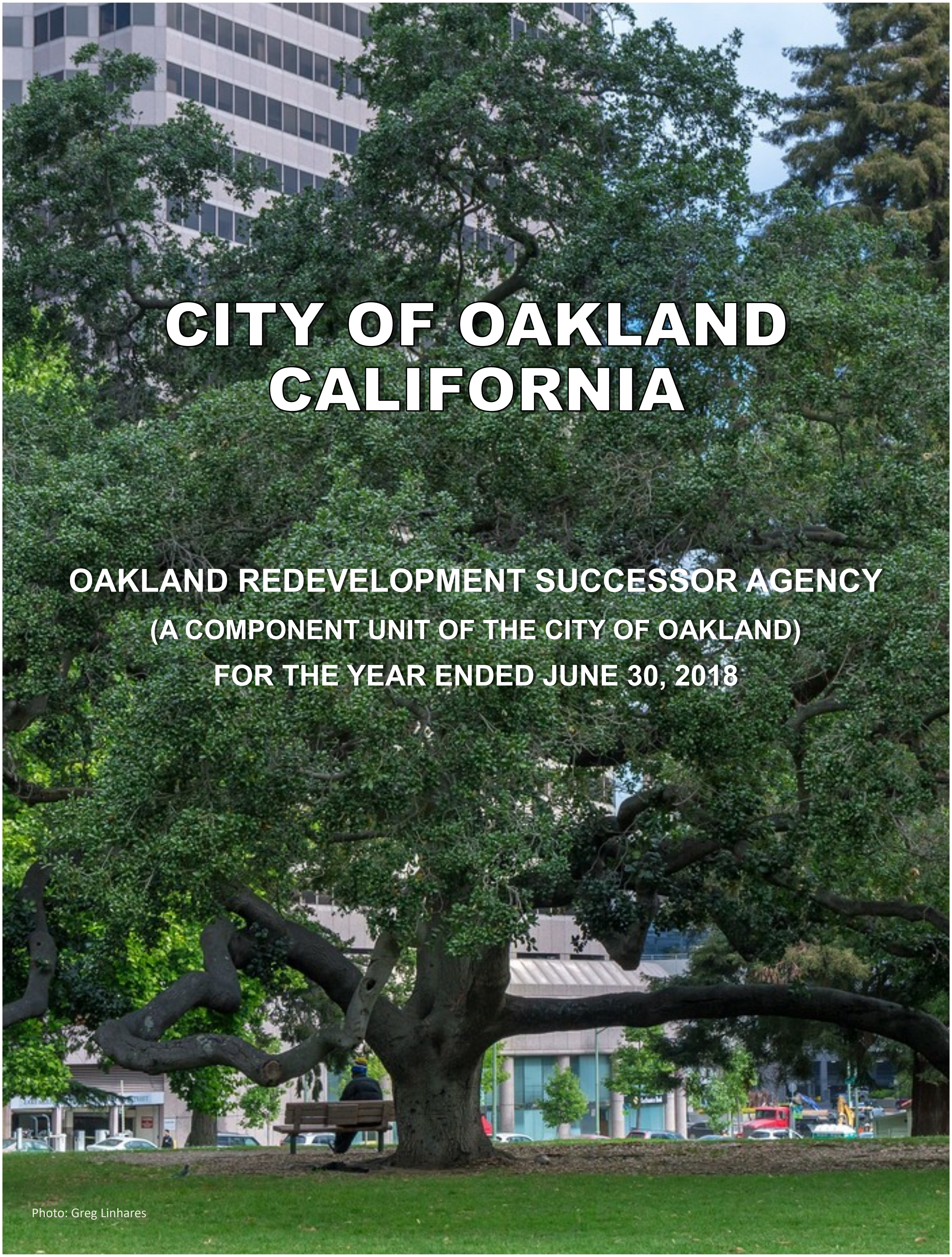

Photo: Greg Linhares

# OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

# FINANCIAL REPORT

## PROJECT TEAM

| | |
|---|---|
| Katano Kasaine<br>*Finance Director / Treasurer* | Kirsten LaCasse<br>*Controller* |

## AUDIT/FINANCIAL STATEMENT COORDINATOR

Kirsten LaCasse, *Controller*

## FINANCIAL STATEMENT PREPARATION

### Financial Statement Leader

Lilian Falkin
*Accounting Supervisor*

### Accounting Team

| | | |
|---|---|---|
| Michelle Wong | Connie L. Chu | Andy Yang |
| Carla Reed | Felipe Kiocho | Rogelio Medalla |
| Theresa Woo | Young Shin | |

## SPECIAL ASSISTANCE

| | | |
|---|---|---|
| Madhukar Kumar | Jacqueline Lee | David Jones |

## SPECIAL ASSISTANCE - DEPARTMENTS & OFFICES

| | |
|---|---|
| City Administrator's Office | City Attorney's Office |

Finance Department - Treasury Bureau

Economic & Workforce Development

Housing and Community Development

**OAKLAND REDEVELOPMENT SUCCESSOR AGENCY**
(A Component Unit of the City of Oakland, California)
For the Year Ended June 30, 2018

***Table of Contents***

Certified Public Accountants

**Independent Auditor's Report**

Board of Directors
Oakland Redevelopment Successor Agency
Oakland, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Oakland Redevelopment Successor Agency (Agency), a component unit of the City of Oakland (City), California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The combining schedules listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the Agency'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 Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 12, 2018

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

Management's Discussion and Analysis – Unaudited
For the Year Ended June 30, 2018

As management of the Oakland Redevelopment Successor Agency of the City of Oakland ("ORSA"), we offer readers of the ORSA's basic financial statements this narrative overview and analysis of the financial activities of the ORSA for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the ORSA's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

On June 6, 2018, the ORSA issued Subordinated Tax Allocation Refunding Bonds, 2018-TE (tax-exempt) and Series 2018-T (taxable) (the "Series 2018 Bonds") in the aggregate principal amount of $57.0 million to refund the outstanding Series 2011A-T Bonds and Series 2006B-TE Bonds. The Series 2018-T Bonds have a par amount of $41.8 million and were issued for a discount of $0.8 million with interest rates ranging 2.00% to 4.00% and principal maturing from September 2018 through September 2039. The par amount of $15.2 million for the Series 2018-TE Bonds was issued with an original premium of $3.2 million with an interest rate at 5.0% and principal maturing from September 2025 through September 2031. Proceeds raised from Series 2018-TE bonds were used to redeem Series 2006B-TE on June 11, 2018 and refund the Series 2011A-T bonds. Issuance of the Series 2018 Bonds generated a gross saving of $27.7 million and obtained a net present value savings of $15.1 million or over 27% of the $55.8 million refunded par.

