CITY OF OAKLAND CALIFORNIA

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2020

CITY OF OAKLAND
CALIFORNIA

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2020

PREPARED BY THE FINANCE DEPARTMENT

MARGARET O'BRIEN, INTERIM DIRECTOR OF FINANCE

STEPHEN WALSH, CONTROLLER

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CITY OF OAKLAND
SINGLE AUDIT REPORT

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Human Resources Department

CITY OF OAKLAND

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Year Ended June 30, 2020

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FINANCIAL SECTION

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, 2020, 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 with *Government Auditing Standards.*

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

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

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

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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note III.E. to the basic financial statements, on March 17, 2020, the County of Alameda (County) issued a directive ordering all individuals living in the County to shelter in place, with the exception of essential activities, to help prevent the spread of the coronavirus. The order has been subsequently extended and modified, most recently on December 7, 2020. These necessary actions to curb the transmission of the virus have weakened the City's economy and revenues and appear likely to have continued impacts through fiscal year 2020-21 and likely beyond. The time frame for recovery of the City's revenues remains uncertain. Our opinion is not modified with respect ot this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability and related ratios, the schedules of employer pension contributions, the schedules of changes in net other postemployment benefits liability and related ratios, the schedules of employer other postemployment benefits contributions, 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 Supplemental Schedules), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the State of California Department of Community Services and Development, and the County of Alameda, respectively, and are not a required part of the basic financial statements.

The Supplemental 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 Supplemental 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 15, 2020, 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 & O'Connell LLP

Walnut Creek, California
December 15, 2020, except for our report on the Supplemental
Schedules, for which the date is March 30, 2021

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FEDERAL AWARDS PROGRAMS

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, 2020. 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, 2020, total liabilities and deferred inflows of resources exceed the total assets and deferred outflows of resources by $65.0 million compared to a negative net position of $283.5 million at June 30, 2019:

- $1.4 billion of net position 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.
- $704.4 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 $314.8 million pertains to Low and Moderate Income Housing Redevelopment, $340.1 million is restricted for Housing and Community Development programs, and $24.2 million is restricted for debt service.
- $2.1 billion represents a deficit in unrestricted net position that has primarily resulted from the underfunding of the pension and other postemployment benefits (OPEB) liabilities, and other unfunded long-term liabilities *(unrestricted net position).* The net pension and OPEB liability deficits are the biggest contributing factors at $1.7 billion and $0.6 billion, respectively. The remaining changes in net position are discussed below.
- $235.7 million of the increase in net position was derived from a reduction in net OPEB liability, which was partially offset by increases of $62.9 million in net pension liability and $52.4 million in other liabilities. The reduction in net OPEB liability results primarily from negotiated changes to benefits for sworn employees and City contributions to an irrevocable trust, which are reflected in reduced actuarial estimates of future costs.
- The government-wide increase in net position was also supported by an $16.3 million increase in net position from the business-type activities, mainly the Sewer-related activities.

Total fund balance for the City's governmental funds increased by 16.6 percent, or $163.1 million, compared to the prior fiscal year, rising to $1.1 billion. This increase is primarily attributed to the issuance of voter-approved debt for capital projects.

An imbalance between spending and revenues resulted in the City's General Purpose Fund Emergency Reserve falling below its required level of 7.5 percent of General Purpose Fund appropriations. Per the City's Consolidated Fiscal Policy, this shortfall will require the City Administrator to present a strategy to City Council to meet this policy requirement, which is anticipated to occur in FY 2020-21.

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 and human services, community and economic development, and public works and transportation. 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 changes in the net OPEB liability and related ratios and OPEB plan contributions.

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, 2020, total liabilities and deferred inflows of resources exceed the total assets and deferred outflows of resources by $65.0 million compared to a negative net position of $283.5 million at June 30, 2019, which represents an increase in net position of $218.4 million. Current and other assets increased by $238.4 million, primarily due to bond issuance activity that increased restricted cash by $156.2 million. Additionally, capital assets increased by $3.0 million. These amounts were offset by changes in the net pension and OPEB liabilities. The City's net position also reflects the net investment in capital assets of $1.4 billion for governmental and business-type activities. Of the remaining balance, $704.4 million of net position is subject to external restrictions on how it may be used. The unrestricted net position of negative $2.1 billion is comprised of a deficit balance of $2.2 billion for governmental activities, and a positive balance of $18.7 million for business-type activities. As of June 30, 2020, unrestricted net position for governmental and business-type activities increased by $191.7 million as compared to balances at June 30, 2019.

Condensed Statements of Net Position

June 30, 2020 and 2019 (In thousands)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	$ 1,945,415	$ 1,715,707	$ 82,302	$ 73,648	$ 2,027,717	$ 1,789,355
Capital assets	1,423,245	1,430,104	255,190	245,373	1,678,435	1,675,477
TOTAL ASSETS	3,368,660	3,145,811	337,492	319,021	3,706,152	3,464,832
Deferred Outflows of Resources:						
Losses on refunding of debt	13,513	14,758	—	—	13,513	14,758
Related to pensions	317,386	318,377	2,045	3,826	319,431	322,203
Related to OPEB	40,797	39,111	556	19	41,353	39,130
TOTAL OUTFLOWS	371,696	372,246	2,601	3,845	374,297	376,091
Liabilities:						
Long-term liabilities	1,139,168	1,050,112	29,072	31,690	1,168,240	1,081,802
Other liabilities	318,401	268,941	5,647	2,689	324,048	271,630
Net pension liability	1,672,538	1,613,350	44,896	41,226	1,717,434	1,654,576
Net OPEB liability	588,107	828,065	10,462	12,578	598,569	840,643
TOTAL LIABILITIES	3,718,214	3,760,468	90,077	88,183	3,808,291	3,848,651
Deferred Inflows of Resources:						
Gain on refunding of debt	3,026	—	356	395	3,382	395
Related to pensions	38,163	37,770	1,283	1,563	39,446	39,333
Related to OPEB	290,396	231,400	3,952	4,600	294,348	236,000
TOTAL INFLOWS	331,585	269,170	5,591	6,558	337,176	275,728
Net Position:						
Net investment in capital assets	1,142,803	1,144,031	225,762	213,288	1,368,565	1,357,319
Restricted	704,387	688,881	—	—	704,387	688,881
Unrestricted (deficit)	(2,156,633)	(2,344,493)	18,663	14,837	(2,137,970)	(2,329,656)
TOTAL NET POSITION	$ (309,443)	$ (511,581)	$ 244,425	$ 228,125	$ (65,018)	$ (283,456)

Governmental activities: The City's net position in governmental activities increased by $202.1 million.

Total assets increased by $222.8 million, or 7.1 percent, to $3.4 billion. The significant changes in assets occurred in the following areas:

- *Current and other assets* increased by $229.7 million, primarily due to the proceeds of bonds issued during the year.

Total liabilities decreased by $42.3 million, or 1.1 percent to $3.7 billion. The significant changes in liabilities occurred in the following areas:

- *Long-term liabilities* increased by $89.1 million million primarily due to the issuance of long-term debt.
- *Net pension liability* increased by $59.2 million mainly due to differences between expected and actual demographic and economic experience.
- *Net OPEB liability* decreased by $240.0 million mainly due to changes in actuarial assumptions regarding the discount rate and future benefits.

Net position increased by $202.1 million to a deficit $309.4 million as of June 30, 2020 from a deficit $511.6 million at June 30, 2019. The City net position can be divided into three categories: net investment in capital assets, restricted, and unrestricted.

- $1.1 billion of net position reflects the City's *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.
- $704.4 million of net position represents resources that are subject to restrictions on how they may be used and are therefore restricted.
- $2.2 billion of net position represents a deficit in unrestricted net position that has primarily resulted from the underfunding of pension and OPEB liabilities, as well as liabilities for pension obligation bonds.

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

Condensed Statements of Activities
Years Ended June 30, 2020 and 2019
(In thousands)

	Governmental Activities		Business type Activities		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Revenues:						
Program revenues						
Charges for services	$ 192,693	$ 203,390	$ 68,335	$ 67,098	$ 261,028	$ 270,488
Operating grants and contributions	130,396	95,198	—	—	130,396	95,198
Capital grants and contributions	2,446	22,672	—	—	2,446	22,672
Total program revenues:	325,535	321,260	68,335	67,098	393,870	388,358
General revenues:						
Property taxes	388,322	358,446	—	—	388,322	358,446
State taxes:						
Sales and use taxes	83,678	92,319	—	—	83,678	92,319
Gas tax and Motor Vehicle in-lieu	17,663	16,615	—	—	17,663	16,615
Local taxes:						
Business license	98,036	99,733	—	—	98,036	99,733
Utility consumption	49,831	49,599	—	—	49,831	49,599
Real estate transfer	91,534	104,905	—	—	91,534	104,905
Transient occupancy	24,920	33,005	—	—	24,920	33,005
Parking	17,312	21,726	—	—	17,312	21,726
Voter approved special tax	61,492	59,682	—	—	61,492	59,682
Franchise	19,774	19,340	—	—	19,774	19,340
Interest and investment income	24,126	26,394	1,108	1,309	25,234	27,703
Other	46,373	31,457	2	14	46,375	31,471
Total revenues	1,248,596	1,234,481	69,445	68,421	1,318,041	1,302,902
Expenses:						
General government	186,580	199,697	—	—	186,580	199,697
Public safety	409,740	444,400	—	—	409,740	444,400
Community and human services	150,513	142,719	—	—	150,513	142,719
Community and economic development	99,995	103,099	—	—	99,995	103,099
Public works and transportation	137,937	127,597	—	—	137,937	127,597
Interest on long-term debt	63,438	60,432	—	—	63,438	60,432
Sewer	—	—	50,717	50,831	50,717	50,831
Parks and recreation	—	—	683	777	683	777
Total expenses	1,048,203	1,077,944	51,400	51,608	1,099,603	1,129,552
Change in net position before transfers	200,393	156,537	18,045	16,813	218,438	173,350
Transfers	1,745	1,292	(1,745)	(1,292)	—	—
Change in net position	202,138	157,829	16,300	15,521	218,438	173,350
Net Position:						
Beginning of year	(511,581)	(669,410)	228,125	212,604	(283,456)	(456,806)
End of year	$ (309,443)	$ (511,581)	$ 244,425	$ 228,125	$ (65,018)	$ (283,456)

Governmental activities: Net position for governmental activities increased by $202.1 million during fiscal year 2019-20. Total revenue increased by 1.1 percent and expenses decreased by 2.8 percent. For comparison, during fiscal year 2018-19, revenues increased at a rate of 5.1 percent and expenses increased by 2.7 percent.

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

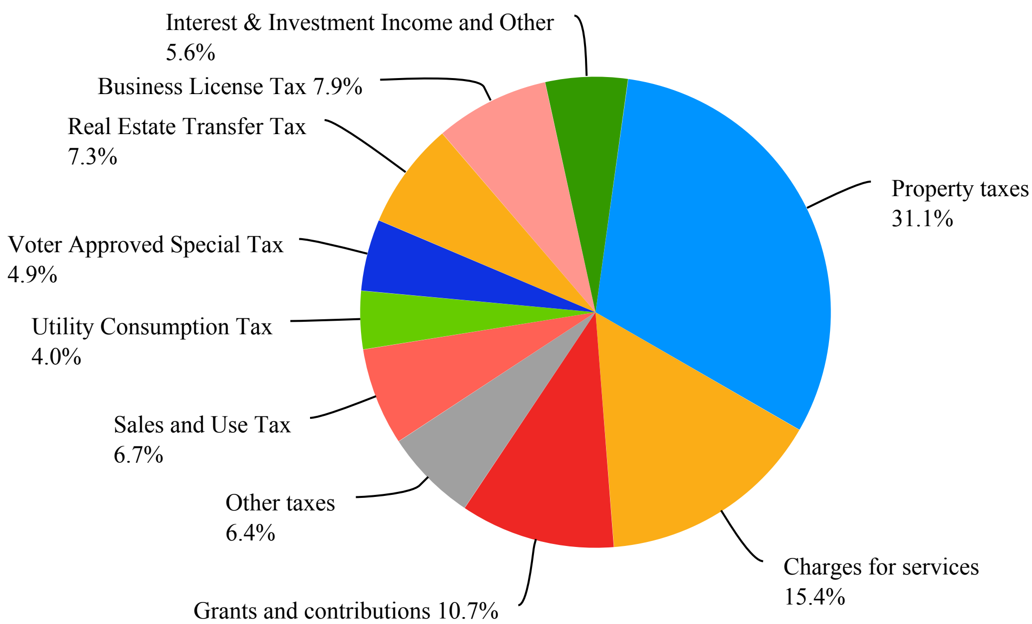
- Contributing factors to the increase in total revenues include: property tax increased by $29.9 million due to increases in assessed values from change in ownership reassessments, inflationary assessed value adjustments, and increases from voter-approved measures. Operating grants and contributions increased by $35.2 million, or 37.0 percent, due to increased grant activity, particularly for general government and community and human services. Economically-sensitive revenues were impacted by the global COVID-19 pandemic, which contributed to revenue decreases of $13.4 million (12.7 percent) for real estate transfer tax, $8.6 million (9.4 percent) for sales and use tax, $8.1 million (24.5 percent) for transient occupancy tax, and $4.4 million (20.3 percent) for parking tax.

- *Public safety* expenses decreased by $34.7 million, or 7.8 percent, primarily due to changes in actuarial assumptions regarding the OPEB discount rate and future benefits.

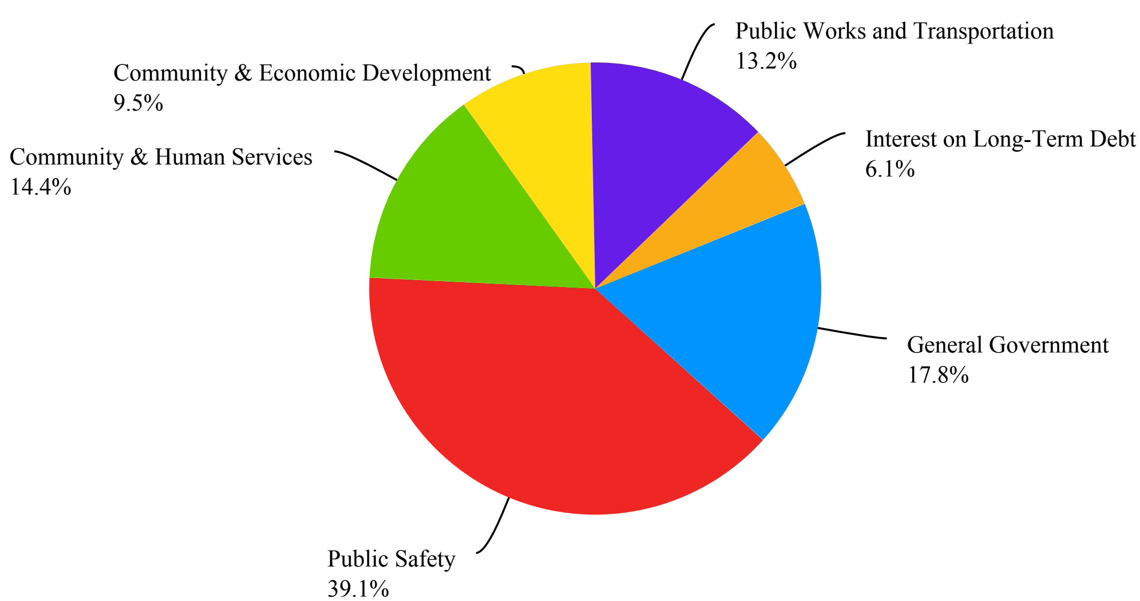
- *Public works and transportation* expenses increased by $10.3 million, or 8.1 percent, primarily due to increased personnel and vehicle costs.

- *Community and human services* expenses increased by $7.8 million, or 5.5 percent, primarily due to increased grant activity.

Revenues By Source - Governmental Activities



Expenses - Governmental Activites



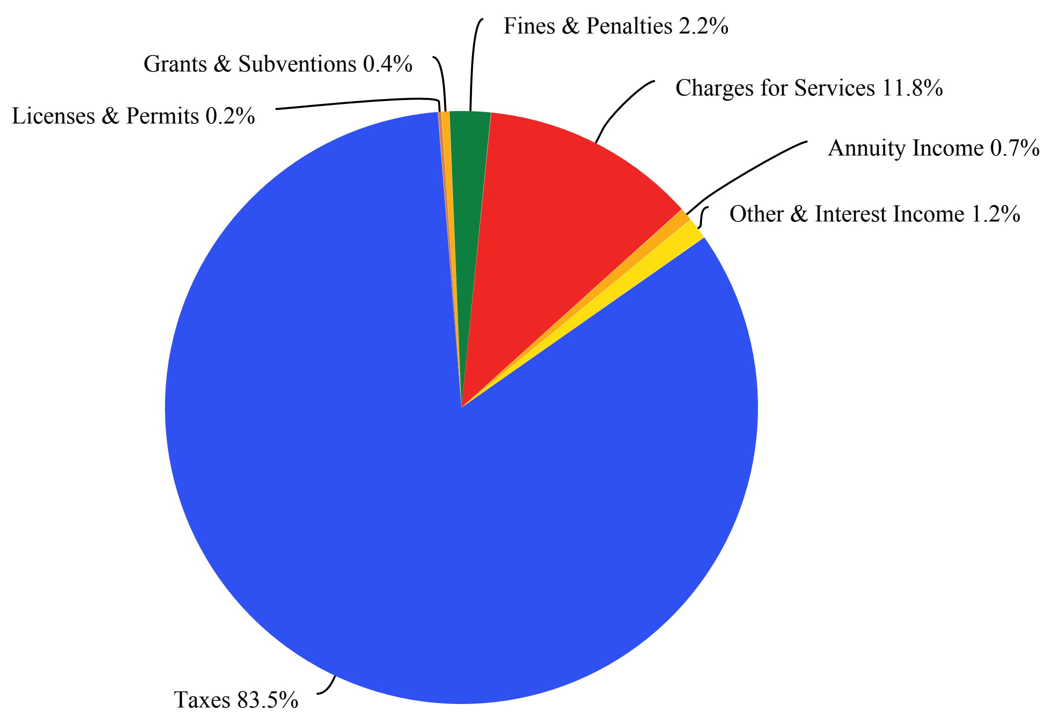
Business-type activities: Business-type activities ended the fiscal year with an increase in net position of $16.3 million due primarily to positive operating results in the Sewer Fund of $16.7 million, which are intended to support future capital projects.

Financial Analysis of the Governmental and Proprietary Funds

Governmental funds: The focus of the 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's 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, 2020, its unassigned fund balance is $62.4 million or 15.4 percent of the $404.3 million total general fund balance.

General Fund Revenues



For the year ended June 30, 2020 and 2019, revenues for the general fund are distributed as follows (in thousands):

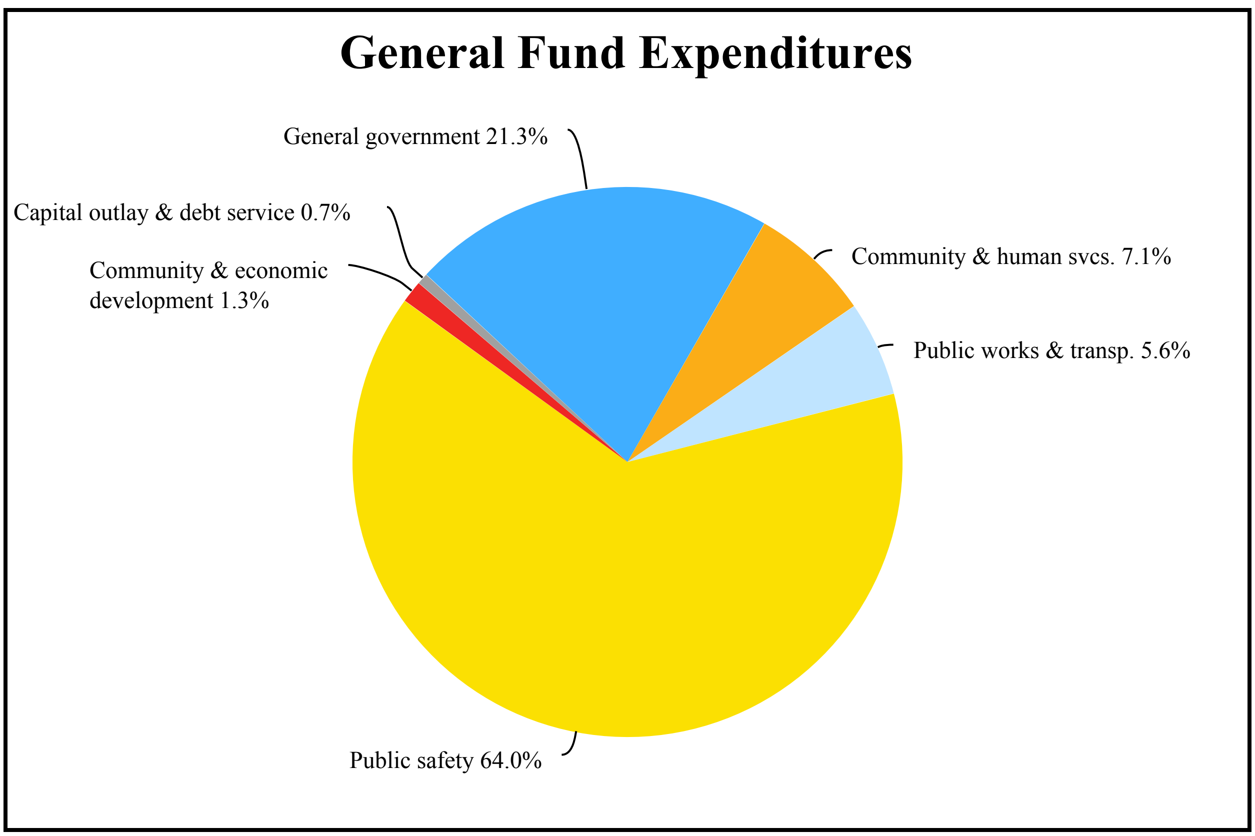
	General Fund		Increase / (Decrease)	
	2020	2019	Amount	%
Revenues:				
Taxes:				
Property taxes	$ 342,052	$ 312,255	$ 29,797	9.5 %
State taxes:				
Sales and use taxes	55,517	62,054	(6,537)	-10.5 %
Motor vehicles in-lieu tax	343	206	137	66.5 %
Local taxes:				
Business license	98,040	99,733	(1,693)	-1.7 %
Utility consumption	49,831	49,599	232	0.5 %
Real estate transfer	91,534	104,905	(13,371)	-12.7 %
Transient occupancy	19,578	25,923	(6,345)	-24.5 %
Parking	9,067	11,053	(1,986)	-18.0 %
Voter-approved special tax	9,413	9,408	5	0.1 %
Franchise	19,533	19,087	446	2.3 %
License and permits	1,606	1,783	(177)	-9.9 %
Fines and penalties	18,702	21,081	(2,379)	-11.3 %
Charges for services	97,848	102,826	(4,978)	-4.8 %
Federal and state grants and subventions	3,586	3,568	18	0.5 %
Annuity income	6,107	6,291	(184)	-2.9 %
Other	9,922	10,662	(740)	-6.9 %
Total revenues	**$ 832,679**	**$ 840,434**	**$ (7,755)**	**-0.9%**

General Fund Revenues: Significant change in revenues include:

- *Property taxes* increased by $29.8 million, or 9.5 percent. This is mainly due to increases in assessed values.
- *Real estate transfer tax* decreased by $13.4 million, or 12.7 percent, primarily due to diminished sales of high value properties.
- *Sales and use tax* decreased by $6.5 million, or 10.5 percent, primarily due to reduced economic activity associated with the global COVID-19 pandemic.
- *Transient occupancy tax* decreased by $6.3 million, or 24.5 percent, primarily due to reduced economic activity associated with the global COVID-19 pandemic.
- *Charges for services* decreased by $5.0 million primarily due to a decrease in parking fee revenue associated with the global COVID-19 pandemic.

For the years ended June 30, 2020 and 2019, expenditures for the general fund by function are distributed as follows (in thousands):

	General Fund		Increase / (Decrease)	
	2020	**2019**	**Amount**	**%**
Expenditures:				
Current:				
General Government	$ 163,102	$ 156,754	$ 6,348	4.0 %
Public Safety	488,474	438,500	49,974	11.4 %
Community and Human Services	54,344	44,656	9,688	21.7 %
Community and Economic Development	10,040	10,966	(926)	-8.4 %
Public Works and Transportation	42,600	42,662	(62)	-0.1 %
Capital outlay	2,915	749	2,166	289.2 %
Debt Service:				
Principal repayment	656	3,702	(3,046)	-82.3 %
Bond issuance costs	128	—	128	N/A
Interest charges	1,296	147	1,149	781.6 %
Total Expenditures	**$ 763,555**	**$ 698,136**	**$ 65,419**	**9.4%**



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

- *Public safety* increased by $50.0 million, or 11.4 percent, due to the negotiated cost of living adjustment and overtime for sworn employees as a result of increased demand for services during the global COVID-19 pandemic including public protests, coverage of vacancies, and fire academies.

- *Community & human services* increased by $9.7 million, or 21.7 percent, primarily due to increased grant activity in the Human Services Department.

- *General government* increased by $6.3 million, or 4.0 percent, primarily due to negotiated cost of living adjustments.

Federal and State Grant Fund: The Federal and State Grant Fund has a fund balance of $27.9 million as of June 30, 2020 which represents an increase of $18.9 million from the prior fiscal year due to the increased grant activity in several programs.

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, 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, 2020 was $66.3 million and the fund's net loans receivable balance was $246.5 million. The fund balance increase of $3.9 million was supported by an increase of $6.3 million in a contribution of excess tax allocation bond proceeds from the Oakland Redevelopment Successor Agency.

Municipal Capital Improvement Fund: The Municipal Capital Improvement Fund had a fund balance of $401.8 million as of June 30, 2020 that represents an increase of $140.4 million, or 53.7 percent, from the prior fiscal year. This increase is primarily due to the issuance of debt for Measure KK projects.

The Other Special Revenue Fund accounts for activities of several Special Revenue Funds, including 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 programs. The ending fund balance as of June 30, 2020 was $191.7 million, which increased $8.0 million from the previous fiscal year. This result reflects reductions in fund balance for the Development Service, Measure Z, and Affordable Housing Trust Funds due to reduced revenues and increased expenditures, as well as reduced expenditures in a variety of other funds.

