PRELIMINARY OFFICIAL STATEMENT DATED JUNE 29, 2012

NEW ISSUE – FULL BOOK-ENTRY ONLY
TAXABLE (FEDERAL)
TAX EXEMPT (CALIFORNIA)

RATINGS: Moody's: Aa3
Standard & Poor's: A+
See "RATINGS" herein

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, under existing law, interest on the Series 2012 Bonds is exempt from present State of California personal income taxes. Interest on the Series 2012 Bonds is not excludable from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012 Bonds. See "TAX MATTERS" herein.

$211,300,000*
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS
SERIES 2012

Dated: Date of Delivery **Due:** December 15, as shown on page i

This cover page contains information for quick reference only. It is not a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The City of Oakland, California, Taxable Pension Obligation Bonds, Series 2012 (the "Series 2012 Bonds"), will be issued and delivered in the principal amounts and will mature in the years set forth on page i hereof. Interest on the Series 2012 Bonds is payable semi-annually on June 15 and December 15 of each year, commencing December 15, 2012. **The Bonds will be subject to optional make-whole redemption and mandatory redemption prior to their respective stated maturities as described herein. See "THE SERIES 2012 BONDS – Redemption."**

Pursuant to the Charter of the City, as amended, the City of Oakland, California (the "City"), is obligated to appropriate and make payments to The Oakland Police and Fire Retirement System (the "Retirement System") for certain obligations arising as a result of retirement benefits accruing to members of the Retirement System. The Series 2012 Bonds will be issued to (i) refund a debenture evidencing a portion of the City's unfunded actuarial accrued liability for retirement benefits to members of the Retirement System and (ii) pay costs of issuance of the Series 2012 Bonds.

The Series 2012 Bonds are obligations imposed upon the City by law, are enforceable against the City pursuant to the Retirement Law, and are payable from any legally available source of funds of the City. The Series 2012 Bonds are being issued pursuant to a Master Trust Agreement (the "Master Trust Agreement"), by and between the City and The Bank of New York Mellon Trust Company, N.A., San Francisco, California (successor trustee to The Chase Manhattan Bank, Houston, Texas, successor trustee to Texas Commerce Bank National Association), as Trustee (the "Trustee"), dated as of February 1, 1997, as amended to date (the Master Trust Agreement, as so amended, is sometimes referred to as the "Trust Agreement").

The Series 2012 Bonds do not constitute a debt of the City or the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction.

The Series 2012 Bonds will initially be delivered in book-entry form, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). The Bonds will be issued in denominations of $5,000 or any integral multiple thereof. See APPENDIX G – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Series 2012 Bonds will be offered when, as and if issued, and received by the Underwriters, subject to approval of validity by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel. Certain other legal matters will be passed upon for the Underwriters by Sidley Austin LLP, San Francisco, California, and for the City by the City Attorney. Alexis S. M. Chiu, Esq., San Francisco, California, is acting as Disclosure Counsel to the City. The Series 2012 Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about July ___, 2012.

RBC Capital Markets

Siebert Brandford Shank & Co., L.L.C.

Blaylock Robert Van, LLC

Dated: June ___, 2012

* Preliminary, subject to change.

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MATURITY SCHEDULE

$211,300,000*
City of Oakland, California
Taxable Pension Obligation Bonds
Series 2012
$_____ Serial Series 2012 Bonds

(Base CUSIP† Number: ____________)

Maturity (Dec. 15)	Principal Amount	Interest Rate	Price or Yield	(CUSIP† Suffix)

$_______________ ____% Term Bonds due December 15, ______, Yield ____% CUSIP† No. ________

$_______________ ____% Term Bonds due December 15, ______, Yield ____% CUSIP† No. ________

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriters to give any information or to make any representation other than as contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement is not to be construed as a contract with the purchasers of the Series 2012 Bonds. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2012 Bonds by any person in any jurisdiction in which is it unlawful for such person to make such offer, solicitation or sale.

Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly stated to be such, are intended solely as such and are not to be construed as representations of fact. No representation is made that any past experience, as shown by any financial or other information herein, will necessarily continue or be repeated in the future. The information set forth in this Official Statement has been obtained from official sources and other sources which are believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by, the City. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the initial sale of the Series 2012 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. All summaries of the documents and laws herein are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

A wide variety of other information, including financial information, concerning the City is available from publications and websites of the City. Any such information that is inconsistent with the information set forth in this

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* Preliminary, subject to change.
† CUSIP Copyright 2012, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for convenience of reference only. Neither the City nor the Underwriters assume any responsibility for the accuracy of such numbers.

Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

Certain statements in this Official Statement, which may generally be identified by the use of such terms as "plan," "expect," "estimate," "budget" or other similar words, constitute "forward-looking statements." Such forward-looking statements include, but are not limited to, statements under the captions "PLAN OF FINANCE," "CITY POLICE AND FIRE RETIREMENT SYSTEM," "RISK FACTORS and "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." The achievement of certain results or other expectations or performance contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements described or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2012 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012 BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON PAGE i HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE SERIES 2012 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE TRUST AGREEMENT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Underwriters have reviewed the information in this official statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Preliminary Official Statement and the information contained herein is in a form deemed final by the City for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for omission of certain information permitted to be omitted under Rule 15c2-12(b)(1)). However, the information herein is subject to revision, completion or amendment in a final Official Statement.

CITY OF OAKLAND

MAYOR AND ELECTED OFFICIALS

JEAN QUAN, *Mayor*
BARBARA J. PARKER, *City Attorney*
COURTNEY A. RUBY, *City Auditor*

CITY COUNCIL

LARRY REID, JR., *President*
DISTRICT 7

DESLEY BROOKS
DISTRICT 6

IGNACIO DE LA FUENTE
DISTRICT 5

PATRICIA KERNIGHAN
DISTRICT 2

NANCY NADEL, *Vice Mayor*
DISTRICT 3

JANE BRUNNER
DISTRICT 1

REBECCA KAPLAN
AT-LARGE

LIBBY SCHAAF
DISTRICT 4

CITY STAFF

DEANNA V. SANTANA, *City Administrator*
SCOTT P. JOHNSON, *Assistant City Administrator*
FRED G. BLACKWELL, *Assistant City Administrator*
LATONDA SIMMONS, *City Clerk*
KATANO KASAINE, *Treasurer*

SPECIAL SERVICES

Orrick, Herrington & Sutcliffe LLP
San Francisco, California
Bond Counsel

Alexis S. M. Chiu, Esq.
San Francisco, California
Disclosure Counsel

Public Resources Advisory Group
Oakland, California
Financial Advisor

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California
Trustee

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OFFICIAL STATEMENT

$211,300,000*

CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS
SERIES 2012

INTRODUCTORY STATEMENT

The purpose of this Official Statement (including the cover page and appendices attached hereto) is to provide certain information concerning the initial issuance, sale and delivery by the City of Oakland, California (the "City") of the captioned Series 2012 Bonds.

This Introductory Statement contains only a brief summary of certain of the terms of the Series 2012 Bonds being offered and a brief description of this Official Statement. Prospective investors should read the entire Official Statement (including the Appendices) to obtain information essential to the making of an informed investment decision. The offering of the Series 2012 Bonds to potential investors is made only by means of the entire Official Statement.

Certain risks associated with any purchase of the Series 2012 Bonds are described under "RISK FACTORS," but such description is not intended to be an exhaustive list of risks and other considerations which may be relevant to investing in the Series 2012 Bonds.

All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings given such terms in the Trust Agreement. See APPENDIX D – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Definitions" for definitions of certain words and terms used, but not otherwise defined herein.

City of Oakland

The City is a charter city located on the east side of the San Francisco Bay and is the eighth most populous city in California. The City projects that for Fiscal Year 2011-2012, it will have total revenues of $425.5 million and expenditures totaling $399.9 million. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND."

Authority for Issuance; Purpose

The Series 2012 Bonds are authorized and issued pursuant to a resolution of the City Council adopted on June 19, 2012, and an authorizing ordinance adopted on June 28, 2012, and pursuant to Article XXVI of the City Charter, as amended from time to time, and the PFRS Pension Obligation Bond Law, Chapter 4.44 of the Oakland Municipal Code (collectively the "Retirement Law").

The Series 2012 Bonds will be issued under, and are secured by, the Master Trust Agreement (the "Master Trust Agreement"), dated as of February 1, 1997, by and between the City and The Bank of New York Mellon Trust Company, N.A., San Francisco, California (successor trustee to The Chase Manhattan Bank, Houston, Texas, successor trustee to Texas Commerce Bank National Association) (the "Trustee"), a First Supplemental Trust Agreement, dated as of February 1, 1997, a Second Supplemental Trust Agreement, dated as of September 1, 2001 (the "Second Supplemental Trust Agreement"), and a

*Preliminary, subject to change.

Third Supplemental Trust Agreement, dated as of July 1, 2012 (the "Third Supplemental Trust Agreement"), by and between the City and the Trustee (the Master Trust Agreement as so amended is sometimes referred to collectively as the "Trust Agreement").

Pursuant to the Charter of the City, as amended, the City is obligated to appropriate and make payments to The Oakland Police and Fire Retirement System (the "Retirement System" or "PFRS") for certain obligations arising as a result of retirement benefits accruing to members of the Retirement System. The City will issue a debenture (the "Debenture") to the Retirement System to evidence a portion of the City's unfunded actuarial accrued liability to the Retirement System. The Series 2012 Bonds will be issued to (i) refund the Debenture and (ii) pay costs of issuance of the Series 2012 Bonds. See "PLAN OF FINANCE."

The City has heretofore issued its Taxable Pension Obligation Bonds, Series 1997 (the "Series 1997 Bonds"), and its Taxable Pension Obligation Bonds, Series 2001 (the "Series 2001 Bonds"). The final maturity of the Series 1997 Bonds occurred in December 2010 and the Series 2001 Bonds will mature in December 2022. The Series 2012 Bonds, the Series 2001 Bonds, the Series 1997 Bonds, and any Additional Bonds issued under the Trust Agreement, are collectively referred to as the "Bonds."

Security and Source of Payment for the Series 2012 Bonds

The obligation of the City to pay the principal of, interest on and the redemption price, if any, of the Bonds is imposed upon the City by law and is enforceable against the City pursuant to the Trust Agreement and an ordinance and a resolution adopted by the City Council authorizing the issuance of the Series 2012 Bonds. To secure the payment of the Bonds and the performance and observance by the City of all the covenants and agreements contained in the Bonds and Trust Agreement, the City has agreed in the Trust Agreement to pay from any legally available source of revenues of the City (including the Tax Override Revenues (as defined herein)) all amounts due and owing with respect to the Bonds. As provided in the Trust Agreement and as described herein, the City has pledged and assigned to the Trustee, and has granted to the Trustee a lien on and security interest in, the Pledged Revenues (which consist solely of the Tax Override Revenues collected by the City pursuant to the levy of an *ad valorem* tax) and certain other moneys and securities held from time to time by the Trustee under the Trust Agreement for the payment of the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2012 BONDS." Neither the Bonds nor the obligation of the City to make payments with respect to the Bonds constitute an indebtedness of the City, the State of California (the "State") or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Additional Bonds and Other Debt

The City is permitted under the Trust Agreement to issue at any time Additional Bonds in any principal amount, which Additional Bonds may be secured under the Trust Agreement by Pledged Revenues on a parity with the Series 2001 Bonds and the Series 2012 Bonds and bonds and other debt instruments secured by Pledged Revenues on a subordinate basis to the lien of the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2012 BONDS – Subordinate Bonds" for a description of certain bonds issued in 2008 that are secured by Pledged Revenues on a subordinate basis to the lien of the Bonds.

The City also may issue at any time, without any limit imposed by the Trust Agreement, general obligation bonds, or other evidences of indebtedness or liabilities, payable from the general revenues of the City (excluding the Tax Override Revenues). The City plans to issue on or about July 10, 2012, its 2012-2013 Tax and Revenue Anticipation Notes in the aggregate principal amount of $83,125,000 (the

"2012-2013 TRAN"). The 2012-2013 TRAN will be payable from the general revenues of the City (excluding the Tax Override Revenues).

See "THE SERIES 2012 BONDS – Additional Bonds and Other Debt."

The Series 2012 Bonds – General

The Series 2012 Bonds will be dated the date of delivery and will bear interest from such date, semi-annually on June 15 and December 15, commencing December 15, 2012. The Series 2012 Bonds will be in denominations of $5,000 or any integral multiple thereof ("Authorized Denominations"). The Series 2012 Bonds will mature on the dates and in the principal amounts and will bear interest at the respective interest rates as set forth on page i of this Official Statement. See "THE SERIES 2012 BONDS."

The Series 2012 Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC").

Redemption

The Series 2012 Bonds will be subject to redemption prior to their respective stated maturities as described herein. See "THE SERIES 2012 BONDS – Redemption."

Validation

Prior to the issuance of the Series 1997 Bonds, the City brought a validation action in the Superior Court of Alameda County pursuant to Section 860 *et seq.* of the California Code of Civil Procedure. The validation action sought judicial validation of the issuance of bonds and debentures evidencing the City's obligations under the Retirement Law and related matters. A judgment was entered in favor of the City validating the issuance of the Series 1997 Bonds and any subsequent Series of Bonds issued pursuant to the Master Trust Agreement. See "APPROVAL OF LEGALITY – Validation Proceedings."

Continuing Disclosure

The City, for purposes of Rule 15c2-12 of the U.S. Securities and Exchange Commission, has agreed pursuant to a Continuing Disclosure Certificate to provide certain financial information and operating data relating to the City and to provide notices of the occurrence of certain enumerated events. See "CONTINUING DISCLOSURE" and APPENDIX F – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Financial Statements

The Series 2012 Bonds are obligations of the City payable from the City's general revenues, including amounts held in its General Fund and any other legally available source of funds. The most recent audited Annual Financial Report of the City, which includes the City's General Fund, relates to its Fiscal Year ending June 30, 2011. The audited Annual Financial Report of the City for its Fiscal Year ended June 30, 2011, is included in APPENDIX B. Such Annual Financial Report has been audited by Macias Gini & O'Connell LLP, independent accountants (the "Auditor"), as stated in the Auditor's report appearing in APPENDIX B. The City has not requested, nor has the Auditor given, the Auditor's consent to the inclusion in APPENDIX B of its report. The Auditor has not reviewed this Official Statement nor performed any procedures subsequent to rendering its opinion on such Financial Statements.

Miscellaneous

The descriptions herein of the Trust Agreement and any other agreement relating to the Series 2012 Bonds do not purport to be comprehensive or definitive. All references herein to the Trust Agreement are qualified in their entirety by reference to the definitive form thereof, all references to laws are qualified in their entirety by reference to the complete text of the laws, all references to the Series 2012 Bonds are qualified by the form thereof contained in the Trust Agreement, and all such references are further qualified in their entirety by laws and principles of equity relating to or affecting the enforcement of creditors' rights against cities in California and of creditors generally.

Copies of the Trust Agreement are available from the Underwriters until initial issuance of the Series 2012 Bonds and thereafter may be obtained by contacting the Trustee.

The presentation of information herein, including tables of receipts of revenues and other financial information, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or affairs of the City. No representation is made that past experience, as it might be shown by such financial or other information, will necessarily continue or be repeated in the future.

PLAN OF FINANCE

The City, under its Charter, established the Retirement System, which provides pension and other benefits to certain members of the City's Police and Fire Departments. See "CITY POLICE AND FIRE RETIREMENT SYSTEM." The City is obligated by its Charter to amortize by July 1, 2026, its unfunded actuarial accrued liability ("UAAL") for retirement benefits for members of its Police and Fire Departments under the Retirement System. Since 1981, the City has annually levied an *ad valorem* tax to amortize the UAAL. This tax is referred to in this Official Statement as the "Tax Override" and the proceeds derived from the collection of this tax are called "Tax Override Revenues." The Trust Agreement requires the City to use any legally available revenues (including Tax Override Revenues) to pay debt service on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2012 BONDS."

In 1997, the City issued its Series 1997 Bonds, which were used: (1) to refund a debenture that was issued by the City to PFRS, which debenture evidenced a portion of the City's then existing UAAL to PFRS, (2) to pay a portion of the City's normal contribution to PFRS for its Fiscal Year 1996-97; and (3) to pay costs of issuance of the Series 1997 Bonds. In return for the payments described in (1), PFRS agreed in a Funding Agreement, dated as of June 1, 1996 (the "1996 Funding Agreement"), between the City and PFRS, that the City would not be required to make any further payments to PFRS for UAAL through June 30, 2011. The City made a voluntary payment of $17.7 million during Fiscal Year 2005-06 to fund a portion of the City's obligation under its Charter to make payments to PFRS. The City's required contribution to PFRS resumed in July 2011. As determined by the July 1, 2010, actuarial valuation, the City's annual required contribution to PFRS for Fiscal Year 2011-12 is approximately $45.6 million. The City has historically paid debt service on the Bonds from Tax Override Revenues.

In 2001, the City issued its Series 2001 Bonds, which were used to provide funds to purchase for cancellation or to legally defease to maturity a portion of the City's then outstanding Series 1997 Bonds and to pay costs of issuance of the Series 2001 Bonds. The Series 2001 Bonds will mature in December 2022. The Series 1997 Bonds matured in December 2010.

The issuance of the Series 2012 Bonds is part of the plan of finance undertaken by the City to continue to permit annual debt service on the Bonds to be paid from the annual Tax Override Revenues anticipated by the City to be received and to minimize the need for the City to use other revenues to pay such debt service.

The Debenture will be issued to the Retirement System in the amount of $210,000,000.* The City will use proceeds from the Series 2012 Bonds (i) to refund the Debenture and (ii) to pay costs of issuance of the Series 2012 Bonds. Upon issuance of the Series 2012 Bonds, a portion of the proceeds of the Series 2012 Bonds will be deposited with the Trustee. The Trustee will transfer to the Retirement System the portion of the proceeds of the sale of the Series 2012 Bonds equal to the principal amount of the Debenture (the "Payment") to pay the Debenture and the obligation represented thereby. See "ESTIMATED SOURCES AND USES OF FUNDS."

Pursuant to a Funding Agreement dated as of July 1, 2012, between the City and the Retirement System (the "Funding Agreement"), the City will not be required to make any further periodic payments to the Retirement System through June 30, 2017, in return for making the Payment to the Retirement System.

The City Charter requires the Retirement System to obtain an actuarial valuation of the UAAL every three years and the current policy of the Retirement System is to obtain such valuation at least every two years. Based upon future actuarial valuations of the UAAL, the Retirement System will determine the annual payments, if any, beginning after June 30, 2017, which the City is obligated by the Retirement Law to make to amortize the UAAL, if any, by 2026. There can be no assurance that after June 30, 2017, the aggregate of the (i) annual debt service on the Bonds and (ii) any annual payment required by the Retirement Law to amortize the UAAL will be less than the annual Tax Override Revenues.

Various factors could result in an additional UAAL obligation in the future as of any particular valuation date, including, without limitation, inflationary factors, changes in statutory provisions of the Retirement Law, changes in benefit levels, mortality experience, payroll, and investment results.

CITY POLICE AND FIRE RETIREMENT SYSTEM

The information in this section has been included to provide certain information concerning the Retirement System. See also APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – OTHER FISCAL INFORMATION – Retirement Programs" and Notes (3) and (16) in "Notes to Basic Financial Statements" included in APPENDIX B – "ANNUAL FINANCIAL REPORT OF THE CITY OF OAKLAND FOR THE YEAR ENDED JUNE 30, 2011."

Neither the Retirement System nor its assets are obligated for the payment of debt service on the Bonds.

The Retirement System is established pursuant to the Retirement Law and is a defined benefit pension system for the members of the City's Police and Fire Departments hired prior to July 1, 1976. The Retirement System is now closed; no new members can join PFRS. As of July 1, 2011, the Retirement System covered one active employee and 1,106 other participants, including retired employees and beneficiaries. PFRS provides for the payment of retirement allowances and disability and death benefits to its members and their beneficiaries. PFRS is governed by a seven-member Police and Fire Retirement Board (the "Retirement Board"), which controls the operation, investment and disbursement of the Retirement System's funds. The Retirement Board consists of the Mayor, one active or retired police member elected by the retirees, one retired fire member elected by the retirees, a life insurance executive appointed by the Mayor, a bank officer appointed by the mayor, and a community representative appointed by the Mayor. Members of the Retirement Board serve three-year terms. PFRS

* Preliminary, subject to change.

is subject to federal and California law and the Retirement Board has discretion to invest plan assets under the prudent person standard of the City Charter Article XXVI, the California Constitution and other applicable law. PFRS has a stated investment objective to maintain the purchasing power of the principal of PFRS investments over the long term.

The most recent actuarial valuation of PFRS was as of July 1, 2011. According to such valuation, the Actuarial Accrued Liability of PFRS exceeded the Actuarial Value of Assets (as defined in such report) by approximately $426.8 million, which resulted in a Funded Ratio (defined as Actuarial Value of Assets divided by Actuarial Accrued Liability) of 37.5%. Historical information regarding Actuarial Value of Assets, Actuarial Value of Liabilities and Funded Ratios is set forth below:

July 1	Actuarial Value of Assets ($ in Millions)	Actuarial Value of Liabilities ($ in Millions)	Unfunded Liability ($ in Millions)	Funded Ratios
2007	$566.0	$888.1	$322.1	63.7%
2009	347.2	782.5	435.3	44.4
2010	297.8	792.2	494.4	37.6
2011	256.3	683.1	426.8	37.5

Following the issuance of the Series 2012 Bonds and the deposit of the Payment to the Retirement System, the Funded Ratio will increase to approximately 70%. As noted above, actuarial valuation of the Funded Ratio of the Retirement System and the amount of the UAAL of the City have changed, and will continue to change, to the extent actual experience differs from the assumptions used by the independent actuary of the Retirement System in making its valuations. Various factors affecting the Retirement System could result in an increased (or decreased) UAAL obligation of the City as of any particular future actuarial valuation date of the Retirement System. Those factors include, among others, investment earnings of the Retirement System, cost of living adjustments, changes in the Retirement Law, changes in benefit levels, and mortality experience. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – OTHER FISCAL INFORMATION – Retirement Programs – *Police and Fire Retirement System*" for a more complete discussion on the actuarial valuation of the Retirement System.

THE SERIES 2012 BONDS

General

The Series 2012 Bonds will be dated the date of delivery and will bear interest from such date, semi-annually on June 15 and December 15, commencing December 15, 2012. The Series 2012 Bonds will be in Authorized Denominations. The Series 2012 Bonds will mature on the dates and in the principal amounts and will bear interest at the respective interest rates set forth on page i of this Official Statement.

The Series 2012 Bonds will be issued on a parity with the Series 2001 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2012 BONDS."

The Series 2012 Bonds will be executed and delivered in fully registered form, initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Individual purchases of Series 2012 Bonds will be made in book-entry-only form and purchasers will not receive physical delivery of the Series 2012 Bonds. Payment of the principal of, and premiums, if any, and interest on, the Series 2012 Bonds will be made by the Trustee to Cede & Co., as nominee for DTC, as registered owner of the Series 2012 Bonds, to be subsequently disbursed by DTC to its participants and thereafter to the beneficial owners of the Series 2012 Bonds, all as further described in APPENDIX G – "DTC AND THE BOOK–ENTRY ONLY SYSTEM."

Redemption

Optional Make-Whole Redemption of the Series 2012 Bonds. The Series 2012 Bonds are subject to redemption prior to their respective maturities, at the option of the City, from any source of available funds, as a whole or in part from any maturities selected by the City, at the Make-Whole Redemption Price, together with interest accrued thereon to the date fixed for redemption.