On May 29, 2013, the Department of Finance (DOF) issued its finding on the ORSA using excess bond proceeds from bonds issued prior to 2011 pursuant to Health and Safety Code (HSC) section 34191.4. Based on DOF's findings, the Oakland Oversight Board approved the ORSA's Bond Expenditure Agreement between the ORSA and the City of Oakland (City) that would transfer current and future excess tax allocation bond proceeds to the City to fund redevelopment projects and programs already in place on July 29, 2013. For the year ended June 30, 2018, the ORSA reports a total transfer of excess tax allocation bond proceeds of $6.1 million to the City.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

## FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. At the close of June 30, 2018, the ORSA has a negative net position of $261.7 million. Under the former California Redevelopment Law, the former Agency issued bonds or incurred long-term debt to finance its redevelopment projects by pledging future tax increment revenues (See Note 6 to the basic financial statements).

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

In addition, completed projects with private developers were also transferred to the developers in accordance with disposition and development agreements. Although completed public facilities and joint agency-private partnership projects were transferred to the City or private entities, the related debt remained with the former redevelopment agency and was transferred to the ORSA.

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

Condensed Statements of Fiduciary Net Position
(In thousands)

| **Assets** | **June 30, 2018** | **June 30, 2017** | **$ Change** |
|---|---|---|---|
| Current and other assets | $ 63,086 | $ 61,808 | $ 1,278 |
| Restricted investments | 11,870 | 17,179 | (5,309) |
| Notes and loans receivable, net | 16,759 | 16,798 | (39) |
| Property held for resale | 2,818 | 2,818 | - |
| **Total Assets** | 94,533 | 98,603 | (4,070) |
| **Deferred Outflows of Resources** | 14,473 | 6,051 | 8,422 |
| **Liabilities** | | | |
| Other liabilities | 11,650 | 13,432 | (1,782) |
| Long-term liabilities | 358,647 | 385,300 | (26,653) |
| **Total Liabilities** | 370,297 | 398,732 | (28,435) |
| **Deferred Inflows of Resources** | 448 | - | 448 |
| **Total Net Position** | **$ (261,739)** | **$ (294,078)** | **$ 32,339** |

At June 30, 2018, the ORSA's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources, resulting in a net deficit of $261.7 million. This represents a $32.3 million deficit reduction compared to the net position at June 30, 2017. The significant changes in the statement of net position are due to the following:

- Total assets were $94.5 million, a reduction of $4.0 million compared to $98.6 million at June 30, 2017. The reduction is mainly due to scheduled debt service payments and transfer of excess tax allocation bond proceeds to the City that reduced trustee cash by $5.3 million offset by $1.3 million increase in pooled cash as the result of reduced overall expenditure payments from pooled cash accounts during FY2018.

- Deferred outflows of resources increased by $8.4 million compared to $6.1 million at June 30, 2017 to $14.5 million at June 30, 2018. The increase is due to the recognition of the deferral of the $8.8 million of accounting loss from the issuance of Series 2018-T Bonds, offset by $0.4 million of scheduled annual amortization of overall refunding losses.

- A $1.8 million reduction in other liabilities was due to reduced timing payments for eligible expenditures.

- The $26.7 million decrease in long-term liabilities was due to $28.7 million net reduction in bond principal after scheduled debt service payments, bond refunding activities during the fiscal year combined with a net increase of $2.0 million in the long-term debt premium and discount.

- The accounting gain from calling Series 2006B-TE Bonds, fully redeemed by Series 2018-TE Bonds, generated a net increase in deferred inflows of resources by $0.4 million during FY2018.

Condensed Statements of Changes in Fiduciary Net Position
(In thousands)

| **Additions** | **Year Ended June 30, 2018** | **Year Ended June 30, 2017** | **$ Change** |
|---|---|---|---|
| Redevelopment property tax revenues | $ 62,938 | $ 68,760 | $ (5,822) |
| Other revenues | 3,325 | 4,186 | (861) |
| Total additions | 66,263 | 72,946 | (6,683) |
| **Deductions** | | | |
| General and administrative | 1,890 | 3,788 | (1,898) |
| Project expenses | 5,334 | 17,498 | (12,164) |
| Interest on debt | 19,990 | 20,814 | (824) |
| Bond issuance costs | 565 | - | 565 |
| Total deductions | 27,779 | 42,100 | (14,321) |
| **Special items from** | | | |
| Transfer of excess tax allocation bond proceeds | (6,145) | (7,048) | 903 |
| **Change in net position** | 32,339 | 23,798 | 8,541 |
| Net position, beginning | (294,078) | (317,876) | 23,798 |
| Net position, end of year | $ (261,739) | $ (294,078) | $ 32,339 |

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

- The ORSA's additions for FY2018 were $66.2 million, a reduction of $6.7 million compared to $72.9 million for FY2017. On the individual addition level, redevelopment property tax revenue received from the County decreased by $5.8 million, correlating with the funds needed to pay obligations in the Recognized Obligations Payment Schedules. Other revenues decreased by $0.9 million, which is primarily due to reduced federal and State grants compared with FY2017.

- The ORSA's deductions for FY2018 were $27.8 million compared to $42.1 million for FY2017, a decrease of $14.3 million. The decrease was mainly due to the reduction of $1.9 million in general and administrative expenses and the reduction of $12.2 million in project expenses as the result of diminished overall operating activities during the fiscal year.

- Transfer of excess tax allocation bond proceeds to the City reduced by $0.9 million from $7.0 million in FY2017 to $6.1 million in FY2018 as approved by the DOF and reported as a special item in FY2018.