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, excluding internal service funds, was $225.8 million as of June 30, 2020, compared to $213.3 million for the previous fiscal year. The increase of $12.5 million is primarily due to the addition of capital improvement projects.

General Fund Budgetary Highlights

During the year ended June 30, 2020, the general fund had a $1.0 million increase in budgeted revenues between the original and final amended operating budget. Actual budgetary basis revenues of $832.3 million were $9.3 million lower than the final amended budget. The variance is due primarily to widespread revenue declines resulting from the COVID-19 global pandemic.

Appropriations increased by $57.9 million 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 multi-year projects, capital improvement projects, and other projects authorized by the City Council.

Actual budgetary basis expenditures of $763.6 million were $47.9 million less than the final amended budget. Expenditures for all departments, except the Police Department, were below budget as the City imposed a hiring freeze and additional measures to address expected revenue shortfalls during the year. Police Department expenditures exceeded budgeted amounts by $18.6 million, or 6.1 percent, due to negotiated cost of living increases and increased overtime expenditures due to increased demand for services during the global COVID-19 pandemic.

Capital Assets

The City's capital assets, net of depreciation, totaled $1.7 billion as of June 30, 2020 compared to $1.7 billion as of June 30, 2019, an increase of $3.0 million, or 0.2 percent. Governmental activities additions included $43.9 million in capital assets from construction in progress which met the City's threshold for capitalization, and were offset by retirements and depreciation. Major construction projects underway include roadway and traffic improvements and park and recreation center upgrades.

Business activities, primarily in the Sewer Fund, increased capital assets by $9.8 million, which included a $16.4 million increase in construction in progress, primarily for sanitary sewer system capacity upgrades, net of retirements and depreciation. See Note II, part D to the financial statements for more details on capital assets.

Construction Commitments

As of June 30, 2020 the City had construction commitments of $29.0 million. Major commitments include $12.7 million for street and sidewalk improvements, $7.3 million for sewers and storm drains, and $2.6 million for parks and open space. See Note III, part C.1 for more details on 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), S&P Global Ratings, 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, 2020 were as follows:

	Ratings		
Type of Bond	**Moody's**	**S&P**	**Fitch**
General obligation bonds	Aa1	AA	AA-[1]
Lease revenue bonds	Aa2	AA-	N/A
Pension obligation bonds	Aa2	AA	A+
Tax Allocation bonds[2]	Baa2[3]/A1	A+/AA-/AA/AA[3]	N/A

[1]Issuer Default Rating

[2]Ratings vary by series

[3]Insured Rating

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 $2.4 billion. The total amount of debt applicable to the debt limit was $472.2 million. The resulting legal debt margin was $1.9 billion.

Long-Term Obligations

As of June 30, 2020, the City had total long-term obligations of $1.2 billion compared to $1.1 billion outstanding for the prior fiscal year, an increase of 8.0 percent. Of this amount, $472.2 million is general obligation bonds backed by the full faith and credit of the City. The remaining $667.0 million is comprised of various long-term debt instruments listed below plus accruals of year-end estimates for other long-term liabilities (in thousands):

	Governmental Activities		Business-Type Activities		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
General obligation bonds	$ 472,170	$ 301,655	—	$ —	$ 472,170	$ 301,655
Lease revenue bonds	49,180	54,905	—	—	49,180	54,905
Pension obligation bonds	222,556	246,872	—	—	222,556	246,872
Special assessment debt district bonds	2,940	3,295	—	—	2,940	3,295
Accreted interest on appreciation bonds	96,514	118,642	—	—	96,514	118,642
Sewer bonds	—	—	25,985	28,260	25,985	28,260
Unamortized premium and discounts	26,466	26,009	3,086	3,429	29,552	29,438
Total bonds payable	**869,826**	**751,378**	**29,071**	**31,689**	**898,897**	**783,067**
Loans and leases payable	47,993	71,392	—	—	47,993	71,392
Other long-term liabilities	221,343	227,341	—	—	221,343	227,341
Total long-term obligations	**$1,139,162**	**$1,050,111**	**$ 29,071**	**$ 31,689**	**$1,168,233**	**$ 1,081,800**

The City's long-term obligations decreased by $86.4 million compared to the prior fiscal year balance. The increase is primarily attributable to new debt issuance during the year.

Current Year Long-Term Debt Financing:

- On March 15, 2019, the City entered into a Master Lease-Purchase Agreement to provide funding for replacement of vehicles and related equipment. The agreement included six schedules, of which three were executed in the year ended June 30, 2019. The three remaining schedules in the principal amount of $7.9 million were executed on March 15, 2020 with interest rates of 2.6 to 2.9 percent and a final maturity of March 16, 2030.

- On February 13, 2020, the City issued General Obligation Bonds Series 2020B-1 (Tax-Exempt) and 2020B-2 (Taxable) in the amount of $140.0 million and $44.9 million, respectively. The bonds were issued to finance Measure KK projects to improve public safety and invest in neighborhood-supporting infrastructure. The bonds mature from January 2021 through January 2050 with interest rates ranging from 1.6 percent to 5.0 percent.

- On February 13, 2020, the City issued General Obligation Refunding Bonds Series 2020 (Taxable) in the amount of $64.3 million to refund all of its City of Oakland General Obligation Refunding Bonds, Series 2012. The bonds mature from January 2021 through January 2033 with interest rates from 1.6 percent to 3.0 percent.

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

Economic Factors and Next Year's Budget

Like local governments across the nation, Oakland faces unprecedented challenges to its economic condition and fiscal outlook from the global COVID-19 pandemic. The decline in economic output that accompanied the pandemic was swift, in contrast with the more gradual downward trends associated with past recessions, and the City had little time to prepare for revenue losses. In addition, the time frame for recovery of the City's revenues remains uncertain, as actual revenues continue to fall short of projections made in earlier periods. Much uncertainty remains on the trajectory and timing of this public health crisis.

Revenue shortfalls arising from the pandemic weigh upon the City's fiscal condition in FY 2020-21 and appear likely to have ongoing impacts as the City begins development of its bi-ennial budget for FY 2021-22 and FY 2022-23. Increased federal funding under the CARES Act has helped to offset some of these losses, most notably $10 million in CARES Act Relief Fund allocations targeted for public safety payroll costs, but most new funding has been directed to expanding services for residents and is not available to backfill revenue declines. Absent new federal stimulus funds, and given limited opportunities for revenue increases, the City may be confronted with substantial expenditure reductions as its only remaining option to achieve a balanced budget.

Looking beyond the immediate COVID-19 crisis, the City is well-positioned to take advantage of the economic recovery expected to follow this emergency. It is difficult to envision a return to more normal economic activity amidst a global pandemic, but the strong fundamentals that propelled Oakland's economy prior to the current emergency appear likely to support renewed growth as the public health crisis comes under control.

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 https://www.oaklandca.gov/.

BASIC FINANCIAL STATEMENTS

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City of Oakland
Statement of Net Position
June 30, 2020
(In thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Port of Oakland
ASSETS				
Cash and investments	$ 845,304	$ 61,658	$ 906,962	$ 477,357
Receivables (net of allowance for uncollectibles of $18,668 for the City and $2,073 for the Port)				
Accrued interest	2,377	192	2,569	—
Property taxes	16,637	—	16,637	—
Accounts receivable	46,396	20,967	67,363	34,075
Grants receivable	40,113	—	40,113	—
Due from Port	10,571	—	10,571	—
Due from Oakland Redevelopment Successor Agency (ORSA)	5,131	—	5,131	—
Due from pension trust fund	33	—	33	—
Internal balances	812	(812)	—	—
Due from other governments	11,472	—	11,472	—
Inventories	1,085	—	1,085	—
Restricted assets:				
Cash and investments	379,214	278	379,492	78,228
Receivables	—	—	—	800
Property held for resale	154,130	—	154,130	—
Notes and loans receivable (net of allowance for uncollectibles of $178,114)	430,155	—	430,155	—
Prepaid expenses	1,985	19	2,004	3,631
Other	—	—	—	42,124
Capital assets:				
Land and other capital assets not being depreciated	272,940	11,303	284,243	602,694
Facilities, infrastructure, and equipment net of depreciation	1,150,305	243,887	1,394,192	1,406,596
TOTAL ASSETS	3,368,660	337,492	3,706,152	2,645,505
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized losses on refunding of debt	13,513	—	13,513	5,330
Deferred outflows of resources related to pensions	317,386	2,045	319,431	33,250
Deferred outflows of resources related to OPEB	40,797	556	41,353	14,145
TOTAL DEFERRED OUTFLOWS OF RESOURCES	371,696	2,601	374,297	52,725
LIABILITIES				
Accounts payable and other current liabilities	260,022	5,589	265,611	30,186
Accrued interest payable	26,973	52	27,025	6,580
Due to other governments	1,449	—	1,449	—
Due to primary government	—	—	—	10,571
Unearned revenue	5,293	—	5,293	31,473
Other	24,664	6	24,670	25,317
Non-current liabilities:				
Due in one year				
Liabilities due within one year	191,607	2,713	194,320	72,817
Due in more than one year				
Liabilities due in more than one year	947,561	26,359	973,920	889,414
Net pension liability	1,672,538	44,896	1,717,434	217,833
Net other postemployment benefits (OPEB) liability	588,107	10,462	598,569	87,162
TOTAL LIABILITIES	3,718,214	90,077	3,808,291	1,371,353
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt	3,026	356	3,382	—
Deferred inflows of resources related to pensions	38,163	1,283	39,446	8,770
Deferred inflows of resources related to OPEB	290,396	3,952	294,348	8,190
TOTAL DEFERRED INFLOWS OF RESOURCES	331,585	5,591	337,176	16,960
NET POSITION				
Net investment in capital assets	1,142,803	225,762	1,368,565	1,169,486
Restricted for:				
Debt service	24,217	—	24,217	—
Housing and community development	340,118	—	340,118	—
Low and moderate income housing redevelopment	314,785	—	314,785	—
Other purposes	25,267	—	25,267	6,275
Unrestricted (deficit)	(2,156,633)	18,663	(2,137,970)	134,156
TOTAL NET POSITION	$ (309,443)	$ 244,425	$ (65,018)	$ 1,309,917

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

City of Oakland
Statement of Activities
Year Ended June 30, 2020
(In thousands)

		Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Unit
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Port of Oakland
Primary government:								
Governmental activities:								
General government	$ 186,580	$ 40,746	$ 17,760	$ 2,446	$ (125,628)	$ —	$ (125,628)	
Public safety	409,740	24,483	10,289	—	(374,968)	—	(374,968)	
Community and human services	150,513	6,374	73,851	—	(70,288)	—	(70,288)	
Community and economic development	99,995	75,049	11,817	—	(13,129)	—	(13,129)	
Public works and transportation	137,937	46,041	16,679	—	(75,217)	—	(75,217)	
Interest on long-term debt	63,438	—	—	—	(63,438)	—	(63,438)	
TOTAL GOVERNMENTAL ACTIVITIES	1,048,203	192,693	130,396	2,446	(722,668)	—	(722,668)	
Business-type activities:								
Sewer	50,717	68,010	—	—	—	17,293	17,293	
Parks and recreation	683	325	—	—	—	(358)	(358)	
TOTAL BUSINESS-TYPE ACTIVITIES	51,400	68,335	—	—	—	16,935	16,935	
TOTAL PRIMARY GOVERNMENT	$ 1,099,603	$ 261,028	$ 130,396	$ 2,446	(722,668)	16,935	(705,733)	
Component unit:								
Port of Oakland	$ 380,444	$ 375,915	$ —	$ 7,377				$ 2,848
General revenues:								
Property taxes					388,322	—	388,322	—
State taxes (unrestricted intergovernmental revenues):								
Sales and use taxes					83,678	—	83,678	—
Gas tax					17,320	—	17,320	—
Motor vehicle in-lieu					343	—	343	—
Local taxes (own source revenues):								
Business license					98,036	—	98,036	—
Utility consumption					49,831	—	49,831	—
Real estate transfer					91,534	—	91,534	—
Transient occupancy					24,920	—	24,920	—
Parking					17,312	—	17,312	—
Voter approved special tax					61,492	—	61,492	—
Franchise					19,774	—	19,774	—
Interest and investment income					24,126	1,108	25,234	11,013
Other					46,373	2	46,375	32,370
Transfers					1,745	(1,745)	—	—
TOTAL GENERAL REVENUES AND TRANSFERS					924,806	(635)	924,171	43,383
Changes in net position					202,138	16,300	218,438	46,231
Net position - beginning					(511,581)	228,125	(283,456)	1,263,686
NET POSITION - ENDING					$ (309,443)	$ 244,425	$ (65,018)	$ 1,309,917

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

City of Oakland
Balance Sheet
Governmental Funds
June 30, 2020
(In thousands)

	General Fund	Federal/ State Grant Fund	Low and Moderate Income Housing Asset Fund	Municipal Capital Improvement Fund	Other Special Revenue Fund	Other Governmental Funds	Total
ASSETS							
Cash and investments	$ 509,238	$ 16,275	$ 34,197	$ 8,025	$ 211,589	$ 40,603	$ 819,927
Receivables (net of allowance for uncollectibles of $17,290)							
Accrued interest	1,494	—	71	16	619	110	2,310
Property taxes	10,153	—	—	—	2,821	3,663	16,637
Accounts receivable	36,762	1,640	3	463	1,235	6,154	46,257
Grants receivable	—	36,785	—	—	2,603	725	40,113
Due from Port	10,571	—	—	—	—	—	10,571
Due from ORSA trust fund	862	—	1,978	2,291	—	—	5,131
Due from pension trust fund	33	—	—	—	—	—	33
Due from other funds	7,339	—	—	—	—	—	7,339
Due from other governments	11,472	—	—	—	—	—	11,472
Notes and loans receivable (net of allowance for uncollectibles of $178,114)	7,186	134,053	246,520	41,582	814	—	430,155
Restricted cash and investments	58,164	—	1,580	282,037	—	10,470	352,251
Property held for resale	—	—	30,677	123,453	—	—	154,130
Prepaid items	311	127	—	—	60	49	547
TOTAL ASSETS	$ 653,585	$ 188,880	$ 315,026	$ 457,867	$ 219,741	$ 61,774	$ 1,896,873
LIABILITIES							
Accounts payable and accrued liabilities	$ 212,504	$ 12,650	$ 237	$ 9,794	$ 15,314	$ 3,681	$ 254,180
Due to other funds	—	2	—	—	—	1,417	1,419
Due to other governments	1,446	—	—	—	3	—	1,449
Unearned revenue	5,084	209	—	—	—	—	5,293
Other	7,347	3,298	4	2,369	9,037	2,602	24,657
TOTAL LIABILITIES	226,381	16,159	241	12,163	24,354	7,700	286,998
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property tax	1,750	—	—	—	2,407	1,848	6,005
Unavailable revenue - notes and loans	7,186	134,053	246,483	41,455	814	—	429,991
Unavailable revenue - grants and others	14,000	10,730	—	198	495	606	26,029
Unavailable revenue - loans to ORSA	—	—	1,978	2,291	—	—	4,269
TOTAL DEFERRED INFLOWS OF RESOURCES	22,936	144,783	248,461	43,944	3,716	2,454	466,294
FUND BALANCES							
Restricted	254,309	27,938	66,324	401,760	—	47,233	797,564
Committed	47,441	—	—	—	20,669	1,872	69,982
Assigned	40,145	—	—	—	171,002	2,515	213,662
Unassigned	62,373	—	—	—	—	—	62,373
TOTAL FUND BALANCES	404,268	27,938	66,324	401,760	191,671	51,620	1,143,581
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 653,585	$ 188,880	$ 315,026	$ 457,867	$ 219,741	$ 61,774	$ 1,896,873

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, 2020
(In thousands)

Fund balances - total governmental funds (page 23)		$ 1,143,581
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	1,423,245	
Less: internal service funds' capital assets, net of depreciation	(39,249)	1,383,996
Prepaid insurance premiums on long-term debt are not financial resources and, therefore, are not reported in the governmental funds.		111
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	(26,973)	
Less: interest payable on long-term debt of the internal service funds	307	(26,666)
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.		466,294
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.		
Long-term liabilities	(1,139,168)	
Less: long-term liabilities for internal service funds	35,984	(1,103,184)
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.		13,513
Deferred inflows of resources in governmental activities related to gains on refunding of debt are not financial resources and, therefore, are not reported in the governmental funds.		(3,026)
Net pension liability, net OPEB liability, and deferred outflows of resources and deferred inflows of resources related to pensions and OPEB 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	(1,620,214)	
Deferred outflows of resources related to pensions	314,885	
Deferred inflows of resources related to pensions	(36,540)	
Net OPEB liability	(575,595)	
Deferred outflows of resources related to OPEB	40,103	
Deferred inflows of resources related to OPEB	(285,386)	(2,162,747)
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 communications 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.		(21,315)
NET POSITION OF GOVERNMENTAL ACTIVITIES (page 21)		$ (309,443)

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, 2020
(In Thousands)

	General Fund	Federal/ State Grant Fund	Low and Moderate Income Housing Asset Fund	Municipal Capital Improvement	Other Special Revenue	Other Govern- mental Funds	Total
REVENUES							
Taxes:							
Property	$ 342,052	$ —	$ —	$ —	$ 17,773	$ 30,487	$ 390,312
Sales and use	55,517	—	—	—	—	28,161	83,678
Motor vehicle in-lieu	343	—	—	—	—	—	343
Gas	—	—	—	—	—	17,320	17,320
Local taxes	296,996	241	—	—	46,598	19,064	362,899
Licenses and permits	1,606	—	—	—	31,076	117	32,799
Fines and penalties	18,702	14	—	91	410	747	19,964
Interest and investment income	6,865	983	1,165	3,827	3,570	911	17,321
Charges for services	97,848	141	26	3,372	38,378	164	139,929
Federal and state grants and subventions	3,586	111,203	—	—	5,951	16,400	137,140
Annuity income	6,107	—	—	—	—	—	6,107
Other	3,057	5,684	11,898	7,395	1,757	2,317	32,108
TOTAL REVENUES	832,679	118,266	13,089	14,685	145,513	115,688	1,239,920
EXPENDITURES							
Current:							
General government	163,102	7,632	—	3,737	17,100	1,527	193,098
Public safety	488,474	8,758	—	179	23,428	1,196	522,035
Community and human services	54,344	52,650	66	—	59,796	3,790	170,646
Community and economic development	10,040	15,660	9,145	15,464	43,365	156	93,830
Public works and transportation	42,600	5,997	—	10,703	10,509	49,861	119,670
Capital outlay	2,915	14,157	—	35,753	932	4,969	58,726
Debt service:							
Principal repayment	656	—	—	—	—	62,294	62,950
Bond issuance cost	128	—	—	—	—	1,595	1,723
Interest charges	1,296	—	—	—	—	59,317	60,613
TOTAL EXPENDITURES	763,555	104,854	9,211	65,836	155,130	184,705	1,283,291
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	69,124	13,412	3,878	(51,151)	(9,617)	(69,017)	(43,371)
OTHER FINANCING SOURCES (USES)							
Issuance of bonds	—	—	—	184,890	—	—	184,890
Issuance of refunding bonds	—	—	—	—	—	64,260	64,260
Premiums on issuance of bonds	—	—	—	—	—	7,647	7,647
Payment to refund bond escrow agent	—	—	—	—	—	(64,159)	(64,159)
Proceeds from sale of capital assets	13	—	—	5,377	—	—	5,390
Insurance claims and settlements	—	10	—	—	74	—	84
Transfers in	11,580	6,251	—	1,254	18,639	78,998	116,722
Transfers out	(103,544)	(806)	—	—	(1,117)	(2,876)	(108,343)
TOTAL OTHER FINANCING SOURCES (USES)	(91,951)	5,455	—	191,521	17,596	83,870	206,491
NET CHANGE IN FUND BALANCES	(22,827)	18,867	3,878	140,370	7,979	14,853	163,120
Fund balances - beginning	427,095	9,071	62,446	261,390	183,692	36,767	980,461
FUND BALANCES - ENDING	$ 404,268	$ 27,938	$ 66,324	$ 401,760	$ 191,671	$ 51,620	$1,143,581

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, 2020

(In thousands)

Net change in fund balances - total governmental funds (page 25)		$ 163,120
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 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	71,391	
Depreciation	(74,145)	(2,754)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the change in the deferred inflows during the current period		6,318
Some expenses such as claims, workers' compensation, and vacation and sick leave reported in the statement of activities do not require the use of financial resources, and therefore are not reported as expenditures in the governmental funds.		828
The issuance of long-term debt provides current financial resources to governmental funds. This is the amount by which bond proceeds, net of payments to the refunding bond escrow agent, increase the liabilities in the statement of net position.		(192,638)
The repayment of principal of long-term debt consumes the current financial resources of the governmental funds. This is the amount by which principal retirement reduces the liabilities in the statement of net position.		62,950
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 the government funds.		
Amortization of bond premiums and discounts	1,884	
Amortization of prepaid bond insurance premium on long-term debt	(46)	
Amortization of deferred outflows of refunding losses	(1,164)	
Net changes in accreted interest on appreciation bonds	22,128	
Changes in accrued interest on bonds and notes payable	(1,001)	
Changes in Coliseum Authority pledged obligation	4,778	
Changes in mandated environmental remediation obligations	(175)	
Change in net pension liability and deferred outflows and inflows of resources related to pensions	(54,082)	
Change in net OPEB liability and deferred outflows and inflows of resources related to OPEB	179,470	
Change in fair value of the interest swap agreement	567	152,359
Net revenues of activities of internal service funds are reported with governmental activities		11,955
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 22)		$ 202,138

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, 2020
(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	$ 61,658	$ —	$ 61,658	$ 25,377
Interest receivable	192	—	192	67
Accounts receivable (net of allowance for uncollectibles of $1,378 for the enterprise funds)	20,961	6	20,967	139
Inventories	—	—	—	1,085
Restricted cash and investments	—	278	278	26,963
Prepaid expenses	19	—	19	1,327
Total current assets	82,830	284	83,114	54,958
Capital assets:				
Land and other capital assets not being depreciated	10,871	432	11,303	6,319
Facilities, equipment and infrastructure, net of depreciation	242,491	1,396	243,887	32,930
Total capital assets	253,362	1,828	255,190	39,249
TOTAL ASSETS	336,192	2,112	338,304	94,207
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	2,006	39	2,045	2,501
Deferred outflows of resources related to OPEB	550	6	556	694
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,556	45	2,601	3,195
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued liabilities	5,589	—	5,589	5,842
Accrued interest payable	52	—	52	307
Due to other funds	—	812	812	5,108
Other liabilities	6	—	6	7
Bonds, capital leases, notes and other payables	2,713	—	2,713	10,076
Total current liabilities	8,360	812	9,172	21,340
Non-current liabilities:				
Bonds, capital leases, notes and other payables	26,359	—	26,359	25,908
Net pension liability	44,606	290	44,896	52,324
Net other postemployment benefit (OPEB) liability	10,375	87	10,462	12,512
Total non-current liabilities	81,340	377	81,717	90,744
TOTAL LIABILITIES	89,700	1,189	90,889	112,084
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt	356	—	356	—
Deferred inflows of resources related to pensions	1,276	7	1,283	1,623
Deferred inflows of resources related to OPEB	3,935	17	3,952	5,010
TOTAL DEFERRED INFLOWS OF RESOURCES	5,567	24	5,591	6,633
NET POSITION				
Net investment in capital assets	223,934	1,828	225,762	30,228
Unrestricted (deficit)	19,547	(884)	18,663	(51,543)
TOTAL NET POSITION	$ 243,481	$ 944	$ 244,425	$ (21,315)

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, 2020
(In thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
OPERATING REVENUES				
Rental	$ —	$ 314	$ 314	$ —
Sewer services	67,886	11	67,897	—
Charges for services	—	—	—	107,596
Other	124	—	124	56
TOTAL OPERATING REVENUES	68,010	325	68,335	107,652
OPERATING EXPENSES				
Personnel	15,891	195	16,086	28,765
Supplies	522	108	630	8,174
Depreciation and amortization	7,047	180	7,227	13,096
Contractual services and supplies	1,904	—	1,904	5,258
Repairs and maintenance	10,369	—	10,369	8,907
General and administrative	4,979	178	5,157	7,900
Rental	1,739	22	1,761	2,621
Other	7,264	—	7,264	15,156
TOTAL OPERATING EXPENSES	49,715	683	50,398	89,877
OPERATING INCOME (LOSS)	18,295	(358)	17,937	17,775
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment income (loss)	1,114	(6)	1,108	698
Interest expense	(1,002)	—	(1,002)	(775)
Insurance claims and settlements	—	—	—	744
Other	2	—	2	147
TOTAL NON-OPERATING REVENUES (EXPENSES)	114	(6)	108	814
INCOME (LOSS) BEFORE TRANSFERS	18,409	(364)	18,045	18,589
Transfers out	(1,745)	—	(1,745)	(6,634)
Change in net position	16,664	(364)	16,300	11,955
Net position - beginning	226,817	1,308	228,125	(33,270)
NET POSITION - ENDING	$ 243,481	$ 944	$ 244,425	$ (21,315)

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, 2020
(In thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	$ 61,335	$ —	$ 61,335	$ 107,513
Cash received from tenants for rents	—	324	324	—
Cash from other sources	124	—	124	947
Cash paid to employees	(13,994)	(222)	(14,216)	(25,453)
Cash paid to suppliers	(23,815)	(308)	(24,123)	(48,940)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	23,650	(206)	23,444	34,067
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from interfund loans	—	812	812	—
Repayment of interfund loans	—	(443)	(443)	(1,431)
Transfers out	(1,745)	—	(1,745)	(6,634)
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(1,745)	369	(1,376)	(8,065)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(17,044)	—	(17,044)	(8,991)
Long-term debt:				
Proceeds from issuance of debt	—	—	—	7,900
Repayment of long-term debt	(2,275)	—	(2,275)	(15,415)
Interest paid on long-term debt	(1,388)	—	(1,388)	(828)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(20,707)	—	(20,707)	(17,334)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	1,211	(6)	1,205	721
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,409	157	2,566	9,389
Cash and cash equivalents - beginning	59,249	121	59,370	42,951
CASH AND CASH EQUIVALENTS - ENDING	$ 61,658	$ 278	$ 61,936	$ 52,340
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	$ 18,295	$ (358)	$ 17,937	$ 17,775
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Depreciation and amortization	7,047	180	7,227	13,096
Miscellaneous non-operating revenues	—	—	—	891
Changes in assets, liabilities, and deferred outflows and inflows of resources:				
Receivables	(6,551)	(1)	(6,552)	(83)
Inventories	—	—	—	(258)
Other assets	—	—	—	(1,289)
Accounts payable and accrued liabilities	2,962	—	2,962	623
Net pension liability and related pension deferred items	(3,272)	(29)	(3,301)	6,489
Net OPEB liability and related OPEB deferred items	5,169	2	5,171	(3,177)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 23,650	$ (206)	$ 23,444	$ 34,067
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF FUND NET POSITION				
Cash and investments	$ 61,658	$ —	$ 61,658	$ 25,377
Restricted cash and investments	—	278	278	26,963
TOTAL CASH AND CASH EQUIVALENTS	$ 61,658	$ 278	$ 61,936	$ 52,340
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, 2020
(In thousands)

	Pension Trust Fund	Private-Purpose Trust Funds
ASSETS		
Cash and investments	$ 6,346	$ 63,089
Receivables:		
Accrued interest and dividends	843	425
Accounts receivable	—	610
Investments and others	7,257	—
Due from other funds of the City	—	2,705
Prepaid expenses	—	1,623
Restricted:		
Cash and investments:		
Short-term investments	14,097	12,197
U.S. corporate bonds and mutual funds	123,147	—
Domestic equities and mutual funds	157,375	—
International equities and mutual funds	44,599	—
Alternative investments	43,590	—
Foreign currency contract, net	(20)	—
Total restricted cash and investments	382,788	12,197
Securities lending collateral	21,913	—
Loans receivable, net of allowance for uncollectibles of $46,675	—	8,004
Property held for resale	—	2,818
TOTAL ASSETS	419,147	91,471
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized losses on refunding of debt	—	13,006
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	18,268	6
Accrued interest payable	—	4,787
Due to other funds of the City	—	5,164
Securities lending liabilities	21,904	—
Other	—	425
Total current liabilities	40,172	10,382
Non-current liabilities:		
Due within one year	—	33,538
Due in more than one year	—	258,217
Total non-current liabilities	—	291,755
TOTAL LIABILITIES	40,172	302,137
DEFERRED INFLOWS OF RESOURCES		
Unamortized gain on refunding of debt	—	382
NET POSITION RESTRICTED FOR:		
Employees' pension benefits	378,975	—
Redevelopment dissolution and other purposes	—	(198,042)
TOTAL NET POSITION	$ 378,975	$ (198,042)

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, 2020
(In thousands)

	Pension Trust Fund	Private-Purpose Trust Funds
ADDITIONS:		
Trust receipts	$ —	$ 55,902
Contributions:		
Employer	43,409	—
Investment income:		
Net appreciation in fair value of investments	677	—
Interest	4,599	899
Dividends	2,775	—
Securities lending	119	—
TOTAL INVESTMENT INCOME	8,170	899
Less investment expenses:		
Investment expenses	(1,173)	—
NET INVESTMENT INCOME	6,997	899
Federal and state grants		218
Other income	—	803
TOTAL ADDITIONS	50,406	57,822
DEDUCTIONS:		
Benefits to members and beneficiaries:		
Retirement	33,125	—
Disability	19,696	—
Death	1,798	—
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	54,619	—
Administrative expenses	1,523	4,067
Public safety	—	156
Community and human services	—	36
Economic and workforce development	—	2,255
Other	—	14,773
Interest on debt	—	14,174
TOTAL DEDUCTIONS	56,142	35,461
Change in net position	(5,736)	22,361
Net position - beginning	384,711	(220,403)
NET POSITION - ENDING	$ 378,975	$ (198,042)

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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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. Pursuant to SB 107, as of June 30, 2020, there are seven Countywide Oversight Board members as follows:

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

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.