"Make-Whole Redemption Price" means the amount equal to the greater of the following:

(1) 100% of the principal amount of the Series 2012 Bonds to be redeemed; or

(2) the original issue price of the Series 2012 Bonds to be redeemed; or

(3) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series 2012 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2012 Bonds are to be redeemed, discounted to the date on which the Series 2012 Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus ___ basis points.

At the request of the City or the Trustee, the Make-Whole Redemption Price of the Series 2012 Bonds, with respect to paragraph (3) above, will be calculated by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense. The City and the Trustee may conclusively rely on the determination of the Treasury Rate by the Designated Investment Banker and on any Make-Whole Redemption Price calculated by an independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

"Treasury Rate" means, with respect to any redemption date for a particular Series 2012 Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Series 2012 Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Series 2012 Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2012 Bond to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Series 2012 Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the City.

"Reference Treasury Dealer" means each of the four firms, specified by the City from time to time, that are primary United States Government securities dealers in the City of New York (as such, each a "Primary Treasury Dealer"); provided, however, that if any Reference Treasury Dealer ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 2012 Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the Valuation Date.

"Valuation Date" means a Business Day not later than the third Business Day preceding the redemption date but no more than 30 calendar days prior to the redemption date.

Mandatory Redemption

The Series 2012 Bonds maturing on _________, are subject to redemption prior to maturity in part, pro rata, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from mandatory sinking account payments in the following amounts, commencing on __________ according to the following schedule:

Year	Mandatory Sinking Account Payment

Whenever provision is made for the mandatory sinking fund redemption of a portion of the Series 2012 Bonds of a maturity date, the Trustee will select the Series 2012 Bonds to be redeemed pro rata.

Notice of Redemption

Notice of redemption will be mailed by first-class mail by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to (i) the respective registered owners of the Series 2012 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Municipal Securities Rulemaking Board, and (iii) the securities depositories. Each notice of redemption will state the date of such notice, the redemption price, if any (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2012 Bonds of such maturity to be redeemed and, in the case of Series 2012 Bonds to be redeemed in part only, the respective portions of the principal amount to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Series 2012 Bonds the redemption price, if any, thereof and in the case of a Series 2012 Bond to be redeemed in part only, the specified portion of the principal amount to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2012 Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice will not invalidate any of the proceedings taken in connection with such redemption.

At the written request of the City, the Trustee's notice of redemption with respect to an optional redemption of Series 2012 Bonds will provide that such redemption is conditional upon receipt by the Trustee of sufficient moneys to redeem the Series 2012 Bonds or portion thereof, including moneys to pay any redemption premium (a "Conditional Redemption"). The Trustee will rescind any Conditional Redemption if sufficient moneys have not been deposited with the Trustee on or before the redemption date. The Trustee will give notice of rescission to the registered owners of any Series 2012 Bonds designated for redemption by the same means and in the same manner described in the preceding paragraph. The optional redemption will be canceled once the Trustee has given notice of rescission. Any portion of the Series 2012 Bonds subject to Conditional Redemption where such redemption has been rescinded will remain outstanding, and neither the rescission nor the failure of funds being made available in part or in whole on or before the redemption date will constitute an event of default.

If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Series 2012 Bonds called for redemption, together with interest accrued to the date fixed for redemption, is held by the Trustee, then on the redemption date designated in such notice, the Series 2012 Bonds so called for redemption will become due and payable, and from and after the date so designated interest on such Series 2012 Bonds will cease to accrue, and the holders of such Series 2012 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

All Series 2012 Bonds redeemed pursuant to the provisions of the Third Supplemental Trust Agreement described above will be cancelled by the Trustee, will be destroyed, and will not be reissued.

Defeasance

Series 2012 Bonds or portions thereof (such portions to be in integral multiples of the Authorized Denomination) which have been paid in full or which are deemed to have been paid in full shall no longer be secured by or entitled to the benefits of the Trust Agreement except for the purposes of payment from moneys or Government Obligations (as defined in the Trust Agreement) held by the Trustee for such purpose.

A Series 2012 Bond shall be deemed to be paid within the meaning of and for all purposes of the Trust Agreement when payment of the principal, interest and premium, if any, either (a) shall have been made or caused to be made in accordance with the terms of the Series 2012 Bonds and the Trust Agreement or (b) shall have been provided for by depositing with the Trustee in trust and setting aside exclusively for such payment: (i) moneys sufficient to make such payment, and/or (ii) noncallable Government Obligations, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Series 2012 Bonds shall be deemed to be paid under the Trust Agreement, such Series 2012 Bonds shall no longer be secured by or entitled to the benefits of the Trust Agreement, except for the purposes of payment from such moneys or Government Obligations.

Any deposit under clause (b) of the foregoing paragraph shall be deemed a payment of such Series 2012 Bonds. Once such deposit shall have been made, the Trustee shall notify all holders of the affected Series 2012 Bonds that the deposit required by (b) above has been made with the Trustee and that such Series 2012 Bonds are deemed to have been paid in accordance with the defeasance provisions of the Trust Agreement. No notice of redemption shall be required at the time of such defeasance or prior to such date as may be required by the Third Supplemental Trust Agreement. Defeasance of any Series 2012 Bond may result in a reissuance thereof, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Series 2012 Bond. Notwithstanding anything in the Trust Agreement to the contrary, moneys from the trust or escrow established for the defeasance of Bonds may be withdrawn and delivered to the City so long as the requirements above are met prior to or concurrently with any such withdrawal.

See APPENDIX D – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – DEFEASANCE."

Additional Bonds and Other Debt

The City is permitted under the Trust Agreement to issue at any time Additional Bonds in any principal amount, secured under the Trust Agreement by Pledged Revenues on a parity with the Series 2012 Bonds and the Series 2001 Bonds and bonds and other debt instruments secured by Pledged Revenues on a subordinate basis to the lien of the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2012 BONDS."

The City also may issue at any time, without any limit imposed by the Trust Agreement, general obligation bonds or other evidences of indebtedness or liabilities payable from the general revenues of the City (excluding Tax Override Revenues). See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – DEBT OBLIGATIONS." The City plans to issue on or about July 10, 2012, its 2012-2013 TRAN in the aggregate principal amount of $83,125,000. The 2012-2013 TRAN will be payable from the general revenues of the City (excluding the Tax Override Revenues). The 2012-2013 TRAN will not be secured by the Tax Override Revenues.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2012 BONDS

The obligation of the City to make payments with respect to the Series 2012 Bonds, the Series 2001 Bonds and any Additional Bonds is an obligation of the City imposed upon the City by law. The obligation to make payments with respect to the Series 2012 Bonds is enforceable against the City pursuant to the Trust Agreement, a resolution adopted on June 19, 2012 by the City Council, and an authorizing ordinance adopted on June 28, 2012, by the City Council, authorizing issuance of the Series 2012 Bonds. Such obligation is payable from any legally available source of funds of the City. Payment of the principal of, interest on, and redemption price, if any, of, the Series 2012 Bonds is not limited to any special source of funds, although the Tax Override Revenues are pledged to the payment of the Series 2012 Bonds under the terms of the Trust Agreement.

The assets of the Retirement System are not available for payment of the Bonds and the Bonds do not constitute an obligation of the Retirement System.

Pursuant to the Trust Agreement, the City has covenanted to annually levy and collect the Tax Override (up to the maximum tax rate) in each Fiscal Year in an amount that the City expects will be sufficient, together with the other amounts legally available to the City and on hand and amounts budgeted by the City in such Fiscal Year and expected to be available, to pay principal of and interest on the Series 2012 Bonds due in such Fiscal Year and the Maturity Amount (as defined in the Second Supplemental Trust Agreement) on all Series 2001 Bonds maturing in such Fiscal Year. The "Tax Override Revenues" consist of the revenues generated and collected by the City as proceeds of its annual tax levy authorized by Resolution No. 59916 C.M.S. adopted in August 1981 by the City Council to fund the City's obligations under Measure R and Measure O. Measure R was enacted by the voters of the City on June 8, 1976, amended certain provisions of the City Charter establishing the Retirement Law and required the City to amortize the UAAL by the year 2016. Beginning in 1981, the City Council levied the Tax Override to fund the UAAL. On June 7, 1988, the voters of the City adopted Measure O by a 71% vote. Measure O extended the period for amortizing the UAAL by 10 years to 2026.

The City has pledged the Tax Override Revenues, as provided in the Trust Agreement and as described in this paragraph, for the payment of the Bonds in each Fiscal Year. The City has pledged and assigned to the Trustee and granted to the Trustee, in the Master Trust Agreement, a lien on and security interest in all right, title and interest of the City in and to the Tax Override Revenues levied and collected in each Fiscal Year to secure the payment of principal of and interest on and the redemption price of Bonds due and payable in such year, and has provided therein that such lien and security interest shall be prior in right to any other pledge, lien or security interest created by the City in the Tax Override Revenues as and to the extent therein provided. In the Master Trust Agreement, the City has covenanted that the Tax Override Revenues levied and collected in each Fiscal Year shall be pledged and applied to pay principal of and interest on and the redemption price of the Bonds in such Fiscal Year. The Master Trust Agreement further provides that, to the extent that, commencing on June 30, 1998 and on June 30 of each Fiscal Year thereafter during the term of any Bonds Outstanding thereunder, any surplus amount of Tax Override Revenues remains on deposit in the Pledged Revenues Fund after payment of all principal of and interest on and the redemption price of the Bonds during such Fiscal Year, such amounts may be applied on and after July 1 of the next succeeding Fiscal Year for any lawful purpose of the City, at the written direction of the City to the Trustee.

The Trust Agreement requires the City to deposit all Tax Override Revenues into the Tax Override Revenue Account in the General Fund held by the City. The City is further required, on or before August 1 of each year, to deposit with the Trustee an aggregate amount, from its legally available revenues (including, but not limited to, the Tax Override Revenues held in the Tax Override Revenues Account of the City), sufficient to pay all principal and interest due on the Bonds on the next succeeding December 15 and June 15. If this deposit is made by August 1 of each year, then the Trust Agreement imposes no further limitations upon the City's use of Tax Override Revenues held in the Tax Override Revenue Account of the City. See APPENDIX D – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – ESTABLISHMENT OF FUNDS RELATING TO THE SERIES 2012 BONDS AND APPLICATION THEREOF" and "– COVENANTS OF THE CITY."

The determination by the City Council in any year of the amount of the tax levy rate for the Tax Override may be subject to a variety of factors, including the amount of other City revenues, the prevailing levels of property taxation within the City, the assessed valuation of property in the City and political considerations and policies of the City Council at the time of the levy.

In 1982, a taxpayer filed a lawsuit challenging the Tax Override as violating Article XIII A of the California Constitution and arguing the Tax Override was not indebtedness which had been approved by the voters prior to July 1, 1978, as required by Article XIII A. That challenge was rejected in 1983 by the Court of Appeal, First Appellate District, in *Valentine v. City of Oakland*. The *Valentine* Court concluded that the obligation of the City to fund its contributions to the Retirement System constituted indebtedness which had been approved by the voters in 1976 when they adopted Measure R. The Court also rejected the challenge that the voters must approve the specific tax levied to pay the indebtedness to the Retirement System because the City Council, under the City's home rule power as a charter city, had the legal authority to levy the Tax Override.

State legislation enacted in 1985 limits the rate of the levy of the Tax Override to the rate levied by the City in Fiscal Year 1983 or 1984, which was 0.1575%. In addition, the tax levy rate may be affected by other existing and future statutory and constitutional limitations on taxes and appropriations, which may limit tax levy rates or otherwise have an adverse effect on the taxing or spending powers of the City. For example, Proposition 218 (as defined herein), approved by the voters of the State of California on November 5, 1996, enacted constitutional provisions restricting imposition of special taxes by cities and other local governmental agencies. Proposition 218 may also limit the ability of the City to increase the tax levy rate for the Tax Override above its current level, or permit voters to reduce such tax levy rate, or may otherwise adversely affect the levy of the Tax Override. See "RISK FACTORS – Legal Limitations on City's Revenues" and "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

For Fiscal Year 2011-12, the City Council levied the Tax Override at a rate of 0.1575% of property assessed value and budgeted collection of Tax Override Revenues in the amount of $61.20 million. The City levied the Tax Override in each of its last 10 Fiscal Years at such 0.1575% rate. The amount of Tax Override Revenues and the annual growth rate of such Revenues for the last ten (10) Fiscal Years are shown in the following table:

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City of Oakland
Tax Override Revenues
Fiscal Years 2002–03 through 2011–12

Fiscal Year (June 30)	Assessed Valuation ($ in 000s)	Tax Levy	Tax Override Revenues	Annual Growth Rate	Annual Delinquency Rate
2002-03	$24,801,511	0.1575%	$39,062,380	8.16%	5.04%
2003-04	27,045,906	0.1575	42,597,302	9.05	3.49
2004-05	29,276,917	0.1575	46,111,144	8.25	3.54
2005-06	32,243,583	0.1575	50,783,643	10.13	3.92
2006-07	35,819,879	0.1575	56,416,309	11.09	5.97
2007-08	39,318,818	0.1575	61,927,138	9.77	7.63
2008-09	41,273,635	0.1575	65,005,975	4.97	6.94
2009-10	39,876,601	0.1575	62,805,647	-3.38	5.28
2010-11	38,484,139	0.1575	60,612,519	-3.49	4.41
2011-12	38,856,434	0.1575	61,198,884	0.97	N/A (1)

(1) Annual delinquency rate for FY 2011-12 not yet available

Source: City of Oakland Finance and Management Agency

See "RISK FACTORS — Changes in Amount of Revenues To Pay Bonds" for a discussion of the City's collections of Tax Override Revenues.

The City makes no representation as to its legal ability or intention to raise the levy rate for the Tax Override above 0.1575%. For a discussion of the City's legal ability to raise such levy rate, see "RISK FACTORS – Legal Limitations on City's Revenues." As discussed above, the City has no obligation under the Trust Agreement to levy the Tax Override in any Fiscal Year to the extent other legally available revenues are on hand or budgeted by the City in such Fiscal Year and expected by the City to be available for the payment of the Bonds. The City has covenanted in the Master Trust Agreement to take such action as may be necessary to include all payments (to the extent such payments are known to the City at the time its annual budget is proposed) due thereunder in its annual budget and to make the necessary annual appropriations therefor, and to maintain such items to the extent unpaid for that Fiscal Year in its budget throughout such Fiscal Year. In any year in which the Tax Override is not levied or is levied at a lower rate, the City is required to pay debt service on the Bonds from any other legally available source of revenue of the City.

THE SERIES 2012 BONDS DO NOT CONSTITUTE A DEBT OF THE CITY OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Further, in the event the City were to file for bankruptcy, the court in the bankruptcy proceeding might allow the use of the Tax Override Revenues for purposes other than paying debt service on pension obligation bonds and other obligations that funded PFRS. See "RISK FACTORS – Limitations on Remedies; Bankruptcy."

Subordinate Bonds

In 2008, the Oakland Joint Powers Financing Authority, a public entity and agency, organized and existing pursuant to an Agreement entitled "Joint Exercise of Powers Agreement," dated as of February 1, 1993, by and between the City and the Redevelopment Agency of the City of Oakland (the "Authority"), issued its Refunding Revenue Bonds, 2008 Series A-1 in the original principal amount of $107,630,000 (the "Authority 2008 Series A-1 Bonds") and 2008 Series A-2 in the original principal amount of $20,330,000 (the "Authority 2008 Series A-2 Bonds" and together with the Authority 2008 Series A-1 Bonds, the "Authority 2008 Bonds"). The Authority 2008 Bonds are payable from and secured by base rental payments to be made by the City under an Amended and Restated Sublease, dated as of April 1, 2008, by and between the Authority and the City. The obligation of the City to make such base rental payments, when due, is a General Fund obligation of the City. The City has pledged to the payment of such base rental payments its Tax Override Revenues on a basis junior and subordinate to the lien on the security interest in Tax Override Revenues granted to secure the Bonds, including the Series 2012 Bonds and the Series 2001 Bonds. The Authority 2008 Bonds may be paid from the Tax Override Revenues only if amounts of principal and interest, which have become due and payable on the Bonds, whether by maturity, redemption or acceleration, have been paid in full.

As of May 1, 2012, approximately $64.865 million aggregate principal amount of the Authority 2008 Series A-1 Bonds and approximately $10.285 million aggregate principal amount of the Authority 2008 Series A-2 Bonds remain outstanding. The Authority 2008 Series A-1 Bonds will mature on January 1, 2017, and the Authority 2008 Series A-2 Bonds will mature on January 1, 2014.

GENERAL CITY INFORMATION

Located in the County of Alameda on the eastern shore of the San Francisco Bay, the City is approximately seven miles from San Francisco via the San Francisco-Oakland Bay Bridge. The City is composed of industrialized lands bordering the Bay in the west and suburban foothills in the east. Formerly the industrial heart of the San Francisco Bay Area (the "Bay Area"), the City has developed into a diverse financial, commercial and governmental center. The City is the hub of an extensive transportation network that includes several interstate freeways, the western terminus of major railroad and trucking operations, and one of the largest container ship ports in the United States. The City is served by an expanding international airport and rapid-transit lines that connect it with most of the Bay Area. The City is the seat of government for Alameda County and is the eighth most populous city in the State with an estimated population on January 1, 2012 of 395,341. The City projects that for Fiscal Year 2011-2012, it will have $425.5 million in revenues and $399.9 million in expenditures.

The City is a municipal corporation and charter city organized and existing under the Constitution and laws of the State. It was incorporated as a town in 1852 and as a city in 1854. The City became a charter city in 1889. The Charter provides for the election, organization, powers and duties of the legislative branch, known as the City Council; the powers and duties of the executive and administrative branches; fiscal and budgetary matters, personnel administration, franchise, licenses, permits, leases and sales; employee pension funds; and the creation and organization of the Port of Oakland. An eight-member City Council, seven of whom are elected by district and one of whom is elected on a city-wide basis, governs the City. The Mayor is not a member of the City Council but is the City's chief elective officer. The Mayor and Council members serve four-year terms staggered at two-year intervals.

For additional information concerning the City, its government, its financial affairs and its investment policy, see APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND," APPENDIX B – "ANNUAL FINANCIAL REPORT OF THE CITY OF OAKLAND FOR

THE YEAR ENDED JUNE 30, 2011," and APPENDIX C – "CITY OF OAKLAND INVESTMENT POLICY."

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Series 2012 Bonds are estimated to be applied as set forth in the following table:

<u>Sources of Funds</u>	
Principal Amount of Series 2012 Bonds	$_____________
Total Sources of Funds	$_____________
<u>Uses of Funds</u>	
Payment of Debenture (1)	$_____________
Costs of Issuance (2)	$_____________
Underwriters' Discount	$_____________
Total Uses of Funds	$_____________

____

(1) See "PLAN OF FINANCE," herein.
(2) Includes legal fees and expenses, printing costs, and certain other costs of issuance.

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DEBT SERVICE ON BONDS

The following table summarizes the projected Tax Override Revenues, the City's annual debt service obligations on the Series 2001 Bonds and the City's projected annual debt service obligations on the Series 2012 Bonds. The final maturity date of the Series 2001 Bonds is December 15, 2022.

		Parity Debt		
Period Ending June 30	**Tax Override Revenues (1)**	**Outstanding Series 2001 Debt Service (2)**	**Estimated Series 2012 Debt Service (3)**	**Excess Tax Override Revenues**
2013	$62,422,861	$39,555,000	$8,995,109	$13,872,752
2014	63,671,318	40,765,000	9,070,715	13,835,603
2015	64,944,745	42,010,000	9,070,715	13,864,030
2016	66,243,640	43,285,000	9,070,715	13,887,925
2017	67,568,513	44,590,000	9,070,715	13,907,798
2018	68,919,883	45,925,000	18,426,139	4,568,744
2019	70,298,280	47,295,000	18,326,038	4,677,243
2020	71,704,246	48,700,000	18,236,242	4,768,005
2021	73,138,331	50,140,000	18,160,345	4,837,986
2022	74,601,098	51,620,000	18,089,981	4,891,116
2023	76,093,120	53,130,000	17,808,549	5,154,571
2024	77,614,982		53,022,565	24,592,417
2025	79,167,282		53,798,363	25,368,919
2026	80,750,627		54,603,725	26,146,902
TOTALS	$997,138,924	$507,015,000	$315,749,914	$174,374,011

(1) Based on a 0.1575% levy on assessed values in the City. Assumes a 2.0% annual growth in assessed value.
(2) Capital appreciation bonds; accreted value at maturity.
(3) Preliminary, subject to change.

The Tax Override Revenues are also pledged to the repayment of subordinate pension bonds, which currently consist of the Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, 2008 Series A-1 and A-2, in the outstanding amounts of $64.9 million and $10.3 million, respectively. Such bonds will be fully amortized by Fiscal Year ending 2017, with annual payments of approximately $20 million for each of Fiscal Years ending 2013 and 2014, declining to approximately $15 million in each of Fiscal Years ending 2015 through 2017. Tax Override Revenues plus unused Tax Override Revenues from prior years, which as of June 1, 2012, totaled $62.3 million, are projected to be sufficient to cover all debt service obligations on the senior pension obligation bonds, including the Series 2012 Bonds, and the subordinate pension bonds, through the maturity of the latter.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the Series 2012 Bonds. It does not purport to be a complete listing of risks and other considerations which may be relevant to an investment in the Series 2012 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the Series 2012 Bonds. Events will occur between now and the final maturity date of the Series 2012 Bonds which cannot now be anticipated. No assurance can be given that such events and other risks and considerations will not become material in the future.

Changes in Amount of Revenues To Pay Bonds

The Series 2012 Bonds, the Series 2001 Bonds and any Additional Bonds are payable from any legally available source of revenues of the City, including its general funds and the Tax Override Revenues. The Trust Agreement imposes no restrictions on the amount of other obligations or expenditures which are payable by the City from its general funds or the amount of Additional Bonds that the City may issue.

In the past, the City paid a portion of the debt service on the Series 1997 Bonds from its general funds, because the amount of annual Tax Override Revenues was less than annual debt service on such Bonds.

The amount of annual Tax Override Revenues available to the City is determined by the rate of the levy of the Tax Override by the City Council, the assessed valuation of property in the City and the amount of taxes collected. For discussion of the levy of Tax Override by the City Council, see "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2012 BONDS." Changes in the City's assessed valuation have occurred and will continue to occur while the Bonds are outstanding. The City has experienced decreases in Tax Override Revenues in recent years due to decreases in assessed valuations of property. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2012 BONDS" and APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – GENERAL FUND REVENUES – Property Taxation."

Economic and market forces, such as a downturn in the Bay Area's economy generally, can affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets, as has occurred in the Bay Area. The Bay Area, like the rest of the State and nation, recently experienced a severe economic recession, marked by falling home prices, growing job losses, reduced investment values, limited credit availability, and reduced consumer spending and business investment, among other factors. For a discussion of the City's economy, see APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND." In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Concentration of Taxable Property Ownership: The more property (by assessed value) owned by any single taxpayer, the more exposure of tax collections to weakness in that taxpayer's financial situation and ability or willingness to pay property taxes. In Fiscal Year 2011-12, no single taxpayer owned more than 1.22% of the total taxable property in the City. See Table 15 entitled "City of Oakland, Top Twenty Taxpayers, Fiscal Year 2011-12," under APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – GENERAL FUND REVENUES – Property Taxation."