## Debt Administration

At June 30, 2018, the ORSA had long-term bonds outstanding principal totaling $349.5 million, a decrease of $28.7 million from FY2017 as the combined result of scheduled debt service payments and bond refinancing activities in FY2018. Outstanding principal on tax allocation bonds increased by $11.0 million whereas outstanding housing set-aside bonds were fully defeased compared with FY2017

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

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| **Long-Term Debt** | | |
| Tax allocation bonds | $ 349,490 | $ 338,510 |
| Housing set-aside bonds | - | 39,720 |
| Subtotal - Bonds outstanding | 349,490 | 378,230 |
| Unamortized amounts: | | |
| Premiums and discounts | 9,157 | 7,070 |
| **Total long-term debt** | **$ 358,647** | **$ 385,300** |

### *Bond Ratings*

Bond ratings reflect the credit strength of the ORSA's value and size. The strengths that Moody's Investors Services takes into account are the ORSA's large geographic and total project area, sizable incremental and assessed valuation, and solid high period of debt service coverage.

The table below shows ORSA bond ratings for the outstanding bonds as of June 30, 2018:

| | Ratings | | |
|---|---|---|---|
| **Type of Obligation** | **Moody's** | **S & P** | **Fitch** |
| **Tax Allocation Bonds:** | | | |
| Subordinated Tax Allocation Refunding Bonds, Series 2018-TE, 2018-T | N/A | AA- | N/A |
| Subordinated Tax Allocation Refunding Bonds, Series 2015-TE, 2015-T | N/A | AA*/AA- | N/A |
| Central District Redevelopment Project | | | |
| Subordinated Tax Allocation Bonds, Series 2006T | Baa2* | A+ | N/A |
| Subordinated Tax Allocation Bond Series 2009T | N/A | A+ | N/A |
| Subordinated Tax Allocation Refunding Bonds, Series 2013 | N/A | A+ | N/A |
| Coliseum Area Redevelopment Project | | | |
| Tax Allocation Bonds, Series 2006B-T | Baa1 | AA- | N/A |
| Central City East Redevelopment Project | | | |
| Tax Allocation Bonds, Series 2006A-T | Baa1 | A+ | N/A |
| Broadway/MacArthur/San Pablo Redevelopment Project | | | |
| Tax Allocation Bonds, Series 2006C-T | Baa1 | AA | N/A |
| Tax Allocation Bonds, Series 2010T | N/A | AA- | N/A |

* Insured rating

## REVENUES AND RECOGNIZED OBLIGATIONS PAYMENT SCHEDULE

Pursuant to State laws and regulations, the ORSA is required to adopt a Recognized Obligation Payments Schedule ("ROPS"). The ROPS, listing all enforceable obligations due and payable currently in the six-month coverage period, is prepared in a manner provided by the DOF and is the basis for the distribution of property tax revenues from the Redevelopment Property Tax Trust Fund ("Trust Fund"). The ROPS represents the ORSA's annual budget. The semi-annual Administrative Budget for the ORSA is presented and approved by the Successor Agency governing board and ORSA's Oversight Board, and subsequently approved as part of the ROPS by the DOF.

In September 2015, the State passed the Senate Bill 107, which authorizes successor agencies to submit a Last and Final ROPS, which shall list the remaining enforceable obligations of the successor agency and the total outstanding obligation and a schedule of remaining payments for each enforceable obligation, for approval by the oversight board and the DOF. Upon approval by the DOF, the Last and Final ROPS will establish the maximum amount of property taxes from the Redevelopment Property Tax Trust Fund to be distributed to the ORSA.

## REQUEST FOR INFORMATION

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

This page is intentionally left blank

# BASIC FINANCIAL STATEMENTS

**OAKLAND REDEVELOPMENT SUCCESSOR AGENCY**
(A Component Unit of the City of Oakland, California)
Statement of Fiduciary Net Position
June 30, 2018
(In Thousands)

| | |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Cash and investments | $ 55,724 |
| Accrued interest receivable | 479 |
| Due from City of Oakland | 2,311 |
| Due from other governments | 2,705 |
| Prepaid expenses | 1,867 |
| Restricted investments | 11,870 |
| Total current assets | 74,956 |
| Noncurrent assets: | |
| Notes and loans receivable (net of allowance for uncollectable of $46,675) | 16,759 |
| Property held for resale | 2,818 |
| Total noncurrent assets | 19,577 |
| Total assets | 94,533 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Unamortized losses on refunding of debts | 14,473 |
| **LIABILITIES** | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | 957 |
| Accrued interest payable | 6,374 |
| Due to the City of Oakland | 4,269 |
| Deposits and other liabilities | 50 |
| Total current liabilities | 11,650 |
| Long-term liabilities: | |
| Due within one year | 34,991 |
| Due in more than one year | 323,656 |
| Total long-term liabilities | 358,647 |
| Total liabilities | 370,297 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Unamortized gains on refunding of debts | 448 |
| **NET POSITION** | |
| Restricted for redevelopment | $ (261,739) |

See accompanying notes to the basic financial statements.

**OAKLAND REDEVELOPMENT SUCCESSOR AGENCY**

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

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2018

(In Thousands)

| | | |
|---|---|---|
| **ADDITIONS** | | |
| Redevelopment property tax revenues | $ | 62,938 |
| Investment income: | | |
| Interest on investments | | 903 |
| Net appreciation in fair value of investments | | 94 |
| Miscellaneous rents | | 673 |
| Federal and State grants | | 220 |
| Other | | 1,435 |
| Total additions | | 66,263 |
| **DEDUCTIONS** | | |
| General and administrative: | | |
| Salaries, wages and benefits | | 4,619 |
| Materials, supplies and other services | | 727 |
| Project expenses | | 1,878 |
| Interest on debt | | 19,990 |
| Bond issuance costs | | 565 |
| Total deductions | | 27,779 |
| **SPECIAL ITEM** | | |
| Transfer of excess tax allocation bond proceeds to the City, approved by the California Department of Finance | | (6,145) |
| **Change in net position** | | 32,339 |
| Net position, beginning of year | | (294,078) |
| **Net position, ending of year** | $ | (261,739) |

See accompanying notes to the basic financial statements.

# NOTES TO THE BASIC FINANCIAL STATEMENTS

## NOTE 1 – REPORTING ENTITY

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

On June 28, 2011, the State of California enacted Assembly Bill X1 26 (AB X1 26). 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 the successor agencies and oversight boards that are responsible for overseeing the dissolution process and the wind down of redevelopment activity. At the City of Oakland's meeting on January 10, 2012, the City Council affirmed its decision as part of City Resolution Number 83679 C.M.S. to serve as the Oakland Redevelopment Successor Agency (ORSA) of the City, effective February 1, 2012, as such a component unit of the City. Also upon dissolution, the City Council elected as part of Resolution Number 83680 C.M.S. to retain the housing assets, functions, and powers previously performed by the former Agency.