ORSA's separately issued financial statements may be obtained as follows:

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

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 a 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.

The Port's separately issued Comprehensive Annual Financial Report may be obtained as follows:

Port of Oakland
Port Financial Services Division
530 Water Street
Oakland, CA 94607

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 license taxes, utility and real estate transfer taxes, other unrestricted local 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 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 KK* - Capital improvement bond financing funds to improve public safety and finance transportation infrastructure improvements, affordable housing, and neighborhood services.
- *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 Z: The Public Safety and Services Violence Prevention Act of 2014.* The measure provides for the following services: Community Resource Officers, crime reduction teams, fire services, and violence prevention strategies (Oakland Unite).
- *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 (2004) - 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 D - Oakland Public Library Preservation Act.* This additional parcel tax was approved by Oakland voters in June 2018, establishing a supplementary funding source for library services, material, and programs. The term of the tax is 20 years, commencing July 1, 2018 and ending June 30, 2038.
- *Measure Q (2020) - Parks and Recreation Preservation, Litter Reduction, and Homelessness Support.* In March 2020, the electorate of Oakland approved, by more than a two-thirds majority, a parcel tax for parks, homeless services, and litter reduction. The term of the tax is 20 years, commencing July 1, 2020 and ending June 30, 2040.
- *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 increases, enhances, and supports paramedic services in the City.

- *Oakland Kids' First Fund.* The charter requires 3 percent of the City's unrestricted general purpose fund revenues for the fund. The revenues provide additional funding for programs and services benefiting children and youth.
- *Development Services 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.* Accounts 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 funds:

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; and the service and maintenance of City information technology systems.

The ***Pension Trust Fund*** accounts for the closed benefit plan that covers 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 90 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, information technology and support, 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

During the year ended June 30, 2020 the City adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in several earlier pronouncements.

The City's adoption of certain provisions of GASB Statement No. 92, *Omnibus 2020,* that became effective immediately upon issuance in January 2020 did not have a material impact on the City's June 30, 2020 financial statements.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements, which have been updated to reflect revised effective dates as applicable:

- 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, 2021.

- 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, 2022.

- In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this statement are effective for the City's fiscal year ending June 30, 2022.

- In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for the City's fiscal year ending June 30, 2021.

- In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for the City's fiscal year ending June 30, 2023.

- In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain provisions of this statement became effective upon issuance. The remaining requirements of this statement are effective for the City's fiscal year ending June 30, 2022.

- In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objectives of this statement are to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. The removal of LIBOR as an appropriate benchmark interest rate and all other requirements of this statement are effective for the City's fiscal year ending June 30, 2022.

- In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The requirements of this statement are effective for the City's fiscal year ending June 30, 2023.

- In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this statement are effective for the City's fiscal year ending June 30, 2023.

- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of the statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement are effective for the City's fiscal year ending June 30, 2022.

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 and the Police and Fire Retirement System (PFRS), 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, 2020.

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	3-40 years
Software	3-10 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 and OPEB contributions subsequent to measurement date and other pension and OPEB 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 and OPEB 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 funds 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, part A for additional information.

12. Other Postemployment Benefits (OPEB)

The City's 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 CalPERS were public safety employees retirements benefits under a 3 percent at 50 formula and miscellaneous employees retirement benefits under a 2.7 percent at 55 formula. In addition, the Port's Retiree Healthcare Plan covers the Port's employees. Refer to Note III, part 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 and the Port recorded remediation liabilities related to its pollution remediation activities. See Note II, part G and Note III, part C.4 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 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 is the residual classification for the General Fund and includes all amounts not contained in the other classifications. 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, 2020, 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	$ —	$ 27,938	$ 1,580	$ 278,307	$ —	$ 23,205	$ 331,030
Pension obligations annuity	58,164	—	—	—	—	—	58,164
Pension obligations PFRS	196,145	—	—	—	—	—	196,145
Debt service	—	—	—	—	—	24,028	24,028
Property held for sale	—	—	30,677	123,453	—	—	154,130
Housing projects	—	—	34,067	—	—	—	34,067
Total restricted	254,309	27,938	66,324	401,760	—	47,233	797,564
Committed for:							
Vital services	14,923	—	—	—	—	—	14,923
Affordable housing	32,518	—	—	—	—	—	32,518
Library, Kids First and museum trust	—	—	—	—	20,669	1,872	22,541
Total committed	47,441	—	—	—	20,669	1,872	69,982
Assigned for:							
Measure HH projects	9,918	—	—	—	—	—	9,918
Capital projects	3,093	—	—	—	171,002	—	174,095
General government	6,780	—	—	—	—	—	6,780
Public safety	10,666	—	—	—	—	—	10,666
Community and human services	3,008	—	—	—	—	2,515	5,523
Community and economic development	3,115	—	—	—	—	—	3,115
Public works and transportation	3,565	—	—	—	—	—	3,565
Total assigned	40,145	—	—	—	171,002	2,515	213,662
Unassigned	62,373	—	—	—	—	—	62,373
Total	**$ 404,268**	**$ 27,938**	**$ 66,324**	**$ 401,760**	**$ 191,671**	**$ 51,620**	**$ 1,143,581**

[1] Low and Moderate Income Housing Asset Fund

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 May 15, 2018, the City Council revised the definition and use of excess Real Estate Transfer Tax (RETT) revenues and the use of one-time revenues (Ordinance No. 13487 C.M.S.). The policy defines excess Real Estate Transfer Tax as any amounts of RETT revenues whose value exceeds 15 percent of the corresponding GPF Tax Revenues (inclusive of RETT). The excess RETT shall be used in the following manner:

- At least 25 percent shall be allocated to the Vital Services Stabilization Fund until the value in such fund is projected to equal to 15 percent of General Purpose Fund revenues over the coming fiscal year.
- At least 25 percent shall be used to fund accelerated debt retirement and unfunded long-term obligations, including negative funds balances, the PFRS liability, other unfunded retirement and pension liabilities, unfunded paid leave liabilities, and OPEB liabilities.
- 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 majority vote 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 revenue:

- Fiscal prudence requires that any unrestricted one-time revenues be used for one-time expenses. Therefore, one-time revenues shall be used in the following manner, unless they are legally restricted to other purposes: to fund one-time expenditures, to fund debt retirement and unfunded long-term obligations such as negative fund balances, PFRS unfunded liabilities, CalPERS pension unfunded liabilities, paid leave unfunded liabilities, and OPEB unfunded liabilities; or shall remain as fund balance.

Use of "one-time revenues" for purposes other than those established may only be allowed by a majority vote of the City Council through a separate resolution. Additionally, the policy includes the requirement that the City maintain a Vital Services Stabilization Fund (VSSF). In years when the City forecasts that total GPF revenues will be less than the current year's revenues, or anytime significant service reductions, such as layoffs or furloughs, are contemplated due to adverse financial conditions, use of this fund must be considered to maintain existing services. Use of the VSSF must be authorized by City Council resolution. The resolution shall explain the need for using the VSSF. The resolution shall also include steps the City will take in order to replenish the VSSF in future years. At June 30, 2020, the General Fund reported the Vital Services Stabilization reserve of $14.9 million as committed fund balance.

As of June 30, 2020, the City has $62.4 million of unassigned General Fund balance of which $40.1 million represents the General Purpose Fund Emergency Reserve. The City's Consolidated Fiscal Policy mandates a General Purpose Emergency Reserve equal to 7.5 percent of General Purpose Fund appropriations, or $51.3 million, and requires the City Administrator to present a strategy to the City Council when reserves fall below this level. Such actions are anticipated to take place in FY 2020-21.

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* 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 mandate 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	Collateral 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, 2020, 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	$ 845,304	$ 61,658	$ 6,346	$ 63,089	$ 976,397	$ 477,357
Restricted cash and investments	379,214	278	382,788	12,197	774,477	78,228
Securities lending collateral	—	—	21,913	—	21,913	—
Total	**$ 1,224,518**	**$ 61,936**	**$ 411,047**	**$ 75,286**	**$ 1,772,787**	**$ 555,585**
City pooled deposits					$ 27,333	$ —
City pooled investments					890,134	481,234
City restricted investments					379,812	—
PFRS restricted investments					404,701	—
ORSA deposits					6,116	—
ORSA investments					64,691	—
Port's cash and investments					—	74,351
Total					**$ 1,772,787**	**$ 555,585**

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. Fixed income investments are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, and other market related data and classified in Level 2 of the fair value hierarchy. Money market mutual funds and LAIF have maturities of one year or less from fiscal year end and are not subject to classification in the fair value hierarchy.

The City's pooled and restricted investments have the following recurring fair value measurements as of June 30, 2020 (in thousands):

	Level One	Level Two	Level Three	Total
Investment by fair value level:				
U.S. Government Agency Securities	$ —	$ 1,071,978	$ —	$ 1,071,978
Medium Term Notes	—	2,020	—	2,020
Negotiable Certificates of Deposit	—	15,001	—	15,001
U.S. Treasury Bills	366	—	—	366
Annuity Contracts	—	—	56,000	56,000
Total investments by fair value level	**$ 366**	**$ 1,088,999**	**$ 56,000**	**$ 1,145,365**
Investments measured at net asset value (NAV):				
Money Market Mutual Funds				530,447
Local Agency Investment Fund (LAIF)				75,368
Total investment measured at fair value				**$ 1,751,180**

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, 2020, the carrying amount of the City's deposits was $27.3 million. Deposits include checking accounts, interest earning savings accounts, and money market accounts. The bank balance of $29.6 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 institution secure its deposits made by state or local government units by pledging securities in an 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 percent and 150 percent, 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 S&P Global Ratings (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, 2020 (in thousands):

Pooled Investments

		Ratings as of June 30, 2020				
	Fair Value	**AAA**	**AA**	**A**	**A-1**	**Not Rated**
U.S Government Agency Securities	$ 428,588	$ —	$ 428,588	$ —	$ —	$ —
U.S Government Agency Securities (Discount)	615,391	—	615,391	—	—	—
Medium Term Notes	2,020	—	—	2,020	—	—
Money Market Mutual Funds	235,000	235,000	—	—	—	—
Local Agency Investments Fund (LAIF)	75,368	—	—	—	—	75,368
Negotiable Certificates of Deposit	15,001	—	—	—	15,001	—
Total pooled investments	**$1,371,368**	**$ 235,000**	**$1,043,979**	**$ 2,020**	**$ 15,001**	**$ 75,368**

Restricted Investments

		Ratings as of June 30, 2020			
	Fair Value	AAA	AA	A-1	Not Rated
U.S Government Agency Securities	$ 18,000	$ —	$ 18,000	$ —	$ —
U.S Government Agency Securities (Discount)	9,999	—	9,999	—	—
Money Market Mutual Funds	295,447	293,666	—	—	1,780
U.S. Treasury Bills	366	—	366	—	—
Annuity Contracts	56,000	—	—	—	56,000
Total Restricted Investments	**$ 379,812**	**$ 293,666**	**$ 28,365**	**$ —**	**$ 57,780**

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 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 percent of the City's investment portfolio at June 30, 2020 are as follows (in thousands):

Investment Type/Issuer	Amount	Percent of City's Investment Portfolio
U.S. Government Agency Securities:		
Federal Farm Credit Bank	$ 364,723	20.8 %
Federal Home Loan Bank	498,027	28.4 %
Federal Home Loan Mortgage Corporation	249,996	14.3 %

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 to 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, 2020, the City had the following investments and original maturities (in thousands):

Pooled Investments

Investment Type	Fair Value	Interest Rates (%)	Maturity: 12 Months or Less	Maturity: 1-3 Years	Maturity: 3-5 Years
U.S. Government Agency Securities	$ 428,588	0.14-2.98	$ 165,499	$ 176,716	$ 86,373
U.S. Government Agency Securities (Discount)	615,391	0.10-1.93	615,391	—	—
Medium Term Notes	2,020	2.65	2,020	—	—
Money Market Mutual Funds	235,000	0.05-0.10	235,000	—	—
Local Agency Investment Fund (LAIF)	75,368	1.2	75,368	—	—
Negotiable Certificates of Deposit	15,001	0.11-0.46	15,001	—	—
Total pooled investments	**$ 1,371,368**		**$ 1,108,279**	**$ 176,716**	**$ 86,373**

Restricted Investments

Investment Type	Fair Value	Interest Rates (%)	Maturity: 12 Months or Less	Maturity: 1-3 Years	Maturity: 3-5 Years	Maturity: 5 Years or More
U.S. Government Agency Securities	$ 18,000	0.23-0.40	$ 18,000	$ —	$ —	$ —
U.S. Government Agency Securities (Discount)	9,999	0.1	9,999	—	—	—
Money Market Mutual Funds	295,447	0.01-0.07	295,447	—	—	—
U.S. Treasury Bills	366	6.94	366	—	—	—
Annuity Contracts	56,000	0.85	—	—	—	56,000
Total restricted investments	**$ 379,812**		**$ 323,812**	**$ —**	**$ —**	**$ 56,000**

Other Disclosures: As of June 30, 2020, the City's investment in LAIF is $75.4 million. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately $101.0 billion, 96.6 percent is invested in non-derivative financial products and 3.4 percent 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 from 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, 2020, 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, 2020, PFRS' share of the City's investment pool totaled $6.3 million. As of June 30, 2020, PFRS also had cash and cash deposits not held in the City's investment pool that totaled $5 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, 2020, 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 percent equities and 50 percent 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 allows the fixed income managers to invest in fixed income investments and some exposure to investments below an investment grade rating of B-, as long as the portfolio maintains an average credit quality of BBB (investment grade using S&P'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 percent of a broker account's fair value with no more than 5 percent 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 percent 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 percent in each manager's portfolio.

The following was PFRS' adopted asset allocation as of June 30, 2020:

Asset Class	Target Allocation
Fixed income	21 %
Credit	2 %
Covered calls	5 %
Domestic equity	40 %
International equity	12 %
Crisis risk offset	20 %
Total	**100 %**

The PFRS Board's target allocation does not include cash and cash equivalents, which are designated for approved administrative budget purposes.

Hierarchy of Inputs: The PFRS has the following recurring fair value measurements as of June 30, 2020 (in thousands):

	Level One	Level Two	Level Three	Total
Investment by fair value level:				
Short-term investments	$ —	$ 6,023	$ —	$ 6,023
Bonds	14,422	100,741	—	115,163
Domestic equities and mutual funds	66,325	—	—	66,325
International equities and mutual funds	44,599	—	—	44,599
Alternative investments	27,765	—	—	27,765
Total Investments by fair value level	**$ 153,111**	**$ 106,764**	**$ —**	**259,875**
Investments measured at net asset value (NAV):				
Short-term investments				8,074
Fixed income funds				7,972
Domestic equities and mutual funds				91,062
Foreign Currency Contracts, Net				(20)
Hedge funds				15,825
Securities lending collateral				21,913
Total investments measured at NAV				144,826
Total				**$ 404,701**

As of June 30, 2020, PFRS' hedge fund investment has monthly liquidity with a notice period of 5 days.

Interest Rate Risk: The weighted average duration for PFRS' fixed income investment portfolio excluding fixed short-term investments and securities lending investments was 7.69 years as of June 30, 2020.

As of June 30, 2020, PFRS had the following fixed income investments by category (in thousands):

Investment Type	**Fair Value**	**Modified Duration (Years)**
Short-Term Investments Funds	$ 8,074	n/a
U.S. Treasury Bills	6,023	0.21
Foreign Currency Exchange Contracts, net	(20)	n/a
Fixed Income Investments:		
Government bonds:		
U.S. Treasuries	$ 8,154	8.03
U.S. Government Agency Securities	39,172	7.23
Total Government Bonds	47,326	
Corporate Bonds	75,810	7.89
Total long-term investment duration	**$ 123,136**	**7.69**
Securities Lending	**$ 21,913**	

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 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, 2020 (in thousands):

Securities Name	Weighted Average Coupon Rate	Weighted Average Maturity (Years)	Fair Value	Percent of Total Investments
Mortgage-Backed Securities	3.07 %	23.76	$ 27,010	6.67 %

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, 2020 concerning credit risk of fixed income securities (in thousands):

Investment Type	S&P/ Moody's Rating	Fair Value
Short-Term Investments Funds	Not Rated	$ 8,074
U.S. Treasury Bills	AAA	6,023
Foreign Currency Exchange Contracts, net	Not Rated	(20)

The following tables provide information as of June 30, 2020 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	$ 48,352	39.3 %
AA/Aa	26,839	21.8 %
A/A	16,271	13.2 %
BBB/Baa	22,504	18.3 %
BB/Ba	1,388	1.1 %
B/B	314	0.3 %
CCC/CCC	7,467	6.0 %
Total fixed income investments	**$ 123,135**	**100 %**

As of June 30, 2020, the securities lending collateral of $21.9 million was not rated.

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.

Concentrations of Credit Risk: As of June 30, 2020, PFRS' investments in the Northern Trust Russell 1000 Growth Index Fund and Vanguard represented 24.0 percent and 8.9 percent of its fiduciary net position, respectively.

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 percent of the portfolio value.

The following summarizes PFRS' investments denominated in foreign currencies as of June 30, 2020 (in thousands):

Foreign Currency		
Australian Dollar	$	1,166
Brazilian Real		685
British Pound		2,900
Canadian Dollar		2,916
Danish Krone		108
Euro		5,257
Hong Kong Dollar		2,541
Indonesian Rupiah		179
Japanese Yen		5,607
Mexican Peso		652
New Israeli Shekel		271
Norwegian Krone		158
Singapore Dollar		507
South African Rand		254
Swedish Krona		837
Swiss Franc		2,094
Turkish Lira		613
Total foreign currency	$	26,745

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 percent 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, 2020, 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, 2020 (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	$ 4,674	$ 5,349	$ 10,023
U.S. Corporate Bonds	7,480	—	7,480
U.S. Equities	9,388	471	9,859
Non-U.S. Equities	—	—	—
Total Securities On Loan	**$ 21,542**	**$ 5,820**	**$ 27,362**
Collateral Received	**$ 21,904**	**$ 5,914**	**$ 27,818**

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, 2020, 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 table below presents 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, 2020 (in thousands):

Derivative Type/Contract	Notional Amount	Fair Value	Net Appreciation in Fair Value
Forwards			
Foreign Currency Exchange Contracts	$ —	$ (20)	$ —
Options			
Equity contracts	—	(378)	109
Rights/ Warrants			
Rights/ Warrants	6	—	—
Swaps			
Credit contracts	1,920	(12)	33
Total	**$ 1,926**	**$ (410)**	**$ 142**

Counterparty Credit Risk – As of June 30, 2020, PFRS held forward currency contracts in the amount of $20,041.

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, 2020, 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, 2020 (in thousands):

		Maturities	
Derivative Type/Contract	**Fair Value**	**Less than 1 Year**	**1-5 years**
Forwards			
Forward Foreign Currency Exchange	$ (20)	$ (20)	$ —
Options			
Equity contracts	(378)	(378)	—
Swaps			
Credit contracts	(12)	—	(12)
Total	**$ (410)**	**$ (398)**	**$ (12)**

Foreign Currency Risk - At June 30, 2020, PFRS is exposed to foreign currency risk on $20.0 million of its instruments in forwards denominated in the Mexican Peso.

Contingent Features - At June 30, 2020, 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, 2020 (in thousands):

Cash and Investments	**Amount**
Unrestricted cash and investments	
Demand deposits	$ 6,116
Investments	52,494
Total unrestricted cash and investments	58,610
Restricted investments	12,197
Total cash and investments	**$ 70,807**

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. At June 30, 2020, 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, 2020 (in thousands):

	Significant other observable inputs (Level 2)	Investments measured at the net asset value (NAV)
Unrestricted investments:		
U.S. Government Agency Securities (Discount)	$ 42,994	$ —
Money Market Mutual Funds	—	9,500
Restricted investments:		
Money Market Mutual Funds	—	12,197
Total	$ 42,994	$ 21,697

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, 2020, the carrying amount of the ORSA's deposits was $6.1 million. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of $0.2 million, and the remaining bank balance of $5.9 million 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.

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.

As of June 30, 2020, 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
Unrestricted investments:			
U.S. Government Agency Securities (Discount)	0.11 - 1.59	AA	$ 42,994
Money Market Mutual Funds	0.10	AAA	9,500
Total unrestricted investments			**$ 52,494**
Restricted investments:			
Money Market Mutual Funds	0.05 - 0.07	AAA	$ 12,197
Total restricted investments			**$ 12,197**

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, 2020 (in thousands):

Type of Investment/Issuer	Amount	Share of ORSA's Unrestricted Portfolio
U.S. Government Agency Securities		
Federal Home Loan Mortgage Corporation Discount	$ 7,999	15.24 %
Federal Home Loan Bank	25,997	49.52 %

Component Unit – Port of Oakland

The Port's cash, cash equivalents, investments and deposits in escrow consisted of the following at June 30, 2020 (in thousands):

City investment pool	$ 481,234
U.S. Treasury Note	58,237
Government Securities Money Market Mutual Funds	16,114
Total cash and investments	**$ 555,585**

Investments:

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.

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 invested in either 1) U.S. Treasury Notes, Federal Home Loan Bank Bond, or 2) Government Securities Money Market Mutual Funds. There were no investments pertaining to the Intermediate Lien Bonds.

At June 30, 2020, the Port had the following investments (in thousands):

				Maturity
	Fair Value	Fair Value Hierarchy	Credit Ratings per Moody's	Less than 1 Year
U.S. Treasury Note	$ 58,237	Level 1	Aaa	$ 58,237
Government Securities Money Market Mutual Funds	16,114	Exempt	Not Rated	16,114
City investment pool	481,234	Exempt	Not Rated	481,234
Total investments	**$ 555,585**			**$ 555,585**

Investment securities classified in Level 1 of the fair value hierarchy consist of U.S. Treasury Note, and were valued using quoted prices in active markets. Investments exempt from fair value treatment consist of Government Securities Money Market Mutual Funds, which are valued at amortized cost, and the City Investment Pool, whose fair value disclosure is presented at the City-wide level in the City's basic financial statements.

Investments Authorized by Debt Agreements: The following are the types of investments generally allowed under the Senior Trust Indenture and the Intermediate Trust Indenture (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: This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. 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.
- The deposits held by the City Treasury are invested pursuant to the City's Investment Policy, which limits the terms of its investments and establishes minimum allowable credit ratings, as well as other controls. 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.

Credit Risk: This risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligation. 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 credit 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.
- The deposits with the City Treasury are invested in short-term debt that is rated at least A-1 by S&P, P-1 by Moody's or F-1 by Fitch Ratings. Long-term debt shall be rated at least A by S&P, A2 by Moody's, and A by Fitch Ratings.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or a 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 $74.4 million at June 30, 2020.
- All securities the Port has invested with the City are 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 agreements. The Port had $481.2 million invested in the City Investment Pool on June 30, 2020.