Property Tax Rates: One factor impacting the ability of taxpayers to pay property taxes in general is the cumulative rate of tax. The total tax rate per $100 of assessed value (including the basic countywide 1% rate required by statute) is shown for each of the last five years in Table 14 entitled "City of Oakland, Property Tax Rates," under APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – GENERAL FUND REVENUES – Property Taxation."

Natural and other forces also can affect the assessed value of taxable property in the City. The City is located in a seismically active region, and damage from an earthquake in or near the City could cause moderate to extensive or total damage to taxable property. See " – Seismic Risks," below. Other natural or manmade disasters, such as flood, fire, toxic dumping or acts of terrorism, could also cause a reduction in the assessed value of taxable property within the City. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – OTHER MATTERS – Natural Hazard Risks."

Legal Limitations on City's Revenues

There are legal limitations on the ability of the City to increase revenues payable to the General Fund of the City. The ability of the City to increase *ad valorem* property taxes (a major source of revenues for cities in California) is limited pursuant to Article XIII A of the State Constitution, which was enacted in 1978. In addition, in 1986 California voters approved an initiative statute (Proposition 62) which attempts to limit the imposition of new or higher taxes by local agencies, including the City. These same legal limitations generally restrict the ability of cities to increase fees in excess of the reasonable amount needed to provide the service or facilities with respect to which such fees are charged. An initiative approved by the voters on November 5, 1996 (Proposition 218), further limits the ability of local governments to raise revenues and grants voters expanded initiative powers to reduce or repeal property related taxes. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Legislation enacted in 1985 limits the rate of the levy of the Tax Override to 0.1575%, which was the rate levied by the City Council in Fiscal Year 1983 and 1984.

At the same time that limitations have been imposed on the ability of the City to raise revenues, State and federally mandated expenditures have increased. At times, the annual increase in mandated expenditures has exceeded the annual increase in City revenues. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other municipal services before paying debt service on the Bonds and in some cases may be obligated to fund such other services prior to paying debt service.

Labor Costs and Retirement Commitments

A substantial portion of the City's 2011-12 budget is allocable to the payment of salaries, pension benefits and Other Post-Employment Benefits ("OPEB") liabilities (including debt service on pension obligation bonds).

The City's unfunded long-term liabilities consist of obligations to the Retirement System, to CalPERS and for OPEB. Upon the deposit of the proceeds of the Series 2012 Bonds, the Retirement System's unfunded liability will be approximately $217 million. In addition, the City's approximately $660.5 million unfunded liability to CalPERS ($311.3 million for the Police and Fire Plan, for a funded ratio of 75.3%, and $349.2 million for the Miscellaneous Plan, for a funded ratio of 81.8%, as of July 1, 2010), will be paid by the City over a closed 20-year amortization period as required by CalPERS. The OPEB benefits are funded on a "pay as you go" basis, and the City's current net OPEB obligation is approximately $157 million, with a total accrued liability of approximately $520 million as of June 30, 2011. Various factors, including changes in investment assumptions and other actuarial assumptions, could significantly increase the size of this actuarial liability. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – OTHER FISCAL INFORMATION – Retirement Programs" and " – Post-Employment Benefits."

In recent years, the City has taken certain actions to address the foregoing. The City has obtained concessions in the form of increased retirement cost sharing, business closure days and unpaid leave days in Fiscal Years 2011-12 and 2012-13 and some employees have assumed 5% of their retirement costs. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – Labor Relations." Also, the voter-approved Tax Override, the Series 2001 Bonds and the Authority 2008 Bonds, and this offering of the Series 2012 Bonds pursuant to this Official Statement mitigate the unfunded liabilities with respect to the Retirement System.

Nonetheless, there can be no assurance that the City's labor costs, including its pension and OPEB commitments, will not have a material adverse impact on the financial condition of the City's General Fund.

Return of Assets to Redevelopment Agency's Successor Agency

State legislation was passed in 2011 that dissolved California redevelopment agencies and created successor agencies to, among other things, administer dissolution and wind down of the former redevelopment agencies. On April 24, 2012, the City and other California local government agencies received from the State Controller an order under such legislation to return to the successor agencies certain assets transferred to them by their former redevelopment agencies after January 1, 2011. The City is evaluating its legal options in response to the State Controller's order. The ultimate financial impact of the State's action cannot yet be determined. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – FINANCIAL INFORMATION – Dissolution of Redevelopment Agencies."

Limitations on Remedies; Bankruptcy

The Trust Agreement does not provide for any acceleration of the indebtedness represented by the Bonds in the event of default by the City in payment of debt service on the Bonds when due. Bondowners would be limited to enforcement of each defaulted payment as each such payment comes due. Any such suit for money damages would be subject to the limitations on legal remedies described below.

The rights of the Bondowners are subject to the limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the Bondowners, and the obligations incurred by the City, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Bondowners to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Various legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified as to enforceability by limitations imposed by State and federal laws and by bankruptcy, reorganization and other laws affecting creditors' rights, including equitable principles.

If the City defaulted in its payment of debt service on the Bonds, the ability of the Bondholders to sue the City to compel the levy and collection of Tax Override Revenues (assuming the City had not already levied and collected the Tax Override Revenues at the maximum rate) or to compel the City to provide other revenues for payment of the Bonds, may be subject to various legal limitations on the ability of the City to raise revenues, in addition to other legal limitations. Further, in the event the City were to file for bankruptcy, the court in the bankruptcy proceeding might allow the use of the Tax Override Revenues for purposes other than paying debt service on pension obligation bonds and other obligations that funded PFRS. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Seismic Risks

The City is in a seismically active area, located near or on three major active earthquake faults (the Hayward, Calaveras and San Andreas faults). During the past 150 years, the San Francisco Bay Area has experienced several major and numerous minor earthquakes. The largest was the 1906 San Francisco earthquake along the San Andreas fault, which passes through the San Francisco Peninsula west of Oakland, with an estimated magnitude of 8.3 on the Richter scale. The most recent major earthquake was the October 17, 1989 Loma Prieta Earthquake, also on the San Andreas fault, with a magnitude of 7.1 on the Richter scale and an epicenter near Santa Cruz, approximately 60 miles south of the City. Areas of both San Francisco and the City sustained major damage. The City experienced significant damage to the elevated Cypress freeway and to several buildings within the City, especially unreinforced masonry buildings constructed prior to 1970 and prior to current building code requirements. The City does not carry any earthquake insurance. A major earthquake anywhere in the Bay Area may cause significant temporary and possibly longer-term harm to the City's economy, tax receipts, and residential and business real property values. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – OTHER MATTERS – Natural Hazard Risks."

Risks Involving State Budget and Legislation

The State is experiencing financial stress. There can be no assurance that as a result of such financial stress, the State will not significantly reduce revenues to local governments (including the City), further shift financial responsibility for programs to local governments such as the City, or take other action that will adversely affect the financial condition of the City. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – FINANCIAL INFORMATION – State Budget," " – The State Budget Process; Fiscal Year 2011-12 State Budget," " – Proposed 2012-13 Budget," " – Future State Budgets," and " – Potential Impact of the State of California's Financial Condition on the City."

Changes in Law

There can be no assurance that the State Legislature will not at some future time, as it has in the past, enact legislation that will amend or create laws which cause a reduction of general revenues of the City, which would reduce moneys available to the City to pay the Bonds. Similarly, the California electorate could adopt initiatives or the State Legislature could adopt legislation with the approval of the electorate amending the State Constitution, as they have in the past, in a manner which could have the effect of reducing moneys available to the City to pay the Bonds.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum *ad valorem* tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978, (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition or (3) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, acquisition, equipping or leasing of school facilities approved by 55% of the voters voting on the proposition. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment" (the "Full Cash Value"). The Full Cash Value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above.

The 1% property tax is automatically levied by the County of Alameda and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979. Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Section 51 of the California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in the Orange County Superior Court and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Article XIII A and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. In March 2004, the Court of Appeal held that the trial court erred in ruling that assessed value determinations are always limited to no more than 2% of the previous year's assessed value and reversed the judgment of the trial court. The ruling of the Court of Appeal was appealed to the State Supreme Court, which denied the appeal for review in August 2004.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings by persons over age 55 and by property owners whose original property has been destroyed in a declared disaster and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – GENERAL FUND REVENUES – Property Taxation."

Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIII B of the State Constitution, which effectively limits the amount of such revenues those entities are permitted to spend. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, city and county, school district, special district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, adjusted for changes in the cost of living, population and services rendered by the government entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Appropriations subject to Article XIII B include generally the "proceeds of taxes" levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the costs of providing the service or regulation) and (2) the investment of tax revenues. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Statutory Spending Limitations

The Legislature adopted legislation in 1985 to limit the rate of the levy for the Tax Override to the rate imposed by the City Council in its Fiscal Years 1983 or 1984, during which the levy was at a 0.1575% rate. The City has complied with this statutory limitation.

A statutory initiative ("Proposition 62") was adopted by the voters in the State at the November 4, 1986 election which (1) requires that any tax for general governmental purposes imposed by local governmental entities, such as the City, be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity voting in an election on the tax, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction voting in an election on the tax, (3) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (4) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (6) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote of the electorate in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Guardino* decision did not address the question of whether or not Proposition 62 should be applied retroactively nor whether it applies to charter cities, such as the City. Two cases decided by the California Courts of Appeals in 1993, *Fielder v. City of Los Angeles*, and *Fisher v. County of Alameda*, have held that the restriction imposed by Proposition 62 on property transfer taxes did not apply to charter cities, because charter cities derive their power to enact such taxes under Article XI, Section 5 of the California Constitution relating to municipal affairs.

On December 15, 1997, the Court of Appeal for the State of California, Fourth Appellate District, in *McBrearty v. City of Brawley*, concluded that *Guardino* is to be applied retroactively to require voter approval of previously enacted taxes. On June 4, 2001, the California Supreme Court concluded in *Jarvis Taxpayers Association v. City of La Habra* that the three-year statute of limitations on court challenges to special taxes begins to run from each collection of the tax, not its original imposition.

In the opinion of the City Attorney, the City should be exempt from the provisions of Proposition 62 because, as a charter city under the California Constitution, it should not be affected by a statutory initiative such as Proposition 62.

Several questions raised by the *Guardino, McBrearty* and *La Habra* decisions remain unresolved. Proposition 62 provides that if a jurisdiction imposes a tax in violation of Proposition 62, the portion of the one percent general *ad valorem* property tax levy allocated to that jurisdiction is reduced by $1 for every $1 in revenue attributable to the improperly imposed tax for each year that such tax is collected. The practical applicability of this provision has not been fully determined. Potential future litigation and legislation may resolve some or all of the issues raised by these decisions.

Articles XIII C and D of the State Constitution

On November 5, 1996, California voters approved an initiative to amend the California Constitution known as the Right to Vote on Taxes Act ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include a charter city (such as the City). Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995 and prior to November 6, 1996 will continue to be imposed only if approved by a majority vote in an election held within two years of November 6, 1996.

Article XIII C also extends the initiative power to reducing or repealing local property-related taxes, assessments, fees and charges. This extension of the initiative power is not limited by the terms of Proposition 218 to impositions after November 6, 1996 and, absent other legal authority, could result in retroactive reduction in any existing taxes, assessments, fees and charges. In addition, Proposition 218 limits the application of assessments, fees and charges and requires certain existing, new and increased assessments, fees and charges to be submitted to property owners for approval or rejection, after notice and public hearing.

The City is not able to predict whether Proposition 218 will be held to be constitutional in the courts or its application limited in certain respects. If upheld, Proposition 218 could substantially restrict the City's ability to raise future revenues, subject existing sources of revenue to reduction or repeal, and increase the City's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. If applied by the courts to the levy for the Tax Override, Proposition 218 could affect the current rate, and any increase in the rate, of the levy for the Tax Override.

The voter approval requirements of Article XIII C reduce the flexibility of the City to raise revenues for its General Fund, and no assurance can be given that the City will be able to impose, extend or increase taxes in the future to meet increased expenditure needs.

Article XIII D contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that the assessment must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred, and (iii) a majority protest procedure which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected property. "Assessment" in Article XIII D is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property.

In addition, Article XIII D adds several provisions affecting "fees" and "charges," defined for purposes of Article XIII D to mean "any levy other than an *ad valorem* tax, a special tax, or an assessment imposed by [a local government] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and, after June 30, 1998, existing property-related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. This may require the City's General Fund to forego collecting some or all of the annual amounts it collects from the City's enterprise funds. Further, before any property-related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (these "property related" fee requirements also do not apply to fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D), no property-related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge (essentially the same procedure required for approval of assessments) or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

As set forth above, Article XIII C also removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal the Tax Override or other local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. "Assessments," "fees" and "charges" are not defined in Article XIII C, and it is unclear whether these terms are intended to have the same meaning for purposes of Article XIII C as for Article XIII D (which are generally property-related, as described above). If not, the scope of the initiative power under Article XIII C potentially could include the Tax Override Revenues and all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues. The interpretation and application of Proposition 218 will be determined by the courts and it is not possible to predict with certainty such future court decisions. Further analysis and future judicial interpretations may affect the City's estimate of the impact of Proposition 218 on its current General Fund revenues and Tax Override Revenues.

Proposition 26

On November 2, 2010, the voters of the State approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIII A and XIII C of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010, with a majority vote, which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption, was repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase, rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, and parking violations; (6) a charge imposed as a condition of property development; or (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Fees, charges and payments that are made pursuant to a voluntary contract that are not "imposed by a local government" are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

Further Initiatives

Articles XIII A, XIII B, XIII C, and XIII D and Propositions 62 and 26 were each adopted as measures that qualified for the ballot through the State's initiative process. From time to time, other initiative measures could be adopted which could further affect the City's revenues or the ability to spend or to increase revenues. The nature and impact of such measures cannot be anticipated by the City.

TAX MATTERS

The following discussion summarizes certain U.S. federal tax considerations generally applicable to beneficial owners of the Series 2012 Bonds that acquire their Series 2012 Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2012 Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their Series 2012 Bonds pursuant to this offering for the issue price that is applicable to such Series 2012 Bonds (*i.e.*, the price at which a substantial amount of the Series 2012 Bonds are sold to the public) and who will hold their Series 2012 Bonds as "capital assets" within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the "Code").

As used herein, "U.S. Holder" means a beneficial owner of a Series 2012 Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Series 2012 Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2012 Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2012 Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2012 Bonds (including their status as U.S. Holders or Non-U.S. Holders).

For U.S. Holders

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, interest on the Series 2012 Bonds is exempt from State of California personal income taxes. Interest on the Series 2012 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Series 2012 Bonds.

The Series 2012 Bonds are not expected to be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes because the stated redemption price at maturity of the Series 2012 Bonds is not expected to exceed their issue price, or because any such excess is expected to only be a *de minimis* amount (as determined for tax purposes).

Prospective investors that are not individuals or regular C corporations who are U.S. persons purchasing the Series 2012 Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the Series 2012 Bonds.

Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, defeasance, retirement (including pursuant to an offer by the City) or other disposition of a Series 2012 Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2012 Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2012 Bond which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted tax basis in the Series 2012 Bond (generally, the purchase price paid by the U.S. Holder for the Series 2012 Bond). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the Series 2012 Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2012 Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

For Non-U.S. Holders

*Interest***.** Subject to the discussion below under the heading "Information Reporting and Backup Withholding," payments of principal of, and interest on, any Series 2012 Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the City through stock ownership and (2) a bank which acquires such Series 2012 Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Series 2012 Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Bonds. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the City) or other disposition of a Series 2012 Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the City) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series 2012 Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such Series 2012 Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. U.S. information reporting and "backup withholding" requirements apply to certain payments of principal of, and interest on the Series 2012 Bonds, and to proceeds of the sale, exchange, redemption, retirement (including pursuant to an offer by the City) or other disposition of a Series 2012 Bond, to certain noncorporate holders of Series 2012 Bonds that are United States persons. Under current U.S. Treasury Regulations, payments of principal and interest on any Series 2012 Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2012 Bond or a financial institution holding the Series 2012 Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the Series 2012 Bonds that are not United States persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28% (subject to future adjustment).

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury Regulations pays the proceeds of the sale of a Bond to the seller of the Series 2012 Bond, backup withholding and information reporting requirements will not apply to such payment provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) who, in the aggregate hold more than 50% of the income or capital interest in the partnership or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a Series 2012 Bond, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. office of a broker of the proceeds of a sale of a Series 2012 Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the City and its tax advisors are (or may be) required to inform prospective investors that:

i. any advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;

ii. any such advice is written to support the promotion or marketing of the Bonds and the transactions described herein; and

iii. each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

APPROVAL OF LEGALITY

Validation Proceedings

Prior to the issuance of the Series 1997 Bonds, the City brought a validation action in the Superior Court of Alameda County pursuant to Section 860 *et seq.* of the California Code of Civil Procedure. The validation action sought judicial validation of the issuance of Bonds, the procedural ordinance enacted by the City Council authorizing the issuance of the Bonds, the debenture evidencing a portion of the City's obligation under the Retirement System, and related matters. A judgment was entered in favor of the City validating the issuance of the Series 1997 Bonds and any subsequent Series of bonds issued pursuant to the Master Trust Agreement and the procedural ordinance authorizing the issuance of the Bonds.

Opinions of Counsel

Certain legal matters incident to the issuance and delivery of the Series 2012 Bonds are subject to the approving opinion of Orrick, Herrington & Sutcliffe, LLP, San Francisco, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E hereto. Certain other matters will be passed upon for the Underwriters by Sidley Austin LLP, San Francisco, California, and for the City by the City Attorney and by Alexis S. M. Chiu, San Francisco, California, Disclosure Counsel to the City. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. Payment of fees of Bond Counsel and Disclosure Counsel is contingent upon the issuance of the Series 2012 Bonds.

LITIGATION

No litigation is pending or, to the best of the knowledge of the City, threatened, seeking to restrain or enjoin the issuance of the Debenture or the Series 2012 Bonds, or the execution and delivery of the Third Supplemental Trust Agreement or in any way contesting or affecting the validity of any of the foregoing, the Pledged Revenues or any proceedings of the City taken with respect to any of the foregoing. The City Attorney will render an opinion at the time of original delivery of the Series 2012 Bonds to that effect. The City is not aware of any litigation pending or threatened questioning its political existence or contesting its ability to levy the Tax Override or to collect Tax Override Revenues or contesting its ability to pay the principal of, or premium, if any, or interest on, the Series 2012 Bonds as required by the Trust Agreement.

The City is involved in certain litigation and disputes relating to its operation, including the litigation summarized below. Upon the basis of information presently available, the City Attorney believes (1) there are substantial defenses to such litigation and disputes and (2) in any event, any ultimate liability in excess of applicable insurance coverage resulting therefrom will not materially affect the ability of the City to pay debt service on the Series 2012 Bonds.

Taylor v. City of Oakland

A group of federal civil rights cases based on allegations that Oakland Police officers conducted unconstitutional "strip searches" of the 39 plaintiffs in separate unrelated incidents between 2002 and 2007. The parties recently tried 5 cases selected by plaintiffs' counsel in the United States District Court for the Northern District before the Honorable Marilyn Hall Patel. (Related Case No. C-04-4843-SI) In three of the five cases, the City prevailed. The plaintiffs in the other two cases were awarded a combined total of $205,000 in compensatory damages and $832,639 for attorney's fees. The remaining cases are still pending. The City estimates a combined potential liability in the remaining cases could reach $15,000,000.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), have given the Series 2012 Bonds ratings of "Aa3" and "A+," respectively.

Credit ratings reflect the views of the respective rating agencies and any explanation of the significance of ratings should be obtained directly from the agencies. In order to obtain such ratings, the City furnished to the rating agencies certain information and materials, some of which has not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on their own investigation, studies and assumptions. There is no assurance that any rating assigned to the Series 2012 Bonds by any rating agency will be continued for any given period of time or that it will not be lowered or withdrawn entirely by such rating agency if in its judgment circumstances so warrant. The City undertakes no responsibility to oppose any downward revision or withdrawal of any of such ratings obtained. Any such downward change in or withdrawal of the ratings may have an adverse effect on the market price of the Series 2012 Bonds.

The City expects to furnish to each rating agency such information and materials as it may request. The City, however, assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. The failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Series 2012 Bonds.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate, the City will covenant for the benefit of the holders and beneficial owners of the Series 2012 Bonds to provide certain financial information and operating data relating to the City by not later than nine months after the end of the City's Fiscal Year (currently June 30) (the "Annual Report"), commencing in 2013 with the report for the Fiscal Year ending June 30, 2012, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events and the text of the Continuing Disclosure Certificate is set forth under the caption APPENDIX F – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." A default under the Continuing Disclosure Certificate will not be an Event of Default under the Trust Agreement. The sole remedy under the Continuing Disclosure Certificate in the event of any failure of the City to comply will be an action to compel specific performance. These covenants will be made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

The City has not failed during the previous five years to comply in all material respects with any previous undertaking under such Rule, except that between February 1, 2008 and June 28, 2012, the City did not file event notices relating to the downgrades by Moody's, S&P and Fitch Ratings of the insured ratings of certain bonds for which the City entered into continuing disclosure undertakings. Such downgrades resulted from the downgrades of the ratings of the insurers of such bonds.

On June 29, 2012, the City made corrective filings setting forth information regarding the downgrade of the insured ratings of such bonds. Additionally, the City has instituted additional procedures to ensure timely compliance in the future with its continuing disclosure undertakings.

UNDERWRITING

The Underwriters (listed on the cover page) have agreed, subject to certain conditions, to purchase from the City the Series 2012 Bonds described on the cover page of this Official Statement at an aggregate purchase price equal to $__________________ and to reoffer such Series 2012 Bonds at the yields to maturity set forth on page i hereof. The Series 2012 Bonds may be offered and sold to certain dealers (including dealers depositing the Series 2012 Bonds into investment trusts) at prices lower than such public offering prices and such prices may be changed, from time to time, by the Underwriters. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all the Series 2012 Bonds if any Series 2012 Bonds are purchased.

FINANCIAL ADVISOR

Public Resources Advisory Group is acting as the financial advisor (the "Financial Advisor") to the City with respect to the Series 2012 Bonds. The Financial Advisor has assisted the City in various matters relating to the planning, structuring and delivery of the Series 2012 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities. The Financial Advisor will receive compensation from the City contingent upon the sale and delivery of the Series 2012 Bonds.

MISCELLANEOUS

The summaries of the Series 2012 Bonds, the Trust Agreement and laws and documents referred to in this Official Statement do not purport to be complete. Reference is made to such documents and the text of the laws for full and complete statements of their provisions. All statements in this Official Statement involving matters of opinion, estimates, forecasts, projections or the like, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any such opinions or the like will be realized. The agreements of the City relating to the Bonds are set forth in the Trust Agreement. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2012 Bonds.

This Official Statement and its distribution have been duly authorized and approved by the City Council of the City.

CITY OF OAKLAND, CALIFORNIA

By: ____

City Administrator

APPENDIX A

CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

Overview

The City of Oakland (the "City" or "Oakland") is located in the County of Alameda (the "County") on the eastern shore of the San Francisco Bay (the "Bay"), approximately seven miles from downtown San Francisco via the San Francisco-Oakland Bay Bridge. Occupying approximately 53.8 square miles, the City is the largest and most established of the "East Bay" cities. Its geography ranges from industrialized areas in the west, which border the Bay, to suburban foothills in the east. The City is the hub of an extensive transportation network, which includes several interstate freeways, the western terminus of major railroad and trucking operations, and one of the largest container-ship ports in the United States. The City is also served by an active international airport and the Bay Area Rapid Transit system ("BART"), which connects the City by commuter rail with most of the Bay Area. Formerly the industrial heart of the San Francisco Bay Area (the "Bay Area"), the City has developed into a diverse financial, commercial and governmental center. The City is the seat of government for the County and is the eighth most populous city in the State of California (the "State"), with a population of approximately 395,341 as of January 1, 2012.