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

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

In September 2015, the State passed the Senate Bill 107 (the Bill), which contains additional provisions and provides specificity to existing law governing the dissolution of redevelopment agencies and the wind-down of their existing activities and obligations. The Bill includes specific language to ORSA that facilitates the issuance of bonds or other indebtedness for the purposes of low and moderate income housing and various infrastructure in the City, by allowing the pledge of revenues available in the Redevelopment Property Tax Trust Fund that are not otherwise pledged, subject to the approval of the Oversight Board. The Bill declares that the Central District Subordinated Tax Allocation Refunding Bonds Series 2013 and Subordinated Housing Set Aside Revenue Bonds, Series 2011A-T are finally and conclusively approved as enforceable obligations. The Bill required that remaining principal amount of any of the loans that were previously unpaid after September 2015 shall be recalculated from the date of origination of the loan at a simple interest rate of 3%.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Basis of Presentation*

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

### *Basis of Accounting*

The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

### *Investments*

ORSA records investment transactions on the trade date. Investments are reported at fair value or at net asset value. ORSA 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. Investment income, including unrealized gains and losses from investments, is recognized as revenue.

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

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

ORSA follows Governmental Accounting Standards Board (GASB) Statement No. 72 in measuring the fair value of its investment within the fair value hierarchy established by GAAP. The following levels indicate the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 - Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 - Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.
- Level 3 - Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

### *Redevelopment Property Tax Trust Fund Revenues*

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into ORSA's Redevelopment Property Tax Trust Fund ("RPTTF") administered by the County of Alameda's Auditor-Controller (the County) for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. After deducting its administrative costs, the County must distribute the collected redevelopment property tax revenue into the ORSA's RPTTF twice each year as follows:

| Distribution Date | Covers ROPS to be Paid* |
|---|---|
| January 2 | January 1 through June 30 |
| June 1 | July 1 through December 31 |

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

The Redevelopment Dissolution Law requires the County to disburse funds from the RPTTF in the following order: (1) for payments local agencies and schools would have received from the collected revenue before dissolution and for any pass-through payments pursuant to agreement; (2) for payment of the former redevelopment agency's enforceable obligations; (3) for payment of the ORSA's administrative expenses; and (4) to local taxing agencies.

If there are insufficient funds available in the RPTTF to pay all enforceable obligations, the Redevelopment Dissolution Law requires the County to reduce or eliminate the above-listed distributions in the following order: (1) to reduce or eliminate distributions to local taxing agencies; (2) to reduce or eliminate payment of the ORSA's administrative expenses; and (3) to deduct the amount required to meet the former redevelopment agency's bond debt service from pass-through payments.

The hierarchy of payment for enforceable obligations on the ORSA's ROPS is as follows: (1) debt service on tax allocation bonds; (2) debt service on revenue bonds; (3) all other obligations; and (4) the ORSA's administrative costs. The maximum administrative cost allowance is the greater of $250,000 or three percent of the revenue allocated to the ORSA.

### *Restricted Assets*

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

### *Property Held for Resale*

For financial statement presentation, property held for resale is stated at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimation of net realizable value of each property parcel based on its current use. The ORSA does not depreciate property held for resale, as it is the intention of the ORSA to only hold the property for a period of time until it can be resold for development. California DOF has approved ORSA's Long-Range Property Management Plan (LRPMP) of its use or disposition of properties on May 29, 2014, as discussed in Note 5.

***Long-term Debt***

The former Agency issued Tax Allocation Bonds and Housing Set-Aside Bonds to finance housing and other redevelopment projects. Bonds payable are reported at face value, net of applicable premiums and discounts. The premiums and discounts are amortized as a component of bonds payable on a straight-line basis over the remaining life of the debt instrument. Costs related to the issuance of bonds are reported as an expense. Gains or losses occurring from refunding of debt are reported as deferred outflows of resources or deferred inflows of resources, respectively, and amortized over the shorter of the life of the refunded debt or refunding debt. Amortization of these balances is recorded as a component of interest expense.

***Special Item***

Special items are significant transactions or events within the control of management that are either (1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) or (2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates).

The transfer of excess bond proceeds to the City as requested by ORSA and approved by DOF pursuant to Health and Safety Code section 34179 (h) qualifies as a special item since this action was under the control of ORSA's Oversight Board and met the criteria of infrequent. ORSA transferred $6.1 million of excess bond proceeds to the City in FY 2018, which was recorded as special item in the basic financial statements.

***New GASB Pronouncements Adopted***

During the year ended June 30, 2018, the OSRA implemented the following accounting standards:

- Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017,* 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). This statement did not have a significant impact to the ORSA's financial statements.

- GASB Statement No. 86, *Certain Debt Extinguishment Issues,* intends 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. This statement did not have a significant impact to the ORSA's financial statements.

The ORSA is currently analyzing their accounting practices to determine the potential impact on the financial statements of certain new accounting standards pronouncements issued by the GASB, including GASB Statement No. 83, *Certain Asset Retirement Obligations,* GASB Statement No. 84, *Fiduciary Activities,* GASB Statement No. 87, *Leases,* GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61.*

(Amounts in Thousands)

***Use of Estimates***

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

## NOTE 3 – CASH AND INVESTMENTS

The ORSA's cash and investments consist of the following at June 30, 2018:

| | | |
|---|---|---|
| Unrestricted cash and investments: | | |
| Demand deposits | $ | 2,309 |
| Investments | | 53,415 |
| Total unrestricted cash and investments | | 55,724 |
| Restricted investments | | 11,870 |
| Total cash and investments | $ | 67,594 |

***Investments***

The ORSA follows the City's Investment Policy, which is governed by provisions of the California Government Code 53600 and the City's Municipal Code. The 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, the ORSA is permitted to invest in the State of California Local Agency Investment Fund (LAIF), obligations of the U.S. Treasury or U.S. government agencies, time deposits, money market mutual funds invested in U.S. government securities, along with various other permitted investments. Under the provisions of the bond indentures, certain accounts with trustees were established for repayment of debt, amounts required to be held in reserve, and temporary investments for unexpended bond proceeds.