Concentration of Credit Risk: The Trust Indentures place no limit on the amount the Port may invest in any one issuer.

Port revenues are deposited in the City Treasury. These and all City funds are pooled and invested in the City Investment Pool.

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, part D.

Primary Government

1. Due from/Due to other funds

The amounts payable to the General Fund to cover the other City funds' overdraft position as of June 30, 2020, is as follows (dollars in thousands):

Payable Fund	Amount
Federal/State Grant Fund	$ 2
Other Governmental Funds	1,417
Subtotal Governmental Funds	1,419
Parks and Recreation Enterprise Fund	812
Subtotal Enterprise Fund	812
Internal Service Fund	5,108
Private Pension Trust Fund (Fiduciary Fund)	33
Total due to the General Fund	$ 7,372

2. Interfund Transfers

The following schedule summarizes the City's transfer activities for the year ended June 30, 2020 (dollars in thousands):

Transfer Out	Transfer In	Amount	
General Fund	Other Governmental Funds	$ 77,400	(1)
	Federal/State Grant Fund	6,251	(2)
	Other Special Revenue Fund	18,639	(3)
	Municipal Capital Improvement Fund	1,254	(4)
Federal/State Grant Fund	General Fund	806	(5)
Other Special Revenue Fund	General Fund	1,117	(6)
Other Governmental Funds-Debt Service Funds	General Fund	400	(6)
Other Governmental Funds-Special Revenue Funds	General Fund	878	(6)
Other Governmental Funds-Special Revenue Funds	Other Governmental Funds-Debt Service Funds	1,598	(1)
Sewer Service Fund	General Fund	1,745	(6)
Internal Service Funds	General Fund	6,634	(6)
	Total	$ 116,722	

Significant transfers for the year ended June 30, 2020 include the following:

(1) Transfers of debt service payments.
(2) Transfers to provide funds to cover the Central Service Overhead cost for certain grant funds.
(3) Transfers for the Kids' First Children's Program.
(4) Repayment of capital projects' negative fund balance.
(5) Return of excess operating subsidies from prior fiscal years.
(6) Transfers for the City's claims and liability payments.

3. ORSA Reimbursements to the City

In FY 2020, ORSA incurred a total of $3.9 million expense in general administrative and project-related overhead. Of this amount, $1.8 million reimbursed the City for general and administrative overhead and $2.1 million paid for project-related overhead and operational costs for support services provided by designated City employees.

4. Due to the City

At June 30, 2020, ORSA has a payable to the City in the amount of $5.1 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 Projects Fund to the West Oakland Project for public improvements, and a payable of $0.9 million to the City for support services.

5. ORSA Transfers of Excess Bond Proceeds

In FY 2019-20, ORSA contributed $14.8 million of excess bond proceeds to the City's Low and Moderate Income Housing Asset Fund and Municipal Capital Improvement Fund, which is recorded as other revenues in the statement of revenues, expenditures, and changes in fund balance. This expenditure of excess bond proceeds to the City was approved by the State Department of Finance pursuant to Health and Safety Code Section 34179(h) and fulfills the bond expenditure agreement with the City.

Component Unit - Port of Oakland (Port)

The City has entered into agreements with the Port for various services such as aircraft rescue and firefighting, 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 City Charter Section 717(3) Clause Third and have priority over certain other expenditures of Port revenues. Special Services and ARFF from the City totaled $8.1 million and are included in Operating Expenses. At June 30, 2020, $8.0 million was accrued as 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, 2020, the Port accrued approximately $1.3 million of payments for General Services. Additionally, the Port accrued approximately $1.3 million to reimburse the City for Lake Merritt Trust Services in fiscal year 2020. Subject to availability of surplus monies, the Port expects that it will continue to reimburse the City annually for General Services and Lake Merritt 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, 2020, is as follows (in thousands):

Type of Loan	General Fund	Federal/ State Grant Fund	LMIHF[1]	Municipal Capital Improve- ment Fund	Other Special Revenue Fund	Total
Pass-through loans	$ —	$ 1,300	$ —	$ —	$ —	$ 1,300
HUD loans	—	118,292	375,229	3,442	—	496,963
Economic development loans and other	7,561	61,132	—	39,902	1,411	110,006
Less: allowance for uncollectible accounts	(375)	(46,671)	(128,709)	(1,762)	(597)	(178,114)
Total notes and loans receivables, net	**$ 7,186**	**$ 134,053**	**$ 246,520**	**$ 41,582**	**$ 814**	**$ 430,155**

[1]Low and Moderate Income Housing Asset Fund

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. As of June 30, 2020, it was determined that $178.1 million of the loan portfolio is not expected to be ultimately collected.

Prior to the effective date of the Redevelopment Dissolution Law, California Community Redevelopment Law required that at least 20 percent 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 percent Housing Program and an additional 5 percent 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, 2020, loans receivable relating to the LMIHF program totaled approximately $246.5 million, net of allowance for uncollectible accounts.

Oakland Redevelopment Successor Agency (ORSA)

ORSA received loans from the Former Agency upon its dissolution. These loans bear no interest and mature on various dates up until May 2070. A loan is deemed uncollectible when the property securing the loan is foreclosed by senior lien holder and there is insufficient equity to pay the loan.

Composition of loans receivable as of June 30, 2020 is as follows (in thousands):

Type of Loan	Amount
Housing developments project	$ 1,462
Economic development	53,217
Gross loans receivable	54,679
Less: allowance for uncollectible	(46,675)
Total loans receivables, net	**$ 8,004**

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, 2020 (in thousands):

	Balance June 30, 2019	Additions	Deletions/ Adjustments	Transfers of Completed Construction	Balance June 30, 2020
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 196,103	$ —	$ —	$ —	$ 196,103
Intangibles (easements)	2,607	—	—	—	2,607
Museum collections	933	—	—	56	989
Construction in progress	78,051	43,903	—	(48,713)	73,241
Total capital assets, not being depreciated	277,694	43,903	—	(48,657)	272,940
Capital assets, being depreciated:					
Facilities and improvements	863,750	16,634	—	—	880,384
Furniture, machinery, and equipment	349,157	13,855	1,526	274	361,760
Infrastructure	1,090,585	6,071	—	48,383	1,145,039
Total capital assets, being depreciated	2,303,492	36,560	1,526	48,657	2,387,183
Less accumulated depreciation:					
Facilities and improvements	496,476	24,959	—	—	521,435
Furniture, machinery, and equipment	232,482	22,557	1,446	—	253,593
Infrastructure	422,124	39,726	—	—	461,850
Total accumulated depreciation	1,151,082	87,242	1,446	—	1,236,878
Total capital assets, being depreciated, net	1,152,410	(50,682)	80	48,657	1,150,305
Governmental Activities - capital assets, net	**$1,430,104**	**$ (6,779)**	**$ 80**	**$ —**	**$1,423,245**

The following is a summary of business-type activities capital assets activity for the year ended June 30, 2020 (in thousands):

	Balance June 30, 2019	Additions	Deletions	Transfers of Completed Construction	Balance June 30, 2020
Business-Type Activities:					
Sewer Service Fund:					
Capital assets, not being depreciated:					
Land	$ 4	$ —	$ —	$ —	$ 4
Construction in progress	24,072	16,375	—	(29,580)	10,867
Total capital assets, not being depreciated	24,076	16,375	—	(29,580)	10,871
Capital assets, being depreciated:					
Facilities and improvements	490	—	—	—	490
Furniture, machinery and equipment	9,796	600	—	—	10,396
Sewer and storm drains	342,493	69	—	29,580	372,142
Street work	48	—	—	—	48
Total capital assets, being depreciated	352,827	669	—	29,580	383,076
Less accumulated depreciation:					
Facilities and improvements	329	7	—	—	336
Furniture, machinery, and equipment	7,110	821	—	—	7,931
Sewer and storm drains	126,096	6,217	—	—	132,313
Street work	3	2	—	—	5
Total accumulated depreciation	133,538	7,047	—	—	140,585
Total capital assets, being depreciated, net	219,289	(6,378)	—	29,580	242,491
Sewer Service Fund, capital assets, net	**$ 243,365**	**$ 9,997**	**$ —**	**$ —**	**$ 253,362**
Parks and Recreation Fund:					
Capital assets, not being depreciated:					
Land	$ 361	$ —	$ —	$ —	$ 361
Construction in progress	71	—	—	—	71
Total capital assets, not being depreciated	432	—	—	—	432
Capital assets, being depreciated:					
Facilities and improvements	5,102	—	—	—	5,102
Furniture, machinery and equipment	564	—	—	—	564
Infrastructure	85	—	—	—	85
Total capital assets, being depreciated	5,751	—	—	—	5,751
Less accumulated depreciation					
Facilities and improvements	3,610	153	—	—	3,763
Furniture, machinery and equipment	499	21	—	—	520
Infrastructure	66	6	—	—	72
Total accumulated depreciation	4,175	180	—	—	4,355
Total capital assets, being depreciated, net	1,576	(180)	—	—	1,396
Parks and Recreation Fund, capital assets, net	**$ 2,008**	**$ (180)**	**$ —**	**$ —**	**$ 1,828**
Business-Type Activities - capital assets, net	**$ 245,373**	**$ 9,817**	**$ —**	**$ —**	**$ 255,190**

2. Depreciation

Depreciation expense was charged to various governmental and business-type activities of the City for the year ended June 30, 2020 is as follows (in thousands):

Governmental Activities:		
General Government	$	9,906
Public Safety		2,629
Community and Human Services		6,454
Community and Economic Development		15,069
Public Works and Transportation		40,087
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets		13,096
Total	**$**	**87,241**

Business-Type Activities:		
Sewer	$	7,047
Parks and Recreation		180
Total	**$**	**7,227**

Component Unit – Port of Oakland

1. Summary Schedule

A summary of changes in capital assets for the year ended June 30, 2020, is as follows (in thousands):

	Balance June 30, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Capital assets, not being depreciated					
Land	$ 523,400	$ —	$ —	$ 787	$ 524,187
Intangibles (noise easements and air rights)	25,853	—	—	—	25,853
Construction in progress	18,661	49,686	(2,609)	(13,084)	52,654
Total capital assets, not being depreciated	567,914	49,686	(2,609)	(12,297)	602,694
Capital assets, being depreciated:					
Building and improvements	990,898	—	(1)	403	991,300
Container cranes	159,197	—	—	—	159,197
Systems and structures	2,135,918	—	—	11,166	2,147,084
Intangibles (software)	13,844	—	—	—	13,844
Other equipment	120,917	3,929	(6)	728	125,568
Total capital assets, being depreciated	3,420,774	3,929	(7)	12,297	3,436,993
Less accumulated depreciation:					
Building and improvements	641,115	21,903	—	—	663,018
Container cranes	114,630	5,904	—	—	120,534
Systems and structures	1,072,195	78,916	—	—	1,151,111
Intangibles (software)	11,048	1,396	—	—	12,444
Other equipment	77,426	5,864	—	—	83,290
Total accumulated depreciation	1,916,414	113,983	—	—	2,030,397
Total capital assets, being depreciated, net	1,504,360	110,054	(7)	12,297	1,406,596
Port-capital assets, net	$2,072,274	$ (60,368)	$ (2,616)	$ —	$2,009,290

For the year ended June 30, 2020, the Port recognized a $2.61 million loss on abandoned projects related to construction in progress.

2. Capital Assets Under Operating Leases as Lessor

The capital assets leased to others at June 30, 2020, consist of the following (in thousands):

Land	$	296,872
Container cranes		159,197
Buildings and improvements		194,477
Infrastructure		1,006,389
		1,656,935
Less accumulated depreciation		(857,507)
Net capital assets, on lease	**$**	**799,428**

3. Operating Leases as Lessor

A major portion of the Port's capital assets are leased to others. 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. The leases generally provide for minimum rentals with percentage rent contingent on business sales or activity. Certain maritime facilities are leased under agreements that provide the tenants with preferential, but nonexclusive, use of the facilities.

A summary of revenues from long-term leases for the year ended June 30, 2020, is as follows (in thousands):

Minimum non-cancelable rentals, including preferential assignments	$	167,199
Contingent rentals in excess of minimums		38,323
Total	**$**	**205,522**

Outer Harbor Terminal Closure

On February 1, 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 at 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 Berth 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, 2020, the Port estimated the cost to complete significant repairs and deferred maintenance over the next few years is approximately $16.6 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		
2021	$	165,910
2022		173,314
2023		168,321
2024		169,201
2025		169,366
2026-2030		648,844
2031-2035		300,628
2036-2040		101,214
2041-2045		51,752
2046-2050		56,811
2051-2055		65,753
Thereafter		502,754
Total	**$**	**2,573,868**

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		
2021	$	559
2022		559
2023		573
2024		587
2025		587
2026-2030		2,936
2031-2035		2,936
2036-2040		2,936
2041-2045		2,936
2046-2050		2,936
2051-2055		2,839
Total	**$**	**20,384**

E. PROPERTY HELD FOR RESALE

Primary Government

At June 30, 2020, the City has a total of $154.1 million of property held for resale.

Oakland Redevelopment Successor Agency (ORSA)

As of June 30, 2020, 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 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

Primary Government

Accounts payable and accrued liabilities at June 30, 2020, are as follows (in thousands):

	Accounts Payable	Accrued Payroll/ Employee Benefits	Total
Governmental Activities:			
Governmental Funds:			
General Fund	$ 59,646	$ 152,858	$ 212,504
Federal/State Grant Fund	12,650	—	12,650
Low and Moderate Income Housing Asset Fund	237	—	237
Municipal Capital Improvement Fund	9,794	—	9,794
Other special revenue funds	15,331	(17)	15,314
Other governmental funds	3,697	(16)	3,681
Total governmental funds	101,355	152,825	254,180
Internal service funds	5,842	—	5,842
Total governmental activities	$ 107,197	$ 152,825	$ 260,022
Business-type Activities:			
Sewer Service Fund	$ 5,589	$ —	$ 5,589

Accounts payable and accrued liabilities for the pension trust fund at June 30, 2020, are as follows (in thousands):

Pension Trust Fund	
Accounts payable	$ 41
Member benefits payable	4,432
Investments payable	13,549
Accrued investment management fees	246
Total pension trust fund	$ 18,268

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, 2020 (in thousands):

Governmental Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Bonds payable:			
General obligation bonds	2050	1.55 - 5.00%	$ 472,170
Lease revenue bonds	2027	5.00%	49,180
Pension obligation bonds	2027	3.60 - 6.89%	222,556
Accreted interest on appreciation bonds	2023	n/a	96,514
City guaranteed special assessment district bonds	2040	2.00 - 3.63%	2,940
Unamortized premiums and discounts, net			26,466
Total bonds payable			**$ 869,826**
Loans payable and capital leases:			
Loans payable	2021	2.44%	$ 4,250
Capital leases	2030	1.17 - 5.30%	43,743
Total loans payable and capital leases			**$ 47,993**

Business-type Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Bonds payable:			
Sewer revenue bonds	2029	3.00 - 5.00%	$ 25,986
Unamortized bond premium			3,086
Total bonds payable			**$ 29,072**

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 (Swap) with Goldman Sachs Mitsui Marine Derivatives Products, U.S., L.P. (Counterparty) in connection with the $187.5 million Oakland Joint Powers Financing Authority (Authority) Lease Revenue Bonds, 1998 Series A1/A2 (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 Rate (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, 2020:

Calculation period (July 31)	Notional Amount	Fixed Rate To Counterparty	65% of LIBOR[1]	Net Rate
2021	$ 12,800,000	5.6775%	0.1055%	5.5720%
2022	6,400,000	5.6775%	0.1055%	5.5720%

[1] The 1-month LIBOR rate is 0.16225 percent as of June 30, 2020. Future rates are projections as the LIBOR rate fluctuates daily.

Terms: The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2020 of $12.8 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 $0.7 million as of June 30, 2020.

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, 2020. 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, 2020, are as follows (in thousands):

	Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Amounts due within one year
Governmental activities:					
Bonds payable:					
General obligation bonds (A)	$ 301,655	$ 249,150	$ 78,635	$ 472,170	$ 22,095
Lease revenue bonds (B)	54,905	—	5,725	49,180	6,015
Pension obligation bonds (C)	246,872	—	24,316	222,556	23,992
Accreted interest on appreciation bonds (B) and (C)	118,642	10,673	32,801	96,514	34,778
City guaranteed special assessment district bonds (C)	3,295	—	355	2,940	350
Unamortized premium and discounts	26,009	7,647	7,190	26,466	1,809
Total bonds payable:	751,378	267,470	149,022	869,826	89,039
Loans and capital leases payable:					
Loans payable (B) and (D)	18,125	—	13,875	4,250	4,250
Capital leases (B) and (D)	53,267	7,900	17,424	43,743	12,595
Total loans payable and capital leases payable	71,392	7,900	31,299	47,993	16,845
Other long-term liabilities:					
Accrued vacation and sick leave (E)	51,764	68,514	62,550	57,728	45,882
Pledge obligation for Coliseum Authority debt (B)	32,499	—	4,778	27,721	5,018
Estimated environmental cost (B)	380	325	144	561	232
Self-insurance liability - workers' compensation (B)	81,400	14,613	24,139	71,874	13,411
Self-insurance liability - general liability (B)	60,038	40,709	37,975	62,772	21,180
Interest rate swap agreement	1,260	—	567	693	—
Total other long-term liabilities	227,341	124,161	130,153	221,349	85,723
Total governmental activities	**$ 1,050,111**	**$ 399,531**	**$ 310,474**	**$ 1,139,168**	**$ 191,607**
Business-type activities:					
Sewer fund - bonds payable	$ 28,260	$ —	$ 2,274	$ 25,986	$ 2,370
Unamortized bond premium	3,429	—	343	3,086	343
Total business-type activities	**$ 31,689**	**$ —**	**$ 2,617**	**$ 29,072**	**$ 2,713**

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, 2020, $36.0 million of bonds, loans 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, 2020, are as follows (in thousands):

Governmental Activities[1]

	General Obligation Bonds		Lease Revenue Bonds		Special Assessment District Bonds	
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 22,095	$ 14,297	$ 6,015	$ 2,309	$ 350	$ 88
2022	24,850	14,188	6,330	2,000	365	78
2023	22,960	13,247	6,650	1,676	380	67
2024	15,540	12,471	6,990	1,335	390	55
2025	15,940	12,069	7,345	976	395	42
2026-2030	85,730	53,587	15,850	803	305	152
2031-2035	83,400	39,377	—	—	350	102
2036-2040	76,000	26,479	—	—	405	37
2041-2045	69,380	15,332	—	—	—	—
2046-2050	56,275	4,536	—	—	—	—
Total	**$ 472,170**	**$ 205,583**	**$ 49,180**	**$ 9,099**	**$ 2,940**	**$ 621**

	Loan Payable		Capital Leases	
Year Ending June 30	Principal	Interest	Principal	Interest
2021	$ 4,250	$ 26	$ 12,595	$ 1,019
2022	—	—	11,511	698
2023	—	—	5,984	464
2024	—	—	5,080	326
2025	—	—	3,721	209
2026-2030	—	—	4,852	329
Total	**$ 4,250**	**$ 26**	**$ 43,743**	**$ 3,045**

	Pension Obligation Bonds			Total		
Year Ending June 30	Principal	Accreted Interest	Interest	Principal	Accreted Interest	Interest
2021	$ 23,992	$ 36,448	$ 7,942	$ 69,297	$ 36,448	$ 25,681
2022	23,758	38,447	7,555	66,814	38,447	24,519
2023	23,426	40,459	7,139	59,401	40,459	22,593
2024	47,380	—	5,894	75,380	—	20,081
2025	50,395	—	3,685	77,796	—	16,981
2026-2030	53,605	—	1,253	160,342	—	56,124
2031-2035	—	—	—	83,750	—	39,479
2036-2040	—	—	—	76,405	—	26,516
2041-2045	—	—	—	69,380	—	15,332
2046-2050	—	—	—	56,275	—	4,536
Subtotal	222,556	115,354	33,468	794,840	115,354	251,842
Less: unaccreted interest	—	(18,840)	—	—	(18,840)	—
Total	**$ 222,556**	**$ 96,514**	**$ 33,468**	**$ 794,840**	**$ 96,514**	**$ 251,842**

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

The City's general obligation bonds, pension obligation bonds, and lease revenue bonds do not permit acceleration upon an event of default or provide for other finance-related consequences. The City's capital leases provide for the return of leased equipment in the event of a termination of the lease by the City. In addition, capital lease rental payments due within the same fiscal year may become immediately due upon an event of default. The category of loans payable includes one City loan that provides for a 3% increase in interest upon an event of default.

The annual repayment schedules for business-type activities' long-term debt as of June 30, 2020, are as follows (in thousands):

Business-Type Activities

Year Ending June 30	Sewer Revenue Bonds Principal	Sewer Revenue Bonds Interest
2021	$ 2,370	$ 1,277
2022	2,490	1,159
2023	2,610	1,034
2024	2,720	926
2025	2,860	790
2026-2029	12,936	1,656
Total	**$ 25,986**	**$ 6,842**

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 $32.8 million. The principal and interest payments made in 2020 were $3.7 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2020 were $26.5 million. Debt service payments on the City's sewer bonds are subject to acceleration in the event of default.

5. New Debt Issuance

Master Lease – Vehicle Lease 2019

On March 15, 2019, the City entered into a Master Lease-Purchase Agreement to provide funding for replacement of vehicles and related equipment. The agreement included six schedules, of which three were executed in in the year ended June 30, 2019. The three remaining schedules in the principal amount of $7.9 million were executed on March 15, 2020 with interest rates of 2.6 to 2.9 percent and a final maturity of March 16, 2030.

General Obligation Bonds – Measure KK Series 2020B-1 and 2020B-2

On November 28, 2016, the City's voters authorized the issuance of $600.0 million in general obligation bonds under Measure KK. The bonds are to be issued 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, and providing funds for facility improvements, such as neighborhood recreation centers, playgrounds, and libraries.

On February 13, 2020, the City issued General Obligation Bonds Series 2020B-1 (Tax-Exempt) and 2020B-2 (Taxable) in the amount of $140.0 million and $44.9 million, respectively. The bonds were issued to finance Measure KK projects and to pay for certain costs related to the issuance of the bonds. The bonds mature from January 2021 through January 2050 with interest rates ranging from 1.6 percent to 5.0 percent. Debt service payments for these bonds are funded through ad valorem taxes on property. Following this transaction the City retained $297.2 million of unissued general obligation bond authorization under Measure KK.

General Obligation Bonds – Refunding Bonds Series 2020

On February 13, 2020, the City issued General Obligation Refunding Bonds Series 2020 (Taxable) in the amount of $64.3 million to refund all of its City of Oakland General Obligation Refunding Bonds, Series 2012. The bonds mature from January 2021 through January 2033 with interest rates from 1.6 percent to 3.0 percent. The Prior Bonds were defeased on the date of issuance of the 2020 Bonds and will be redeemed on January 15, 2021. The refunding of the Prior Bonds was effected by depositing a portion of the 2020 Bonds into a special and irrevocable escrow fund established for the Prior Bonds in accordance with that certain Escrow Agreement, dated February 1, 2020. The funds deposited and held with the escrow agent are sufficient for the Prior Bonds full redemption. Accordingly, the liability for the Prior Bonds has been removed from the statement of net position at June 30, 2020. The refunding resulted in the recognition of an accounting gain of $3.1 million for the year ended June 30, 2020, and reduced the aggregate debt service payments by $10.9 million, producing an economic gain for the City of $9.7 million on a present value basis.

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, 2020 (in thousands):

	Original Issued Amount	Issued Year	Maturity Fiscal Year	Interest Rate Range	Principal Balance
Tax Allocation Bonds:					
Central District Redevelopment Project					
Subordinated Tax Allocation Bonds, Series 2006T	$ 33,135	2006	2022	5.41%	$ 7,775
Subordinated Tax Allocation Bond, Series 2009T	38,755	2009	2021	8.50%	6,240
Subordinated Tax Allocation Refunding Bonds, Series 2013	102,960	2013	2023	5.00%	31,410
Coliseum Area Redevelopment Project					
Tax Allocation Bonds, Series 2006B-T	73,820	2006	2036	5.54%	54,205
Central City East Redevelopment Project					
Tax Allocation Bonds, Series 2006A-T	62,520	2006	2035	5.54%	42,850
Broadway/MacArthur/San Pablo Redevelopment Project					
Tax Allocation Bonds, Series 2006C-T	12,325	2006	2033	5.28% - 5.59%	7,890
Tax Allocation Bonds, Series 2010-T	7,390	2010	2041	7.20% - 7.40%	6,955
Subtotal	330,905				157,325
Subordinated Tax Allocation Refunding Bonds:					
Series 2015-TE	22,510	2015	2037	5.00%	22,510
Series 2015-T (federally taxable)	66,675	2015	2036	3.16% - 4.92%	52,955
Series 2018-TE	15,190	2018	2032	5.00%	15,190
Series 2018-T (federally taxable)	41,765	2018	2040	3.00% - 4.00%	37,440
Subtotal	146,140				128,095
Total long - term debt	$ 477,045				$ 285,420

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 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 TABs series.

As of June 30, 2020, the total principal and interest remaining on these TABs was $218.6 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 Recognized Obligation Payment Schedule (ROPS) as enforceable obligations until the debt obligations have been satisfied.

Subordinated Tax Allocation Refunding Bonds

The Subordinated Tax Allocation Refunding Bonds are comprised of Series 2015-TE, and Series 2015-T (the “Series 2015 Bonds”), and Series 2018-TE and Series 2018-T Bonds (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, 2020, the total principal and interest remaining on Series 2015 Bonds and Series 2018 Bonds was $193.1 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.

Events of Default and Acceleration Clauses

ORSA is considered to be in default if ORSA fails to pay the principal or redemption price of or sinking fund installment for, or interest on, any outstanding bond, when and as the same will become due and payable, whether on the interest payment date, at maturity, by call redemption, or otherwise. If ORSA defaults on its obligations under the bond indenture, the trustee has the right to accelerate the bonds. Each bond insurer will be entitled to control and direct the enforcement of all rights and remedies granted to the bond owners. In the event the maturity of a bond is accelerated, the bond insurer, in its sole discretion, may elect to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by ORSA) and the trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date, the bond insurer’s obligations under the insurance policy with respect to the bond shall be fully discharged. However, in the event of a default and such acceleration, there can be no assurance that the trustee will have sufficient moneys available for payment of the bonds.