Oakland has a diverse mix of traditional and new economy companies. Companies are attracted to the City's excellent quality of life, comparatively low business costs, extensive fiber-optic infrastructure, vast intermodal network, and a highly skilled labor pool—ranked the eighth most educated (with a college degree) in the nation according to the 2000 U.S. census (which is the most recent data available). Leading industries include business services, health care services, transportation, food processing, light manufacturing, government, arts, culture, and entertainment. Prominent employers or businesses headquartered in the City include Clorox Company, Kaiser Permanente, Cost Plus and Dreyer's Grand Ice Cream.

Culturally, the City is home to a regionally and nationally recognized symphony, many up-and-coming artistic and cultural institutions, an award-winning zoo, the Paramount Theatre and newly-renovated Fox Theater, a burgeoning restaurant scene, the recently remodeled Oakland Museum of California, and a vibrant nightlife. The City is also the only city in California outside of Los Angeles, and the only city in the Bay Area, with three major professional sports teams. The Oakland Athletics, the Golden State Warriors, and the Oakland Raiders all play at stadiums within the City, and at times these venues are used for other purposes, including concerts and other events. Oakland was ranked as the fifth most desirable destination to visit worldwide this year in The New York Times piece "The 45 Places to Go in 2012," and was the top-ranked U.S. destination.

The City boasts one of the highest percentages of parks and open space per capita in the nation. The City counts lush green hills, redwood forests, creeks, an estuary, and two shimmering lakes among its natural amenities, and the extensive East Bay Regional Park District is easily accessible from the City.

City Government

The City was incorporated as a town in 1852 and as a city in 1854. In 1889, the City became a charter city. The City Charter (the "Charter") provides for the election, organization, powers and duties of the legislative branch, known as the City Council (the "City Council"); the powers and duties of the executive and administrative branches; fiscal and budgetary matters, personnel administration, franchises, licenses, permits, leases and sales; employee pension funds; and the creation and organization of the Port of Oakland. An eight-member City Council, seven of whom are elected by district and one of whom is elected on a citywide basis, governs the City. The mayor of the City (the "Mayor") is not a member of the City Council but is the City's chief executive officer. The current Mayor, Jean Quan, is serving her first term, which expires in January 2015. No person can be elected Mayor for more than two consecutive terms. The Mayor and City Council members serve four-year terms staggered at two-year intervals. The City Attorney is elected to a four-year term, two years following the election of the Mayor. The current City Attorney, Barbara J. Parker, was appointed to fill the vacancy resulting from the resignation from office of the prior City Attorney. The current City Attorney's term will expire on December 31, 2012.

The Mayor appoints a City Administrator who is subject to confirmation by the City Council. The City Administrator is responsible for daily administration of City affairs and preparation of the annual budget for the Mayor to submit to the City Council. Subject to civil service regulations, the City Administrator appoints all City employees who are not elected officers of the City. The current City Administrator, Deanna J. Santana, was appointed on August 1, 2011.

The City provides a full range of services required by State law and the Charter, including those functions delegated to cities under State law. These services include public safety (police and fire), sanitation and environmental health enforcement, recreational and cultural activities, public improvements, planning, zoning and general administrative services.

ECONOMIC HIGHLIGHTS

The City is a central hub city for the Bay Area with a well connected transportation network including interstate freeways, railroad and trucking operations, an airport and a major west coast port. The City is one of the most diverse cities in the nation with a highly skilled labor pool.

The following represent some of the major projects in the City that were recently completed or that are currently underway or in the final planning stages located in the City.

Major Projects Recently Completed:

- The Fox Theater, which is a national historic landmark, has undergone renovation to become a 3,000 person live performance venue, the home for the Oakland School for the Arts, a 600 student performing arts middle and high school, and Rudy's Can't Fail Café, a popular East Bay diner.

- The Uptown Housing Project Phase I provides 665 rental apartments, approximately 9,000 square feet of neighborhood-serving retail, and a 25,000 square foot public park. This was part of the 10K downtown housing initiative, an effort to attract 10,000 new residents to the areas surrounding the Central District. Since 1999, a total of 43 projects with 4,538 units have been completed under the 10K initiative and 2 projects with 107 units are under construction. Such units will provide housing for 7,715 new residents in the area.

- The City Walk Project, referred to as Domain by Alta, includes 264 rental apartments and approximately 3,000 square feet of neighborhood-serving retail business.

- After a two-year $58-million renovation, the Oakland Museum of California ("OMCA") welcomed back the public in May 2010 with a dramatically different presentation of its renowned collections of California art and history. Created in 1969 as a "museum for the people," OMCA has revived its founding vision by introducing innovative exhibitions and programming, setting a new paradigm for the way a museum engages the public. OMCA's transformation is enhanced by the renovation and expansion of its iconic building. Renovation and reopening of the OMCA Natural Sciences Gallery is scheduled for 2013.

Major Projects That Are Currently Underway or in the Final Planning Stages:

- AMB Property Corporation and California Commercial Group have been contracted to develop the Oakland Army Base Project. The project is expected to include a logistics facility, a green business park accommodating the Film Center and Produce Market, and Class A office tower along with a large parking garage.

- In June 2010, the Redevelopment Agency and the City entered into a 12-year sublease for the George P. Scotlan Memorial Convention Center to develop appropriate marketing strategies and a capital improvement program for the renovation and modernization of the aging facility in order to enhance its appearance, marketability and long-term economic success. In July 2010 and June 2011, the Redevelopment Agency committed $7.75 million to renovate the facility. The scope of work focuses mainly on cosmetic upgrades to the interior and major building systems, new furniture and fixtures, and remodeled bathrooms to make them ADA accessible. Construction started in October 2011 and most of the work was completed by March 2012. The rest of the work will be phased in during breaks in the facility's schedule and completed by January 2013.

- The Kaiser Hospital Master Plan includes the phased replacement of the existing MacArthur/Broadway medical center with a comprehensively planned state-of-the-art Medical Center of approximately 1.8 million square feet (exclusive of parking structures) on approximately 21 acres. The construction of the first medical office building and new parking structure is now complete and construction has begun on the new hospital building.

- The Alameda County Medical Center has begun its $668 million Highland Hospital Tower Replacement Project. The new 9-story, 169-bed Acute Care Tower will house inpatient, maternal and child support services when completed in 2017.

- The $500 million Oakland Airport Connector broke ground in October 2010. By mid-2014, the 3.2-mile automated guide rail connector is expected to offer reliable world-class service, transporting travelers from the Coliseum BART station to the Oakland International Airport in less than nine minutes.

- The MacArthur Transit Village Project is expected to include 624 housing units (108 units of which are expected to be low to moderate income housing) and approximately 42,500 square feet of retail. Demolition of existing structures, site clean up and site preparation began in May 2011. The first phase of this project, which includes the replacement of the BART parking garage and public infrastructure, began in May 2012. Construction of the first phase of housing is anticipated to start in early 2013.

- Phase I of the Coliseum Transit Village consists of a sustainable transit oriented development on the 1.3-acre Coliseum BART parking lot and is expected to include 100 units of market rate housing and up to 3,000-5,000 square feet of neighborhood retail space. Lion Creek Crossings, which is immediately adjacent to the Coliseum Transit Village site, has approximately 380 affordable rental units already completed. An additional 72 Phase IV units are expected to be completed in May 2012.

Population

The Demographic Research Unit of the California Department of Finance estimated the City's population on January 1, 2012 at 395,341. This figure represents 25.80% of the corresponding County figure and 1.05% of the corresponding State figure. The City's population has grown 0.77% since last year. The following Table 1 sets forth the estimated population of the City, the County, and the State from calendar years 2008 through 2012.

Table 1
City of Oakland, County of Alameda and State of California
Population

Calendar Year	City(1)	County(1)	State(1)
2008	387,554	1,484,085	36,704,375
2009	389,913	1,497,799	36,966,713
2010	390,724(2)	1,510,271(2)	37,253,956(2)
2011	392,333	1,517,756	37,427,946
2012	395,341	1,532,137	37,678,563

(1) Reflects population estimates as of January 1.
(2) As of April 1, includes adjustment for 2010 Census information.
Source: California State Department of Finance, Demographic Research Unit, as shown on May 1, 2012.

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Industry and Employment

The following Table 2 sets forth estimates of the labor force, civilian employment, and unemployment for City residents, State residents and United States residents from calendar years 2007 through 2011. The California Employment Development Department has reported preliminary unemployment figures for March 2012 at 11.5% for the State and 14.7% for the City (not seasonally adjusted).

Table 2
City of Oakland, State of California and United States
Civilian Labor Force, Employment and Unemployment
Annual Average for Years 2007 Through 2011

Year and Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
2007				
City	193,300	179,200	14,100	7.3%
State	17,921,000	16,960,700	960,300	5.4
United States	153,124,000	146,047,000	7,078,000	4.6
2008				
City	197,900	179,100	18,800	9.5
State	18,203,100	16,890,000	1,313,100	7.2
United States	154,287,000	145,362,000	8,924,000	5.8
2009				
City	203,700	171,600	32,100	15.8
State	18,208,300	16,144,500	2,063,900	11.3
United States	154,142,000	139,877,000	14,265,000	9.3
2010				
City	204,700	170,200	35,500	16.9
State	18,316,400	16,051,500	2,264,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
2011				
City	203,600	171,800	31,800	15.6
State	18,384,900	16,226,600	2,158,300	11.7
United States	153,617,000	139,869,000	13,747,000	8.9

Source: State Employment Development Department, Labor Market Information Division.

Commercial Activity

The following Table 3 sets forth a history of taxable sales for the City for calendar years 2006 through 2010.

Table 3
City of Oakland
Trade Outlets and Taxable Sales
for Calendar Years 2006 Through 2010†
($ In Thousands)

Taxable Retail Sales	2006	2007	2008
Apparel Stores	$54,090	$58,448	$54,558
General Merchandise	181,926	186,346	194,196
Food Stores	183,913	203,400	206,448
Eating & Drinking	433,736	465,224	475,061
Household	69,353	63,822	77,752
Building Materials	325,065	285,930	214,103
Auto Dealers and Supplies	543,896	572,407	407,491
Service Stations	404,202	513,570	673,009
Other Retail	481,694	434,795	368,342
SUBTOTAL	2,677,875	2,783,942	2,670,960
All Other Outlets	1,779,513	1,907,058	1,211,502
TOTAL ALL OUTLETS	$4,457,388	$4,691,000	$3,882,462

Source: Taxable Sales in California (Sales and Use Tax) Annual Reports, California State Board of Equalization.

Taxable Retail Sales	2009†	2010††
Motor Vehicle and Parts Dealers	$312,956	$322,398
Home Furnishings and Appliance Stores	131,257	127,565
Building Material and Garden Equipment and Supplies	166,595	152,601
Food and Beverage Stores	235,529	244,491
Gasoline Stations	409,514	463,784
Clothing and Clothing Accessories Stores	61,381	64,695
General Merchandise Stores	87,274	87,588
Food Services and Drinking Places	471,705	501,335
Other Retail	294,565	281,997
SUBTOTAL	2,170,777	2,246,454
All Other Outlets	1,051,198	1,063,871
TOTAL ALL OUTLETS	$3,221,975	$3,310,325

† Beginning in 2009, the reports convert to using the NAICS codes. As a result of the coding change, industry levels for 2009 and 2010 are not comparable to those of prior years.
†† Most recent data available.
Source: Taxable Sales in California (Sales and Use Tax) Annual Reports, California State Board of Equalization.

The following Table 4 sets forth the largest industries in the County in terms of employment in each respective industry, as estimated by the State Employment Development Department for calendar years 2006 through 2010:

Table 4
County of Alameda
Employment by Industry Group
Annual Averages 2006 Through 2010

Industry Employment [1]	2006	2007	2008	2009	2010
Total Farm	800	800	700	700	700
Manufacturing	75,600	73,700	72,300	64,100	60,500
Other Goods Producing	44,200	43,800	40,300	33,600	30,300
Trade, Transportation, Warehousing and Utilities	135,600	137,000	131,800	121,700	118,300
Information	16,700	16,000	16,100	14,900	14,000
Finance, Insurance, and Real Estate	35,600	33,300	30,600	22,400	22,900
Professional and Business Services	104,400	108,600	112,900	102,800	104,400
Education and Health Services	79,100	79,500	83,000	89,500	91,100
Leisure and Hospitality	53,200	54,800	56,300	53,900	54,100
Other Services	23,800	23,700	23,700	22,900	22,900
Government	133,100	131,700	124,600	121,200	118,200
TOTAL [2]	702,100	702,900	692,300	647,700	637,400

(1) Based on place of work.
(2) Total may not be precise due to rounding.
Source: State of California, Employment Development Department, Labor Market Information Division.

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The following Table 5 sets forth the top ten major employers in the City, the employees of which represent approximately 23.47% of the labor force, as of April 2012.

Table 5
City of Oakland
Principal Employers
As of April 2012

Rank	Employer[1]	Type of Business	Number of Employees	Percent of Total Employment[2]
1	County of Alameda	County Government	8,800	5.12%
2	State of California	State Government	7,480	4.35
3	City of Oakland	City Government	5,000	2.91
4	Oakland Unified School District	School District	4,496	2.62
5	Kaiser Permanente	Health Care	4,418[3]	2.57
6	Alta Bates Summit Medical Center	Health Care	3,623	2.11
7	Children's Hospital & Research Center	Pediatric Hospital	2,600	1.51
8	Bay Area Rapid Transit District	Public Transportation	1,499	0.87
9	Peralta Community College District	Community College	1,400	0.81
10	Clorox Co.	Consumer Goods	1,004	0.58
	Total		**40,300**	**23.47%**

(1) Employment figures of federal government are unavailable.
(2) Total employment of 171,800 (2011 annual average) from the State of California Employment Development Department is used to calculate the percentage of employment.
(3) Data does not include the Kaiser Medical Group.
Source: San Francisco Business Times, March 30-April 4, 2012.

Construction Activity

The following Table 6 sets forth a summary of residential and commercial building permit valuations in the City for calendar years 2007 through 2011.

Table 6
City of Oakland
Building Permit Valuation
Calendar Years 2007 Through 2011

	2007	2008	2009	2010	2011
Building Permits Issued	16,488	14,957	13,055	12,951	13,648
Authorized New Dwelling Units	2,035	704	395	555	528
Commercial Value (in thousands)	$171,157	$213,696	$117,876	$95,851	$108,767
Residential Value (in thousands)	$611,036	$258,617	$196,362	$168,872	$179,374

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Year Ended June 30, 2007 through June 30, 2011.

FINANCIAL INFORMATION

City Budget Process

The City's budget cycle is a two-year process that is intended to promote long-term decision-making, increase funding stability and allow for greater performance evaluation. The City's budget is developed in accordance with Generally Accepted Accounting Principles ("GAAP") and is reported on a modified accrual basis for governmental funds and accrual basis for proprietary and fiduciary funds. The City's budget is adopted for a two-year period (as discussed above), with appropriations divided into two one-year spending plans. During the second year of the two-year cycle, a mid-cycle review is conducted to amend the operating budget and address significant variances in estimated revenues and revised mandates arising from federal, state, or court actions. The City is currently operating under the Fiscal Year 2011-13 operating budget.

Under the City Charter, the City Administrator prepares budget recommendations which the Mayor presents to the City Council in accordance with the following procedure: First, the City Administrator and Agency Directors conduct internal budget hearings to develop budget recommendations. The Mayor then submits the proposed two-year budget to the City Council and formal public budget hearings are held. The proposed budget is based on the Mayor's budget priorities and includes estimates of receipts from the City's various revenue sources. The City Council may make adjustments and/or revisions to the proposed budget. Following public budget hearings, the City Council adopts by resolution the City's operating budget. In practice, the City Council adopts the City's operating budget on or before June 30 and has never failed to achieve this deadline. The final adopted budget is subject to revision throughout the fiscal year to reflect any changes in revenue and expenditure projections.

City's Fiscal Year 2011-12 Midyear Amendment

On January 31, 2012, the City adjusted its FY 2011-12 budget in response to the dissolution of Redevelopment Agencies. The budget adjustments included staff reductions, significant reorganizations, and operational changes. These adjustments resolved a projected deficit of approximately $12 million for the fiscal year. The year-end projections presented in this document reflect these adjustments.

City's Fiscal Year 2012-13 Budget

On May 24, 2012, the City released a Proposed Mid-cycle Policy Budget for fiscal years 2012-13, to maintain a balanced budget for the second year of the two-year budget cycle. It will still need to be ratified by the City Council. Adjustments made in January 2012 in response to the dissolution of Redevelopment Agencies, resolved a projected deficit of approximately $28 million through the elimination of positions and departmental reorganizations. At this time, the City anticipates making only minor amendments to the Fiscal Year 2012-13 Budget in June 2012.

See "—Dissolution of Redevelopment Agencies" for a description of the impact of the dissolution of the City's Redevelopment Agency on its budget.

The following Table 7 presents the City's General Purpose Fund revenues and expenditures for Fiscal Years 2010-11 through 2012-13.

Table 7
City of Oakland
General Purpose Fund Revenues and Expenditures[1]

	FY 2010-11 Year End (Audited)	FY 2011-12 Adopted Budget	FY 2011-12 Year End (Third Quarter Projection)	FY 2012-13 Proposed Budget
REVENUES				
Property Tax [2]	$126,682,293	$125,166,501	$125,166,501	$125,166,501
Sales Tax	41,235,072	38,794,400	44,856,222	43,556,223
Vehicle License Fee [3]	2,168,209	–	–	–
Business License Tax	53,138,616	50,869,280	54,000,000	51,800,000
Utility Consumption Tax	53,440,475	51,176,611	51,176,611	50,500,000
Real Estate Transfer Tax	31,607,438	28,490,000	28,490,000	28,490,000
Transient Occupancy Tax	9,544,822	8,728,370	10,864,502	10,864,502
Parking Tax	8,512,868	7,669,349	8,503,857	8,103,857
Licenses & Permits	888,147	939,660	1,141,967	925,571
Fines & Penalties	24,288,276	24,067,590	25,382,263	25,425,535
Interest Income	1,041,723	800,000	800,000	800,000
Service Charges	44,646,815	44,404,804	42,621,956	43,226,782
Grants & Subsidies	$82,346	$10,000	$132,979	$92,686
Miscellaneous	6,477,660	31,128,540	29,865,370	2,733,000
Interfund Transfers	17,090,800	2,500,000	2,500,000	11,982,521
Subtotal Revenues	$420,845,561	$414,745,105	$425,502,228	$403,667,177
Other Proposed Revenues	–	–	–	–
Total Revenues	**$420,845,561**	**$414,745,105**	**$425,502,228**	**$403,667,177**
EXPENDITURES				
Mayor	$1,395,574	$1,140,011	$1,150,309	$1,381,236
City Council	2,524,778	1,998,443	2,492,205	2,898,046
City Administrator [4], [5]	6,214,799	12,255,415	13,033,200	25,076,363
City Clerk	2,750,808	1,394,452	1,271,022	1,930,089
City Attorney	3,878,104	4,070,869	4,097,826	4,177,498
City Auditor	1,483,053	885,773	1,435,061	900,535
Administrative Services Agency [4]	–	–	–	17,196,434
Finance and Management Agency [4]	18,433,329	19,503,491	14,464,255	–
Human Resources [4]	4,315,769	3,977,754	3,873,294	–
Information Technology [4]	8,121,131	7,489,612	7,455,152	–
Contracting and Purchasing [6]	2,041,991	–	–	–
Fire Services	96,796,548	91,666,666	91,556,728	95,249,901
Police Services	178,670,418	155,082,878	166,155,194	165,125,172
Public Works	3,984,432	–	341,383	861,435
Community Services Department [7]	–	–	–	16,584,281
Parks and Recreation	12,230,307	12,193,111	12,292,433	–
Human Services	5,551,347	4,527,780	5,069,389	–
Library	8,978,088	9,061,135	9,057,224	8,829,585
Museum [8]	6,370,986	–	–	–
Community & Economic Development Agency [5]	1,821,473	472,759	228,196	–
Non Departmental and Port	44,261,697	65,637,785	65,540,417	63,135,232
Subtotal Expenditures	$409,824,630	$391,357,934	$399,513,288	$403,345,807
Capital Improvement Projects	450,117	252,000	348,167	252,000
Other Proposed Citywide Reductions	–	–	–	–
Total Expenditures	**$410,274,746**	**$391,609,934**	**$399,861,455**	**$403,597,807**

(1) Table includes General Purpose Fund revenues, but excludes special funds.
(2) Excludes property tax overrides collected for pension obligations and general obligation bond debt service.
(3) Due to Senate Bill 89, the City no longer receives Vehicle License Fee revenue as of July 1, 2011.

(Footnotes continued on next page.)

(4) The Finance and Management Agency, Human Resources, and Information technology will be reorganized beginning FY 2012-13. Prior functions shall be assumed by the City Administrators office and a new Administrative Services Agency.

(5) The Community and Economic Development Agency will be reorganized beginning FY2012-13. Functions will be assumed by the City Administrator's Office and two new Departments: Planning & Neighborhood Preservation, and Community Housing; neither of which are budgeted to receive monies from the General Purpose Fund.

(6) The Department of Contracting and Purchasing was eliminated in Fiscal Year 2011-12. Its functions are assumed by divisions of the Finance and Management Agency and the City Administrator's Office.

(7) The Community Services Department will be established in FY2012-13 and will assume the functions of Parks and Recreation and Human Services

(8) The Museum Department was eliminated in Fiscal Year 2011-12.

Source: City of Oakland.

State Budget

The following information concerning the State's budget has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, www.govbud.dof.ca.gov. An impartial analysis of the State budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The State's cash-flow can be found on the California State Controller's website, www.sco.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

The State Budget Process; Fiscal Year 2011-12 State Budget

According to the State Constitution, the Governor of the State (the "Governor") is required to propose a budget to the State Legislature (the "Legislature") no later than January 10 of each year, and a final budget must be adopted by the vote of each house of the Legislature no later than June 15, although this deadline has been routinely breached in the past. The State budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

Prior to Fiscal Year 2010-11, the State budget had to be adopted by a two-thirds vote of each house of the Legislature. However, in November 2010, the voters of the State passed Proposition 25, which reduced the vote required to adopt a budget to a majority vote of each house and which provided that there would be no appropriation from the current budget or future budget to pay any salary or reimbursement for travel or living expenses for members of the Legislature for the period during which the budget was presented late to the Governor.

On June 30, 2011, the State's budget for Fiscal Year 2011-12 (the "2011 Budget Act") was enacted. The 2011 Budget Act projects State General Fund revenues and transfers for Fiscal Year 2011-12 at $88.5 billion, a reduction of $6.3 billion compared with Fiscal Year 2010-11. General Fund expenditures for Fiscal Year 2011-12 were projected at $85.9 billion—a reduction of $5.5 billion compared to the prior year.

In approving the 2011 Budget Act, Governor Jerry Brown exercised his line-item veto power to reduce General Fund expenditures, mostly in the Judicial Branch, which included a reduction of $22.9 million related to parole revocation workload. The 2011 Budget Act also includes special fund expenditures of $34.2 billion and bond fund expenditures of $9.4 billion. The estimated General Fund revenue reflects a combination of factors, including expiration of temporary taxes and surcharges (which totaled approximately $7.1 billion in Fiscal Year 2010-11) and the transfer of about one percent of the State sales tax rate to counties to fund the realignment of services. Offsetting these reductions were improved revenue estimates for the remaining state tax sources. Expenditures reflected increases needed to offset the termination of federal stimulus funding provided for under the American Recovery and Reinvestment Act of 2009 ("ARRA") which supported about $4.2 billion of State General Fund programs in Fiscal Year 2010-11.