The ORSA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. At June 30, 2018, 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, 2018:

| | Significant other observable inputs (Level 2) | | Investments not subject to fair value hierachy | |
|---|---|---|---|---|
| Unrestricted investments: | | | | |
| U.S. Government Agency Securities (Discount) | $ | 43,915 | $ | - |
| Money Market Mutual Funds | | - | | 9,500 |
| Restricted investments: | | | | |
| U.S. Government Agency Securities (Discount) | | 6,963 | | |
| Money Market Mutual Funds | | - | | 4,907 |
| Sub-total | $ | 50,878 | $ | 14,407 |

### *Custodial Credit Risk*

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

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

As of June 30, 2018, the carrying amount of the ORSA's deposits was $2.31 million. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of $0.25 million, and the remaining bank balance of $2.06 million are collateralized with securities held by the pledging financial institutions as required by Section 53652 of the California Government Code.

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

### *Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations. The 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.

### *Interest Rate Risk*

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market rates. ORSA Investment Policy has mitigated interest rate risk by establishing policies over liquidity.

(Amounts in Thousands)

As of June 30, 2018, ORSA had the following investments, credit risk ratings, and maturities:

| 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) | 1.75-1.88 | AA | $ 43,915 | $ - |
| Money Market Mutual Funds | 1.81 | AAA | 9,500 | - |
| Total unrestricted investments | | | $ 53,415 | $ - |
| Restricted investments: | | | | |
| U.S. Government Agency Securities | 2.53 | AA | $ - | $ 2,963 |
| U.S. Government Agency Securities (Discount) | 0.94 | AA | 4,000 | - |
| Money Market Mutual Funds | 1.76-1.81 | AAA | 4,907 | - |
| Total restricted investments | | | $ 8,907 | $ 2,963 |

### *Concentration of Credit Risk*

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on ORSA. Investments issued by or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement, as they are normally diversified themselves. The following table shows ORSA's investments in one issuer that exceed 5% of ORSA's investment portfolios at June 30, 2018:

| Type of Investment/Issuer | Amount | % of Unrestricted Portfolio |
|---|---|---|
| **U.S. Government Agency Securities** | | |
| Federal Home Loan Bank | $ 43,915 | 82.2% |

| Type of Investment/Issuer | Amount | % of Restricted Portfolio |
|---|---|---|
| **U.S. Government Agency Securities** | | |
| Federal Home Loan Bank | $ 4,000 | 33.7% |
| Federal Farm Credit Bank | 2,963 | 25.0% |

(Amounts in Thousands)

## NOTE 4 – LOANS RECEIVABLE

Composition of loans receivable as of June 30, 2018 is as follows:

| | |
|---|---|
| Housing development project loans | $ 1,463 |
| Economic development loans | 61,971 |
| Gross notes and loans receivable | 63,434 |
| Allowance for uncollectable | (46,675) |
| Total notes and loans receivable, net | $ 16,759 |

Management has determined that certain loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of these loans are met. At June 30, 2018, it was determined that $46.7 million of the loan portfolio is not expected to be ultimately collected.

## NOTE 5 – PROPERTY HELD FOR RESALE

As of June 30, 2018, ORSA has a total $2.8 million for properties recorded at the lower of cost or estimated conveyance value. On May 29, 2014, pursuant to HSC Section 34191.4, the DOF approved the ORSA's LRPMP addressing the disposition and use of former Agency properties and authorizing the disposition of properties pursuant to the plan.

## NOTE 6 – LONG-TERM DEBT

The following is a summary of long-term debt as of June 30, 2018:

| Type of Obligation | Original Issued Amount | Issued Year | Maturity Fiscal Year | Interest Rate Range | June 30, 2018 Principal Balance |
|---|---|---|---|---|---|
| **Tax Allocation Bonds:** | | | | | |
| Central District Redevelopment Project | | | | | |
| Subordinated Tax Allocation Bonds, Series 2006T | $ 33,135 | 2006 | 2022 | 5.25% - 5.41% | $ 9,760 |
| Subordinated Tax Allocation Bond Series 2009T | 38,755 | 2009 | 2021 | 5.30% - 8.50% | 18,000 |
| Subordinated Tax Allocation Refunding Bonds, 2013 | 102,960 | 2013 | 2023 | 4.00% - 5.00% | 59,780 |
| Coliseum Area Redevelopment Project | | | | | |
| Tax Allocation Bonds, Series 2006B-T | 73,820 | 2006 | 2036 | 5.26% - 5.54% | 58,035 |
| Central City East Redevelopment Project | | | | | |
| Tax Allocation Bonds, Series 2006A-T | 62,520 | 2006 | 2035 | 5.26% - 5.54% | 46,715 |
| Broadway/MacArthur/San Pablo Redevelopment Project | | | | | |
| Tax Allocation Bonds, Series 2006C-T | 12,325 | 2006 | 2033 | 5.28% - 5.59% | 8,765 |
| Tax Allocation Bonds, Series 2010T | 7,390 | 2010 | 2041 | 7.20% - 7.40% | 7,075 |
| Subtotal | 330,905 | | | | 208,130 |
| **ORSA Subordinated Tax Allocation Refunding Bonds:** | | | | | |
| Series 2018-TE | 15,190 | 2018 | 2032 | 5.00% | 15,190 |
| Series 2018-T (federally taxable) | 41,765 | 2018 | 2040 | 2.00% - 4.00% | 41,765 |
| Series 2015-TE | 22,510 | 2015 | 2037 | 5.00% | 22,510 |
| Series 2015-T (federally taxable) | 66,675 | 2015 | 2036 | 1.33% - 4.92% | 61,895 |
| Subtotal | 146,140 | | | | 141,360 |
| Total long-term debt | $ 477,045 | | | | $ 349,490 |

A summary of the changes in long-term debt for the year ended June 30, 2018 follows (in thousands):

| | July 1, 2017 | Additions | Deductions | June 30, 2018 | Due within One Year |
|---|---|---|---|---|---|
| Bonds Payable: | | | | | |
| Tax allocation bonds | $ 249,765 | $ - | $ (41,635) | $ 208,130 | $ 24,830 |
| Housing set-aside bonds | 39,720 | - | (39,720) | - | - |
| Subordinated tax allocation refunding bonds | 88,745 | 56,955 | (4,340) | 141,360 | 8,750 |
| Subtotal | 378,230 | 56,955 | (85,695) | 349,490 | 33,580 |
| Less unamortized amounts: | | | | | |
| Issuance premiums | 8,913 | 3,230 | (1,897) | 10,246 | 1,523 |
| Issuance discount | (1,843) | (775) | 1,529 | (1,089) | (112) |
| Total | $ 385,300 | $ 59,410 | $ (86,063) | $ 358,647 | $ 34,991 |