3. Summary of Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2020, are as follows (in thousands):

Oakland Redevelopment Successor Agency

	Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Amounts due within one year
Tax allocation bonds	$ 183,300	$ —	$ 25,975	$ 157,325	$ 27,425
Subordinated tax allocation refunding bonds	132,610	—	4,515	128,095	4,645
Unamortized premium and discounts:					
Issuance premiums	8,723	—	1,523	7,200	1,523
Issuance discounts	(977)	—	(112)	(865)	(55)
Total ORSA	**$ 323,656**	**$ —**	**$ 31,901**	**$ 291,755**	**$ 33,538**

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 outstanding as of June 30, 2020, including mandatory sinking fund payments, are as follows (in thousands):

Oakland Redevelopment Successor Agency

	Tax Allocation Bonds		Subordinated Tax Allocation Refunding Bonds	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
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	5,530	5,344	4,495	4,959
2025	5,830	5,028	4,655	4,796
2026-2030	34,330	19,762	23,850	20,704
2031-2035	40,820	8,989	31,445	14,568
2036-2040	9,030	1,733	46,180	3,848
2041	1,450	54	—	—
Total	**$ 157,325**	**$ 61,297**	**$ 128,095**	**$ 65,012**

5. 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. The remaining outstanding balance for the defeased bonds was $36.6 million at June 30, 2020.

Component Unit- Port of Oakland

1. Summary Schedule of Long-Term Debt

The following is a summary of long-term debt of the Port as of June 30, 2020 (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	2.05-5.125	$	788,075
Notes and loans	2030	0.22-4.5		79,212
Unamortized bond discounts and premiums, net				40,277
Total bonds, notes, and loans payable			**$**	**907,564**

2. Revenues Pledged for the Repayment of Debt Service

The Port's long-term debt consists 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. Pledged revenues amounted to $386.7 million in fiscal year 2020.

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.

Senior Lien Bonds

2011 Series O and 2012 Series P (collectively, the Senior Lien Bonds) were 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 as of June 30, 2020.

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

Events of default under the Senior Lien Trust Indenture include, but are not limited to, a failure to pay principal or interest, or a failure to pay the purchase price of a bond when due upon an optional or mandatory tender date. Port bankruptcy, reorganization, receivership, etc., are also considered default events, as is the failure to observe any covenant, provision or condition of the Senior Lien Indenture or the Bonds, which continues for a period of 60 days after notice. Finally, pursuant to supplemental indentures the Port will comply with the covenants of the tax certificates of the different bond series issued under the Senior Lien Trust Indenture. Remedies to any default under the Senior Lien Indenture or its supplements can include acceleration of outstanding senior lien debt.

As of June 30, 2020, the outstanding balance of Senior Lien Bonds is $606.2 million.

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.

In the event the Port fails in whole or in part to make payment when due pursuant to the loan agreement between the Port and the DBW, all principal and interest outstanding shall become immediately due and payable.

As of June 30, 2020, only one DBW Loan remained outstanding with a balance of $3.6 million.

Intermediate Lien Bonds

Bonds issued under the Intermediate Trust Indenture are next in payment priority. As of June 30, 2020, the bonds issued under this indenture consist of the 2017 Series D, Series E, and Series G Bonds (Series 2017 Bonds). The final maturity of the 2017 Series F Bonds were paid in November 2019. The Series 2017 Bonds were issued on August 3, 2017 to refund the 2007 Series A, Series B, and Series C Bonds (Series 2007 Bonds, and combined with the Series 2017 Bonds, the Intermediate Lien Bonds). 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 Series 2017 Bonds when due is secured by a reserve surety policy.

The Port covenanted in the Intermediate Trust Indenture that Net Pledged Revenues will be equal to at least 110 percent 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).

Events of default under the Intermediate Lien Trust Indenture include, but are not limited to, a failure to pay principal or interest, or a failure to pay the purchase price of a bond when due upon an optional or mandatory tender date. Port bankruptcy, reorganization, etc., are also considered default events, as is the failure to observe any covenant, provision or condition of the Intermediate Lien Indenture of the Bonds, which continues for a period of 180 days after notice. Finally, pursuant to supplemental indentures the Port will comply with the covenants of the tax certificates of the different bond series issued under the Intermediate Lien Trust Indenture. The Port will also ensure that the tax-exempt status of the bonds is maintained. Remedies to any default under the Intermediate Lien Trust Indenture or its supplements can include bringing suit upon the Intermediate Lien Bonds, or some other legal action to enforce the rights of bondholders.

As of June 30, 2020, the outstanding balance of Intermediate Lien Bonds is $181.9 million.

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 percent. 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.

The Port covenants in both of its LOC and Reimbursement Agreements with Bank of America National Association (BANA) that the Intermediate Lien Debt Service Coverage Ratio will equal to at least 110 percent.

On May 10, 2019 the Port extended the LOCs supporting its ABC Series and DEF Series of CP Notes, both issued by BANA. Specifically, the expiration dates of both LOCs were extended from June 30, 2019 to June 30, 2023. The BANA LOC supporting the DEF Series of CP Notes amounts to $54.4 million ($50 million principal and interest of $4.4 million) and was originally issued on June 13, 2017, when the Port substituted its then-outstanding JPMorgan Chase Bank National Association (JPMorgan) LOC. The BANA LOC supporting the ABC Series of CP Notes amounts to $163.3 million ($150 million principal and interest of $13.3 million) and was originally issued on June 13, 2016, when the Port substituted its then-outstanding Wells Fargo LOC.

As of June 30, 2020, the outstanding balance of CP Notes under the Port's ABC Series of CP Notes is $34.5 million while the outstanding balance under the Port's DEF Series of CP Notes is $41.1 million.

The reimbursement agreements between the Port and BANA, which describe the terms and conditions under which BANA issues the commercial LOCs supporting the Port's CP Notes, contain a number of default provisions and remedies. Events of default include the failure to reimburse draws, advances or term loans issued under the LOCs, or to pay LOC related fees to BANA when due. Breaches of any of the covenants, conditions or agreements in the reimbursement agreements and other CP Notes related documents are also considered defaults, as are breaches of the covenants contained in the Senior Lien Indenture or Intermediate Lien Indenture. The reimbursement agreements also contain default provisions for bankruptcy, failure to make payments on other Port debt, the acceleration of other Port debt, legal/administrative changes affecting the Port's ability to pay its debts or comply with its agreements, and material unsatisfied legal judgments.

Any of the above defaults can trigger the immediate acceleration of LOC related fees to BANA, the reduction of the LOC stated amounts, and/or suspensions of the Port's ability to issue new CP Notes or make draws under the existing LOCs. Any accelerations or payment failures on other Port debt, failures to pay CP Notes related obligations, bankruptcy or limits to the Port's authority may also trigger a further remedy whereby advances and/or term loans under the LOCs would become immediately due and payable.

3. Summary of Changes in Long-Term Obligations

The changes in the Port's long-term obligations for the year ended June 30, 2020, are as follows (in thousands):

Component Unit - Port of Oakland

	Balance at June 30, 2019	Additions	Reductions	Balance at June 30, 2020	Amounts due within one year
Bonds and notes payable:					
Senior and intermediate lien bonds	$ 840,790	$ —	$ 52,715	$ 788,075	$ 54,770
Notes and loans payable (1)	88,378	14,516	23,682	79,212	295
Unamortized premium and discounts, net	48,486	(9)	8,200	40,277	7,348
Total bonds and notes payable	977,654	14,507	84,597	907,564	62,413
Other long-term liabilities:					
Accrued vacation, sick leave, and compensatory time	7,526	1,868	1,477	7,917	6,326
Environmental remediation	17,078	9,253	10,086	16,245	1,389
Self-insurance liability - worker's compensation	13,184	—	4,322	8,862	1,264
Other long-term liabilities	20,849	1,321	527	21,643	1,425
Total other long-term liabilities	58,637	12,442	16,412	54,667	10,404
Total component unit	**$ 1,036,291**	**$ 26,949**	**$ 101,009**	**$ 962,231**	**$ 72,817**

(1) As of June 30, 2020, under the current LOCs, the Port was authorized to issue an aggregate principal amount of commercial paper notes up to $200 million.

4. Annual Requirements to Maturity

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.

The Port's required debt service payment for the outstanding long-term debt for the years ending June 30, are as follows (in thousands):

Year Ending June 30	Principal (1)	Interest	Total
2021	$ 55,065	$ 38,036	$ 93,101
2022	57,543	35,619	93,162
2023	60,412	32,756	93,168
2024	88,788	34,420	123,208
2025	91,873	29,515	121,388
2026-2030	310,823	73,633	384,456
2031-2033	202,783	20,274	223,057
Total	**$ 867,287**	**$ 264,253**	**$ 1,131,540**

(1) For purposes of this schedule, Commercial Paper debt is amortized over three fiscal years, pursuant to the "Term Loan" provisions of the Commercial Paper Reimbursement Agreements, beginning when the current letters of credit expire on June 30, 2023.

City-Wide Long-Term Debt

1. Tax and Revenue Anticipation Notes Payable

On July 17, 2019, the City issued $97.3 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 2.23% per annum and maturing on June 28, 2020. The notes were issued to finance the prepayment of the City's Employer Unfunded Accrued Liability contribution to CalPERS for fiscal year 2019-20. The short-term debt activity for the year ended June 30, 2020 is as follows (in thousands):

	Beginning Balance	Issued	Redeemed	Ending Balance
2019-2020 Tax and Revenue Anticipation Note	$ —	$ 97,255	$ (97,255)	$ —

2. 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, ORSA, and the Port believe they are in compliance with all significant limitations and restrictions for which noncompliance would adversely affect its ability to pay debt service.

3. Legal Debt Limit and Legal Debt Margin

As of June 30, 2020, the City's debt limit (3.75% of valuation subject to taxation) was $2.4 billion. The total amount of debt applicable to the debt limit was $472.2 million. The resulting legal debt margin was $1.9 billion.

4. Prior Years' Debt Defeasance

The City has defeased various bond issues by creating separate irrevocable escrow funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the escrow funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and is therefore removed as a liability from the City's government-wide financial statements. At June 30, 2020, the principal amount of defeased debt outstanding is as follows:

Refunded Bonds	Refunding Bonds Issued	Date of Refunding Bond Issuance	Outstanding as of June 30, 2020	Scheduled Call Date
Subordinated Housing Set-Aside Revenue Bonds, Series 2011A-T	ORSA Subordinated Tax Allocation Refunding Bonds, Series 2018-T	05/09/18	$ 35,710	09/01/21
Subordinated Tax Allocation Bonds, Series 1993A	ORSA Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013	09/18/13	4,645	09/01/22
General Obligation Refunding Bonds, Series 2012	General Obligation Refunding Bonds Series 2020 (Taxable)	02/13/20	61,960	01/15/21
			$ 102,315	

H. 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 $5.0 million retention level and up to $0.75 million 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 up to a $0.75 million retention level. Payment of claims is provided through annual appropriations, which are based on claim payment experience and supplemental appropriations. Of the $71.9 million in claims liabilities as of June 30, 2020, approximately $13.4 million is estimated to be due within one year.

Changes in self-insurance workers' compensation for the years ended June 30, 2020 and 2019 are as follows (in thousands):

	2020	2019
Self-insurance liability - workers' compensation, beginning of year	$ 81,400	$ 92,453
Current year claims and changes in estimates	14,613	12,492
Claims payments	(24,139)	(23,545)
Self-insurance liability - workers' compensation, end of year	$ 71,874	$ 81,400

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, 2020, the amount of liability determined to be probable of occurrence is approximately $62.8 million. Of this amount, claims and litigation approximating $21.2 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 and is discounted at a rate of 2.5 percent. 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, except for the Warehouse Fire Related Litigation as described below. 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, 2020 and 2019 are as follows (in thousands):

	2020	2019
Self-insurance liability - general liability, beginning of year	$ 60,038	$ 51,316
Current year claims and changes in estimates	40,709	23,456
Claims payments	(37,975)	(14,734)
Self-insurance liability - general liability, end of year	$ 62,772	$ 60,038

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. Warehouse Fire Related Litigation

In July 2020, the City settled litigation arising from the tragic fire at an Oakland warehouse that resulted in the deaths of 36 persons on December 2, 2016. In total, the City committed to payments of $33.1 million to settle this litigation as follows:

Year Ending June 30,	Scheduled Payment	Insurance Recovery	Net Liability
2021	$ 22,599	$ (19,599)	$ 3,000
2022	10,500	(2,401)	8,099
	$ 33,099	(22,000)	$ 11,099

At June 30, 2020, the City recorded net liability of $3.0 million due as other liabilities in the General Fund and $8.1 million as long-term self-insurance liability - general liability.

5. 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, 2019, 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 $5.0 million	$5.0 to $25.0 million
Automobile Liability	Up to $5.0 million	$5.0 to $25.0 million
Public Officials Errors and Omissions	Up to $5.0 million	$5.0 to $25.0 million
Products and Completed Operations	Up to $5.0 million	$5.0 to $25.0 million
Employment Practices Liability	Up to $5.0 million	$5.0 to $25.0 million
Workers' Compensation	Up to $750,000	$750,000 to $100.0 million

Component Unit – Port of Oakland

1. Workers' Compensation

The Port is self-insured for workers' compensation of the Port's employees. The workers' compensation liability of $8.9 million at June 30, 2020 is based upon an actuarial study performed as of June 30, 2020 that assumed a probability level of 80 percent and a discount rate of 0.0 percent.

Changes in liability, which is included as part of non-current liabilities, follows (in thousands):

	2020	2019
Self-insurance liability - workers' compensation, beginning of year	$ 13,184	$ 10,661
Current year claims and changes in estimates	(3,059)	4,527
Claims payments	(1,263)	(2,004)
Self-insurance liability - workers' compensation, end of year	$ 8,862	$ 13,184

2. General Liability - Insurance

The Port purchases insurance on certain risk exposures including but not limited to property, automobiles liability, airport liability, umbrella liability, environmental liability, fidelity, fiduciary liability, and public official's 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, workers' compensation of the Port's employees and most first party exposures. During fiscal year 2020, 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.

I. JOINT VENTURE

Oakland-Alameda County Coliseum

The City is a participant with the County of 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.

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 $11.0 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 City could have to pay up to $22 million annually in the event of default by the County. 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 $79.7 million in Refunding Bonds Series 2015 A with coupons of 0.8 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 $79.7 million.

Under the Bond 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 the County, certain payments from the Warriors of up to an amount equal to the excess of the scheduled Debt Service over the difference between the Net Arena Revenues and Arena Expenses. 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 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 City could have to pay up to $19 million annually in the event of default by the County. However, in October 2018, an arbitrator provided an interim ruling favorable to the City and the County regarding the Warriors' ongoing contractual obligation under the License Agreement to annually reimburse the Authority for any principal balance remaining on the Arena Bonds debt obligation if the net operating revenues are not sufficient to pay scheduled debt service through the term of the debt issuance. The Arbitrator's interim award was confirmed by the San Francisco Superior Court. However, the Warriors appealed the Superior Court decision to the First District Court of Appeal. The matter is being briefed and a decision is anticipated in 2020. In the meantime, in August 2019, the Warriors paid the first debt service installment to come due since the Superior Court ruling and it is anticipated that they will continue to do so during the appeal process.

Debt Compliance

Long-term debt outstanding as of June 30, 2020 is as follows (in thousands):

Type of Indebtedness	Maturity	Interest Rate	Authorized and Issued	Outstanding as of June 30, 2020
Stadium Bonds:				
2012 Refunding Series A	February 1, 2025	2.0% - 5.0%		
Lease revenue bonds			$ 122,815	$ 55,445
Arena Bonds:				
2015 Refunding Series A	February 1, 2025	1.0% - 4.0%		
Lease revenue bonds			79,735	48,735
Total			$ 202,550	$ 104,180

Debt payments during the year ended June 30, 2020 were as follows (in thousands):

	Stadium	Arena	Total
Principal	$ 9,555	$ 7,000	$ 16,555
Interest	3,250	1,837	5,087
Total	$ 12,805	$ 8,837	$ 21,642

The following is a summary of long-term debt transactions for the year ended June 30, 2020 (in thousands):

Outstanding lease revenue bonds, beginning of year	$ 120,735
Principal repayments	(16,555)
Outstanding lease revenue bonds, end of year	$ 104,180

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

	Stadium Bonds		Arena Bonds		Total	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
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	11,065	1,744	8,800	1,167	19,865	2,911
2024	11,615	1,191	9,250	873	20,865	2,064
2025	12,195	610	14,885	735	27,080	1,345
Total	$ 55,445	$ 8,588	$ 48,735	$ 5,851	$ 104,180	$ 14,439

Events of Default, Termination Events and Acceleration Clauses

The Coliseum Authority relies on the City and the County to make base rental payments in order to fulfill its debt service obligations. The Coliseum Authority would be considered to be in default if one or more of the following events occurs: (1) the City and the County fail to pay any rental payable when it becomes due and payable, (2) the City and the County fail to comply with the terms, covenants and conditions of the Master Lease Agreement and (3) the City or the County declare bankruptcy or insolvency.

If an event of default occurs, the Trustee may declare the principal of all bonds then outstanding and the interest accrued thereon to be due and payable immediately. The Coliseum Authority may (1) terminate the Master Lease and recover certain damages, (2) re-enter or re-let the facilities, or (3) continue to collect rent from the City and the County on an annual basis by seeking a separate judgment each year for that year's defaulted base rental payments. Upon an event of default, there is no remedy of acceleration of the total base rental payments due over the term of the Master Lease.

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. In April 2016, the agreement was extended through 2022.

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, 2020, 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 the County will have to contribute to base rental payments. Of the $25.0 million obligated, for the year ending June 30, 2021, it is estimated that the City will have to contribute $12.5 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 $27.7 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.oaklandca.gov.

The CalPERS Safety and Miscellaneous Plans are agent multiple-employer defined benefit pension plans administered by CalPERS. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plans' June 30, 2019 Annual Actuarial Valuation Reports (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at 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 percent of the compensation attached to the average rank held during the three years immediately preceding retirement, plus an additional allowance of 1-2/3 percent 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. 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.

CalPERS' Miscellaneous Plan provisions and benefits in effect at June 30, 2020 are summarized as follows:

	Hire Date		
	Prior to 6/9/2012	6/9/2012 through 12/31/12	On or After 1/1/2013 (1)
Benefit formula	2.7% @ 55	2.5% @ 55	2.0% @ 62
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% - 2.7%	2.0% - 2.5%	1.0% - 2.5%
Required employee contribution rates	8.0%	8.0%	6.75% - 8.0%
Required employer contribution rates 2020 (2)	11.559%	11.559%	10.809% - 11.559%

(1) For "new members" as defined by the Public Employees' Pension Reform Act (PEPRA)

(2) Excludes contribution payments of $73,490,639 for unfunded liability

CalPERS' Safety Plan provisions and benefits in effect at June 30, 2020 are summarized as follows:

	Hire Date		
	Prior to 6/9/2012	6/9/2012 to 12/31/2012	On or After 1/1/2013 (1)
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Retirement age	50	50-55	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% - 3.0%	2.0% - 2.7%
Required employee contribution rates	11.0%	11.0% - 12.0%	11.0% - 11.5%
Required employer contribution rates 2020 (2)	18.583%	16.151% - 18.583%	18.583%

(1) For "new members" as defined by the Public Employees' Pension Reform Act (PEPRA)

(2) Excludes contribution payments of $46,171,999 for unfunded liability

***Covered Employees* - As of June 30, 2019 actuarial valuation, 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 receiving benefits	798	3,718	1,298
Inactive employees entitled to but not yet receiving benefits	—	1,881	414
Active employees	—	2,741	1,184
Total	**798**	**8,340**	**2,896**

3. Contributions

For the years ended June 30, 2020 and 2019, the City's actuarially determined contributions were as follows (in thousands):

	2020	2019	
PFRS Plan	$ 43,409	$ 44,821	
CalPERS Miscellaneous Plan (City)	82,284	70,598	(1)
CalPERS Miscellaneous Plan (Port)	24,588	21,832	(1)
CalPERS Safety Plan (City)	78,049	68,922	(2)
CalPERS Safety Plan (Port)	598	525	(2)
Total	**$ 228,928**	**$ 206,698**	

(1) For measurement period 2018-19, employer contributions reported by CalPERS were $14 million lower than City reported contributions. This was due to a correction made in CalPERS system related to calculation of prior year contributions for PEPRA employees. $10.9 million of the variance was accounted for as "Other Miscellaneous Income" by CalPERS. The remaining variance was posted in CalPERS system in July 2019 and included in next fiscal year.

(2) For measurement period 2018-19, employer contributions reported by CalPERS were $6.2 million lower than City reported contributions. This was due to a correction made in CalPERS system related to calculation of prior year contributions for PEPRA employees. $18,886 of the variance was accounted for as "Other Miscellaneous Income" by CalPERS. The remaining variance was posted in CalPERS system in July 2019 and included in next fiscal year.

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 were required until July 1, 2017. The City resumed contributions to PFRS on July 1, 2017. The City contributed $43.4 million in the year ended June 30, 2020.

CalPERS – Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Port's CalPERS Safety Unit - Special Agreement with the City of Oakland

During the period from July 1, 1976, through January 17, 1998 (employment period), the Port appointed certain employees to positions in the classifications of Airport Servicemen and Airport Operations Supervisors. The Port was and has always been the employer that directly appointed, retained, employed, and compensated the personnel in these positions. As result of a decision by CalPERS' Board of Administration on April 15, 1998, employees appointed to positions in the classifications of Airport Servicemen and Airport Operations Supervisors were reclassified from the Miscellaneous Unit member status in CalPERS to Safety Unit member status, effective retroactively to the later of either the date of their respective employment in such classifications or July 1, 1976. The decision to reclassify employees to safety member status resulted in an additional net cost to provide retirement benefits earned during the employment period. CalPERS' actuary estimated that the present value of this net cost (including subsequent actual experience through June 30, 2000, and projected experience through June 30, 2002) was $5.9 million.

The Port entered into an agreement with the City for the payment of this net cost by the Port directly to CalPERS. The agreement provides for the Port to make payments over 20 years in annual installments, with interest at 4.34 percent and adjusted for cost of living at a rate of 3.75 percent. Under this agreement, the Port's obligation will not fluctuate based on the recognition of market gains or losses, changes in the actuarial assumptions, or experiences that differ from the actuary projections. The Port's obligation will remain fixed until paid in full. For the year ended June 30, 2020, the Port recognized principal payments of $0.6 million for the Safety Unit obligation.

4. Net Pension Liability

The table below shows how the net pension liability as of June 30, 2020, is distributed (in thousands).

Governmental Activities	$ 1,672,538
Business-type Activities	44,896
Component Unit - Port of Oakland	217,833
Total	**$ 1,935,267**

As of June 30, 2020, the City's net pension liability is comprised of the following (in thousands):

PFRS Plan	$ 243,501
CalPERS Miscellaneous Plan (City)	688,513
CalPERS Miscellaneous Plan (Port)	215,522
CalPERS Safety Plan (City)	785,420
CalPERS Safety Plan (Port)	2,311
Total	**$ 1,935,267**

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, 2019, using an annual actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The Port's proportionate share of the City's Miscellaneous Plan was determined based on a three year average of the Port's employer contributions divided by the total employer contributions and was 23.84 percent for the June 30, 2019 measurement date.

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, 2018 (valuation date)	$ 656,192	$ 375,975	$ 280,217
Change for the year:			
Interest on the total pension liability	37,621	—	37,621
Changes in assumptions	(1,475)	—	(1,475)
Differences between expected and actual experience	(7,915)	—	(7,915)
Contributions - employer	—	44,821	(44,821)
Claims and settlements	—	14	(14)
Net investment income	—	21,558	(21,558)
Administrative expenses	—	(1,446)	1,446
Benefit payments, including refunds	(56,212)	(56,212)	—
Net changes	(27,981)	8,735	(36,716)
Balance at June 30, 2019 (measurement date)	**$ 628,211**	**$ 384,710**	**$ 243,501**

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

	CalPERS Miscellaneous Plan			CalPERS Safety Plan		
	Increase (Decrease)			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, 2018 (valuation date)	$2,723,356	$1,883,679	$ 839,677	$2,110,581	$1,369,787	$ 740,794
Changes for the year:						
Service cost	45,906	—	45,906	44,360	—	44,360
Interest on the total pension liability	194,753	—	194,753	150,669	—	150,669
Differences between expected and actual experience	54,499	—	54,499	24,421	—	24,421
Contributions from the employer	—	78,370	(78,370)	—	63,292	(63,292)
Contributions from employees	—	18,861	(18,861)	—	20,070	(20,070)
Plan to plan movement	—	107	(107)	—	(107)	107
Net investment income	—	123,862	(123,862)	—	90,217	(90,217)
Administrative expenses	—	(1,344)	1,344	—	(978)	978
Benefits payments, including refunds of employee contributions	(153,985)	(153,985)	—	(99,846)	(99,846)	—
Other miscellaneous income/(expense)	—	10,944	(10,944)	—	19	(19)
Net changes	141,173	76,815	(44,623)	119,604	72,667	46,937
Balance at June 30, 2019 (measurement date)	**$2,864,529**	**$1,960,494**	**$ 904,035**	**$2,230,185**	**$1,442,454**	**$ 787,731**

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

For the year ended June 30, 2020, the City and the Port recognized pension expense of $249.9 million and $37.1 million, respectively. At June 30, 2020, the City's deferred outflows of resources and deferred inflows of resources related to pension items are from the following sources (in thousands):

	PFRS Plan		CalPERS City Miscellaneous Plan		CalPERS Safety Plan		Total City	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 43,409	$ —	$ 82,284	$ —	$ 78,647	$ —	$ 204,340	$ —
Change in assumptions	—	—	—	(4,854)	53,617	(4,040)	53,617	(8,895)
Differences between expected and actual experience	—	—	27,670	(3,352)	30,291	—	57,961	(3,352)
Net differences between projected and actual earnings on plan investments	—	(11,202)	—	(8,589)	—	(7,408)	—	(27,199)
Change in proportionate share	—	—	3,513	—	—	—	3,513	—
Total	**$ 43,409**	**$ (11,202)**	**$ 113,467**	**$ (16,795)**	**$ 162,555**	**$ (11,448)**	**$ 319,431**	**$ (39,446)**

At June 30, 2020, the City's pension expense was composed of the following amounts by plan (in thousands):

	PFRS Plan	CalPERS City Miscellaneous Plan	CalPERS Safety Plan	Total City
Pension expense	$ 8,739	$ 116,431	$ 124,712	$ 249,882

At June 30, 2020, the Port's deferred outflows of resources and deferred inflows of resources related to pension items are from the following sources (in thousands):

	Port Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 24,588	$ —
Change in assumptions	—	(1,519)
Differences between expected and actual experience	8,662	(1,050)
Net differences between projected and actual earnings on plan investments	—	(2,688)
Change in proportionate share	—	(3,513)
Total	**$ 33,250**	**$ (8,770)**

At June 30, 2020, the City and the Port reported $204.3 million and $24.6 million, respectively, 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, 2021. 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):

	Deferred Outflows/(Inflows) of Resources		
Year Ending June 30	City	Port	Total
2021	$ 49,556	$ 897	$ 50,453
2022	11,546	(629)	10,917
2023	6,293	(797)	5,496
2024	7,311	421	7,732
2025	939	—	939
Total	$ 75,645	$ (108)	$ 75,537

6. Actuarial Assumptions

The June 30, 2018 valuation was rolled forward to determine the June 30, 2019 total pension liability, based on the following actuarial methods and assumptions:

	PFRS Plan	CalPERS Miscellaneous and Safety Plans
Valuation date	July 1, 2018	June 30, 2018
Measurement date	June 30, 2019	June 30, 2019
Actuarial cost method	Entry-age normal cost method	Entry-age normal cost method
Discount rate	5.50%	7.15%
Inflation rate	2.75% (U.S.) to 2.85% (Bay Area)	2.50%
Salary increases	n/a	Varies by Entry Age and Service
Post retirement benefits increases	Police - 2.5% increase at January 1, 2019 and July 1, 2020 , 3% increase at July 1, 2021, 3.5 % increase at July 1, 2022 and 2023, 3.25% increase starting at 2024 Fire - 1% at November 1, 2018 and January 1, 2019, 2% at November 1, 2019, 3.25% annual increase starting July 1, 2020	The lessor of contract cost of living adjustment or 2.5% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

For the PFRS Plan, mortality rates for healthy lives were based on the CalPERS Healthy Annuitant Table from the 2012-2015 Experience Study, excluding the 15-year projection using 90% of Scale MP-2016. Mortality rates for disabled lives were based on the CalPERS Industrial Disability Mortality Table from the 2012-2015 Experience Study, excluding the 15-year projection using 90% of Scale MP-2016. The mortality tables are projected to improve with MP-2017 generational mortality improvement tables, with improvements projected from a base year of 2014 (the mid-point of the CalPERS base tables).