The 2011 Budget Act closed a projected budget gap of $26.6 billion over Fiscal Years 2010-11 and 2011-12, and projected a $543 million reserve by June 30, 2012, for a total of $27.2 billion in solutions (including a combination of expenditure reductions, additional revenues, and other solutions) and improved revenue results for the state's tax base. Legislation enacted as part of the 2011 Budget Act eliminated redevelopment agencies. See "—Dissolution of Redevelopment Agencies" below.

The 2011 Budget Act recognized the potential risk to the State's fiscal condition if certain forecasted revenues did not materialize and included a "trigger mechanism" to provide automatic expenditure reductions if the projections of Fiscal Year 2011-12 revenues, as updated in November and December of 2011 by the State's Legislative Analyst Office and the State's Department of Finance, respectively, were more than $1 billion less than projected under the 2011 Budget Act.

On December 13, 2011 the Department of Finance estimated that State revenues for Fiscal Year 2011-12 would not meet, and would be $2.2 billion less than, earlier revenue projections. If projected revenues fell short of expectations by more than $1 billion dollars, the Legislature had established the specific spending reductions (up to a maximum of approximately $1.5 billion in reductions) that should occur determined by the amount of the projected revenue shortfall. As part of its December forecast and based on its forecast that revenue would be $2.2 billion less than projected, the Department of Finance decreased expenditures by $980.8 million.

Proposed 2012-13 State Budget

On January 5, 2012, the Governor released his proposed budget for Fiscal Year 2012-13 (the "Proposed 2012-13 Budget"). The Proposed 2012-13 Budget projected that the State would end Fiscal Year 2011-12 with a deficit of $4.1 billion, and that absent corrective actions, the State will spend an additional $5.1 billion more than it expects to receive during Fiscal Year 2012-13. Combined, the State was expected to face a $9.2 billion budget problem for Fiscal Year 2012-13. The Proposed 2012-13 Budget proposed a reduction in the amount of $10.3 billion in expenditures (and cost savings) to balance the budget and to build a $1.1 billion reserve, including, among others, significant reductions in health and human services programs and education.

May Revision to the Proposed 2012-13 Budget

State law requires the Governor to update the Governor's budget projections and budgetary proposals by May 14 of each year (the "May Revision"). The May Revision is normally the basis for final negotiations between the Governor and Legislature to reach agreement on appropriations and other legislation to fund State government for the ensuing fiscal year. The May Revision was released on May 14, 2012 and estimates an increase in the budget deficit the State will face in Fiscal Year 2012-13 from the original estimate of $9.2 billion to $15.7 billion. The May Revision cites lower than expected revenues, a 16% increase in funding for K-14 education and decisions by the federal government and the courts that blocked certain measures by the State to reduce its spending. To address this increased budget gap, the May Revision proposes an additional $4.1 billion reduction in spending in addition to that described above.

The May Revision assumes the passage of the Governor's proposed tax initiative at the November 2012 election. The initiative, if passed, will temporarily increase the personal income tax ("PIT") on the State's wealthiest taxpayers by 1 percent, 1.5 percent or 2 percent, depending on income and filing status, and temporarily increase the sales tax by one-half of a percent. If placed on the ballot and approved by the voters, these tax increases would be effective from January 1, 2013 through December 31, 2016 and are projected to increase State revenues by $8.5 billion by the end of Fiscal Year 2012-13.

On March 15, 2012, the Governor announced his agreement with the proponents of a competing tax initiative to support a different version of a tax proposal (the "March Revenue Initiative"). At this time, the Governor is collecting signatures for both initiatives. The March Revenue Initiative provides for the following PIT increases for seven years through 2018 by 1 percent, 2 percent or 3 percent, depending on income. The March Revenue Initiative provides for an increase of 0.25 percent in the sales and use tax through December 31, 2016. If placed on the ballot and approved by the voters, the March Revenue Initiative is projected to result in $6.8 billion of additional revenues for the 2012-13 State budget, and an average of $5.4 billion during the following five fiscal years.

If voters reject the proposed tax increases, the May Revision proposes a trigger, to occur on January 1, 2013, that would reduce expenditures for Fiscal Year 2012-13 by an additional $6.1 billion, including an additional reduction in the amount of $5.5 billion in Proposition 98 funding for schools and community colleges.

Future State Budgets

No prediction can be made by the City as to whether the State will continue to encounter budgetary problems in this or in any future fiscal years, and, if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on City finances and operations or what actions will be taken in the future by the Legislature and Governor to deal with changing State revenues and expenditures. There can be no assurances that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the City has no control.

Potential Impact of the State of California's Financial Condition on the City

There can be no assurances that, as a result of the current State financial stress, the State will not significantly reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address State financial difficulties. No prediction can be made by the City as to what measures the State will adopt to respond to the current or potential future financial difficulties. The City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on the City's finances and operations or what actions will be taken in the future by the Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the City has no control. There can be no assurances that State actions to respond to State financial difficulties will not adversely affect the financial condition of the City.

Dissolution of Redevelopment Agencies

The 2011-12 State Budget, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") and Assembly Bill No. 27 (First Extraordinary Session) ("AB1X 27"), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer the dissolution and wind down of the former redevelopment agencies. Certain provisions of AB1X 26 are described further below. As signed by the Governor, AB1X 27 would have allowed a redevelopment agency to continue to exist, notwithstanding AB1X 26, upon the enactment by the city or county that created the redevelopment agency of an ordinance to comply with AB1X 27's provisions and the satisfaction of certain other conditions.

In July 2011, various parties filed an action before the Supreme Court of the State of California (the "Court") challenging the validity of AB1X 26 and AB1X 27 on various grounds (*California Redevelopment Association v. Matosantos*). The Court subsequently stayed the implementation of a portion of AB1X 26 and all of AB1X 27 pending its decision in *Matosantos*. On December 29, 2011, the Court rendered its decision in *Matosantos* upholding virtually all of AB1X 26 and invalidating AB1X 27. In its decision, the Court also modified various deadlines for the implementation of AB1X 26.

On February 1, 2012, and pursuant to *Matosantos*, AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency were transferred to the control of the successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various taxing agencies pursuant to AB1X 26.

As a result of the dissolution of the City's redevelopment agency, the City became the Successor Agency pursuant to Resolution No. 83679 C.M.S., and the City estimates that there will be a budget shortfall of approximately $12.4 million for Fiscal Year 2011-12 (pro-rated for the period February-June 2012). In Fiscal Year 2012-13, the projected shortfall is estimated at $28 million. In January 2012, the City amended its Fiscal Year 2011-12 Adopted Budget to address the elimination of the City's redevelopment agency and associated activities. The City addressed the dissolution of its redevelopment agency through elimination of roughly 100 positions, small revenue increases, and major reorganization of City Departments. These balancing efforts totaled more than $28 million. These reorganizations, among others, will be phased in between February 2012 and the beginning of Fiscal Year 2012-13.

The Court's ruling in *Matosantos* allows for the use of available revenue to support "wind down" activities for the successor agencies. As such in *Matosantos*, it is estimated that approximately $4.2 million of funding will be provided to the City from funds otherwise allocated to the City's redevelopment agency to support wind down activities for Fiscal Year 2011-12 and $7.7 million for Fiscal Year 2012-13.

There may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26.

On April 24, 2012, the City and other California local government agencies received from the State Controller an order under Section 34167.5 of the dissolution statute to return assets transferred to them by their former redevelopment agencies after January 1, 2011. Certain transactions between the City and its former Redevelopment Agency during the relevant time period are potentially subject to the order. These transactions include, among others, the sale of certain real property by the City to its redevelopment agency for an approximate amount of $35,000,000. A portion of these one-time revenues in the approximate aggregate amount of $17,400,000 were included in the City's budget for Fiscal Years 2010-2011, 2011-2012 and 2012-2013, with the excess included as unencumbered fund balances. In the event of a return of these revenues to the successor agency, these one-time revenues may be offset by redistribution of property tax revenues, which would mitigate to some extent the fiscal impact on the City's budget. If necessary, in addition, the City will employ regular budget balancing measures, such as reduction of expenditures, to achieve a balanced budget as required under the Oakland City Charter.

In addition, the City and its redevelopment agency entered into a funding agreement providing for the City to undertake a variety of development projects with funds provided by its redevelopment agency. Pursuant to such funding agreement, the redevelopment agency transferred $107.5 million to the City as an advance for these undertakings, of which approximately $5 million has been spent to date. Approximately $85 million of such funds are subject to contracts with third parties. Approximately $22 million is uncommitted. In the event the City is required to transfer such funds to the successor agency, the City does not believe there will be a significant impact on the general fund because the contracts and the obligations thereunder would revert to the successor agency. The funds that are returned to the successor agency would be offset by the redistribution to the City of its proportionate share of property tax revenues based on the amounts of uncommitted funds and funds remaining following satisfaction of the obligations under such contracts.

The City is evaluating its legal options in response to the State Controller's order. The ultimate financial impact of the state action cannot yet be determined.

City Investment Policy

The authority to invest the City's and the Port of Oakland's pooled moneys (the "Pooled Operating Portfolio") is derived from City Council Resolution No. 56127, which delegates to the City Treasurer the authority to invest these funds within the guidelines of Section 53600 *et seq*. of the Government Code of the State (the "Government Code"). The Government Code also directs the City to present an annual investment policy (the "Investment Policy") for confirmation to the City Council. The City Council adopted an Investment Policy for Fiscal Year 2011-12 on June 21, 2011 and is expected to adopt the Investment Policy for Fiscal Year 2012-13 on or about July 17, 2012. The Investment Policy may be revised by the City Council at any time.

The objectives of the Investment Policy are to preserve the capital, liquidity, diversity, and yield. The Investment Policy addresses the soundness of financial institutions in which the City may deposit funds, types of investment instruments permitted by the City and the Government Code, investment duration, and the amounts which may be invested in certain instruments. The Investment Policy also reflects certain ordinances and resolutions of the City further restricting investments, including the Nuclear Free Ordinance and the Tobacco Divestiture Resolution.

The following Table 8 summarizes the permitted investments under the Investment Policy.

Table 8
City of Oakland
Summary of Investment Policy
Fiscal Year 2011-12

Permitted Investment Types	Maximum Investment	Maximum Maturity
U.S. Treasury Bills, Notes & Bonds[(1)]	20%	5 years
Federal Agencies	No Maximum	5 years
Bankers Acceptance	40%	180 days
Commercial Paper	25%	270 days
Asset-Backed Commercial Paper	25%	270 days
Local Government Investment Pools	20%	N/A
Medium Term Notes	30%	5 years
Negotiable CDs	30%	5 years
Repurchase Agreements	No Maximum	360 days
Reverse Repurchase Agreements[(2)]	20%	92 days
Money Market Mutual Funds	20%	N/A
Certificates of Deposit[(3)]	Prudent Person Standard Applies	360 days
Local Agency Investment Fund	$50 million	N/A
Local City / Agency Bonds	No Maximum	5 years
State of California Bonds or any other of the United States Registered State Bonds, Treasury Notes or Warrants	No Maximum	5 years
Other Local Agency Bonds	Prudent Person Standard Applies	5 years
Secured Obligations and Agreements	20%	2 years

(1) Investment in U.S. Treasury securities requires approval of the City Council under the Nuclear-Free Ordinance.
(2) The sum of reverse repurchase agreements and securities lending agreements should not exceed 20% of the portfolio.
(3) For deposits over $250,000, the Certificate of Deposit must be collateralized.
Source: City of Oakland

Current Investment Portfolio

The Pooled Operating Portfolio is composed of different types of investment securities and is invested in accordance with the Investment Policy. The following Table 9 summarizes the composition of the Pooled Operating Portfolio as of April 30, 2012.

Table 9
City of Oakland
Pooled Operating Portfolio
As of May 31, 2012

Investments	Market Value	Book Value	Percent of Portfolio	Days to Maturity	360 Day Equivalent
Federal Agency Issues-Coupon	$107,804,743	$107,359,341	21.14%	869	1.085
Federal Agency Issues-Discount	233,516,644	233,461,049	45.97	103	0.112
Money Market	88,110,000	88,110,000	17.35	1	0.154
Local Agency Investment Funds	49,573,926	49,573,926	9.76	1	0.358
Certificate of Deposit	99,000	99,000	0.02	20	0.550
Negotiable CD's	17,991,738	18,000,000	3.54	135	0.517
Commercial Paper-Discount	9,984,875	9,984,875	1.97	146	0.305
Cal State RANs	1,265,175	1,265,175	0.25	25	0.423
TOTAL/AVERAGE	$508,346,102	$507,853,367	100.00%	239	0.368

Source: City of Oakland

GENERAL FUND REVENUES

The City's General Fund receives revenues from a variety of sources, including local taxes, taxes imposed by the State, intergovernmental transfers and fees and charges for services. The following Table 10 summarizes the major General Fund revenues as of June 30 for Fiscal Years ended 2007 through 2011.

Table 10
City of Oakland
Major General Fund Revenue Breakdown
Fiscal Years 2006-07 Through 2010-11
($ in Thousands)

Revenue Type	2006-07	2007-08	2008-09	2009-10	2010-11	2010-11 Percent of Total General Fund Revenues[3]
Property[1]	$170,105	$201,765	$198,848	$194,591	$189,237	35%
Sales & Use	46,690	53,090	46,122	35,877	41,235	8
Utility Consumption	51,426	52,524	52,701	51,107	53,440	10
Business License	50,339	52,542	54,291	54,138	53,138	10
Real Estate Transfer	61,505	36,205	34,267	36,971	31,608	6
Transient Occupancy	12,303	12,400	10,599	8,578	9,634	2
Motor Vehicle In Lieu	2,268	1,811	1,282	1,251	2,168	–
Parking	8,892	8,524	7,655	7,523	8,513	2
Charges for Services	55,837	55,048	57,447	60,578	96,052[2]	18
Subtotal	$459,365	$473,909	$463,212	$450,614	$485,025	89%
Other	77,301	67,812	69,851	68,629	60,982	11%
TOTAL	$536,666	$541,721	$533,063	$519,243	$546,007	100%

(1) Includes property tax overrides collection for pension obligations and tax revenues for general obligation debt service.
(2) Due to the adoption of GASB Statement No. 54, Oakland Redevelopment Agency Project Funds are now included in the General Fund for redevelopment purposes.
(3) Totals may not be precise due to rounding. Motor Vehicle In Lieu is less than 0.5%.
Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Year Ended June 30, 2007 through June 30, 2011.

Property Taxation

The City's property tax revenues are budgeted at $125.17 million, or 30.2% of the City's total revenues, for Fiscal Year 2011-12, and at $125.7 million, or 31.5% of the City's total revenues, for Fiscal Year 2012-13. Such tax revenues exclude tax override revenues for pension obligations and tax revenues for general obligation debt service.

Ad Valorem Property Taxes. Property taxes are assessed and collected by the County. Taxes arising from the general 1% levy are apportioned among local taxing agencies on the basis of a formula established by State law, which reflects the average tax rate levied by the taxing agency for the three years before Proposition 13 was adopted. Taxes relating to voter-approved indebtedness are allocated to the relevant taxing agency. The City levies taxes for two forms of voter-approved indebtedness, general obligation bonds and pension obligations.

The County is permitted under State law to pass on costs for certain services provided to local government agencies, including the collection of property taxes. The County imposed a fee on the City of approximately 0.90% of taxes collected for tax collection services provided in Fiscal Year 2010-11.

In prior years, the State budget has resulted in various reallocations affecting property tax revenues, including the "triple flip" involving property tax and sales tax, the replacement of Vehicle License Fee revenues, and the temporary Education Revenue Augmentation Fund ("ERAF") transfers. See "General Fund Revenues—Other Taxes," herein.

Assessed Valuations. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, nonprofit hospitals, and charitable institutions. State law also allows exemptions from *ad valorem* property taxation at $7,000 of full value of owner-occupied dwellings and 100% of business inventories. Revenue losses to the City from the homeowner's exemption are replaced by the State.

Future assessed valuation growth allowed under Article XIIIA—for new construction, certain changes of ownership, and with 2% annual increases allowed for inflation—will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability to such entities of revenue from growth in the tax base were affected by the establishment of redevelopment project areas which, under certain circumstances, were entitled to revenues resulting from the increase in certain property values. See "FINANCIAL INFORMATION—Dissolution of Redevelopment Agencies."

The following Table 11 sets forth a five-year history of assessed valuations in the City for Fiscal Years 2007-08 through 2011-12:

Table 11
City of Oakland
Assessed Valuations
($ In Thousands)

Fiscal Year	Total Assessed Value	*Less:* Tax-Exemptions	*Total Taxable Assessed Value*	*Less:* Redevelopment Tax Increments	Net Taxable Assessed Value
2007-08	$41,797,578	($2,478,760)	$39,318,818	($9,552,758)	$29,766,060
2008-09	43,858,259	(2,584,624)	41,273,635	(10,425,138)	30,848,497
2009-10	42,568,090	(2,691,489)	39,876,601	(9,753,604)	30,122,997
2010-11	41,252,183	(2,768,044)	38,484,139	(9,030,570)	29,453,569
2011-12	41,940,552	(3,084,118)	38,856,434	(9,247,268)	29,609,166

Source: Alameda County Auditor-Controller.

Tax Levies, Collections and Delinquencies. Taxes are levied for each fiscal year on taxable real and personal property situated in the City as of the preceding January 1. A supplemental roll is developed when property is transferred or sold or new construction is completed that produces additional revenue.

Secured property taxes are due on November 1 and March 1 and become delinquent if not paid by December 10 and April 10, respectively. A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus interest at 1.5% per month from the July 1 first following the default. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year; a lien is also recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) pursuing a civil action against the taxpayer; (2) filing a certificate in the office of the clerk of the court specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's Office in order to obtain a lien on specified property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Certain counties within the State, including the County, have adopted an "Alternative Method of Distribution of Tax Levies and Collections and Tax Sale Proceeds" authorized under the State Revenue and Taxation Code (the "Teeter Plan"). Under the Teeter Plan local taxing agencies receive 100% of the tax levy for each fiscal year, rather than on the basis of actual collections. The City does not participate in the Teeter Plan and thus absorbs current delinquencies and receives the payment of past delinquencies, penalties, and interest.

The following Table 12 represents a five-year history of the secured tax levy and of uncollected amounts in the City for Fiscal Years 2006-07 through 2010-11. Included in these collections are the City's share of the 1% tax rate and levies for voter-approved indebtedness.

Table 12
City of Oakland
Secured Property Tax Levies and Collections
($ In Thousands)

Fiscal Year	City's Share of 1%	Levy Voter-Approved Debt	Total	Total Collected[1]	Percent Collected
2006-07	$79,357	$75,071	$154,428	$146,240	94.70%
2007-08	86,220	76,453	162,673	151,669	93.24
2008-09	89,482	75,753	165,245	154,557	93.53
2009-10	85,706	83,581	169,287	161,187	95.22
2010-11	83,960	85,262	169,222	162,519	96.04

(1) As of June 30 of the related Fiscal Year.
Source: County of Alameda, Office of the Auditor-Controller.

Assessment Appeals. The following Table 13 sets forth resolved and unresolved pending assessment appeals in the City as of April 11, 2012.

Table 13
City of Oakland
Pending Assessment Appeals
As of April 11, 2012

Pending Appeals (FY 2007-08 through FY 2011-12)	
Number of Pending Appeals	2,444
Total Value Under Appeal	$9,159,718,116
Owner's Opinion of Value	$5,512,727,959
Maximum Potential Appeals Loss(1)	$3,646,990,157
Percent of Value under Appeal	39.82%
City of Oakland 2011-12 Taxable Value	$39,270,151,839(2)
Maximum Potential Appeals Loss(1)	$3,646,990,157
Percent of Taxable Value	9.29%
Resolved Appeals (FY 2010-11)	
Number of Resolved Appeals	440
Total Appealed Value of Resolved Appeals	$678,614,890
Appeals Denied	161
Assessed Value of Denied Appeals	$213,582,902
Appeals Allowed with Change in Value	279
Original Assessed Value of Allowed Appeals	$465,031,988
Value Determined by Appeals Board	$368,619,167
Board Approved Reduction in Value	$96,412,821
Percent of Original Assessed Value of Allowed Appeals Reduced	20.73%

(1) Assumes all pending assessment appeals are resolved fully in favor of property owners.
(2) This amount represents the full taxable value for the City including secured, unsecured and non-unitary utilities. It does not include State Board of Equalization unitary values.
Source: Alameda County Assessment Appeals Board.

Tax Rates. The City contains 33 Tax Rate Areas. The following Table 14 sets forth a five-year history of the property tax rates levied by the City and other local government agencies on properties in these combined Tax Rate Areas for Fiscal Years 2007-08 through 2011-12.

Table 14
City of Oakland
Property Tax Rates

Fiscal Year	County-wide Tax	City of Oakland	Others[1]	Total
2007-08	1.00	0.2023	0.1251	1.3274
2008-09	1.00	0.1929	0.1451	1.3380
2009-10	1.00	0.2189	0.1919	1.4108
2010-11	1.00	0.2207	0.1879	1.4086
2011-12	1.00	0.2192	0.1920	1.4112

(1) "Others" includes Oakland Unified School District, Peralta Community College District, Bay Area Rapid Transit District, East Bay Regional Park District, East Bay Municipal Utility District, and the Oakland Knowland Park & Zoo.
Source: County of Alameda, Office of the Auditor-Controller.

Principal Property Taxpayers. The following Table 15 sets forth the largest secured taxpayers in the City in Fiscal Year 2011-12.

Table 15
City of Oakland
Top Twenty Taxpayers
Fiscal Year 2011-12[1]

Property Taxpayer	Primary Land Use	Assessed Valuation	Percentage of Total Assessed Valuation[1]
CIM Oakland Center 21 LP	Office Building	$438,861,069	1.22%
OCC Venture LLC	Office Building	230,646,313	0.64
SIC Lakeside Drive LLC	Office Building	181,187,380	0.51
Kaiser Foundation Health Plan Inc.	Office Building	171,060,438	0.48
Digital 720 2nd LLC	Shopping Center	166,740,448	0.46
Oakland Property LLC	Office Building	132,000,000	0.37
1800 Harrison Foundation	Office Building	122,558,413	0.34
555 Twelfth Street Venture LLC	Office Building	116,450,317	0.32
Suncal OakKnoll LLC	Planned Residential	114,575,365	0.32
Clorox Company	Office Building	101,330,984	0.28
Eastmont Oakland Associates LLC	Commercial	77,987,302	0.22
Owens Brockway Glass Container Inc.	Industrial	72,870,265	0.20
Catellus Development Corporation	Shopping Center	69,407,000	0.19
Essex Portfolio LP	Apartments	63,254,769	0.18
Legacy Landing LLC	Apartments	59,034,726	0.16
Brandywine Operating Partnership	Office Building	57,515,700	0.16
WM Allegro LLC	Apartments	56,948,500	0.16
Schnitzer Steel Products of California	Industrial	49,845,699	0.14
KSL Claremont Resort Inc.	Hotel/Resort	48,825,000	0.14
Fruitvale Station LLC	Shopping Center	41,000,000	0.11
TOTAL		$2,372,099,688	6.61%

(1) Based on the Assessed Value of $35,875,580,706. This number is the total local secured assessed valuations minus all exemptions, plus the homeowners' exemption.
Source: California Municipal Statistics, Inc.