### *Current Year Long-Term Debt Activities*

On June 6, 2018, the ORSA issued Subordinated Tax Allocation Refunding Bonds, 2018-TE (tax exempt) and Series 2018-T (taxable) (the "Series 2018 Bonds") in the aggregate principal amount of $57.0 million. The Series 2018-TE Bonds were issued with an original premium of $3.2 million and with an interest rate at 5.0% and principal maturing from September 2025 through September 2031. The Series 2018-T Bonds were issued for a discount of $0.8 million and have interest rates ranging from 2.00% to 4.00% and principal maturing from September 2018 through September 2039. The proceeds of the Series 2018 Bonds were used to pay the costs associated with the issuance of the Series 2018 Bonds, purchase a surety reserve policy to satisfy the Reserve Requirement, and refund in full the outstanding bonds as follows:

| Description of Refunded Bonds | Amount Refunded |
|---|---|
| Subordinated Housing Set Aside Revenue Bonds, Series 2011A-T | $ 37,785 |
| Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE | 17,985 |
| Total refunded bonds | $ 55,770 |

On June 6, 2018, net proceeds of the Series 2018-TE Bonds in the amount of $18.2 million were deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent for the Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE, which was called for full redemption on June 11, 2018. On June 6, 2018, net proceeds of Series 2018-T Bonds in the amount of $40.5 million along with $4.6 million from prior reserve fund and interest account were deposited with The Bank of New York, as escrow agent for Series 2011A-T Subordinated Housing Set Aside Revenue Bonds. The Successor Agency has irrevocably elected to redeem all of the outstanding Series 2011A-T Bonds maturing on and after September 1, 2022, on September 1, 2021. The funds deposited and held with the escrow agent are sufficient, together with investment earnings thereon, to pay principal and interest on the refunded Series 2011A-T for its full redemption. The amounts deposited were invested in direct non-callable obligations of, or unconditionally guaranteed by, the United States of America (Federal Securities) and/or senior debt obligations of the Federal Home Loan Bank system. Upon such deposit, all obligations of the OSRA with respect to the refunded bonds were legally defeased except for the ORSA's obligation to pay the principal and interest on the advance refunded bonds from such funds deposited with the escrow agents. Accordingly, the liability for the refunded bonds has been removed from the statement of fiduciary net position.

The refunding resulted in the recognition of an accounting loss of $8.3 million for the year ended June 30, 2018. The Series 2018 Bonds generated a gross saving of $27.7 million and obtained a net present value savings of $15.1 million or over 27% of the $55.8 million refunded par.

***Tax Allocation Bonds***

The Tax Allocation Bonds (TAB), which are comprised of Series 2006T, Series 2009T, Series 2013, Series 2006B-T, Series 2006A-T, Series 2006C-T, and Series 2010T Bonds, 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, 2018, the total principal and interest remaining on these TABs was estimated at $290.1 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.

***Subordinated Tax Allocation Refunding Bonds***

The Subordinated Tax Allocation Refunding Bonds, which are comprised of Series 2015-TE, Series 2015-T (the "Series 2015 Bonds"), and the Series 2018 Bonds. These 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.

As of June 30, 2018, the total principal and interest remaining on Series 2015 and Series 2018 Bonds was estimated at $217.3 million and the property tax revenues are pledged until the fiscal year 2040, the final maturity date of the bonds. The ORSA's debt service payments are requested through the ROPS as enforceable obligations until the debt obligations have been satisfied.

(Amounts in Thousands)

### *Debt Service Requirements*

The debt service requirements for all debt are based upon a fixed rate of interest. The annual requirements to amortize outstanding tax allocation bonds outstanding as of June 30, 2018, including mandatory sinking fund payments, are as follows:

| Year Ending | Tax Allocation Bonds | | Subordinate Refunding Tax Allocation Bonds | |
|---|---|---|---|---|
| June 30: | Principal | Interest | Principal | Interest |
| 2019 | $ 24,830 | $ 11,088 | $ 8,750 | $ 5,250 |
| 2020 | 25,975 | 9,618 | 4,515 | 5,694 |
| 2021 | 27,425 | 8,033 | 4,645 | 5,558 |
| 2022 | 23,545 | 6,607 | 4,795 | 5,401 |
| 2023 | 9,365 | 5,747 | 8,030 | 5,178 |
| 2024 - 2028 | 30,845 | 23,384 | 23,605 | 22,853 |
| 2029 - 2033 | 39,490 | 13,568 | 25,720 | 17,184 |
| 2034 - 2038 | 22,480 | 3,486 | 50,230 | 8,391 |
| 2039 - 2041 | 4,175 | 472 | 11,070 | 447 |
| TOTAL | $ 208,130 | $ 82,003 | $ 141,360 | $ 75,956 |

### *Outstanding Defeased Bonds*

For financial reporting purposes, the former Agency's advance-refunded debt is considered defeased and therefore removed as a liability from ORSA's statement of fiduciary net position. Using the proceeds from the Series 2018 Bonds, the Series 2006B-TE Bonds were redeemed and the Series 2011A-T Bonds were defeased in FY 2018. The remaining outstanding balance for the defeased bonds was $43.8 million at June 30, 2018.

## NOTE 7 – TRANSACTIONS WITH THE CITY

### *City Expenses*

The ORSA does not have employees and services are provided by the City and charged as general and administrative overhead costs. In FY2018, ORSA incurred a total of $5.3 million expense in general administration and project-related overhead. Of this amount, $1.8 million reimbursed the City for general and administrative overhead and $3.5 million paid for project-related overhead and operational costs for support services provided by designated City employees.

### *Due from the City*

As of June 30, 2018, 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, 2017. The ending balance is composed of the former Agency's assets transferred to Housing Successor, which include the former Agency's Central District Project Area Fund loan receivable from the City in the amount of $1.5 million, land sale receivable of $0.3 as well as the former Agency's Coliseum Project Area Fund loan receivable from the City in the amount of $0.5 million.