For the CalPERS Miscellaneous and Safety Plans, the mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Change in Assumptions – For the PFRS Plan, the mortality rates, mortality improvement projection scales and expected annual rate of return on investments have changed based on the June 30, 2017 experience study.

Discount Rates

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

Best estimates of geometric real rates of return for each major class included in the PFRS's target asset allocation as of June 30, 2019 measurement date are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	3.10%
Domestic Equity	6.00%
International Equity	6.80%
Covered Calls	6.10%
Credit Risk Offset	4.80%
Cash	2.50%

The discount rate used to measure the total pension liability was 5.50 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 Safety Plan total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, CalPERS determined that the discount rates of 7.15 pecent were appropriate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate is applied to all plans in the Public Employees Retirement Fund. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first

10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00	1.00	2.62
Inflation Sensitive	—	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	—	(0.92)

(1) An expected inflation of 2.00% used for this period.

(2) An expected inflation of 2.92% 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 and the Port's proportionate share of the net pension liability of the City's CalPERS Miscellaneous Plan. The sensitivity of the net pension liability is calculated using the discount rate, as well as what the City's net pension liability 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 6.15%	Measurement Date at 7.15%	1% Increase at 8.15%
CalPERS Miscellaneous Plan - City	$ 954,257	$ 688,513	$ 466,791
CalPERS Miscellaneous Plan - Port proportionate share	298,707	215,522	146,118
CalPERS Safety Plan	1,105,582	787,731	528,575

	1% Decrease at 4.44%	Measurement Date at 5.44%	1% Increase at 6.44%
PFRS	$ 301,403	$ 243,501	$ 193,837

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 retirement 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 actuarially determined contribution (ADC) to the California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit post-employment 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 (Postretirement 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 Postretirement Health Plan also includes dental and vision benefits and reimbursement of Medicare Part B monthly insurance premium. The Postretirement Health Plan does not issue a separate financial report.

2. Benefits Provided

As provided by the Public Employees' Medical & Hospital Care Act (PEMHCA), the City contracts with CalPERS for medical plan coverage for both active and retired employees. The City pays part of the health insurance premiums for all eligible retirees from City employment receiving a pension annuity earned through City service.

Employees Covered - Based on the July 1, 2019 Actuarial Valuation Report, the following employees were covered by the benefit terms for the OPEB plan:

Inactive retired participants and surviving spouses receiving benefits	2,782
Inactive participants' spouses receiving benefits	1,099
Active employees eligible for retirement benefits	1,048
Active employees not yet eligible for retirement benefits	2,501
Total	**7,430**

3. Contributions

The annual contribution is based on the actuarially determined contribution. The City 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 actuarially determined contribution (ADC) to the CERBT fund. Benefit payments occur in the form of direct payments for premiums and taxes (explicit subsidies) and indirect payments to retirees in the form of higher premiums for active employees (implicit subsidies). On August 9, 2018, the City contributed the second of two one-time payments of $10.0 million into the CERBT fund to partially prefund the actuarially determined contribution for OPEB, as provided for in the FY 2017-19 Adopted Policy Budget. In addition, on February 26, 2019, City Council adopted an Other Post-Employment Benefits Funding Policy providing for ongoing prefunding contributions of 2.5% of payroll. On June 2, 2020, City Council authorized the postponement of this payment for the fiscal years ending June 30, 2020 and June 30, 2021 in response financial challenges arising from the COVID-19 global pandemic.

In accordance with the GASB standards, the current results recognize a blended discount rate based on the City's historical contribution pattern. The discount rate will be reviewed for the following year based on the City's actual contributions.

Benefits and other contributions paid by the City for the year ended June 30, 2020 is shown below.

Explicit contributions	$	22,877
Implicit contributions		6,040
Trust contributions		—
Total	**$**	**28,917**

The amount of implicit contributions paid are reflected as a reduction in (active) employee premiums. The contributions made during the year ended June 30, 2020 are reported as deferred outflows of resources on the statement of net position as discussed below.

Net OPEB Liability

The City's net OPEB liability is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability is measured as of June 30, 2019 (measurement date), using an annual actuarial valuation as of July 1, 2019. A summary of principal actuarial assumptions and methods used to determine the total OPEB liability is as follows:

Actuarial valuation date	July 1, 2019
Actuarial cost method	Entry-Age Normal Cost Method
Asset valuation method	Market value
Amortization method	Level percentage of pay, closed period, 30 years
Inflation	2.50%
Discount rate	4.50%
Rate of salary increase	2.75%
Ultimate rate of medical inflation	4.00%
Years to ultimate rate of medical inflation	20 years
Mortality, termination and disability	Based on the 2017 CalPERS Experience Study from 1997 to 2015
Postretirement benefit increase	Police - 2.5% and 1% increases at January 1, 2018; 2% on July 1, 2018; 2.5% at January 1, 2019; then 3.25% Fire - 3.25%

Discount Rate - Economic assumptions were based on the CERBT Strategy 1 and the Bond Buyer GO 20-Year Bond Municipal Bond Index as of June 30, 2019. Based on this approach the discount rate utilized was 4.50%.

The following table shows the changes in net OPEB liability for the year ended June 30, 2020:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018 (valuation date)	$ 856,572	$ 15,929	$ 840,643
Changes for the year:			
Service cost	37,585	—	37,585
Interest	32,591	—	32,591
Change of benefits	(147,572)	—	(147,572)
Changes in assumptions	(139,063)	—	(139,063)
Differences between expected and actual experience	14,923	—	14,923
Contributions from the employer	—	39,130	(39,130)
Net investment income	—	1,420	(1,420)
Administrative expenses	—	(12)	12
Benefit payments, including refunds	(29,130)	(29,130)	—
Net changes	(230,666)	11,408	(242,074)
Balance at June 30, 2019 (measurement date)	**$ 625,906**	**$ 27,337**	**$ 598,569**

The change of benefits reflects negotiated revisions to benefits for public safety employees hired on or after January 1, 2019. Changes in assumptions include both changes to demographic assumptions and the discount rate applied. Future assumptions are subject to change and depend, in part, on the City's actual CERBT contributions in future periods.

4. Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The discount rate used for the year ended June 30, 2020 is 4.5 percent. The impact of a 1 percent increase or decrease in the discount rate assumption is shown below:

	1% Decrease at 3.5%	Measurement Date at 4.5%	1% Increase at 5.5%
Net OPEB Liability	$ 680,815	$ 598,569	$ 530,525

The following presents the net OPEB liability of the OPEB plan as of the measurement date, as well as what the net OPEB liability would be if they were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current rate (in thousands):

	-1.00%	Baseline	+1.00%
Net OPEB Liability	$ 530,346	$ 598,569	$ 678,188

5. OPEB Plan Fiduciary Net Position

The City’s OPEB plan trust fund is included in the CalPERS CERBT agent multiple-employer plan reported in the CalPERS Comprehensive Annual Report (CAFR).

6. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized a negative OPEB expense of $157.0 million. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 28,917	$ —
Change in assumptions	—	288,876
Differences between expected and actual experience	12,436	5,399
Net difference between projected and actual earnings on plan investments	—	73
Total	**$ 41,353**	**$ 294,348**

The $28.9 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources will be recognized as future OPEB expense as follows:

Year Ending June 30	Deferred (Inflows) of Resources
2021	$ (78,069)
2022	(78,069)
2023	(78,043)
2024	(27,041)
2025	(20,690)
Total	**$ (281,912)**

Component Unit – Port of Oakland

1. Plan Description

The Port has established a Retiree Healthcare Plan and participates in 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 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 Healthcare 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 or more	100%

Employees Covered - As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the Port's Retiree Healthcare Plan:

Active employees	466
Inactive employees or beneficiaries currently receiving benefits	594
Total	**1,060**

2. Contributions

Benefit provisions are established and are amended through negotiations between the Port and the various bargaining units during each bargaining period. The annual contribution is based on the actuarially determined contribution. The Port pays a portion of retiree benefit expenses on a pay-as-you-go basis to third parties and directly to beneficiaries (Pay-go), and funds the remaining actuarially determined contribution to the CERBT fund. For the year ended June 30, 2020, the Port's cash contributions totaling $14.2 million consisted of $8.1 million in payments to third parties, $4.2 million paid to the CERBT fund, and the estimated implicit subsidy of $1.9 million.

3. Net OPEB Liability

The Port's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 based on the following actuarial methods and assumptions:

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry-Age Normal
Discount rate	6.75%
Inflation	2.50%
Salary increases	3.00% per annum
Investment rate of return	6.75% net of investment expenses
Mortality, termination and disability (1)	Based on the 2017 CalPERS Experience Study from 1997 to 2015
Healthcare trend rate (2)	3.25-6.00% per year increase for medical and 3.0% per year increase for vision and dental, and 4.25%-6.0% per year increase for Medicare Part B

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1 The mortality table used was developed based on CalPERS' specific data. The table includes a margin for mortality improvement using the Society of Actuaries 90% Scale MP-2016. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

2 Based on the "Getzen" model published by the Society of Actuaries for purposes of evaluating long-term medical care.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB 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 asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Arithmetic Nominal Return (50 Years) (1)
Global Equity	59.00 %	8.08 %
U.S. Fixed Income	25.00 %	5.88 %
Treasury Inflation - Protected Securities	5.00 %	3.67 %
Real Estate Investment Trust	8.00 %	7.91 %
Commodities	3.00 %	5.38 %
Expected Arithmetic Return (50 years)		7.21 %
Expected Geometric Return (50 years)		6.65 %

(1) Rates include a 2.5 percent long-term inflation assumption

4. Discount Rate

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Port contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

5. Changes in the Net OPEB Liability

The changes in the net OPEB liability for the Port's Retiree Healthcare Plan are as follows (in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	**$ 177,603**	**$ 77,737**	**$ 99,866**
Changes for the year:			
Service cost	4,621	—	4,621
Interest	11,995	—	11,995
Changes in assumptions	(6,179)	—	(6,179)
Differences between expected and actual experience	(3,665)	—	(3,665)
Contributions from the employer	—	14,693	(14,693)
Net investment income	—	4,821	(4,821)
Administrative expenses	—	(38)	38
Benefit payments, including refunds	(9,193)	(9,193)	—
Net changes	(2,421)	10,283	(12,704)
Balance at June 30, 2020	**$ 175,182**	**$ 88,020**	**$ 87,162**

6. Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The discount rate used for the fiscal year 2020 is 6.75%. The impact of a 1% increase or decrease in the discount rate assumption is shown below:

	1% Decrease at 5.75%	Measurement Date at 6.75%	1% Increase at 7.75%
Net OPEB Liability	$ 108,704	$ 87,162	$ 69,206

The following presents the net OPEB liability of the Port if it were calculated using healthcare cost trend rates that are one percentage point lower to one percentage point higher than the current rate, as of June 30, 2020 (in thousands):

	-1.00%	Current Healthcare Costs Trend Rate	+1.00%
Net OPEB Liability	$ 67,869	$ 87,162	$ 110,418

7. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Port recognized OPEB expense of $8.5 million. The Port reported deferred outflows/inflows of resources related to OPEB from the following sources as of June 30, 2020 (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 14,145	$ —
Differences between projected and actual earnings on OPEB plan investments	—	652
Difference between expected and actual experience	—	2,806
Changes of assumptions	—	4,732
Total	**$ 14,145**	**$ 8,190**

The OPEB contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent measurement year. Other amounts reported as deferred inflows of resources, will be amortized annually, and recognized as a reduction to OPEB expense, for the years ending June 30 as follows (in thousands):

Year Ending June 30	Deferred (Inflows) of Resources
2021	$ (2,687)
2022	(2,687)
2023	(2,315)
2024	(501)
Total	**$ (8,190)**

C. COMMITMENTS AND CONTINGENCIES

Primary Government

1. Construction Commitments

As of June 30, 2020, the City had outstanding construction encumbrances for the acquisition and construction of assets as follows (in thousands):

	General Fund	Federal/ State Grant Fund	Municipal Capital Improvement Fund	Other Special Revenue	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Building, facilities and infrastructure	31	—	457	19	—	506	1,013
Parks and open space	834	487	1,268	—	—	—	2,589
Sewers and storm drains	—	85			—	—	85
Streets and sidewalks	—	2,481	4,482	58	2,079	—	9,100
Technology enhancement	1,075	—	1	—	—	442	1,518
Traffic improvements	—	3,235	269	—	216	—	3,720
Total	**$ 1,940**	**$ 6,288**	**$ 6,477**	**$ 77**	**$ 2,295**	**$ 948**	**$ 18,025**

	Sewer Fund	Nonmajor Parks and Recreation	Total Business-Type Activities
Building, facilities and infrastructure	$ —	$ 139	$ 139
Sewers and storm drains	7,255	—	7,255
Streets and sidewalks	3,572	—	3,572
Total	**$ 10,827**	**$ 139**	**$ 10,966**

2. Other Commitments and Contingencies

Recognized Obligation Payment Schedule

As of June 30, 2020, the ORSA had encumbered $569.2 million for contracted obligations, per the ROPS covering the July 1, 2020 through June 30, 2021 period, which was approved by the DOF on April 15, 2020.

Component Unit – Port of Oakland

As of June 30, 2020, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

Aviation	$ 20,332
Maritime	486
Total	**$ 20,818**

The most significant projects for which the Port has contractual commitments for construction are the Airport Perimeter Dike Improvements for $13 million, various terminal improvements including flooring replacement, and removal and restoration of the moving walkways for $4.4 million, and equipment installation at two Maritime substations for $0.4 million.

3. Power Purchases

The Port purchases electrical power for resale and self-consumption and currently has four power purchase agreements including East Bay Municipal Utility District (EBMUD), Western Area Power Administration (WAPA), Longroad Energy, and Northern California Power Agency (NCPA) with expiration dates greater than two 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 $464,000 with no annual escalator from 2017-2022.
WAPA	2024	Take and 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).
Longroad Energy	2027	Take and Pay - (Pay contract price only if energy is received)	1,200 MWH	Approximately $200,000 with annual escalator.
NCPA	2041	Take and Pay - (Pay contract price only if energy is received)	11,300 MWH	Approximately $440,000 with annual escalator.

In addition to the aforementioned power purchase agreements, the Port had outstanding, as of June 30, 2020, multiple forward power purchase contracts totaling approximately $1.4 million with Powerex Corporation and Shell Energy North America. The forward power purchase contracts have various expiration dates through December 31, 2020.

4. 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 as other liability on the statement of net position at June 30, 2020, is as follows (in thousands):

Obligating Event	Liability	Estimated Recovery
Pollution poses an imminent danger to the public or environment	$ 1,198	$ —
Identified as responsible to clean up pollution	13,593	75
Begins or legally obligates to clean up or post-clean up activities	1,454	—
Total by obligating event	**$ 16,245**	**$ 75**

The environmental liability accounts in the summary tables are listed by the initial obligating event. Due to new information, the obligating event may change from the initial obligating event. Examples of obligating events include: 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; or 2) the Port has commenced, or legally obligates itself to commence, clean-up activities, 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; or
- Changes in legal or regulatory requirements.

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.

Litigation

The Port at various times is a defendant in various lawsuits arising in the normal course of business, including constructing public improvements or construction related claims for unspecified amounts. The ultimate disposition of these suits and claims is not known and the Port's insurance may cover a portion of any losses, if incurred. Port management may make provision for probable losses if deemed appropriate on the advice of legal counsel.

D. DEFICIT FUND BALANCES/NET POSITION

As of June 30, 2020, the following funds reported deficits in fund balance/net position (in thousands):

Fund	Deficit
Other Governmental Funds	
Lease Financing	$ (931)
Internal Service Funds	
Facilities	(29,347)
Reproduction	(3,083)
Central Stores	(4,977)
Purchasing	(2,929)
Other Private-Purpose Trust Funds:	
Oakland Redevelopment Successor Agency Trust Fund	(202,731)
Private Pension Trust Fund	(33)

The deficit in the Lease Financing Debt Service Fund will be cured from the Landscape and Lighting Assessment District Fund receipts in future years. The City's facilities, reproduction, central stores, and purchasing fund deficits are expected to be funded through increased user charges in future years. In addition, the City has allocated one-time funds to address these negative balances at various times over the past several years, which has reduced such balances over time. In June 2019, City Council adopted a revised repayment schedule for negative funds as part of the 2019-2021 proposed policy budget. In June 2020, City Council restructured this plan to delay payments by one year due to financial challenges arising from the COVID-19 global pandemic.

At June 30, 2020, ORSA has a negative net position of $202.7 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. 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. UNCERTAINTY

COVID-19 Impact on City

On March 17, 2020, the County of Alameda issued a directive ordering all individuals living in the county to shelter in place ("SIP"), with the exception of essential activities, to help prevent the spread of COVID-19. The SIP order has since been extended and modified on repeated occasions, most recently on December 7, 2020, and remains in effect until rescinded, superseded, or amended. These necessary actions to curb the transmission of the virus have weakened the City's economy and revenues in FY 2019-20, and appear likely to have continued impacts through FY 2020-21 and likely beyond.

Between February and June 2020, employment levels in Oakland fell by 12.6%, increasing the unemployment rate nearly five-fold, from 3.4% to 15.7%. By October 2020, the City's unemployment rate had improved to 10.0% but remained well above levels seen in recent years. Tourism and business activity declined in parallel with employment losses. Total passengers served by the Oakland International Airport fell by 30% in FY 2019-20, driven by a dramatic decline of more than 90% in the fourth quarter, while the number of employees impacted by large business closures and layoffs soared, rising from 154 in the first half of the fiscal year to 3,551 in the second half. These trends have continued into FY 2020-21.

The City's real estate markets have also been challenged in the wake of COVID-19. Gross sales of properties under $100 million of value dropped by 10% in FY 2019-20 relative to FY 2018-19. Construction activity from projects begun in prior years continued through the pandemic but some proposed projects were paused, most notably a $900 million, 29-story headquarters for Kaiser Permanente intended to house 7,200 employees.

These broad declines in economic activity have had substantial impacts on the City's revenues and near-term fiscal outlook. Real Estate Transfer Taxes, Sales Taxes, and Transient Occupancy Taxes, among other revenue sources, have been impacted by sharp declines in the broader economy. Service demands from the City's residents have simultaneously increased in the face of income and job losses. In addition, heightened levels of gun violence, civil protests, and fire-related emergencies have strained the City's public safety capacity and contributed to increased overtime expenditures.

Revenue shortfalls arising from the pandemic weigh upon the City's fiscal condition in FY 2020-21 and appear likely to have ongoing impacts as the City begins development of its bi-ennial budget for FY 2021-22 and FY 2022-23. Increased federal funding under the CARES Act has helped to offset some of these losses, most notably $10 million in CARES Act Relief Fund allocations targeted for public safety payroll costs, but most new funding has been directed to expanding services for residents and is not available to backfill revenue declines. Absent new federal stimulus funds, and given limited opportunities for revenue increases, the City may be confronted with substantial expenditure reductions as its only remaining option to achieve a balanced budget.

Like local governments across the nation, Oakland faces unprecedented challenges to its economic condition and fiscal outlook from the global COVID-19 pandemic. The decline in economic output that accompanied the pandemic was swift, in contrast with the more gradual downward trends associated with past recessions, and the City had little time to prepare for revenue losses. In addition, the time frame for recovery of the City's revenues remains uncertain, as actual revenues continue to fall short of projections made in earlier periods. Much uncertainty remains on the trajectory and timing of this public health crisis.

F. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes Payable - On July 15, 2020, the City issued $109.2 million tax and revenue anticipation notes in advance of property tax collections. The notes were issued as three taxable series bearing interest rates of 0.814 percent to 1.029 percent with a final maturity of June 30, 2021. The notes were issued to finance the prepayment of the City's Employer Unfunded Accrued Liability contribution to CalPERS for fiscal year 2020-21. The City received a 3.33 percent prepayment discount from CalPERS for pre-funding.

Coliseum Way Partners - As discussed in Note II, part I, the City is a participant with the County of Alameda in a joint exercise of powers agreement forming the Oakland-Alameda County Coliseum Authority (Coliseum Authority). The County entered into a disposition agreement with Coliseum Way Partners on December 23, 2019 to divest its interest in the Coliseum Complex. Transfer of the County's interest will occur once the bonds outstanding against the Authority's property have been defeased or repaid. The current final maturity date of Arena and Stadium outstanding debt is February 1, 2026 and February 1, 2025, respectively. The City expects the County to transfer its interest in the Coliseum Complex around this time. The potential divestment of the City's interest in the Coliseum Complex remains under consideration.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF OAKLAND
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios – Police and Fire Retirement System
Last Six Fiscal Years*
(In Thousands)

Fiscal Year	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Measurement period	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Total pension liability						
Service cost	$ —	$ —	$ —	$ —	$ —	$ —
Interest on the total pension liability	37,621	44,320	44,932	42,480	41,263	42,333
Changes of assumptions	(1,475)	17,858	—	43,480	34,219	—
Differences between expected and actual experience	(7,915)	(10,656)	3,028	6,978	(21,209)	—
Benefit payments, including refunds of employee contributions	(56,212)	(55,999)	(57,376)	(58,441)	(59,008)	(57,409)
Net change in total pension liability	(27,981)	(4,477)	(9,416)	34,497	(4,735)	(15,076)
Total pension liability, beginning	656,192	660,669	670,085	635,588	640,323	655,399
Total pension liability, ending	**$ 628,211**	**$ 656,192**	**$ 660,669**	**$ 670,085**	**$ 635,588**	**$ 640,323**
Plan fiduciary net position						
Contributions, employer	$ 44,821	$ 44,860	$ —	$ —	$ —	$ —
Contributions, employee	—	—	—	—	—	4
Net investment income	21,558	35,446	50,159	(1,419)	15,439	66,392
Administrative expenses	(1,446)	(1,543)	(1,261)	(1,376)	(985)	(776)
Claims and settlements	14	9	70	3,593	—	—
Benefit payments, including refunds of employee contributions	(56,212)	(55,999)	(57,376)	(58,441)	(59,008)	(57,409)
Net change in plan fiduciary net position	8,735	22,773	(8,408)	(57,643)	(44,554)	8,211
Plan fiduciary net position, beginning	375,975	353,202	361,610	419,253	463,807	455,596
Plan fiduciary net position, ending	**$ 384,710**	**$ 375,975**	**$ 353,202**	**$ 361,610**	**$ 419,253**	**$ 463,807**
Plan net pension liability	**$ 243,501**	**$ 280,217**	**$ 307,467**	**$ 308,475**	**$ 216,335**	**$ 176,516**
Plan fiduciary net position as a percentage of the total pension liability	**61.2%**	**57.3%**	**53.5%**	**54.0%**	**66.0%**	**72.4%**
Covered payroll	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Plan net pension liability as a percentage of covered payroll	**n/a**	**n/a**	**n/a**	**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 six 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 Six Fiscal Years*
(In Thousands)

Fiscal year	**2019-20**	**2018-19**	**2017-18**	**2016-17**	**2015-16**	**2014-15**
Measurement period	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Total pension liability						
Service cost	$ 45,906	$ 43,908	$ 44,132	$ 37,856	$ 37,347	$ 37,135
Interest on the total pension liability	194,753	185,097	181,418	177,626	172,693	166,822
Changes of assumptions	—	(19,122)	140,332	—	(39,092)	—
Differences between expected and actual experience	54,499	(13,207)	(8,109)	(16,210)	(7,769)	—
Benefit payments, including refunds of employee contributions	(153,985)	(144,933)	(138,379)	(132,473)	(126,730)	(121,423)
Net change in total pension liability	141,173	51,743	219,394	66,799	36,449	82,534
Total pension liability, beginning	2,723,356	2,671,613	2,452,219	2,385,420	2,348,971	2,266,437
Total pension liability, ending	**$2,864,529**	**$2,723,356**	**$2,671,613**	**$2,452,219**	**$2,385,420**	**$2,348,971**
Plan fiduciary net position						
Contributions, employer [1]	$ 78,370	$ 79,536	$ 75,893	$ 65,067	$ 63,531	$ 52,556
Contributions, employee	18,861	18,240	17,935	17,291	16,904	17,431
Plan to plan resource movement	107	548	135	—	24	—
Net investment income	123,862	151,049	182,811	8,647	37,833	256,552
Administrative expenses	(1,344)	(2,785)	(2,438)	(1,032)	(1,919)	—
Benefit payments, including refunds of employee contributions	(153,985)	(144,933)	(138,379)	(132,473)	(126,730)	(121,423)
Other miscellaneous income/(expense) [1]	10,944	(5,289)	—	—	—	—
Net change in plan fiduciary net position	76,815	96,366	135,957	(42,500)	(10,357)	205,116
Plan fiduciary net position, beginning	1,883,679	1,787,313	1,651,356	1,693,856	1,704,213	1,499,097
Plan fiduciary net position, ending	**$1,960,494**	**$1,883,679**	**$1,787,313**	**$1,651,356**	**$1,693,856**	**$1,704,213**
Plan net pension liability	**$ 904,035**	**$ 839,677**	**$ 884,300**	**$ 800,863**	**$ 691,564**	**$ 644,758**
Plan fiduciary net position as a percentage of the total pension liability	**68.4%**	**69.2%**	**66.9%**	**67.3%**	**71.0%**	**72.6%**
Covered payroll	**$ 235,715**	**$ 226,157**	**$ 220,386**	**$ 206,595**	**$ 200,562**	**$ 188,886**
Plan net pension liability as a percentage of covered payroll	**383.5%**	**371.3%**	**401.3%**	**387.6%**	**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 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions - In FY 2016-17, the accounting discount rate was reduced from 7.65% to 7.15%. In 2015-16, there were no changes. In 2014-15, the amount reported reflects an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.75% (without a reduction for pension plan administrative expense). In 2013-14, amounts were based on the 7.5% discount rate.