Other Taxes

In addition to property taxes, the City's General Fund receives taxes from six other sources: sales and use, utility consumption, business license, real estate transfer, transient occupancy, and parking taxes. See Tables 7 and 10, above, for historic revenues and projected revenues for Fiscal Year 2011-12.

Sales & Use Taxes. The current sales tax rate in the City is 8.75%. The City's General Fund traditionally receives 1% of the total under the State Bradley-Burns law, which portion is allocated on the basis of the point of sale. Effective July 1, 2004, the traditional Bradley-Burns 1% city sales tax was modified by a State budgetary change known as the "triple flip." The "triple flip" puts in place a complex revenue swap to fund the State's deficit bonds approved by the electorate in March 2004 to balance the State budget. The "triple flip" trades 0.25% of the 1% city share of the Bradley-Burns sales tax for an equal amount of property taxes from the countywide ERAF until the State's deficit bonds are retired.

The City's General Fund receives a portion of the 0.50% sales tax for public safety authorized by Proposition 172 in 1993. The City also receives a portion of the 0.50% countywide transportation sales tax, which is deposited in a special revenue fund. The City's sales and use tax revenue for Fiscal Year 2012-13 is budgeted at $43.6 million. Such amount includes the revenues that are projected to be traded for property taxes pursuant to the "triple flip."

Utility Consumption. The City's utility consumption tax ("UCT") is a surcharge on the use of electricity, gas (including alternative fuels), telephone and cable television. The current tax rate is 7.5%. Low-income ratepayers have been exempted from certain rate increases on gas and electric bills and pay 5.5%.

The City recently revised the Utility Consumption tax ordinance. The revisions include de-linking the tax from the Federal Excise Tax on Telephones and subjecting text messaging and cell phone use to the UCT. The City's UCT tax revenue for Fiscal Year 2012-13 is budgeted at $50.5 million.

Business License. The City's business license tax ("BT") is charged annually to businesses based in the City. It applies to gross receipts, payroll, number of employees, number of permits, number of vehicles, value-added gross receipts, or manufacturing expenses, depending on the type of business. The BT rate ranges from 0.06% for grocers to 2.40% for firearm dealers when applied to gross receipts and is 0.12% when applied to gross payroll. The BT rate of 0.12% is applied to value-added gross receipts and manufacturing expenses for manufacturers. The BT rate of $180 per permit applies to the taxicab business and $75 per vehicle applies to the ambulance and limousine business. The City's BT revenue for Fiscal Year 2012-13 is budgeted at $51.8 million.

Real Estate Transfer. Real Estate Transfer Tax ("RETT") revenues are generated by the transfer of ownership of existing properties. The tax is applied to the sale price of the property, and the cost is typically split between the buyer and seller. The tax rate is 1.61%, and is comprised of a City and a County portion: 0.11% is allocated to the County and the remaining 1.50% is allocated to the City. Historically, this revenue has been the City's most volatile as it is directly dependent on the number and value of real estate sales. RETT revenues have been projected to decline from both fewer sales of single family homes and declining median sale prices. The City has revised current and future year projections using conservative estimates to reflect the downward trend. The City's RETT revenue for Fiscal Year 2012-13 is projected to be approximately $28.5 million.

Transient Occupancy. The transient occupancy tax ("TOT") represents a surcharge on room rates imposed by hotels and motels operating within the City. The tax is levied on persons staying 30 days or less in a hotel, motel, inn, or other lodging facility and is collected by the lodging facility operator, who then remits the collected tax to the City. In July 2009, the voters approved Measure C which increased the transient occupancy tax rate from 11% to 14%. The City's TOT revenue for Fiscal Year 2012-13 is budgeted at $10.9 million.

Motor Vehicle In Lieu Fee. In June 2010, the Governor signed Senate Bill (SB) 89 ("SB89"), which shifted local government Vehicle License Fee revenues to fund State law enforcement grants. Due to SB 89, the City has budgeted no Vehicle License Fee revenue in Fiscal Year 2011-12.

Parking. The City's parking tax ("PT") is imposed on the occupant of an off-street parking space for the privilege of renting the space within the City. The tax is collected by the parking facility operators who then remit the collected tax to the City. The current PT rate, which is applied to the gross receipts of parking facility operators, is 18.5%, with 8.5% of the PT revenues restricted to funding the Violence Prevention and Public Safety Act of 2004 ("Measure Y"). The City's PT revenue for Fiscal Year 2012-13 is budgeted at $8.1 million.

General Fund Revenues and Expenditures

The City Council employs an independent certified public accountant who examines books, records, inventories, and reports of all officers and employees who receive, control, handle, or disburse public funds and those of any other employees or departments as the City Council directs. These duties are performed both annually and upon request. The City's independent auditor for Fiscal Year 2010-11 was Macias, Gini & O'Connell LLP who will also prepare the Fiscal Year 2011-12 audit.

Within a reasonable period following the fiscal year end, the accountant submits the final audit to the City Council. The City then publishes the financial statements as of the close of the fiscal year.

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The following Table 16 summarizes revenues and expenditures for the General Fund along with other sub-funds for Fiscal Years 2006-07 through 2010-11.

Table 16
City of Oakland
Revenues and Expenditures
General Fund
($ In Thousands)
Fiscal Years 2006-07 Through 2010-11

Revenues	2006-07	2007-08	2008-09	2009-10	2010-11
Taxes					
Property	$170,105	$201,765	$198,848	$194,591	$189,237
State[(1)]	48,958	54,901	47,404	37,128	43,403
Local[(2)]	197,475	175,986	173,734	172,736	171,057
Licenses and Permits	1,066	1,612	1,282	724	888
Fines and Penalties	24,727	21,653	25,838	27,218	24,397
Interest Income	7,007	10,885	5,311	2,197	1,295
Charges for Services	55,837	55,048	57,447	60,578	96,052[(3)]
Grant Revenue	7,051	5,935	4,505	1,927	1,370
Other Revenue, Including Transfers	15,116	11,441	13,346	8,912	10,661
Annuity Income	9,324	2,495	5,348	13,232	7,647
TOTAL REVENUES	$536,666	$541,721	$533,063	$519,243	$546,007
Expenditures					
General Government[(4)]	$69,902	$78,355	$73,500	$63,335	$70,057
Public Safety[(5)]	296,390	309,960	316,761	290,387	285,255
Public Works	33,595	32,499	31,300	32,144	35,312
Life Enrichment[(6)]	40,015	41,619	38,307	35,211	36,836
Economic and Community Development	2,780	8,161	7,555	4,847	17,266[(3)]
Other [(7)]	25,601	17,903	5,560	11,192	10,721
TOTAL EXPENDITURES	$468,283	$488,497	$472,983	$437,116	$455,447
Other Financing Sources and Uses[(8)]	$(72,995)	$(87,447)	$(70,815)	$(86,026)	$(93,003)
Net Change in Fund Balance	$(4,612)	$(34,223)	$(10,735)	$(3,899)	$(2,443)

(1) Includes Sales and Use, Motor Vehicle in-lieu.
(2) Includes Business License, Utility Consumption, Real Estate Transfer, Transient Occupancy, Parking, Voter Approved Special Tax, Franchise.
(3) Due to the adoption of GASB Statement No. 54, ORA Project Funds are now included in the General Fund for redevelopment purposes.
(4) Includes elected and appointed officials, general governmental agencies and administrative services.
(5) Includes police and fire services.
(6) Includes Parks and Recreation, Library, Museum, Aging and Health, and Human Services.
(7) Includes capital outlays and certain debt service charges not paid from a general obligation bond tax levy.
(8) Includes transfers in and transfers out.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2007 through June 30, 2011.

The following Table 17 summarizes the balance sheet for the City's General Fund for the Fiscal Years 2006-07 through 2010-11.

Table 17
City of Oakland
Balance Sheet
General Fund
($ In Thousands)
Fiscal Years 2006-07 Through 2010-11

ASSETS	2006-07	2007-08	2008-09	2009-10	2010-11
Cash and investments	$133,649	$110,735	$120,422	$114,060	$135,066
Receivables					
Accrued interest	1,436	297	254	165	172
Property taxes	6,928	14,182	14,966	10,241	9,719
Accounts receivable	43,572	41,751	41,053	43,016	33,972
Due from component unit	11,352	11,083	13,350	15,766	17,093
Due from other funds	74,730	81,170	69,781	66,048	54,565
Notes and loans receivable	21,693	21,875	22,000	8,399	8,599
Restricted cash and investments	143,542	131,696	120,736	121,565	106,692
Other	36	36	36	35	35
TOTAL ASSETS	$436,938	$412,825	$402,598	$379,295	$365,913
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other accrued liabilities	$108,730	$124,284	$125,811	$119,206	$111,058
Due to other funds	8,228	8,431	8,578	8,784	8,992
Due to other governments	60	80	51	290	3,220
Deferred revenue	36,413	31,467	30,653	17,411	16,187
Other	1,600	879	556	554	1,095
TOTAL LIABILITIES	$155,031	$165,141	$165,649	$146,245	$140,552
Fund Balances:					
Reserved:					
Encumbrances	$ 7,440	$ 6,193	$ 4,594	$1,195	–
Long term receivables	–	–	–	–	–
Debt service	16,451	15,382	13,949	2,177	–
Pension obligations	115,000	105,000	98,000	100,000	–
Unreserved	143,016	121,109	120,406	129,678	–
Restricted[(1)]	–	–	–	–	106,692
Committed[(1)]	–	–	–	–	3,890
Assigned[(1)]	–	–	–	–	65,985
Unassigned[(1)]	–	–	–	–	48,794
TOTAL FUND BALANCES	$281,907	$247,684	$236,949	$233,050	$225,361
TOTAL LIABILITIES AND FUND BALANCES	$436,938	$412,825	$402,598	$379,295	$365,913

(1) Added as a result of GASB Statement No. 54 reporting requirements implemented beginning Fiscal Year 2010-11. Please refer to pages 41-42 of the City of Oakland Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2011 for a more detailed description.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2007 through June 30, 2011.

DEBT OBLIGATIONS

General Obligation Debt

As of June 15, 2012, the City had outstanding a total of $247,130,000 aggregate principal amount of general obligation bonds. The bonds are general obligations of the City, approved by at least two-thirds of the voters. The City has the power and is obligated to levy *ad valorem* taxes upon all property within the City subject to taxation without limitation as to the rate or the amount (except certain property taxable at limited rates) for the payment of principal and interest on these bonds. Table 18 below summarizes the City's outstanding General Obligation Bonds as of June 15, 2012.

Table 18
City of Oakland
General Obligation Bonds
As of June 15, 2012
($ In Thousands)

Issue Name	Purpose	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program)	Refunded Measure I and K Bonds, which were used on various recreational and educational projects	6/16/2005	2025	$122,170	$80,960
General Obligation Bonds, Series 2003A (Measure DD)	Lake Merritt	8/6/2003	2013	71,450	1,690
General Obligation Bonds, Series 2006 (Measure G)	Museum and Zoo	6/28/2006	2036	21,000	18,785
General Obligation Bonds, Series 2009 (Measure DD)	Lake Merritt	7/30/2009	2039	64,545	61,920
General Obligation Refunding Bonds, Series 2012	Refunded Series 2002A (Measure G) and Series 2003A (Measure DD)	1/10/2012	2031	83,775	83,775
TOTAL					$247,130

Source: City of Oakland.

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The following Table 19 summarizes the voter-approved measures for which debt obligations have not yet been issued as of June 15, 2012.

Table 19
City of Oakland
General Obligation Bond Remaining Authorization
As of June 15, 2012
($ In Thousands)

Authorization	Date Passed	Use	Bond Total	Authorization Remaining
Measure DD	11/5/2002	Recreational and aquatic facilities	$198,250	$62,255

Source: City of Oakland.

Short-Term Obligations

The City has issued short-term notes to finance general fund temporary cash flow deficits for each of the last fifteen fiscal years, all of which have been paid when due. The following Table 20 sets forth the principal amount of tax and revenue anticipation notes issued in Fiscal Years 2007-08 through 2011-12.

Table 20
City of Oakland
Tax and Revenue Anticipation Notes
($ In Thousands)

Fiscal Year	Principal Amount
2008-09	105,705
2009-10	162,375
2010-11	100,000
2011-12	81,200
2012-13	81,250*

Source: City of Oakland
* Subject to closing on or about July 10, 2012

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Lease Obligations

The City has entered into various long-term lease arrangements that secure lease revenue bonds or certificates of participation, under which the City must make annual payments, payable by the City from its General Fund, for the use of public buildings or equipment. The following Table 21 summarizes the City's outstanding long-term lease obligations and the principal amounts outstanding as of June 15, 2012.

Table 21
City of Oakland
Lease Obligations
As of June 15, 2012
($ In Thousands)

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Debt Service FY11/12	Principal Amount Outstanding	Leased Asset
Oakland – Alameda County Coliseum Authority Lease Revenue Bonds (Oakland Coliseum Arena Project), 1996 Series A-1 and A-2[1], [2]	8/2/1996 8/2/1996	2026 2026	$35,000 35,000	$5,307	$23,878 23,840	Coliseum Arena
Oakland – Alameda County Coliseum Authority Lease Revenue Bonds (Oakland Coliseum Project), 2012 Refunding Series A[1]	5/31/2012	2025	61,407	7,329[4]	61,407	Coliseum Stadium
Oakland Joint Powers Financing Authority Lease Revenue Bonds, (Oakland Convention Center) Series 2001	5/15/2001	2014	134,890	14,143	39,005	Oakland Convention Center
Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, 2008 Series A-1, A-2[3]	4/16/2008 4/16/2008	2017 2014	107,630 20,330	20,164	64,865 10,285	Portion of sewer system
Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, (Oakland Administration Buildings), 2008 Series B	5/1/2008	2026	113,450	9,058	96,375	Oakland Administration Buildings
TOTAL					$319,655	

(1) The lease payments securing these bonds are joint and several obligations of both the City and the County. Each entity has covenanted to budget and appropriate one-half of the annual lease payments and to take supplemental budget action if required to cure any deficiency. Principal amounts shown represent half of total original and outstanding principal amount, representing the amount that is directly attributable to the City.

(2) These bonds are variable rate demand bonds. Letters of credit for the Series A-1 and Series A-2 bonds, which expire in June 2015, are provided by BNY Mellon.

(Footnotes continued on next page.)

(3) The proceeds of this issue refunded bonds associated with financing the City's pension systems. The debt service is supported by property tax override revenues.

(4) The 2012 Refunding Series A Bonds refunded the Series 2000 Coliseum Bonds. The FY11/12 debt service represents debt service for the refunded Series 2000 Coliseum Bonds.

Source: City of Oakland.

Swap Agreements

On June 21, 2011, the City adopted a written interest rate swap policy for Fiscal Year 2011-12 (the "Swap Policy"). The Swap Policy established guidelines for the use and management of interest rate swaps. The Swap Policy is adopted annually to provide the appropriate internal framework to ensure that consistent objectives, practices, controls, and authorizations are maintained to minimize the City's risk related to its debt portfolio.

The obligation of the City to make payments to swap providers under a swap agreement is an obligation of the City payable from any source of available funds on a parity with payments of principal of and interest on the applicable series of bonds. Under certain circumstances, the swap agreements are subject to termination and the City may be required to make a substantial termination payment to the respective swap providers depending upon the then current market value of the swap transaction.

Series 1998 Bonds. The City entered into a forward starting interest rate swap agreement in connection with the issuance of the Oakland Joint Powers Financing Authority Lease Revenue Bonds, 1998 Series A1/A2 (the "Series 1998 Bonds"). In June 2005, the Series 1998 Bonds were refunded by the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1, 2005 Series A-2 and 2005 Series B, which in turn were refunded by the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2008 Series A-1 and 2008 Series A-2. However, the swap associated with the Series 1998 Bonds remains in effect until the stated termination date on July 31, 2021. Pursuant to this swap agreement, the City receives a variable rate payment from the counterparty equal to 65% of USD-LIBOR-BBA multiplied by the notional amount of the swap; these payments were intended to approximate the variable rate interest payments the City would have paid on the Series 1998 Bonds. The City makes semiannual fixed rate payments to the counterparty as set forth below. The interest payments are supported by the retirement annuity revenues. The interest rate swap agreement is terminable at any time at the option of the City at its market value. The objective of the swap at the time it was entered into was to achieve a synthetic fixed rate with respect to the Series 1998 Bonds. Table 22 below summarizes the interest rate swap agreement entered into by the City as of March 30, 2012.

Table 22
Summary of Series 1998 Bonds
Interest Rate Swap Agreement
(As of March 30, 2012)

Effective Date	Notional Amount	Counterparty/ Guarantor	Counterparty Credit Ratings (Moody's/S&P)	Fixed Rate Payable by City	Market Value to City	Expiration Date
01/09/97	$68,900,000	Goldman Sachs Mitsui Marine Derivative Products	Aa1[1]/AAA	5.6775%	($15,115,930)	July 31, 2021

(1) Downgraded by Moody's on April 7, 2009. The rating shown is the current rating.

Source: City of Oakland.

Pension Obligation Bonds

The City has previously issued two series of pension obligation bonds (in 1997 and 2001) to fund a portion of the City's Unfunded Actuarial Accrued Liability ("UAAL") for retirement benefits to members of the Oakland Police and Fire Retirement System ("PFRS"), a closed plan covering uniformed employees hired prior to July 1, 1976. The pension obligation bonds are obligations of the general fund and are secured by a senior pledge of property tax override revenues. The second series of pension obligation bonds, which was a series of capital appreciation bonds issued in 2001 (the "2001 Pension Obligation Bonds"), was part of a plan of finance undertaken by the City to restructure the City's 1997 pension obligation bonds (the "1997 Pension Obligation Bonds"), to reduce the annual net debt service on the bonds and to minimize the need for the City to use General Fund revenues other than property tax override funds to pay debt service on the 1997 Pension Obligation Bonds and the 2001 Pension Obligation Bonds. The 1997 Bonds matured in December 2010 leaving only the 2001 Bonds outstanding that are secured by a senior pledge of certain property tax override revenues. The City annually levies an *ad valorem* tax at a rate of 0.1575% to fund PFRS pension obligations. See "OTHER FISCAL INFORMATION—Retirement Programs—*Police and Fire Retirement System*." The City projects that it will receive approximately $61.8 million of tax override revenues to pay debt service on the 2001 Pension Obligation Bonds in Fiscal Year 2011-12.

The following Table 23 summarizes the 2001 Pension Obligation Bonds as of June 15, 2012.

Table 23
City of Oakland
Pension Obligation Bonds
As of June 15, 2012
($ In Thousands)

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Current Accreted Value
City of Oakland Taxable Pension Obligation Bonds, Series 2001	10/17/2001	2022	$195,636	$351,885

Source: City of Oakland.

In addition, the City has issued subordinate pension bonds also secured by the tax override revenues. The proceeds were used to refund outstanding PFRS pension related bonds and fund a portion of the unfunded actuarial accrued liability for retirement benefits. These bonds were issued through the Joint Powers Financing Authority, in the form of annual appropriation lease revenue bonds, 2008 Series A-1 and A-2 as more fully outlined in Table 21 (the "Subordinate Pension Bonds").

The City is offering additional pension obligation bonds pursuant to this Official Statement to fund a portion of the City's UAAL.

The following Table 24 sets forth the City's projected property tax override revenues, its debt service obligations on its 2001 Pension Obligation Bonds and the projected debt service obligations on its proposed pension obligation bonds being offered pursuant to this Official Statement. The 2001 Pension Obligation Bonds and the City's proposed pension obligation bonds are secured by a senior pledge of such property tax override revenues.

Table 24
City of Oakland
Tax Override Revenues and Debt Service Payments

		Parity Debt		
Period Ending June 30	**Tax Override Revenues [1]**	**Outstanding Series 2001 Debt Service [2]**	**Estimated Series 2012 Debt Service [3]**	**Excess Tax Override Revenues**
2013	$62,422,861	$39,555,000	$8,995,109	$13,872,752
2014	63,671,318	40,765,000	9,070,715	13,835,603
2015	64,944,745	42,010,000	9,070,715	13,864,030
2016	66,243,640	43,285,000	9,070,715	13,887,925
2017	67,568,513	44,590,000	9,070,715	13,907,798
2018	68,919,883	45,925,000	18,426,139	4,568,744
2019	70,298,280	47,295,000	18,326,038	4,677,243
2020	71,704,246	48,700,000	18,236,242	4,768,005
2021	73,138,331	50,140,000	18,160,345	4,837,986
2022	74,601,098	51,620,000	18,089,981	4,891,116
2023	76,093,120	53,130,000	17,808,549	5,154,571
2024	77,614,982		53,022,565	24,592,417
2025	79,167,282		53,798,363	25,368,919
2026	80,750,627		54,603,725	26,146,902
TOTALS	$997,138,924	$507,015,000	$315,749,914	$174,374,011

[1] Based on a 0.1575% levy on assessed values in the City. Assumes a 2.0% annual growth in assessed value.
[2] Capital appreciation bonds; accreted value at maturity.
[3] Preliminary, subject to change.

Source: City of Oakland.

For additional information on the City's pension systems, see "OTHER FISCAL INFORMATION—Retirement Programs" herein.

Limited Obligations

The City has incurred other obligations that are neither general obligations nor payable from the General Fund of the City, and are secured solely by specified revenue sources. These obligations are described below.

Redevelopment Agency of the City of Oakland

The City's redevelopment agency (the "Redevelopment Agency") issued several series of tax allocation bonds to provide funding for blight alleviation and economic development in parts of the City or for the construction of low-income housing. The bonds are payable from tax increment revenues received from the specific redevelopment project areas which they support. The City's general fund is not liable for payment of such bonds. Tax allocation bonds have been issued for the Central District Redevelopment Project Area, the Coliseum Area Redevelopment Project Area, the Broadway/MacArthur/San Pablo Redevelopment Project Area, and the Central City East Redevelopment Project Area. In addition, bonds have been issued that are secured by dedicated housing set-aside revenues from all the City's redevelopment project areas. Legislation enacted in 2011 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. See "FINANCIAL INFORMATION—Dissolution of Redevelopment Agencies" above.

Pursuant to a California Supreme Court ruling, dissolution of the Oakland Redevelopment Agency occurred on February 1, 2012. The City elected to serve in the capacity as successor agency to the dissolved Redevelopment Agency pursuant to Resolution No. 83679 C.M.S. and Resolution No. 83680 C.M.S adopted by Council on January 10, 2012.

The following Table 25 sets forth the Redevelopment Agency's outstanding tax allocation debt and other financings, including the final maturity date, original principal amounts and principal amounts outstanding. All information below is presented, and sets forth the principal amount of debt outstanding, as of June 15, 2012.