### *Due to the City*

At June 30, 2018, ORSA has a payable to the City in the amount of $4.3 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 $0.1 million to the City for support services. Payment to the City is subject to DOF's approval.

## NOTE 8 – COMMITMENTS AND CONTINGENCIES

### *Recognized Obligation Payment Schedule*

ORSA reported $743.2 million of total outstanding debt or obligations per the ROPS covering the July 1, 2018 through June 30, 2019 period, which was approved by the DOF on May 17, 2018. Of this total amount, the FY2018-19 period requested as enforceable obligations total $107.5 million.

## NOTE 9 – SUBSEQUENT EVENT

### *Countywide Oversight Board*

Pursuant to SB 107, the functions of the Oversight Board have been assumed by an oversight board established for all successor agencies within the County of Alameda commencing on July 1, 2018. As of July 1, 2018, the Countywide Oversight Board is appointed as follows:

- One member is appointed by the County Board of Supervisors
- One member may be appointed by the City Selection Committee
- One member may be appointed by the independent Special District Selection Committee
- One member may be appointed by the County Superintendent of Education
- One member may be appointed by the Chancellor of the California Community Colleges
- One member of the public
- One member may be appointed by the recognized employee organization representing the largest number of successor agency employees in the County

# OTHER SUPPLEMENTARY INFORMATION

**OAKLAND REDEVELOPMENT SUCCESSOR AGENCY**
(A Component Unit of the City of Oakland, California)
Combining Schedule of Fiduciary Net Position
June 30, 2018
(In Thousands)

| | Redevelopment Obligation Retirement Fund | Planning Fund | Capital Project Funds | Federal and State Grants | Debt Service | Elimination | Total |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Current assets: | | | | | | | |
| Cash and investments | $ 18,506 | $ 9,527 | $ 25,475 | $ 1,487 | $ 729 | $ - | $ 55,724 |
| Accrued interest receivable | 143 | 101 | 217 | 12 | 6 | - | 479 |
| Due from other funds | 13,862 | - | - | - | - | (13,862) | - |
| Due from City of Oakland | - | - | 2,311 | - | - | - | 2,311 |
| Due from other governments | - | - | 2,705 | - | - | - | 2,705 |
| Prepaid expenses | - | - | - | - | 1,867 | - | 1,867 |
| Restricted investments | - | - | 2,359 | - | 9,511 | - | 11,870 |
| Total current assets | 32,511 | 9,628 | 33,067 | 1,499 | 12,113 | (13,862) | 74,956 |
| Noncurrent assets: | | | | | | | |
| Notes and loans receivable (net of allowance for uncollectable of $46,675) | - | 35 | 16,724 | - | - | - | 16,759 |
| Property held for resale | - | - | 2,818 | - | - | - | 2,818 |
| Total noncurrent assets | - | 35 | 19,542 | - | - | - | 19,577 |
| Total assets | 32,511 | 9,663 | 52,609 | 1,499 | 12,113 | (13,862) | 94,533 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | | | |
| Unamortized losses on refunding of debts | - | - | - | - | 14,473 | - | 14,473 |
| **LIABILITIES** | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable and accrued liabilities | - | 527 | 426 | - | 4 | - | 957 |
| Accrued interest payable | - | - | - | - | 6,374 | - | 6,374 |
| Due to other funds | - | - | 13,862 | - | - | (13,862) | - |
| Due to the City of Oakland | - | - | 4,269 | - | - | - | 4,269 |
| Deposits and other liabilities | - | 6 | 44 | - | - | - | 50 |
| Total current liabilities | - | 533 | 18,601 | - | 6,378 | (13,862) | 11,650 |
| Long-term liabilities: | | | | | | | |
| Due within one year | - | - | - | - | 34,991 | - | 34,991 |
| Due in more than one year | - | - | - | - | 323,656 | - | 323,656 |
| Total long-term liabilities | - | - | - | - | 358,647 | - | 358,647 |
| Total liabilities | - | 533 | 18,601 | - | 365,025 | (13,862) | 370,297 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | | |
| Unamortized gains on refunding of debts | - | - | - | - | 448 | - | 448 |
| **NET POSITION** | | | | | | | |
| Restricted for redevelopment | $ 32,511 | $ 9,130 | $ 34,008 | $ 1,499 | $ (338,887) | $ - | $ (261,739) |

**OAKLAND REDEVELOPMENT SUCCESSOR AGENCY**

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

Combining Schedule of Changes in Fiduciary Net Position

For the Year Ended June 30, 2018

(In Thousands)

| | Redevelopment Obligation Retirement Fund | Planning Fund | Capital Project Funds | Federal and State Grants | Debt Service | Elimination | Total |
|---|---|---|---|---|---|---|---|
| **ADDITIONS** | | | | | | | |
| Redevelopment property tax revenues | $ 62,938 | $ - | $ - | $ - | $ - | $ - | $ 62,938 |
| Investment income: | | | | | | | |
| Interest on investments | 159 | 128 | 468 | 17 | 131 | - | 903 |
| Net appreciation in fair value of investments | 28 | 25 | 4 | 1 | 36 | - | 94 |
| Miscellaneous rentals | - | - | 673 | - | - | - | 673 |
| Federal grants | - | - | - | - | 220 | - | 220 |
| Other | - | - | 680 | - | 4,690 | (3,935) | 1,435 |
| Total additions | 63,125 | 153 | 1,825 | 18 | 5,077 | (3,935) | 66,263 |
| **DEDUCTIONS** | | | | | | | |
| General and administration: | | | | | | | |
| Salaries, wages and benefits | - | 1,606 | 3,013 | - | - | - | 4,619 |
| Materials, supplies and other services | - | 284 | 443 | - | - | - | 727 |
| Other project expenses | - | 4 | 1,874 | - | - | - | 1,878 |
| Interest on debt | - | - | - | - | 19,990 | - | 19,990 |
| Bond issuance costs | - | - | - | - | 565 | - | 565 |
| Total deductions | - | 1,894 | 5,330 | - | 20,555 | - | 27,779 |
| Net increase (decrease) before other financing sources (uses) and special item | 63,125 | (1,741) | (3,505) | 18 | (15,478) | (3,935) | 38,484 |
| **OTHER FINANCING SOURCES (USES):** | | | | | | | |
| Tax allocation refunding bonds issued | - | - | - | - | 56,955 | (56,955) | - |
| Premium on bonds issued | - | - | - | - | 3,230 | (3,230) | - |
| Discount on bonds issued | - | - | - | - | (775) | 775 | - |
| Payment to refunding bond escrow agent | - | - | - | - | (63,345) | 63,345 | - |
| Transfers in | - | 6,631 | 13,088 | - | 50,149 | (69,868) | - |
| Transfers out | (69,868) | - | - | - | - | 69,868 | - |
| Total other financing sources (uses) | (69,868) | 6,631 | 13,088 | - | 46,214 | 3,935 | - |
| **SPECIAL ITEM** | | | | | | | |
| Transfer of excess tax allocation bond proceeds to the City, approved by the California Department of Finance | - | - | (6,145) | - | - | - | (6,145) |
| Change in net position | (6,743) | 4,890 | 3,438 | 18 | 30,736 | - | 32,339 |
| Net position, beginning of year | 39,254 | 4,240 | 30,570 | 1,481 | (369,623) | - | (294,078) |
| Net position, ending of year | $ 32,511 | $ 9,130 | $ 34,008 | $ 1,499 | $ (338,887) | $ - | $ (261,739) |