[1] For measurement period 2018-19, employer contribution reported by CalPERS was $14 million lower than City reported contributions. This was due to a correction made in CalPERS system related to calculation of prior year contributions for PEPRA employees. $10.9 million of the variance was accounted for as "Other Miscellaneous Income" by CalPERS. The remaining variance was posted in CalPERS system in July 2019 and included in next fiscal year. For measurement period 2017-18, as a result of GASB Statement 75, CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only six 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 Six Fiscal Years*
(In Thousands)

Fiscal year	**2019-20**	**2018-19**	**2017-18**	**2016-17**	**2015-16**	**2014-15**
Measurement period	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Total pension liability						
Service cost	$ 44,360	$ 43,936	$ 43,687	$ 36,434	$ 32,899	34,590
Interest on the total pension liability	150,669	142,495	136,316	129,920	121,444	115,261
Changes of assumptions	—	(6,416)	120,639	—	(31,738)	—
Differences between expected and actual experience	24,421	3,126	1,595	32,162	4,892	—
Benefit payments, including refunds of employee contributions	(99,846)	(93,628)	(87,231)	(80,752)	(74,198)	(68,751)
Net change in total pension liability	119,604	89,513	215,006	117,764	53,299	81,100
Total pension liability, beginning	2,110,581	2,021,068	1,806,062	1,688,298	1,634,999	1,553,899
Total pension liability, ending	**$ 2,230,185**	**$ 2,110,581**	**$2,021,068**	**$ 1,806,062**	**$ 1,688,298**	**$1,634,999**
Plan fiduciary net position						
Contributions, employer [(1)]	$ 63,292	$ 55,633	$ 57,731	$ 47,172	$ 44,366	37,007
Contributions, employee	20,070	19,188	18,432	16,221	15,027	14,598
Plan to plan resource movement	(107)	(555)	(92)	—	(24)	—
Net investment income	90,217	108,790	129,995	6,311	26,057	175,344
Administrative expenses	(978)	(2,004)	(1,726)	(719)	(1,337)	—
Benefit payments, including refunds of employee contributions	(99,846)	(93,628)	(87,232)	(80,752)	(74,198)	(68,751)
Other miscellaneous income/(expense) [(1)]	19	(3,806)	—	—	—	—
Net change in plan fiduciary net position	72,667	83,618	117,108	(11,767)	9,891	158,198
Plan fiduciary net position, beginning	1,369,787	1,286,169	1,169,061	1,180,828	1,170,937	1,012,739
Plan fiduciary net position, ending	**$ 1,442,454**	**$ 1,369,787**	**$1,286,169**	**$ 1,169,061**	**$ 1,180,828**	**$1,170,937**
Plan net pension liability	**$ 787,731**	**$ 740,794**	**$ 734,899**	**$ 637,001**	**$ 507,470**	**$ 464,062**
Plan fiduciary net position as a percentage of the total pension liability	**64.7%**	**64.9%**	**63.6%**	**64.7%**	**69.9%**	**71.6 %**
Covered payroll	**$ 156,372**	**$ 153,500**	**$ 148,995**	**$ 136,073**	**$ 119,980**	**120,396**
Plan net pension liability as a percentage of covered payroll	**503.8%**	**482.6%**	**493.2%**	**468.1%**	**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 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions - In FY 2016-17, the accounting discount rate was reduced from 7.65% to 7.15%. In 2015-16, there were no changes. In 2014-15, the amount reported reflects an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.75% (without a reduction for pension plan administrative expense). In 2013-14, amounts were based on the 7.5% discount rate.

[(1)] For measurement period 2018-19, employer contribution reported by CalPERS was $6.2 million lower than City reported contributions. This was due to a correction made in CalPERS system related to calculation of prior year contributions for PEPRA employees. $18,886 of the variance was accounted for as "Other Miscellaneous Income" by CalPERS. The remaining variance was posted in CalPERS system in July 2019 and included in next fiscal year. For measurement period 2017-18, as a result of GASB Statement 75, CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

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

CITY OF OAKLAND
Required Supplementary Information (Unaudited)
Schedule of Employer Pension Contributions –
Police and Fire Retirement System
Last Seven Fiscal Years*
(In Thousands)

Oakland Police and Fire Retirement System							
Fiscal year ended June 30	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Actuarially determined contributions (ADC)	$ 43,409	$ 44,821	$44,860	$ —	$ —	$ —	$ 20,300
Contributions in relation to the ADC	(43,409)	(44,821)	(44,860)	—	—	—	—
Contribution deficiency (excess)	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 20,300**
Covered payroll	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Contributions as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a

* Although actuarial valuations were performed as of June 30, 2014, 2015, and 2016, no ADC was determined for FY 2015, 2016, and 2017 based on the City's funding policy.

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

Actuarial valuation date	July 1, 2018	July 1, 2017
Actuarial cost method	Entry-Age Normal 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.	Recognized 20% difference between market value and expected actuarial value each year, with a corridor of 10% around market value.
Amortization method	Level dollar closed (9 years remaining as of 7/1/2017)	Level dollar closed (9 years remaining as of 7/1/2017)
Inflation	2.75% (U.S) to 2.85% (Bay Area)	2.75% (U.S) to 2.85% (Bay Area)
Discount rate	5.44%	5.50%
Projected benefit increases:	Following expiration of current MOUs (6/30/19 for Police, 10/31/17 for Fire):	Following expiration of current MOUs (6/30/19 for Police, 10/31/17 for Fire):
Police	2.50 and 1.00% increase at January 1, 2018, 2.00% on July 1, 2018 and 2.50% at January 1, 2019, then 3.25% (2.85% inflation plus 0.40% productivity increase) per year	2.50 and 1.00% increase at January 1, 2018, 2.00% on July 1, 2018 and 2.50% at January 1, 2019, then 3.25% per year
Fire	3.25% (2.85% inflation plus 0.40% productivity increase) per year	3.25% (2.85% inflation plus 0.40% productivity increase) per year
Mortality (healthy)	CalPERS Healthy Annuitant Table (from 2012-2015 Experience Study), projected to improve with MP-2017 using 2014 base year	CalPERS Healthy Annuitant Table (from 2012-2015 Experience Study), projected to improve with MP-2017 using 2014 base year
Mortality (disabled)	CalPERS Indistrial Disability Mortality Table (from 2012-2015 Experience Study), projected to improve with MP-2017 using 2014 base year	CalPERS Indistrial Disability Mortality Table (from 2012-2015 Experience Study), projected to improve with MP-2017 using 2014 base year

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

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

Miscellaneous Plan - City

Fiscal year ended June 30	2020	2019***	2018	2017	2016**	2015**	2014
Actuarially determined contribution (ADC)	$ 82,284	$ 70,598	$ 60,283	$ 56,987	$ 47,934	$ 44,733	$ 52,556
Contributions in relation to the ADC	(82,284)	(70,598)	(60,283)	(56,987)	(49,078)	(48,796)	(52,556)
Contribution deficiency (excess)	**$ —**	**$ —**	**$ —**	**$ —**	**$ (1,144)**	**$ (4,063)**	**$ —**
Covered payroll	$196,495	$177,611	$171,344	$166,272	$153,195	$150,469	$188,886
Contributions as a percentage of covered payroll	41.9 %	39.7 %	35.2 %	34.3 %	32.0 %	32.4 %	27.8 %

Safety Plan

Fiscal year ended June 30	2020	2019****	2018	2017	2016**	2015**	2014
Actuarially determined contribution (ADC)	$ 78,647	$ 69,447	$ 55,633	$ 57,731	$ 46,611	$ 43,747	$ 37,007
Contributions in relation to the ADC	(78,647)	(69,447)	(55,633)	(57,731)	(47,173)	(44,366)	(37,007)
Contribution deficiency (excess)	**$ —**	**$ —**	**$ —**	**$ —**	**$ (562)**	**$ (619)**	**$ —**
Covered payroll	$167,595	$156,372	$153,500	$148,995	$136,073	$119,980	$120,396
Contributions as a percentage of covered payroll	46.9 %	44.4 %	36.2 %	38.7 %	34.7 %	37.0 %	30.7 %

Miscellaneous Plan - Port

Fiscal year ended June 30	2020	2019***	2018	2017	2016**	2015**	2014
Actuarially determined contribution (ADC)	$ 24,588	$ 21,832	$ 19,253	$ 18,906	$ 15,989	$14,735	n/a
Contributions in relation to the ADC	(24,588)	(21,832)	(19,253)	(18,906)	(15,989)	(14,735)	n/a
Contribution deficiency (excess)	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**n/a**
Covered payroll	$61,374	$58,104	$54,813	$54,114	$53,400	$50,093	n/a
Contributions as a percentage of covered payroll	40.1 %	37.6 %	35.1 %	34.9 %	29.9 %	29.4%	n/a

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

** In prior fiscal years, the contributions in relation to the actuarially determined contributions were based on estimates. The City adjusted the amounts to align the estimated employer contributions with the actual employer contributions per the 2018 agent-multiple employer CalPERS report for the CalPERS Miscellaneous Plan and the Safety Plan.

*** For measurement period 2018-19, employer contribution reported by CalPERS was $14 million lower than City reported contributions. This was due to a correction made in CalPERS system related to calculation of prior year contributions for PEPRA employees. $10.9 million of the variance was accounted for as “Other Miscellaneous Income” by CalPERS. The remaining variance was posted in CalPERS system in July 2019 and included in next fiscal year.

**** For measurement period 2018-19, employer contribution reported by CalPERS was $6.2 million lower than City reported contributions. This was due to a correction made in CalPERS system related to calculation of prior year contributions for PEPRA employees. $18,886 of the variance was accounted for as “Other Miscellaneous Income” by CalPERS. The remaining variance was posted in CalPERS system in July 2019 and included in next fiscal year.

(In Thousands)

Methods and assumptions used to determine the last 7 years contribution rates to CalPERS plans

ADC for fiscal year	June 30, 2020, 2019, 2018, 2017, 2016, 2015, 2014
Actuarial valuation date	June 30, 2017, 2016, 2015, 2014, 2013, 2012, 2011
Actuarial cost method	Entry-Age Normal Cost Method
Asset valuation method	In fiscal year 2014, 2015 and 2016, the actuarial value of assets was used. In fiscal year 2017, 2018, 2019 and 2020, the market value of assets was used.
Inflation	In fiscal year 2020, 2.625% compounded annually. In fiscal years 2015-2019, 2.75% compounded annually.
Salary increases	Varies by entry age and services
Payroll growth	In fiscal year 2020, 2.875% compounded annually. In fiscal years 2015 - 2019, 3% compounded annually.
Investment rate of return	In fiscal year 2020, 7.375%, net of administrative expenses, including inflation. In fiscal year 2019, 7.35%, net of administrative expenses, including inflation. In fiscal year 2018 through 2015, 7.50%, net of administrative expenses, including inflation.
Retirement age	In fiscal year 2019 through 2017, the probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011. In fiscal year 2016 and 2015, the probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	In fiscal year 2020, post-retirement mortality rates included 15 years of projected ongoing mortality improvement 90% of Scale MP-2016 published by the Society of Actuaries. In fiscal year 2019 through 2017, the probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. In fiscal year 2016 and 2015, the probabilities of retirement 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)
Schedule of Changes in Net OPEB Liability and Related Ratios - City Retiree Health Plan
Last Three Fiscal Years*
(In Thousands)

Fiscal Year	2019-20	2018-19	2017-18*
Measurement period	2018-19	2017-18	2016-17
Total OPEB liability			
Service cost	$ 37,585	$ 38,477	$ 50,972
Interest (includes interest on service cost)	32,591	30,078	32,415
Changes of assumptions	(139,063)	(38,298)	(294,914)
Changes of benefits	(147,572)	—	—
Differences between expected and actual experience	14,923	—	(10,799)
Benefit payments, including refunds	(29,130)	(27,481)	(20,424)
Net change in total OPEB liability	**(230,666)**	**2,776**	**(242,750)**
Total OPEB liability, beginning	856,572	853,796	1,096,546
Total OPEB liability, ending	**$ 625,906**	**$ 856,572**	**$ 853,796**
Plan fiduciary net position			
Contributions, employer	$ 39,130	$ 38,147	$ 20,424
Net investment income	1,420	945	414
Administrative expenses	(12)	(7)	(2)
Benefit payments, including refunds	(29,130)	(27,481)	(20,424)
Net change in plan fiduciary net position	**11,408**	**11,604**	**412**
Plan fiduciary net position, beginning	15,929	4,325	3,913
Plan fiduciary net position, ending	**$ 27,337**	**$ 15,929**	**$ 4,325**
Plan net OPEB liability	**$ 598,569**	**$ 840,643**	**$ 849,471**
Plan fiduciary net position as a percentage of the total OPEB liability	4.4 %	1.9 %	0.5 %
Covered payroll	$ 373,405	$ 369,316	$ 360,309
Plan net OPEB liability as a percentage of covered payroll	160.3 %	227.6 %	235.8 %

Note to schedule:

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only three years of information is shown.

CITY OF OAKLAND
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios - Port Retiree Health Plan
Last Three Fiscal Years*
(In Thousands)

Fiscal Year	2019-20	2018-19	2017-18*
Measurement period	2018-19	2017-18	2016-17
Total OPEB liability			
Service cost	$ 4,621	$ 4,329	$ 4,055
Interest (includes interest on service cost)	11,995	11,521	11,089
Changes of assumptions	(6,179)	—	—
Differences between expected and actual experience	(3,665)	—	—
Benefit payments, including refunds	(9,193)	(9,045)	(9,000)
Net change in total OPEB liability	**(2,421)**	**6,805**	**6,144**
Total OPEB liability, beginning	177,603	170,798	164,654
Total OPEB liability, ending	**$ 175,182**	**$ 177,603**	**$ 170,798**
Plan fiduciary net position			
Contributions, employer	$ 14,693	$ 14,545	$ 15,400
Net investment income	4,821	5,351	5,773
Administrative expenses	(38)	(35)	(22)
Benefit payments, including refunds	(9,193)	(9,045)	(9,000)
Net change in plan fiduciary net position	10,283	10,816	12,151
Plan fiduciary net position, beginning	77,737	66,921	54,770
Plan fiduciary net position, ending	**$ 88,020**	**$ 77,737**	**$ 66,921**
Plan net OPEB liability	**$ 87,162**	**$ 99,866**	**$ 103,877**
Plan fiduciary net position as a percentage of the total OPEB liability	50.2 %	43.8 %	39.2 %
Covered payroll	$ 63,359	$ 61,326	$ 58,516
Plan net OPEB liability as a percentage of covered payroll	137.6 %	162.8 %	177.5 %

Note to schedule:

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only three years of information is shown.

CITY OF OAKLAND

Required Supplementary Information (Unaudited)
Schedule of Employer OPEB Contributions -
City Retiree Health Plan
Last Three Fiscal Years
(In Thousands)

Fiscal year ended June 30	**2020**	**2019**	**2018 ***
Actuarially determined contribution (ADC)	$ 50,660	$ 75,069	$ 72,480
Contributions in relation to the ADC	(28,917)	(39,130)	(37,225)
Contribution deficiency (excess)	**$ 21,743**	**$ 35,939**	**$ 35,255**
Covered payroll	$ 383,674	$ 373,405	$ 369,316
Contributions as a percentage of covered payroll	7.74 %	10.60 %	10.33 %

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

Actuarial valuation date	July 1, 2019	July 1, 2017
Actuarial cost method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Asset valuation method	Market value	Market value
Amortization method	Level percentage of pay, closed period as of FY 2020	Level percentage of pay, open period, 30 years
Inflation	2.50%	2.50%
Discount rate	4.50%	3.58%
Investment Rate of Return	7.59%	7.28%
Rate of salary increase	2.75%	2.50%
Ultimate rate of medical inflation	3.50%	3.50%
Years to ultimate rate of medical inflation	20 years	20 years
Rates of mortality	Based on the 2017 CalPERS Experience Study from 1997 to 2015	Based on the 2017 CalPERS Experience Study from 1997 to 2015

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only three years of information is shown.

CITY OF OAKLAND
Required Supplementary Information (Unaudited)
Schedule of Employer OPEB Contributions - Port Retiree Health Plan
Last Three Fiscal Years
(In Thousands)

Fiscal year ended June 30	**2020**	**2019**	**2018 ***
Actuarially determined contribution (ADC)	$ 12,149	$ 13,310	$ 13,203
Contributions in relation to the ADC	(14,145)	(14,894)	(14,732)
Contribution deficiency (excess)	**$ (1,996)**	**$ (1,584)**	**$ (1,529)**
Covered payroll	$ 66,473	$ 63,359	$ 61,326
Contributions as a percentage of covered payroll	21.3 %	23.5 %	24.0 %

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

ADC for fiscal year	June 30, 2017, 2018, 2019
Actuarial valuation date	June 30, 2017, 2018, 2019
Actuarial cost method	Entry-Age Normal
Asset valuation method	Market Value of Assets
Amortization method/period	30-year dollar amount on a "closed" basis
Inflation	2.50%
Payroll growth	3% per annum
Investment rate of return	6.75% net of investment expense
Healthcare Cost-Trend Rates	For fiscal year 2020, 3.25%-6.00% per year increase for medical, 3.0% per year increase for vision and dental, and 4.25%-6.00% per year increase for Medicare Part B. For fiscal years 2019 and 2018, 3.50-6.25% per year increase for medical, 4.0% per year increase for vision and dental, and 0.0%-5.5% per year increase for Medicare Part B
Retirement Age and Mortality	For fiscal year 2020, based upon the CalPERs valuation experience study. CalPERs mortality rates include 15 years of projected on-going improvement using 90 percent of Scale MP-2016. For fiscal years 2019-2018, based upon the CalPERs valuation experience study. CalPERs mortality rates include 15 years of projected on-going improvement using 90 percent of Scale MP- 2016.

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only three years of information is shown.

CITY OF OAKLAND
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2020
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 334,283	$ 334,283	$ 342,052	$ 7,769
Sales and use	59,951	59,951	55,517	(4,434)
Motor vehicle in-lieu	—	—	343	343
Local taxes:				
Business license	99,674	99,674	98,040	(1,634)
Utility consumption	55,161	55,161	49,831	(5,330)
Real estate transfer	82,874	82,874	91,534	8,660
Transient occupancy	27,796	27,796	19,578	(8,218)
Parking	11,461	11,461	9,067	(2,394)
Voter approved special tax	11,426	11,426	9,413	(2,013)
Franchise	19,959	19,959	19,533	(426)
License and permits	2,948	2,948	1,606	(1,342)
Fines and penalties	19,419	19,419	18,702	(717)
Interest and investment income	1,210	1,210	6,865	5,655
Charges for services	105,353	105,407	97,848	(7,559)
Federal and state grants and subventions	1,461	2,009	3,586	1,577
Annuity income	5,809	5,809	5,739	(70)
Other	1,881	2,270	3,057	787
TOTAL REVENUES	840,666	841,657	832,311	(9,346)
EXPENDITURES				
Current:				
General government				
Mayor	3,734	3,785	2,842	943
Council	5,987	6,089	5,511	578
City Administrator	16,166	18,481	17,389	1,092
City Attorney	15,531	16,031	15,549	482
City Auditor	2,310	2,310	2,302	8
City Clerk	5,183	5,313	3,730	1,583
Public Ethics Commission	1,161	1,178	1,206	(28)
Human Resources Management	8,878	9,314	9,052	262
Financial Services	30,644	33,407	29,843	3,564
Information Technology	11,132	11,140	10,620	520
Race and Equity Department	738	773	735	38
Workplace & Employment Standards	—	—	37	(37)
Other	58,530	72,032	64,286	7,746
Public safety				
Police Department	298,940	303,546	322,107	(18,561)
Fire Department	166,280	169,375	163,449	5,926
Police Commission	4,102	4,281	2,918	1,363
Community and human services				
Parks and Recreation	30,355	30,650	25,622	5,028
Library	12,993	12,996	12,130	866
Department of Violence Prevention	635	636	441	195
Human Services Department	15,408	22,210	16,151	6,059
Community and economic development				
Planning and Building	81	86	(591)	677
Economic & Workforce Development	8,718	9,429	8,030	1,399
Housing & Community Development	11,491	24,672	2,601	22,071
Public works and transportation				
Public Works	36,390	38,016	36,421	1,595
Department of Transportation	6,973	7,983	6,179	1,804
Capital outlay	471	6,965	2,915	4,050
Debt service:				
Principal repayment	656	656	656	—
Bond issuance cost	—	—	128	(128)
Interest charges	61	61	1,296	(1,235)
TOTAL EXPENDITURES	753,548	811,415	763,555	47,860
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	87,118	30,242	68,756	38,514
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	3	3	13	10
Proceeds from loan	—	—	—	—
Insurance claims and settlements	—	485	—	(485)
Transfers in	44,317	44,317	11,580	(32,737)
Transfers out	(147,417)	(147,491)	(103,544)	43,947
TOTAL OTHER FINANCING SOURCES (USES)	(103,097)	(102,686)	(91,951)	10,735
NET CHANGE IN FUND BALANCE	(15,979)	(72,444)	(23,195)	49,249
Fund balance - beginning	428,543	428,543	428,543	—
FUND BALANCE - ENDING	$ 412,564	$ 356,099	$ 405,348	$ 49,249

See notes to the required supplementary information.

CITY OF OAKLAND
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Other Special Revenue Fund
For the Year Ended June 30, 2020
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 17,500	$ 17,500	$ 17,773	$ 273
Local taxes:				
Business license	—	—	(4)	(4)
Transient occupancy	7,581	7,581	5,342	(2,239)
Parking	10,860	10,860	8,245	(2,615)
Voter approved special tax	33,176	33,176	33,015	(161)
Licenses and permits	26,644	26,644	31,076	4,432
Fines and penalties	667	667	410	(257)
Interest and investments income	10	10	3,570	3,560
Charges for services	48,001	43,850	38,378	(5,472)
Federal and state grants and subventions	4,528	4,658	5,951	1,293
Other	346	377	1,757	1,380
TOTAL REVENUES	149,313	145,323	145,513	190
EXPENDITURES				
Current:				
General government				
Mayor	288	288	350	(62)
City Administrator	2,170	2,887	2,059	828
City Attorney	2,957	3,000	2,852	148
Human Resources Management	547	547	583	(36)
Financial Services	2,578	2,842	1,739	1,103
Information Technology	1,387	1,305	1,157	148
Other	7,983	10,588	8,360	2,228
Public safety				
Police Department	17,691	18,700	16,355	2,345
Fire Department	6,595	9,550	7,073	2,477
Community and human services				
Parks and Recreation	—	511	129	382
Library	28,472	28,216	24,499	3,717
Department of Violence Prevention	516	545	36	509
Human Services Department	34,390	51,842	35,132	16,710
Community and economic development				
Planning and Building	44,156	80,174	36,172	44,002
Economic & Workforce Development	1,128	1,619	1,138	481
Housing & Community Development	7,009	9,477	6,055	3,422
Public works and transportation				
Public Works	2,138	4,044	1,690	2,354
Department of Transportation	14,506	13,049	8,819	4,230
Capital outlay	747	4,694	932	3,762
TOTAL EXPENDITURES	175,258	243,878	155,130	88,748
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(25,945)	(98,555)	(9,617)	88,938
OTHER FINANCING SOURCES (USES)				
Insurance claims and settlements	—	—	74	74
Transfers in	18,791	18,797	18,639	(158)
Transfers out	(400)	(400)	(1,117)	(717)
TOTAL OTHER FINANCING SOURCES (USES)	18,391	18,397	17,596	(801)
NET CHANGE IN FUND BALANCE	(7,554)	(80,158)	7,979	88,137
Fund balance - beginning	183,692	183,692	183,692	—
FUND BALANCE - ENDING	$ 176,138	$ 103,534	$ 191,671	$ 88,137

See notes to the required supplementary information.

(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 2019, the City Council approved the City's two-year budget for fiscal years 2020 and 2021. Although appropriations are adopted for a 24-month period, they are divided into two one-year spending plans. The final budgetary data presented in the required supplementary information reflects approved changes to the original 2019-21 budget. Certain projects are appropriated on a multi-year rather than annual basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations may be carried forward to the following year with the approval of the City Administrator pursuant to the City's Consolidated Fiscal Policy.