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Table 25
Tax Allocation Bonds
As of June 15, 2012
($ In Thousands)

Central District Redevelopment Project Area

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Central District Redevelopment Project Senior Tax Allocation Refunding Bonds, Series 1992	11/15/1992	2014	$97,655	$12,975
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2003	1/9/2003	2019	120,605	87,865
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005	2/8/2005	2022	44,360	31,970
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T	11/21/2006	2022	33,135	20,610
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable)	5/20/2009	2020	38,755	37,370
TOTAL CENTRAL BUSINESS DISTRICT			$334,510	$190,790

Broadway/MacArthur/San Pablo Redevelopment Project Area

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds Series 2006C-TE and 2006C-T	10/12/2006	2037	$17,270	$15,835
Broadway/MacArthur/San Pablo Redevelopment Project Tax Second Lien Allocation Bonds Series 2010-T (RZEDB)	12/12/2010	2040	7,390	7,390
TOTAL BROADWAY/MACARTHUR/SAN PABLO DISTRICT			$24,660	$23,225

Central City East Redevelopment Project Area

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE and 2006A-T	10/12/2006	2037	$76,300	$69,930

Coliseum Area Redevelopment Project Area

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE and 2006B-T	10/12/2006	2037	$102,590	$93,720

City-wide Housing

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Subordinated Housing Set-Aside Revenue Bonds, Series 2006A and 2006A-T	4/4/2006	2037	$84,840	$78,895
Subordinated Housing Set-Aside Revenue Bonds, Series 2011A-T	3/8/2011	2041	46,980	46,980
TOTAL HOUSING SET-ASIDE REVENUE BONDS			$131,820	$125,875

Source: City of Oakland

Special Assessments

The City has debt outstanding for three bond issues supported by assessment districts. Debt service on each of these assessment and reassessment bond issues is paid solely from assessments levied on real property within the respective districts.

The following Table 26 sets forth the City's outstanding special assessment bonds as of June 15, 2012.

Table 26
City of Oakland
Special Assessment Bonds
As of June 15, 2012
($ In Thousands)

Issue Name	Dated Date	Final Maturity	Original Principal Amount	Principal Amount Outstanding
Oakland Joint Powers Financing Authority Special Assessment Pooled Revenue Bonds, Series 1996 A	8/1/1996	2020	$ 465	$ 155
Oakland Joint Powers Financing Authority Reassessment Revenue Bonds, Series 1999	7/27/1999	2024	7,255	4,235
Oakland Utility Underground Assessment District, Piedmont Pines Phase 1, Series 2010	3/9/2010	2039	3,148	3,095
TOTAL				$7,485

Source: City of Oakland.

Enterprise Revenue Bonds

The City also has issued bonds secured solely by revenues of its sewer system with no recourse to the City's general fund. These bonds, issued on December 14, 2004 in the principal amount of $62,330,000, mature in June 2029 and have an outstanding principal amount of $50,695,000 as of June 15, 2012.

Estimated Direct and Overlapping Debt

Located within the City are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue, certificates of participation, and special assessment bonds. The direct and overlapping debt of the City as of May 1, 2012, according to California Municipal Statistics, Inc., is shown in the following Table 27. The City makes no representations as to the accuracy of the following table. Inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc. According to California Municipal Statistics, Inc., self-supporting revenue bonds, tax allocation bonds, and non-bonded capital lease obligations are excluded from this debt statement.

Table 27
City of Oakland
Statement of Direct and Overlapping Debt
As of May 1, 2012

2011-12 Assessed Valuation:	$39,237,336,112 (1)
Redevelopment Incremental Valuation:	(9,247,268,210)
Adjusted Assessed Valuation:	$29,990,067,902

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/12
Bay Area Rapid Transit District	6.850%	$ 28,258,990
East Bay Municipal Utility District, Special District No. 1	49.579	10,733,854
East Bay Regional Park District	10.644	13,786,641
Chabot-Las Positas Community College District	0.956	4,262,984
Peralta Community College District	52.339	222,969,374
Berkeley and Castro Valley Unified School Districts	0.004 & 0.126	130,840
Oakland Unified School District	99.998	755,504,890
San Leandro Unified School District	9.655	15,962,263
City of Oakland	**100.000**	**254,180,620** (2)
City of Oakland 1915 Act Bonds	100.000	7,685,000
City of Emeryville 1915 Act Bonds	4.183	307,869
City of Piedmont 1915 Act Bonds	4.792	155,261
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$1,313,938,586
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Alameda County and Coliseum Authority General Fund Obligations	17.694%	$121,638,642
Alameda County Pension Obligations	17.694	23,274,786
Alameda-Contra Costa Transit District Certificates of Participation	21.476	7,405,999
Chabot-Las Positas Community College District General Fund Obligations	0.956	41,299
Peralta Community College District Pension Obligations	52.339	83,820,432
Oakland Unified School District Certificates of Participation	99.998	50,143,997
Castro Valley Unified School District Certificates of Participation	0.126	7,988
City of Oakland and Coliseum Authority General Fund Obligations	**100.000**	**329,180,000**
City of Oakland Pension Obligations	**100.000**	**174,776,566**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$790,289,709
COMBINED TOTAL DEBT		$2,104,228,295 (3)

Ratios to 2011-12 Assessed Valuation:
Direct Debt ($254,180,620)..0.65%
Total Direct and Overlapping Tax and Assessment Debt 3.35%

Ratios to Adjusted Assessed Valuation:
Total Direct Debt ($758,137,186)..2.53%
Combined Total Debt...7.02%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $1,305

(1) Gross assessed valuation less certain exemptions.
(2) Excludes the Bonds to be sold.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

OTHER FISCAL INFORMATION

Insurance and Risk Management

The City is insured up to $29,000,000 after a $4,000,000 per occurrence self-insured retention for the risks of general liability and auto liability. All properties are insured against damage from fire and other forced perils at full replacement value after a $25,000 deductible to be paid by the City. The City does not insure for damage from earthquakes (see "OTHER MATTERS—Natural Hazards Risks" below). The City is also insured up to $100,000,000 after a $750,000 per occurrence self-insured retention for workers' compensation losses. As of June 30, 2011, the amount of all self-insured general liability exposure is valued at approximately $36,687,103. Of this amount, approximately $14,775,498 is estimated to be due within one year. Payment of workers' compensation claims is provided through annual appropriations. As of June 30, 2011, the amount of workers' compensation liability determined to be payable is approximately $82,044,864. Of this amount, $20,118,617 is estimated to be due within one year.

Labor Relations

City employees are represented by nine labor unions and associations (identified in the following Table 28 as of July 1, 2011), the largest one being the Service Employees International Union, Local 1021, which represents approximately 54% of City employees. Approximately 95% of City employees are covered by negotiated agreements, as detailed below. Memoranda of Understanding ("MOUs") between the City and representatives of miscellaneous employees for exclusive bargaining expire on June 30, 2013.

No pay increases are scheduled for represented employees except for the Oakland Police Officers' Association (the "OPOA") and the Oakland Police Management Association (the "OPMA"). A 2% increase is scheduled on January 1, 2014 for the OPOA and a 2% increase is scheduled on January 1, 2015 for the OPMA. The OPOA and OPMA have agreed to pay for the full employee share of retirement, which equals 9% of employees' wages effective July 2011. The International Association of Firefighters, Local 55, agreed to a wage decrease for all represented classifications of 8.85% from July 1, 2011 to June 29, 2014, at which time wages will be restored to the June 30, 2011 levels. All exclusive bargaining representatives for miscellaneous employees agreed to 9% concessions in the form of increased retirement cost sharing, business closure days and unpaid leave days in Fiscal Years 2011-12 and 2012-13. This is in addition to miscellaneous employees assuming 5% of their retirement costs in a previous negotiation on July 1, 2009. The estimated cost savings due to labor concessions for Fiscal Year 2011-12 is approximately $24 million and for Fiscal Year 2012-13 is projected at approximately $30 million.

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The City has never experienced an employee work stoppage. Pursuant to the Meyers-Milas-Brown Act (Government Code Section 3500 *et seq.*), the City continues to meet and confer with all of the exclusive bargaining representatives of the City employees.

Table 28
City of Oakland
Labor Relations
As of July 1, 2011

Employee Organization/Bargaining Unit	Number of Employees	Contract Termination
Confidential Management Employees' Association	29	June 30, 2013
International Brotherhood of Electrical Workers, Local 1245	18	June 30, 2013
International Federation of Professional and Technical Engineers (IFPTE), Local 21 Units TA1, TF1, TM2, TW1, and TF1	448	June 30, 2013
IFPTE, Local 21 Units UH1 (Supervisors), UM1 and UM2 (Managers)	357	June 30, 2013
IFPTE, Local 21 (Deputy City Attorney I-IVs)	21	June 30, 2013
Service Employees International Union (SEIU), Local 1021/ full-time	1,183	June 30, 2013
SEIU, Local 1021/ part-time	1,403	June 30, 2013
Deputy Attorney V & Special Counsel Association	8	June 30, 2013
International Association of Firefighters, Local 55	424	June 30, 2014
Oakland Police Officers' Association	668	June 30, 2015
Oakland Police Management Association	11	June 30, 2015
TOTAL	4,570	

Source: City of Oakland, Department of Human Resources Management.

Retirement Programs

The City maintains two closed pension systems, the Police and Firemen's Retirement System ("PFRS") and the Oakland Municipal Employees Retirement System ("OMERS"). In addition, the City is a member of the California Public Employees' Retirement System ("CalPERS"), a multiple-employer pension system that provides a contributory defined-benefit pension for most current employees.

Police and Fire Retirement System. PFRS is a defined benefit plan administered by a seven-member Board of Trustees (the "Retirement Board"). PFRS is a closed plan and covers uniformed employees hired prior to July 1, 1976. As of July 1, 2011, PFRS covered one active employee and 1,106 retired employees and beneficiaries. On December 12, 2000, the voters of the City amended the City Charter to give active members of PFRS the option to terminate their membership and transfer to CalPERS upon certain conditions. As a result, 126 former members transferred to CalPERS.

In November 2006, City voters passed Measure M to modify the City Charter to allow the PFRS Board to invest in non-dividend paying stocks and to switch the asset allocation structure from 50% equities and 50% fixed income to any asset allocation structure determined to satisfy the Prudent Person Standard.

In accordance with voter-approved measures adopting the City Charter provisions that govern PFRS, the City annually levies an *ad valorem* tax (the "Tax Override") on all property within the City subject to taxation by the City to help fund its pension obligations to PFRS. State law limits the City's tax rate for this purpose at the rate of 0.1575%, the level at which the City has levied the tax since 1983. The City is allowed to levy the Tax Override through 2026.

In 1997, the City issued 1997 Pension Obligation Bonds in the principal amount of $420.5 million, the net proceeds of which were used to fund the actuarial present value of the City's expected contributions to PFRS from March 1997 through June 2011. PFRS received a deposit of $417 million from the pension obligation bond proceeds. In return for this payment, PFRS agreed in a Funding Agreement, dated as of June 1, 1996, between the City and PFRS, that the City would not be required to make any further payments to PFRS for UAAL through June 30, 2011. A voluntary payment of $17.7 million was made during Fiscal Year 2005-06 to fund a portion of the City's obligation under its Charter to make payments to PFRS. The City's required contribution to PFRS resumed in July 2011.

As determined by the 2011 actuarial valuation, the City's recommended employer contribution to PFRS for Fiscal Year 2012-13 is approximately $38.4 million. On October 3, 2001, the City issued its 2001 Pension Obligation Bonds in the principal amount of $195.6 million, the proceeds of which were primarily used to purchase at tender for cancellation and defease a portion of the outstanding 1997 Pension Obligation Bonds. As a result of this purchase and defeasance, annual debt service through 2010 on the City's combined pension obligation bonds was reduced, but total debt service on the bonds was increased because the final maturity date was extended from 2010 to 2022. The City pays debt service on the 2001 Pension Obligation Bonds from proceeds of the Tax Override. See "DEBT OBLIGATIONS—Pension Obligation Bonds."

The City is offering additional pension obligation bonds pursuant to this Official Statement to fund a portion of the City's UAAL to PFRS.

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An actuarial valuation of PFRS is conducted at least every two years; the most recent valuation was dated July 1, 2011. PFRS utilizes a modification of the aggregate actuarial cost method to determine contribution amounts. Under this method, the excess of the actuarial present value of projected benefits for PFRS members over the actuarial value of assets is amortized over the period ending July 1, 2026 as a level percentage of City safety payroll, including pay for individuals covered by CalPERS as well as those covered by PFRS. Significant actuarial assumptions used to compute the contribution requirement include a 6.75% investment rate of return (reduced in April 2011 from the previous assumption of 7.00%) and average long-term salary increases of 3.975% (reduced in April 2011 from the previous assumption of 4.50%). Current MOU's are used to predict salary increases over the short term. A method that smooths asset value is used to determine the Actuarial Value of Assets, but the resulting value is constrained to be within 10% of market value. The following Table 29 shows PFRS's recent funding progress.

Table 29
City of Oakland
Police and Fire Retirement System
Schedule of Funding Progress[1]
($ in Millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Market Value of Assets	Unfunded Liability	Funded Status Based on Actuarial Value	Funded Ratio Based on Market Value	Number of Active Employees
2004	$890.2	$621.6	--	$268.6	69.8%	--	1
2005	883.5	614.9	--	268.6	69.6	--	1
2007	888.1	566.0	--	322.1	63.7	--	1
2009[2]	782.5	347.2	$315.6	435.3	44.4	40.3%	1
2010[2]	792.2	297.8	288.7	494.4	37.6	36.4	1
2011	683.1	256.3	284.9	426.8	37.5	41.7	1

(1) Because this is a closed system with one active employee, UAAL as a percentage of payroll is not presented.
(2) The decline in the funded ratio was due to investment market downturn and change in actuarial and cost of living assumptions.

Note: The City is only required to generate an actuarial report for the Oakland Police and Fire Retirement System once every two years. The City did not produce actuarial reports for years 2006 and 2008.

Source: Oakland Police and Fire Retirement System, Actuarial Report as of July 1, 2011.

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In light of the prepayment of expected PFRS contributions funded by the proceeds of the 1997 Pension Obligation Bonds, the purpose of the actuarial valuations prior to 2011 was primarily to track the relationship between the available assets and the estimated liabilities so that the City would be prepared for the necessary contributions, if any, beginning in July 2011. The Oakland Police and Fire Retirement System Actuarial Report as of July 1, 2011 contains a projection of the annual contributions necessary beginning in 2012 based on the valuation assumptions. These assumptions and projected contributions are in Table 30 below.

Table 30
City of Oakland
Police and Fire Retirement System
Projection of Future Contributions
As of July 1, 2011

	Valuation Assumptions
Investment Return	6.75%
Wage Growth	3.975%
Recommended Employer Contribution for FY 2012-13 Amount	$38.4 million

Source: Oakland Police and Fire Retirement System, Actuarial Report as of July 1, 2011.

Currently, the City has sufficient excess Tax Override revenues after payment of debt service with respect to the 2001 Pension Obligation Bonds and the Subordinate Pension Bonds to pay the annual contribution on a pay-as-you-go basis during Fiscal Year 2011-12. Tax Override revenue is also expected to be used to secure the pension obligation bonds being offered pursuant to this Official Statement to pay a portion of the UAAL to PFRS.

According to PFRS's investment consultant, Pension Consulting Alliance, for the periods ending June 2011, PFRS had 10-year total fund annualized return of 5.47% and actuary rate of return of 7.85% and 15-year total fund annualized return of 7.08% and actuary rate of return of 7.90%.

Oakland Municipal Employees Retirement System ("OMERS"). OMERS is the second closed pension system, which covers active non-uniformed employees hired prior to September 1, 1970 who have not transferred to CalPERS. The program covers no active employees and 37 retired employees as of July 1, 2011. OMERS is administered by a seven-member Board of Administration. An actuarial valuation of OMERS is conducted every three years; the most recent complete valuation was for the period ended July 1, 2010 prepared by Bartel Associates, LLC. OMERS utilizes the "Entry Age Normal Cost Method" for its actuarial calculations. Significant actuarial assumptions used to compute the contribution requirement include a 6.5% investment rate of return, inflation rate of 3.25%, future benefit increase of 3% and mortality rates. Based on the actuarial report, the plan is 86.4% funded due to losses in the market value of assets. As of June 30, 2011, the plan had assets of $4.9 million and liabilities of $4.8 million.

California Public Employees Retirement System. CalPERS is a defined-benefit plan administered by the State and covers all uniformed employees hired after June 30, 1976 and all non-uniformed employees hired after September 1, 1970 as well as certain former members of PFRS and OMERS. CalPERS acts as a common investment and administrative agent for public entities participating with the State. CalPERS is a contributory plan deriving funds from employee contributions as well as employer contributions and earnings from investments. A menu of benefit provisions is established by State statutes within the Public Employees' Retirement Law. The City selects its optional benefit provisions from the benefit menu by contract with CalPERS. The information contained in this paragraph has been obtained from CalPERS. Additional information regarding CalPERS may be obtained from its Website at www.calpers.ca.gov. However, the contents of such Website is not incorporated herein by such reference.

For accounting purposes, employees covered under CalPERS are classified as either miscellaneous employees or safety employees. City miscellaneous employees and City safety employees are required to contribute 8% and 9%, respectively, of their annual salary to CalPERS. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. Historically, the City had paid the entire amount of its employees' contributions for City miscellaneous employees and safety employees. However, under current bargaining agreements effective July 1, 2011, all City miscellaneous employees pay 8%, sworn police pay 9% and sworn fire personnel contribute at 9% plus an additional 4%.

In Fiscal Year 2001-02, the City increased its benefits for Police safety employees to provide 3% of highest salary per year of employment at age 50. In Fiscal Year 2002-03, benefits were increased to provide Fire safety employees 3% of highest salary per year of employment at age 50. In Fiscal Year 2003-04, the City increased its benefits for miscellaneous employees, increasing retirement benefits to 2.7% of highest salary at age 55. The following Table 31 sets forth the City's employer contribution rates as determined by CalPERS for Fiscal Years 2008-09 through 2012-13, and CalPERS' projection for Fiscal Year 2013-14 and Fiscal Year 2014-15.

Table 31
City of Oakland
Public Employees Retirement System Contribution Rates
Fiscal Years 2008-09 Through 2012-13 and Projected Fiscal Years 2013-14 and 2014-15
(Percentage of Payroll)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 (Projected)	2014-15 (Projected)
Miscellaneous Plan	19.55%	19.59%	19.89%	23.60%	25.12%	25.50%	25.90%
Safety Plan	27.50%	27.88%	28.09%	30.37%	30.90%	31.10%	31.20%

Source: CalPERS Annual Valuation Report as of June 30, 2010.

CalPERS uses an actuarial method that takes into account those benefits that are expected to be earned in the future as well as those already accrued. CalPERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. Major actuarial assumptions included a 3.00% inflation rate and a 7.75% investment return. At its meeting in March 2012, CalPERS revised the assumptions to a 2.75% inflation rate and a 7.50% investment return, effective July 1, 2012. There can be no assurance that CalPERS will not continue to lower its investment assumptions thus increasing the City's contribution obligations. According to CalPERS, for the 5- and 10-year periods ending March 31, 2012, total investment returns were 1.2% and 5.7%, respectively (beginning October 1, 2011 performance figures are reported net of fees. All performance figures reported before October 1, 2011 are gross of fees). In its Annual Investment Report for Fiscal Year Ended June 30, 2011, CalPERS reported an average net return on investments of 8.4% over the prior 20 years.

The schedules of funding progress in the following Tables 32 and 33 show the recent funding progress of both the public safety employees and miscellaneous employees. Any change in the unfunded liability that arose due to a change in plan provisions or in actuarial methods or assumptions is separately tracked and amortized over a declining 20-year period.

The effect of differences between actuarial assumptions and the actual experience of the plan is calculated each year when the annual actuarial valuation is performed. These differences are actuarial gains or losses. Gains and losses are tracked separately and amortized over a rolling 30-year period.

In December 2009, the CalPERS Board adopted changes to the asset smoothing method as well as changes to the CalPERS Board policy on the amortization of gains and losses in order to phase in over a three-year period the impact of the negative 24% investment loss experienced by CalPERS in Fiscal Year 2008-09. The following changes were adopted for all plans:

- Increase the corridor limits for the actuarial value of assets from 80-120% of market value to 60-140% of market value on June 30, 2009.
- Reduce the corridor limits for the actuarial value of assets to 70-130% of market value on June 30, 2010.
- Return to the 80-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter.
- Isolate and amortize all gains and losses during Fiscal Years 2008-09, 2009-10 and 2010-11 over fixed and declining 30-year periods (as opposed to the current rolling 30-year amortization).

The following Tables 32 and 33 set forth the schedules of funding progress from 2006 to 2010 for public safety employees and for miscellaneous employees.

Table 32
City of Oakland
Public Employees Retirement System Schedule of Funding Progress
Public Safety Employees
($ in Millions)

Valuation Date June 30	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL as % of Payroll
2006	$907.4	$678.6	$228.8	74.8%	$124.2	184.3%
2007	989.1	757.3	231.8	76.6	127.4	181.9
2008	1,084.4	829.7	254.7	76.5	138.6	183.7
2009	1,194.4	888.2	306.1	74.4	150.3	203.7
2010(1)	1,262.8	951.5	311.3	75.3	145.6	213.8

(1) As of June 30, 2010, the market value of assets was $746.6 million and the funded status on a market value basis was 59.1%.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2007 through June 30, 2011 and CalPERS Annual Valuation as of June 30, 2010.

Table 33
City of Oakland
Public Employees Retirement System Schedule of Funding Progress
Miscellaneous Employees
($ in Millions)

Valuation Date June 30	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL as % of Payroll
2006	$1,507.9	$1,250.7	$257.2	82.9%	$217.0	118.6%
2007	1,617.2	1,353.4	263.8	83.7	225.8	116.9
2008	1,728.0	1,445.4	282.6	83.6	237.5	119.0
2009	1,876.3	1,505.3	371.0	80.2	224.8	165.1
2010(1)	1,914.7	1,565.5	349.2	81.8	195.8	178.4

(1) As of June 30, 2010, the market value of assets was $1,224.6 million and the funded status on a market value basis was 64.0%.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2007 through June 30, 2011 and CalPERS Annual Valuation as of June 30, 2010.

For Fiscal Year 2010-11, the City's annual CalPERS pension cost was $84.2 million. The City's unfunded liability with CalPERS, as of June 30, 2010, was $311.3 million for the public safety (police and fire) retirement plan, resulting in a 75.3% funded status, and $349.2 million for the miscellaneous retirement plan, resulting in an 81.8% funded status.

The following table represents the City's annual contribution to CalPERS for Fiscal Years 2006-07 through 2010-11.

Table 34
City of Oakland
Public Employees Retirement System
Annual Pension Cost
Fiscal Years 2006-07 Through 2010-11
($ in Millions)

Fiscal Year Ended June 30	Annual Cost
2007	$89.3
2008	97.9
2009	98.2
2010	94.3
2011	84.2

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2007 through June 30, 2011.

Post-Employment Benefits

The City pays the partial costs of health insurance premiums for certain classes of retirees from City employment. Retirees meeting certain requirements relating to age and years of service are eligible for health benefits. The health benefits are extended to retirees pursuant to labor agreements between the City and certain of its employee labor unions and in resolutions adopted by the City. Approximately $15.7 million was paid on behalf of retirees under these programs for Fiscal Year 2010-11.

In August 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions" ("OPEB"), which addresses how state and local governments should account for and report the annual cost. GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under GASB 45, annual OPEB costs for most employers will be reported based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods on the income statement.

The City implemented GASB 45 in Fiscal Year 2007-08. As of July 1, 2010, the Actuarial Accrued Liability (the "AAL"), which is equal to that portion of the Actuarial Present Value of Benefits deemed to have been earned to date, was $520.9 million. As of June 30, 2011, assuming 4% interest earnings, the City's projected net OPEB obligation (defined, in terms of balance sheet liability, as the cumulative difference between the annual OPEB cost and the City's contribution to plan since 2008) will be $157 million after a pay-as-you-go amount of $15.7 million. For Fiscal Year 2011-12, the current plan for the obligation is pay-as-you-go.