**OAKLAND REDEVELOPMENT SUCCESSOR AGENCY**
(A Component Unit of the City of Oakland, California)
Combining Schedule of Fiduciary Net Position for Capital Project Sub-Funds
June 30, 2018
(In Thousands)

| | Central District | Coliseum | Central City East | Low and Moderate Housing | Broadway MacArthur San Pablo | Oakland Army Base | Other Projects | Total Capital Project Funds |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and investments | $ - | $ 9,056 | $ 8,564 | $ 5,116 | $ 739 | $ - | $ 2,000 | $ 25,475 |
| Accrued interest receivable | - | 65 | 67 | 66 | 3 | - | 16 | 217 |
| Due from City of Oakland | 1,779 | 532 | - | - | - | - | - | 2,311 |
| Due from other governments | - | - | - | - | - | - | 2,705 | 2,705 |
| Restricted investments | - | - | 66 | 2,138 | 155 | - | - | 2,359 |
| Total current assets | 1,779 | 9,653 | 8,697 | 7,320 | 897 | - | 4,721 | 33,067 |
| Noncurrent asssets: | | | | | | | | |
| Notes and loans receivable (net of allowance for uncollectable of $46,675) | 14,623 | 648 | - | - | 820 | - | 633 | 16,724 |
| Property held for resale | 2,818 | - | - | - | - | - | - | 2,818 |
| Total noncurrent assets | 17,441 | 648 | - | - | 820 | - | 633 | 19,542 |
| Total assets | 19,220 | 10,301 | 8,697 | 7,320 | 1,717 | - | 5,354 | 52,609 |
| **LIABILITIES** | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable and accrued liabilities | 179 | 90 | - | 117 | 40 | - | - | 426 |
| Due to other funds | 11,495 | - | - | - | - | 2,367 | - | 13,862 |
| Due to the City of Oakland | - | - | 1,437 | - | - | 127 | 2,705 | 4,269 |
| Deposits and other liabilities | 6 | - | - | - | 25 | - | 13 | 44 |
| Total liabilities | 11,680 | 90 | 1,437 | 117 | 65 | 2,494 | 2,718 | 18,601 |
| **NET POSITION** | | | | | | | | |
| Restricted for development | $ 7,540 | $ 10,211 | $ 7,260 | $ 7,203 | $ 1,652 | $ (2,494) | $ 2,636 | $ 34,008 |

**OAKLAND REDEVELOPMENT SUCCESSOR AGENCY**
(A Component Unit of the City of Oakland, California)
Combining Schedule of Changes in Fiduciary Net Position for Capital Project Sub-Funds
For the Year Ended June 30, 2018
(In Thousands)

| | Central District | Coliseum | Central City East | Low and Moderate Housing | Broadway MacArthur San Pablo | Oakland Army Base | Other Projects | Total Capital Project Funds |
|---|---|---|---|---|---|---|---|---|
| **ADDITIONS** | | | | | | | | |
| Investment income: | | | | | | | | |
| Interest on investments | $ 144 | $ 105 | $ 98 | $ 110 | $ 15 | $ (26) | $ 22 | $ 468 |
| Net change in fair value of investments | (21) | 8 | 9 | 9 | - | (3) | 2 | 4 |
| Miscellaneous rentals | 673 | - | - | - | - | - | - | 673 |
| Other | 648 | 32 | - | - | - | - | - | 680 |
| Total additions | 1,444 | 145 | 107 | 119 | 15 | (29) | 24 | 1,825 |
| **DEDUCTIONS** | | | | | | | | |
| Project general and administration: | | | | | | | | |
| Salaries, wages and benefits | 1,362 | 694 | - | 644 | 313 | - | - | 3,013 |
| Materials, supplies and other services | 224 | 113 | - | 54 | 52 | - | - | 443 |
| Other project expenses | 1,836 | 30 | 2 | 2 | 4 | - | - | 1,874 |
| Total deductions | 3,422 | 837 | 2 | 700 | 369 | - | - | 5,330 |
| Net increase (decrease) before other financing sources and special item | (1,978) | (692) | 105 | (581) | (354) | (29) | 24 | (3,505) |
| **OTHER FINANCING SOURCES** | | | | | | | | |
| Transfers in | 2,955 | 797 | 6 | 8,965 | 365 | - | - | 13,088 |
| **SPECIAL ITEM** | | | | | | | | |
| Transfer of excess tax allocation bond proceeds to the City, approved by the California Department of Finance | (1,550) | - | (120) | (3,875) | (600) | - | - | (6,145) |
| Change in net position | (573) | 105 | (9) | 4,509 | (589) | (29) | 24 | 3,438 |
| Net position, beginning of year | 8,113 | 10,106 | 7,269 | 2,694 | 2,241 | (2,465) | 2,612 | 30,570 |
| Net position, ending of year | $ 7,540 | $ 10,211 | $ 7,260 | $ 7,203 | $ 1,652 | $ (2,494) | $ 2,636 | $ 34,008 |

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***

Board of Directors
Oakland Redevelopment Successor Agency
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 Oakland Redevelopment Successor Agency (Agency), a component unit of the City of Oakland (City), California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency'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

**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 Agency'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 & O'Connell LLP

Walnut Creek, California
December 12, 2018