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 multi-year 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 multi-year 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, 2020, was $0.4 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	$ (22,827)
Amortization of debt service deposit agreement	(368)
Net change in fund balance - Budgetary basis	$ (23,195)

The General Fund's fund balance on a GAAP Basis is reconciled to a Budgetary Basis as of June 30, 2020, which is as follows (in thousands):

	General Fund
Fund balance - GAAP basis	$ 404,268
Unamortized debt service deposit agreement	1,080
Fund balance - Budgetary basis	$ 405,348

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, 2020, 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 15, 2020. Our report included an emphasis of matter for uncertainties regarding the economic impact from the coronavirus. The financial statements of the Oakland Police and Fire Retirement System were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Oakland Police and Fire Retirement System. The City's basic financial statements include the financial statements of the Port of Oakland (Port), a discretely presented component unit. The Port engaged us to perform a separate audit of its financial statements. This report does not include the results of our testing of the Port's internal control over financial reporting or compliance and other matters that was reported on separately.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a material weakness.

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

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a significant deficiency.

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 financial statements. 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*.

City's Responses to Findings

The City's response to the findings 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 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 & O'Connell LLP

Walnut Creek, California
December 15, 2020

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, California'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, 2020. 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 $6,043,137 in federal awards which is not included in the City's schedule of expenditures of federal awards during the year ended June 30, 2020. Our audit, described below, did not include the operations of the Port because the Port engaged us to perform a separate audit of compliance.

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles*, *and Audit Requirements for Federal Awards* (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.

Opinion on Each Major Federal Program

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 major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-003. Our opinion on each major federal program is not modified with respect to this 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 a combination of deficiencies, in internal control over compliance, such that there is a 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-003, that we consider to be a significant deficiency.

The City's response to the internal control over compliance 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.

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 30, 2021

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

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	$ 202,340	$ -
Summer Food Service Program for Children	10.559	E116-01	570,752	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			773,092	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs				
Community Development Block Grants/Entitlement Grants	14.218	B14MC060013	482,859	369,806
Community Development Block Grants/Entitlement Grants	14.218	B15MC060013	140,542	140,542
Community Development Block Grants/Entitlement Grants	14.218	B17MC060013	327,401	85,018
Community Development Block Grants/Entitlement Grants	14.218	B18MC060013	661,565	200,000
Community Development Block Grants/Entitlement Grants	14.218	B19MC060013	8,855,675	2,169,459
Subtotal Community Development Block Grants/Entitlement Grants			10,468,042	2,964,825
Emergency Solutions Grant Program	14.231	E-18-MC-06-0013	662,148	579,766
Home Investment Partnerships Program	14.239	M18-MC060208	736,243	-
Housing Opportunities for Persons with AIDS	14.241	CA-H16-F001	35,710	35,710
Housing Opportunities for Persons with AIDS	14.241	CA-H17-F001	545,463	545,463
Housing Opportunities for Persons with AIDS	14.241	CA-H18-F001	484,332	484,332
Housing Opportunities for Persons with AIDS	14.241	CA-H19-F001	143,095	63,058
Subtotal Housing Opportunities for Persons with AIDS			1,208,600	1,128,563
Continuum of Care Program	14.267	CA0106L9T021710	6,722	6,722
Continuum of Care Program	14.267	CA0106L9T021811	683,729	670,877
Continuum of Care Program	14.267	CA1270L9T021703	264,981	242,712
Continuum of Care Program	14.267	CA1270L9T021804	693,464	681,411
Continuum of Care Program	14.267	CA1465L9T021702	359,024	359,024
Continuum of Care Program	14.267	CA1465L9T021803	595,293	585,607
Continuum of Care Program	14.267	CA1643L9T021700	163,645	153,990
Continuum of Care Program	14.267	CA1644L9T021700	105,756	-
Continuum of Care Program	14.267	CA1644L9T021801	228,629	213,171
Continuum of Care Program	14.267	CA1736L9T021800	1,074,479	1,014,159
Continuum of Care Program	14.267	CA1736L9T021901	396,762	358,511
Continuum of Care Program	14.267	CA1737L9T021800	448,971	448,971
Subtotal Continuum of Care Program			5,021,455	4,735,155
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			18,869,580	9,408,309
U.S. DEPARTMENT OF JUSTICE				
Direct Programs				
Crime Victims Assistance/Discretionary Grants	16.582	2016-MU-GX-K026	247,019	-
Public Safety Partnership and Community Policing Grants	16.710	2015ULWX0006	147,182	-
Public Safety Partnership and Community Policing Grants	16.710	2016ULWX0014	623,228	-
Subtotal Public Safety Partnership and Community Policing Grants			770,410	-

See notes to the schedule of expenditures of federal awards.

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2020

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)				
DNA Backlog Reduction Program	16.741	2017-DN-BX-0125	$ 41,477	$ -
DNA Backlog Reduction Program	16.741	2018-DN-BX-0073	129,088	-
DNA Backlog Reduction Program	16.741	2018-DN-BX-0171	166,109	-
DNA Backlog Reduction Program	16.741	2019-DN-BX-0124	21,021	-
Subtotal DNA Backlog Reduction Program			357,695	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ17-13-7503	65,382	-
Second Chance Act Reentry Initiative	16.812	Procurement 18182	77,836	77,160
Passed through Alameda County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0748	7,587	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0937	191,703	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0653	215,432	-
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			414,722	-
TOTAL U.S. DEPARTMENT OF JUSTICE			1,933,064	77,160
U.S. DEPARTMENT OF LABOR				
Passed through State of California,				
Employment Development Department				
WIOA Cluster:				
WIOA Adult Program	17.258	K9110039	184,896	52,260
WIOA Adult Program	17.258	AA011022	1,124,687	968,336
Subtotal WIOA Adult Program			1,309,583	1,020,596
WIOA Youth Activities	17.259	K9110039	86,541	82,880
WIOA Youth Activities	17.259	AA011022	846,913	706,777
Subtotal WIOA Youth Program			933,454	789,657
WIOA Dislocated Worker Formula Grants	17.278	K9110039	14,047	14,047
WIOA Dislocated Worker Formula Grants	17.278	AA011022	547,210	298,064
Subtotal WIOA Dislocated Worker Formula Grants			561,257	312,111
Subtotal WIOA Cluster			2,804,294	1,101,768
TOTAL U.S. DEPARTMENT OF LABOR			2,804,294	2,122,364
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through State of California, Department of Transportation				
Highway Planning and Construction	20.205	ATPL-5012(131)	151,493	-
Highway Planning and Construction	20.205	ATPL-5012(143)	141,217	-
Highway Planning and Construction	20.205	ATPL-5012(144)	36,568	-
Highway Planning and Construction	20.205	ATPL-5012(154)	95,878	-
Highway Planning and Construction	20.205	BPMP-5012(137)	97,290	-
Highway Planning and Construction	20.205	CML-5012(128)	292,893	-
Highway Planning and Construction	20.205	CML-5012(135)	12,623	-
Highway Planning and Construction	20.205	CMLNI-5012(145)	248,603	-
Highway Planning and Construction	20.205	HSIPL-5012(139)	332,850	-
Highway Planning and Construction	20.205	HSIPL-5012(147)	412,072	-
Highway Planning and Construction	20.205	HSIPL-5012(148)	27,747	-
Highway Planning and Construction	20.205	HSIPL-5012(149)	112,412	-
Highway Planning and Construction	20.205	HSIPL-5012(150)	280,120	-
Highway Planning and Construction	20.205	HSIPL-5012(151)	37,595	-
Highway Planning and Construction	20.205	HSIPL-5012(152)	290,374	-
Highway Planning and Construction	20.205	STPCML-5012(155)	28,222	-
Highway Planning and Construction	20.205	STPL-5012(028)	28,621	-
Highway Planning and Construction	20.205	STPL-5012(029)	4,937,603	-
Highway Planning and Construction	20.205	STPL-5012(134)	1,408,920	-
Highway Planning and Construction	20.205	STPLZ-5012(037)	2,520,099	-
Highway Planning and Construction	20.205	STPLZ-5012(124)	460,001	-
Subtotal Highway Planning and Construction Cluster			11,953,201	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			11,953,201	-

See notes to the schedule of expenditures of federal awards.

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2020

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 TREASURY				
Direct Program				
Equitable Sharing	21.016	None	$ 446	$ -
TOTAL U.S. DEPARTMENT OF TREASURY			446	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	3H79SM063517-04S1	675,719	21,759
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	5H79SM063517-03	250,915	-
Subtotal Substance Abuse and Mental Services - Projects of Regional and National Significance			926,634	21,759
Head Start	93.600	09CH010399-03-00	605,707	126,019
Head Start	93.600	09CH010399-04-00	16,398,972	4,571,818
Subtotal Head Start Cluster			17,004,679	4,697,837
Passed through State of California, Department of Community Services and Development				
Community Services Block Grant	93.569	19F-4002	759,774	312,696
Community Services Block Grant	93.569	19F-4405	30,000	30,000
Community Services Block Grant	93.569	20F-3002	476,673	195,058
Subtotal Community Services Block Grant			1,266,447	537,754
Passed through State of California, Department of Aging				
Medical Assistance Program	93.778	MS-1819-01	8,547	-
Medical Assistance Program	93.778	MS-1920-01	1,346,195	-
Subtotal Medical Assistance Program			1,354,742	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			20,552,502	5,257,350
U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct Programs				
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94.011	18SFPCA006	26,353	-
Senior Companion Program	94.016	18SCPCA006	271,534	-
Subtotal Foster Grandparent/Senior Companion Cluster			297,887	-
TOTAL U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			297,887	-
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Programs				
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2013-CA-USR-0005	1,446,577	-
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2015-CA-00036A	11,583	-
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2016-CA-00041	42,758	-
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2016-CA-00041B	59,705	-
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2017-CA-00088	26,572	-
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2018-CA-00023	357,806	-
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2018-CA-USR-0005	636,714	-
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2019-CA-00087	677,592	-
Subtotal National Urban Search and Rescue Response System			3,259,307	-

See notes to the schedule of expenditures of federal awards.

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2020

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)				
National Urban Search and Rescue (US&R) Response System	97.044	EMW-2018-FO-03785	$ 74,545	$ -
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2017-FH-00506	1,732,662	-
Passed through California Governor's Office of Emergency Services				
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-4301	(52,280)	-
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-4308	429,086	-
Subtotal Disaster Grants-Public Assistance (Presidentially Declared Disasters)			376,806	-
Hazard Mitigation Grant				
Hazard Mitigation Grant	97.039	FEMA-4240-DR-CA-0024	1,944,395	894,055
Hazard Mitigation Grant	97.039	FEMA-4240-DR-CA-0065	327,020	189,183
Subtotal Hazard Mitigation Grant			2,271,415	1,083,238
Passed through City and County of San Francisco				
Homeland Security Grant Program	97.067	2017-0083	5,229	-
Homeland Security Grant Program	97.067	2018-0054	864,656	-
Homeland Security Grant Program	97.067	2019-0035	301,128	-
Subtotal Homeland Security Grant Program			1,171,013	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			8,885,748	1,083,238
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 65,296,722	$ 17,948,421

See notes to the schedule of expenditures of federal awards.

CITY OF OAKLAND
Notes to Schedule of Expenditure of Federal Awards
Year Ended June 30, 2020

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, 2020. 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 $6,043,137 of federal awards during the year ended June 30, 2020. 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.

The City did not elect to use the 10% de minimis cost rate as covered in Uniform Guidance 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 SEFA under CFDA No. 93.778, Medical Assistance Program. 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, 2020.

Note 5 – Disaster Grants-Public Assistance (Presidentially Declared Disasters) Program

In 2017, the City was awarded federal grant FEMA DR-4308 as follows:

Project Description	Project Number	Project Award	Amount Reported in FY19	Amount Expended in FY19	Over Reported in FY19	Amount Expended in FY20	Total Expenditures
Storm Damages	PW126	$ 284,991	$ 170,868	$ -	$ 170,868	$ -	$ -
Storm Damages	PW237	46,666	113,655	34,999	78,656	-	34,999
Storm Damages	PW327	160,218	8,248	3,780	4,468	-	3,780
Storm Damages	PW382	78,034	10,193	10,193	-	48,332	58,525
Storm Damages	PW491	222,727	13,665	13,665	-	153,380	167,045
Total		$ 792,636	$ 316,629	$ 62,637	$ 253,992	$ 201,712	$ 264,349

During the year ended June 30, 2019, the City overstated federal expenditures reported in the SEFA by $253,992. As such, for the year ended June 30, 2020, the City reduced the amount reported in the SEFA by $253,992 due to the correction of the error.

CITY OF OAKLAND

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Financial Statements:

Type of report the auditor 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 weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major federal programs:

Program Title	CFDA Number
• Highway Planning and Construction Cluster	20.205
• Head Start Cluster	93.600
• Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036
• Hazard Mitigation Grant	97.039
• Staffing for Adequate Fire and Emergency Response	97.083

Dollar threshold used to distinguish between type A and type B programs:	$1,958,902
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2020-001 Internal Control Over Financial Reporting and Reliability of Financial Statements
Significant Deficiency in Internal Control Over Financial Reporting

Criteria, Condition, Cause and Effect:
Management is responsible for the preparation and fair presentation of financial statements in accordance with generally accepted accounting principles: this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements. As part of our audit procedures, we assess an organization's environment, risk assessment and monitoring of internal 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 our financial statements audit for fiscal year 2020, we noted that the City faced significant turnover in the Finance Department over the past few years and was successful in backfilling the roles and responsibilities with current personnel. While the City was successful in recruiting replacements, the City had a significant time gap between when the person left the City and the recruitment, and the onboarding of the replacement position. Furthermore, onboarding during the COVID-19 pandemic created additional challenges in knowledge transfers especially in areas that are complex and non-routine such as the City's accounting and financial reporting activities related to pensions and other postemployment benefits (OPEB).

Identification of Repeat Finding
This finding is not a repeat finding from the prior year.

Recommendation:
We recommend that the City complete its recruiting and onboarding of the significant unfilled positions in the Finance Department and improve the documentation of its year-end closing journal entries related to its complex computations such as its pension and OPEB computations.

Views of Responsible Officials:
The views of responsible officials are set forth in the City's Corrective Action Plan, which is included in Audit Findings Follow-Up section at the end of this report.

2020-002 Schedule of Expenditures of Federal Awards Accuracy

Material Weakness in Internal Control Over Financial Reporting

Criteria

Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* requires that the City prepare a schedule showing total expenditures for the year for each federal program.

Condition

During our single audit for fiscal year 2020, we noted that the City included expenditures incurred in fiscal year 2019 and 2020 that were not eligible for grant reimbursement in fiscal year 2019 and 2020 Schedule of Expenditures of Federal Awards (SEFA). The eligible expenditures incurred under the Disaster Grants-Public Assistance (Presidentially Declared Disasters) program (CFDA 97.036) awarded by the California Governor's Office of Emergency Services amounted to $62,637 and $201,712 for years ended June 30, 2019 and 2020, respectively. As a result, the City overstated the expenditures of federal awards in the amount of $253,992 in June 30, 2019. After the City's research, the City corrected the overstatement of expenditures in the 2020 SEFA. In addition, we noted that the City included non-federal expenditures in the amount of $639,719 related to the Highway Planning and Construction program (CFDA 20.205) as the direct cost for the program and included these expenditures in the SEFA for year ended June 30, 2020. After the City's evaluation, the City made a correction to the SEFA to exclude the non-federal expenditures.

Cause and Effect

The City's Finance Department instructs other City departments to compile their data for federal expenditures to be reported on the SEFA each year as part of the City's year-end close process. The Finance Department provides annual instructions to other City departments on requirements for the preparation of the SEFA and performs certain procedures to verify the reported amounts provided by departments as part of its preparation of the SEFA. However, current procedures addressing existence did not address the portion of the expenditures that were not related to federal awards. In addition, the City's Public Works Department used a single project code to track the total project costs given these project costs were due from the State of California, Department of Transportation (DOT), the federal pass-through agency. However, the DOT provided grants to the City that were funded from federal and State sources and as such the expenditures that would be funded by each source should be tracked separately.

Identification of Repeat Finding

This finding is a repeat finding of the prior year finding number 2019-001.

Recommendation:

We recommend that the City take measures to ensure that personnel responsible for compiling federal expenditure data are familiar with SEFA reporting requirements and emphasize the need for reporting expenditures only related to the eligible expenditures under federal awards. In addition, the City should separately track expenditures funded by each grant agreement to ensure the amounts claimed for reimbursement corresponds to the funding requirements of the grant agreements.

Views of Responsible Officials:

The views of responsible officials are set forth in the City's Corrective Action Plan, which is included in Audit Findings Follow-Up section at the end of this report.

Section III – Federal Award Findings and Questioned Costs

2020-003	**Reporting** *Significant Deficiency in Internal Control Over Compliance*
Federal Program Title:	Disaster Grants-Public Assistance (Presidentially Declared Disasters)
Federal Catalog Number:	97.036
Federal Agency:	U.S. Department of Homeland Security
Pass-through Agency:	California Governor's Office of Emergency Services
Grant Number:	FEMA-DR-4301 FEMA-DR-4308

Criteria
Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* Section 200.329 requires that the City submit performance reports no later than 90 calendar days after the reporting period.

Condition
During our single audit for fiscal year 2020, we noted that the City did not did not submit the final performance report for the Disaster Grants-Public Assistance (Presidentially Declared Disasters) program (CFDA 97.036) awarded by the California Governor's Office of Emergency Services for project number PW785. In addition, the City submitted the related request for reimbursement in the amount of $435,221 eleven months (March 2021) after the project's completion date of April 24, 2020.

Cause
The delays in report submission were due to the retirement of the program manager responsible for the completion of these reports in June 2020, delays with the recruitment and onboarding of replacement personnel, and the transition of the responsibilities under COVID-19 coupled with inadequate processes and procedures to track program reporting due dates and project cash flow status.

Effect
The City is not in compliance with the Uniform Guidance.

Questioned Costs
We did not note questioned costs.

Identification of Repeat Finding
This finding is not a repeat finding from the prior year.

Recommendation
We recommend that the City develop policies and procedures to ensure all reporting due dates are tracked and a periodic (monthly or quarterly) project cash flow analysis is performed to ascertain that the City is submitting and receiving grant funds shortly after its expenditures of funds. In addition, we recommend that the City develop a cross training program to ensure that personnel are able to backfill responsibilities due to planned and unplanned personnel changes.

Views of Responsible Officials
The views of responsible officials are set forth in the City's Corrective Action Plan, which is included in Audit Findings Follow-Up section at the end of this report.

SUPPLEMENTAL SCHEDULES

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. 19F-4405, Project No. 1004426
For the Period July 1, 2019 through June 30, 2020

	July 1, 2019 through June 30, 2020	Total Audited Costs	Total Reported	Total Budget
Revenue				
Grant Amount	$ 30,000	$ 30,000	$ 30,000	$ 30,000
Expenditures				
Personnel Costs				
Salaries and Wages	$ -	$ -	$ -	$ -
Fringe Benefits	-	-	-	-
Subtotal Personnel Costs	-	-	-	-
Non-Personnel Costs				
Operating Expense	-	-	-	-
Travel	-	-	-	-
Sub-Contractors/Consultants	30,000	30,000	30,000	30,000
Other Costs	-	-	-	-
Subtotal Non-Personnel Costs	30,000	30,000	30,000	30,000
Total Expenditures	$ 30,000	$ 30,000	$ 30,000	$ 30,000

State of California Department of Community Services and Development (CSD)
Community Services Block Grant (CSBG) – CFDA No. 93.569
Contract No. 19F-4002, Project No. 1004097-98
For the Period January 1, 2019 through June 30, 2020

	January 1, 2019 through June 30, 2019	July 1, 2019 through June 30, 2020	Total Audited Costs	Total Reported [1]	Total Budget
Revenue					
Grant Amount	$ 594,549	$ 759,774	$ 1,354,323	$ 1,354,323	$ 1,354,323
Expenditures					
Personnel Costs					
Salaries and Wages	$ 135,037	$ 193,995	$ 329,032	$ 328,784	$ 308,305
Fringe Benefits	134,120	91,742	225,862	226,682	228,126
Subtotal Personnel Costs	269,157	285,737	554,894	555,466	536,431
Non-Personnel Costs					
Operating Expense	7,251	23,405	30,656	30,658	34,144
Travel	4,534	10,069	14,603	14,470	15,000
Sub-Contractors/Consultants	299,358	428,667	728,025	727,584	741,590
Other Costs	14,249	11,896	26,145	26,145	27,158
Subtotal Non-Personnel Costs	325,392	474,037	799,429	798,857	817,892
Total Expenditures	$ 594,549	$ 759,774	$ 1,354,323	$ 1,354,323	$ 1,354,323

[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. 20F-3002, Project No. 1004426
For the Period January 1, 2020 through June 30, 2020

	January 1, 2020 through June 30, 2020	Total Audited Costs	Total Reported	Total Budget
Revenue				
Grant Amount	$ -	$ -	$ -	$ 32,000
Expenditures				
Personnel Costs				
Salaries and Wages	$ -	$ -	$ -	$ -
Fringe Benefits	-	-	-	-
Subtotal Personnel Costs	-	-	-	-
Non-Personnel Costs				
Operating Expense	-	-	-	-
Travel	-	-	-	-
Sub-Contractors/Consultants	-	-	-	32,000
Other Costs	-	-	-	-
Subtotal Non-Personnel Costs	-	-	-	32,000
Total Expenditures	$ -	$ -	$ -	$ 32,000

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. 20F-3002, Project No. 1004442-43
For the Period January 1, 2020 through June 30, 2020

	January 1, 2020 through June 30, 2020	Total Audited Costs	Total Reported	Total Budget
Revenue				
Grant Amount	$ 476,673	$ 476,673	$ 476,673	$ 1,369,913
Expenditures				
Personnel Costs				
Salaries and Wages	$ 122,445	$ 122,445	$ 122,445	$ 341,683
Fringe Benefits	142,956	142,956	142,956	263,435
Subtotal Personnel Costs	265,401	265,401	265,401	605,118
Non-Personnel Costs				
Operating Expense	3,410	3,410	3,410	34,144
Travel	1,500	1,500	1,500	15,000
Sub-Contractors/Consultants	195,555	195,555	195,555	717,910
Other Costs	10,807	10,807	10,807	23,986
Subtotal Non-Personnel Costs	211,272	211,272	211,272	791,040
Total Expenditures	$ 476,673	$ 476,673	$ 476,673	$ 1,396,158

CITY OF OAKLAND

Supplemental Schedule of Expenditures of Alameda County Awards

Year Ended June 30, 2020

Alameda County Award/Program Title	Contract Number	Exhibit/ PO Number	Expenditures
Alameda Public Health Agency			
Safe Routes to School	900163	12280	$ 30,058
Total Public Health Agency			30,058
Department of Adult and Aging Services			
Information and Assistance (Outreach)	900163	17187	59,900
Total Department of Adult and Aging Services			59,900
Housing and Community Development Department			
Winter Shelter Program	N/A	N/A	139,334
Total Housing and Community Development Department			139,334
Department of Workforce and Benefits Administration			
Henry J. Robinson Multi-Service Center	900163	N/A	305,989
Total Department of Workforce and Benefits Administration			305,989
Alameda Health Care Services Agency			
Core Housing Centers	15654	7483	3,979,860
Community Cabin Program	900163	16287	17,807
Total Health Care Services Agency			3,997,667
Total Alameda County Awards			$ 4,532,948

AUDIT FINDINGS FOLLOW-UP

CITY OF OAKLAND

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City Administrator

In relation to the City of Oakland's (City) annual financial statement audit and the single audit for the year ended June 30, 2020, 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

There was a prior year finding.

Reference Number: 2019-001	**Financial Statement Finding 2019-001** Schedule of Expenditures of Federal Awards Completeness *Material Weakness in Internal Control Over Financial Reporting*
Audit Finding:	The City included the federal expenditures in fiscal year 2018 and 2019 on the expenditures incurred under the National Urban Search and Rescue (US&R) Response System program (CFDA 97.025) awarded by the U.S. Department of Homeland Security amounted to $3,777,175, as the City has not reported the Federal award expenditures for the program in fiscal year 2018.
Year in which Finding Initially Occurred:	Fiscal year 2018-19.
Status of Corrective Action:	See finding 2020-002.

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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

2020-001 Internal Control Over Financial Reporting and Reliability of Financial Statements

In relation to the City of Oakland's (City) financial statements audit for the year ended June 30, 2020, the City hereby submits a corrective action plan for finding number 2020-001 for the reliability of the financial statements.

The City will adopt the recommendation from the auditor to complete its recruiting and onboarding of the significant unfilled positions in the Finance Department and improve on its personnel retention programs. In addition, the City continued to improve the documentation of its year-end closing journal entries related to its complex computations such as its pension and OPEB computations.

Contact person responsible for corrective action: Stephen Walsh, Controller

Anticipated completion date: February 2021

2020-002 Schedule of Expenditures of Federal Awards Accuracy

In relation to the City of Oakland's (City) single audit for the year ended June 30, 2020, the City hereby submits a corrective action plan for finding number 2020-002 for the Highway Construction and Planning program (CFDA 20.205) and the Disaster Grants-Public Assistance (Presidentially Declared Disasters) program (CFDA 97.036).

The City will adopt the recommendation from the auditor to take further measures to ensure that personnel responsible for communicating federal expenditure data to the Finance Department are familiar with SEFA reporting requirements and emphasize the need for reporting federal expenditures on a modified accrual basis. The City will develop procedures to ensure the completeness and accuracy of the amounts provided by departments to be reported on the SEFA.

Contact person responsible for corrective action: Stephen Walsh, Controller

Anticipated completion date: February 2021

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Section III – Federal Award Findings and Questioned Costs

2020-003 Reporting

In relation to the City of Oakland's (City) single audit for the year ended June 30, 2020, the City hereby submits a corrective action plan for finding number 2020-003 for the Disaster Grants-Public Assistance (Presidentially Declared Disasters) program (CFDA 97.036).

The City will adopt the recommendation from the auditor for the City to develop a cross training program to ensure that personnel are able to backfill responsibilities due to planned and unplanned personnel changes. The City will also develop policies and procedures to ensure all reporting due dates are tracked and a periodic project cash flow analysis is performed to ascertain that the City is submitting and receiving grant funds shortly after its expenditures of funds.

Contact person responsible for corrective action:	Stephen Walsh, Controller
Anticipated completion date:	March 2021