The following Table 35 sets forth certain information with respect to the City's OPEB obligations for the Fiscal Years ended June 30, 2008 through June 30, 2011.

Table 35
City of Oakland
Post-Employment Benefits Other than Pensions
Fiscal Years 2007-08 Through 2010-11

Fiscal Year Ended June 30	Accrued Liability	Unfunded Liability	Annual OPEB Cost	Employer Contribution	Net OPEB Obligation
2008	$591,575,250	$591,575,250	$54,635,000	$10,966,000	$43,668,000
2009	591,575,250	591,575,250	54,564,000	12,474,000	85,758,000
2010	591,575,250	591,575,250	54,495,000	14,016,000	126,237,000
2011	520,882,498	520,882,498	46,451,000	15,710,000	156,978,000

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2008 through June 30, 2011.

Port of Oakland Other Post-Employment Benefits. The Port of Oakland (the "Port") contributes to the California Employer's Retiree Benefit Trust (CERBT), a single employer defined benefit post-employment healthcare plan administered by CalPERS. The CERBT is an IRC Section 115 Trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Post Employment Benefit (OPEB) costs.

The Port's Retiree Health plan allows eligible retirees and their dependents to receive employer paid medical insurance benefits through CalPERS. The medical insurance reimbursement is not to exceed the Kaiser-HMO family plan rate. The Port's Retiree Health Plan also includes dental, and vision benefits and reimbursement of Medicare part B monthly insurance premium.

The Port of Oakland's annual OPEB cost and net OPEB obligation are as follows:

Table 36
Port of Oakland
Post-Employment Benefits Other than Pensions
Fiscal Years 2007-08 Through 2010-11
($ in Thousands)

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	$11,683	34%	$7,754
2009	10,019	123	5,443
2010	10,019	51	10,389
2011	11,193	99	10,461

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2008 through June 30, 2011.

OTHER MATTERS

Natural Hazard Risks

The City is in a seismically active area, located near or on three major active earthquake faults (the Hayward, Calaveras and San Andreas faults). During the past 150 years, the Bay Area has experienced several major and numerous minor earthquakes. The largest earthquake was the 1906 San Francisco earthquake along the San Andreas Fault, which passes through the San Francisco peninsula west of Oakland, with an estimated magnitude of 8.3 on the Richter scale. The most recent major earthquake was the October 17, 1989 Loma Prieta earthquake, also on the San Andreas Fault, with a magnitude of 7.1 on the Richter scale and an epicenter near Santa Cruz, approximately 60 miles south of the City. Both the San Francisco and Oakland areas sustained significant damage. The City experienced significant damage to the elevated Cypress freeway and to several buildings within the City, especially unreinforced masonry buildings constructed prior to 1970 and current building code requirements. Much of the damage resulting from the Loma Prieta earthquake was due to soil liquefaction, a phenomenon during which loose, saturated, non-cohesive soils temporarily lose shear strength during ground shaking induced by severe earthquakes.

A substantial portion of the City is built in partially-wooded hillside areas, which are naturally prone to wildfire. In October 1991 a fire in the Oakland/Berkeley Hills damaged 1,990 acres of forest and residential property, destroying 2,354 homes and 456 apartment units, most of which were in the City. The City has established a wildfire prevention assessment district covering portions of the City, which was approved by voters in January 2004, and which finances fire hazard inspections, brush and debris removal, wood chipping, and public education.

Litigation

The City is involved in certain litigation and disputes relating to its operation, including the litigation summarized below. Upon the basis of information presently available, the City Attorney believes (1) there are substantial defenses to such litigation and disputes and (2) in any event, any ultimate liability in excess of applicable insurance coverage resulting therefrom will not materially affect the ability of the City to pay the Base Rental Payments in connection with the Series 2012 Bonds.

Taylor v. City of Oakland

A group of federal civil rights cases based on allegations that Oakland Police officers conducted unconstitutional "strip searches" of the 39 plaintiffs in separate unrelated incidents between 2002 and 2007. The parties recently tried 5 cases selected by plaintiffs' counsel in the United States District Court for the Northern District before the Honorable Marilyn Hall Patel. (Related Case No. C-04-4843-SI) In three of the five cases, the City prevailed. The plaintiffs in the other two cases were awarded a combined total of $205,000 in compensatory damages and $832,639 for attorney's fees. The remaining cases are still pending. The City estimates a combined potential liability in the remaining cases could reach $15,000,000.

APPENDIX B

ANNUAL FINANCIAL REPORT OF THE CITY OF OAKLAND FOR THE YEAR ENDED JUNE 30, 2011

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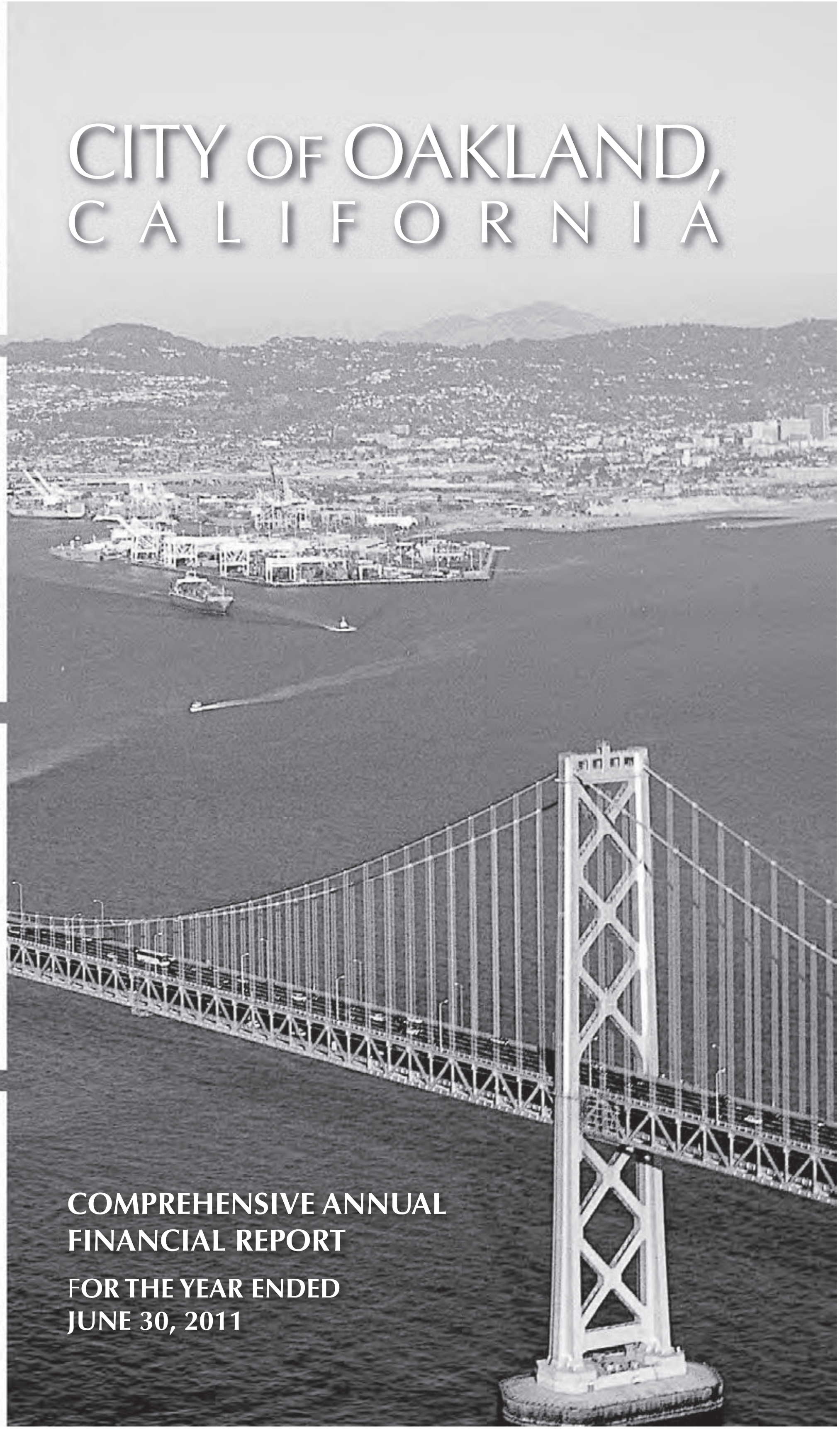
CITY OF OAKLAND, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2011

CITY OF OAKLAND

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011

PREPARED BY THE FINANCE AND MANAGEMENT AGENCY

JOSEPH T. YEW, JR., DIRECTOR

OSBORN K. SOLITEI, CONTROLLER

PRINTED ON RECYCLED PAPER

CITY OF OAKLAND

Comprehensive Annual Financial Report
Year Ended June 30, 2011

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Year Ended June 30, 2011

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Comprehensive Annual Financial Report
Year Ended June 30, 2011

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INTRODUCTORY SECTION

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CITY OF OAKLAND

FINANCE AND MANAGEMENT AGENCY
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Joseph T. Yew, Jr.
Finance Director/City Treasurer

December 9, 2011

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Oakland, California (City). The Finance and Management Agency has prepared this report to present the financial position and the changes in net assets for the fiscal year ended June 30, 2011, and the cash flows of its proprietary fund types for the year then ended. The basic financial statements and supporting schedules have been prepared in compliance with Section 809 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with Generally Accepted Accounting Principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

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

The City contracted with Macias Gini & O'Connell LLP, a firm of Certified Public Accountants licensed to practice in the State of California, to perform the annual independent audit. The auditors expressed an opinion that the City's financial statements for the year ended June 30, 2011 are fairly stated and in accordance with accounting principles generally accepted in the United States. This is the most favorable conclusion and is commonly known as an "unqualified" or "clean" opinion. The independent auditor's report is included in the Financial Section of this report.

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

The Reporting Entity and Its Services

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

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

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

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

Profile of the Government

The City of Oakland was chartered as a city in 1854. It is situated on the eastern side of the Oakland/San Francisco Bay in the County of Alameda. Its western border offers nineteen miles of coastline, while the rolling hills to the east present views of the Bay and the Pacific Ocean. In between are traditional, well-kept neighborhoods, a progressive downtown that is experiencing a tremendous surge in growth, and superior cultural and recreational amenities. It is the administrative site for the County of Alameda, the regional seat for the federal government, the district location of primary state offices, and the transportation hub of commerce for the Bay Area.

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

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

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

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

Economic Condition and Fiscal Outlook

Fiscal year 2010-11 continued to be a period of unprecedented General Fund revenue shortfall fueled by the continued weakened national recession. As in previous years the City utilized principal outlined in the “Financial Policies” as a guide and operational blueprint for assisting in the development of a budget that achieves fiscal stability and organizational sustainability. The financial policies are essential tools in returning the City to a healthy financial state and ensuring responsible financial management of the City’s resources.

- Establishing a baseline for the Real Estate Transfer Tax at $40 million (an amount collected in a normal year), with any amount over the baseline used as follows: a) replenishment of the General Purpose Fund (GPF) reserves until such reserves reach 10 percent of current year budgeted GPF appropriations; and the remainder; b) 50 percent to repay negative Internal Service Funds; c) 30 percent set aside for the Police and Fire Retirement System (PFRS) liability until this obligation is met; d) 10 percent to establish an Other Postemployment Retirement Benefits (OPEB) trust; and e) 10 percent to replenish the Capital Improvement Reserve Fund until such baseline reaches $10 million.

- Amending the policy on the use of one-time revenues, and requiring that any one-time discretionary revenue be used as follows: a) 50 percent to repay negative Internal Service Fund balances and b) 50 percent to repay negatives in all other funds, unless legally restricted to other purposes.

- Amending the City’s reserve policy to: a) require an annual review and certification of the GPF reserve by the City Administrator and b) limit project carry-forwards in the GPF.

As the City continues through the effects of the national economic recessions, growth projections continue to be flat or slightly higher in the fiscal year 2012-13 for the City's economically sensitive revenues including property tax, real estate transfer tax, parking tax, transient occupancy tax and sales tax due to the declining housing market and consumer spending.

The employment forecast for the reminder of 2011 continues to be negative, although the rate of job loss has improved. The City's average unemployment rate for June 2011 is 16.3 percent, which is lower than June 2010 at 17.2 percent. In general, the economic climate may remain uncertain, the City will continue to maintain prudent financial policies to navigate these hard economic times.

The City's general obligation credit ratings of AA-\Aa2\A+ from Standard and Poor's Corporation, Moody's Investor Services, Inc., and Fitch Ratings, respectively, continue to show the City's fiscal prudence. The rating agencies continue to cite management's demonstrated commitment to strong fiscal management as a basis of their rationale for bestowing the City strong ratings. These ratings translate to significant interest cost savings in the City's debt program and to the taxpayers of the City of Oakland.

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

The City of Oakland's primary economic indicators are highlighted on pages 15 and 16 in the Management Discussion and Analysis (MD&A) section of this report.

The Five-Year Financial Plan

In anticipation of longer term needs, the City develops a Five-Year Financial Plan for the General Purpose Fund. The Five-Year Financial Plan is management's best assessment of future revenue, expenditures and operating results over the five-year forecast period. The compilation and review of the Plan provides an opportunity to put current funding decisions in context with longer-term economic conditions while affording City management a realistic projection for the ongoing financial impact of policy decisions. Major goals of the Five-Year Financial Plan include the following:

- To put the City's two-year budget-making process into a five-year planning horizon and to facilitate prudent financial management;
- To set revenue and expenditure targets, and evaluate budget priorities in light of fiscal conditions projected over the long-term;
- To present a picture of the long-term strategic financial issues facing the City, while highlighting funding priorities for budget planning;
- To identify potential structural budget surpluses or shortfalls;
- To demonstrate to policy-makers the likely impact of short-term capital investment and financing decisions on the City's long-term financial capacity;
- To provide a useful framework for reviewing and refining the City's financial forecasts, as well as its financial goals and priorities;

In preparing the Plan, City staff take into account historical experience, as well as the economic uncertainties underlying the revenue and expenditure outlook over the five-year period. The Plan also considers major demographic and legislative changes.

Single Audit

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

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

Budget Controls

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

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

The budget represents a process where policy decisions by the Mayor and the City Council are adopted, implemented and controlled. The notes to the required supplementary information summarizes the budgetary roles of various City officials and the timetable for their budgetary actions according to the City Charter. In April 2010, the City Council, during its mid-cycle review, approved the City's revised budget for fiscal year 2010-11.

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

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

The City continues to meet its responsibility for sound financial management as demonstrated by the statements and schedules included in the financial section of this report.

Debt Management Policy

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

- To achieve the City with the lowest possible cost of capital;
- To achieve the highest practical credit rating;
- Maintain full and complete financial disclosure and reporting;
- Ensure timely repayment of debt;
- Ensure compliance with applicable State and Federal laws.

Cash Management Policies and Practices

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

Risk Management

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

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

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oakland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. The City of Oakland has received a Certificate of Achievement the last 22 years. The single missing year was due to the delay in the submission of the City's CAFR to GFOA as a result of conversion to a new financial management system. The City's Fiscal Year 2010-11 CAFR will be submitted to GFOA for consideration for the Certificate of Achievement for Excellence in Financial Reporting.

Acknowledgements

I would like to express my appreciation to the entire staff of the Finance and Management Agency, most particularly the Controller's Office, and other agency and departmental staff, for their professionalism, dedication and efficiency in the preparation of this report. I also thank Macias, Gini & O'Connell LLP for their assistance and guidance. Finally, I would like to thank the Mayor, members of the City Council, and the City Administrator for their interest and continuing support in planning and conducting the City's financial operations in a responsible and progressive manner.

Respectfully submitted,

Joseph T. Yew, Jr.
Finance Director/City Treasurer,
Finance and Management Agency

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Oakland California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

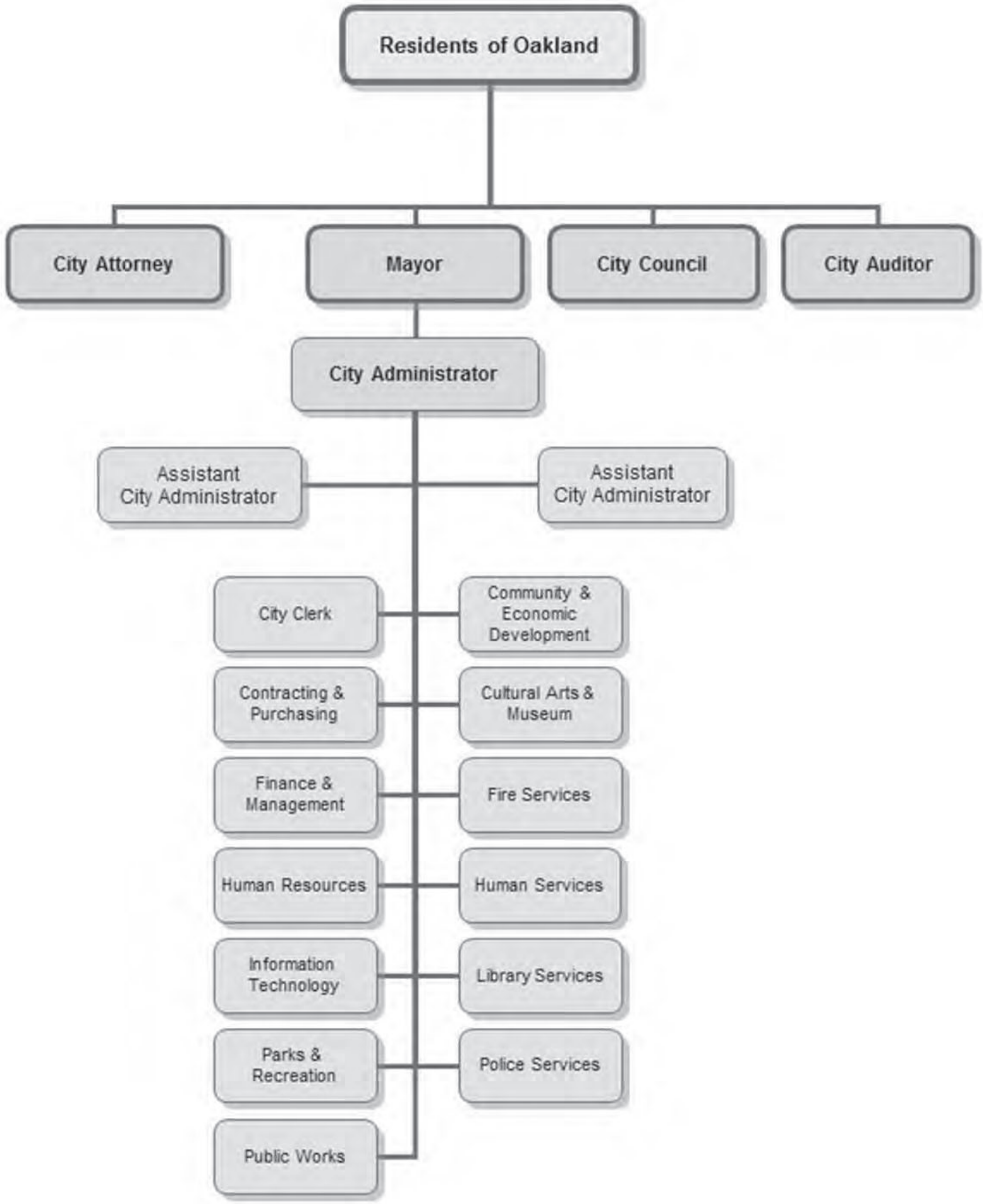
Linda C. Davison

President

Jeffrey R. Esser

Executive Director

CITY OF OAKLAND ORGANIZATION CHART



DIRECTORY OF CITY OFFICIALS
MAYOR/COUNCIL FORM OF GOVERNMENT
June 30, 2011

MAYOR

Jean Quan

MEMBERS OF THE CITY COUNCIL

Larry Reid, *President (District 7)*
Desley Brooks, *Vice-Mayor (District 6)*

At Large – Rebecca Kaplan
District 3 – Nancy Nadel
District 4 – Libby Schaff
District 5 – Ignacio De La Fuente
District 2 – Patricia Kernighan
District 1 – Jane Brunner

MAYOR APPOINTED OFFICERS

Deanna J. Santana, *City Administrator*

Scott P. Johnson, *Assistant City Administrator*

Fred G. Blackwell, *Assistant City Administrator*

La Tonda Simmons, *City Clerk*

ELECTED OFFICERS

Barbara Parker, *City Attorney*
Courtney Ruby, *City Auditor*

AGENCY & DEPARTMENT DIRECTORS

Vitaly B. Troyan
Public Works

Joseph T. Yew, Jr.
Finance & Management

Kenneth Gordon (Acting)
Information Technology

Mark Hoffmann (Interim)
Fire Services

Howard Jordan (Interim)
Police Services

Deborah Barnes
Contracting & Purchasing

Audree Jones-Taylor
Parks & Recreation

Lori Fogarty
Museum Services

Fred G. Blackwell
Community & Economic Development

Carmen Martinez
Library Services

Andrea Youngdahl
Human Services

CITY OF OAKLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

PROJECT TEAM

Joseph T. Yew, Jr. *Finance Director / City Treasurer*	Osborn K. Solitei *Controller*

AUDIT/FINANCIAL STATEMENT COORDINATOR

Osborn K. Solitei, *Controller*

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Financial Statement Leaders

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Jennifer Luong	Felipe Kiocho	Rogelio Medalla
	David Warner	

SPECIAL ASSISTANCE

Donna Treglown		Katano Kasaine
Dawn Hort	Gregoria Torres	Sharon Holman

SPECIAL ASSISTANCE - DEPARTMENTS & OFFICES

City Administrator's Office — City Attorney's Office

Finance and Management Agency - Treasury Division

Community & Economic Development Agency

Risk Management

FINANCIAL SECTION

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Independent Auditor's Report

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

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, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oakland Municipal Employees Retirement System (OMERS) and the Oakland Police and Fire Retirement System (PFRS) which collectively represent 57%, 68% and 25%, respectively of the assets, net assets/fund balances, and revenues/additions of the aggregate remaining fund information as of and for the year ended June 30, 2011. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the basic financial statements, effective July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

As discussed in Note 21 to the financial statements, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, combining fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of the other auditors, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Macias Gini & O'Connell LLP

Oakland, California
December 9, 2011

This section of the City of Oakland's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. 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 City's total assets exceeded its total liabilities by $738.3 million as of June 30, 2011, compared to $689.3 million at June 30, 2010. This represents a net increase of $49.0 million or 7.1 percent compared to the previous year. Assets increased by 1.1 percent or net of $31.9 million, the net increase is primarily attributed to an increase in notes and loan receivables by $53.6 million, increase in capital assets by $35.8 million, $11.0 million increase in business-type activities pooled cash and investments for sewer related activities, and an increase of $11.1 million in grant receivables related to several "stimulus grants" the City received through the American Recovery and Reinvestment Act of 2009. The increases are off-set by the decrease of net pension assets in the amount of $43.9 million to reflect annual pension cost, and an offset of a combined decrease of $34.6 million in pooled and restricted cash and investments attributable to spending bond proceeds for capital improvement. Conversely, liabilities decreased by 0.8 percent or $17.1 million compared to the prior fiscal year primarily as a result of debt payments and retirement of certain long-term debt.

- The City's governmental cumulative fund balances decreased by 1.2 percent or $12.7 million to $1,031.7 million compared to $1,044.4 million for the prior fiscal year. This decrease is primarily attributed to a $28.4 million or 2.7 percent increase in overall governmental expenditures for its operations and a $6.3 million or 0.7 percent the decrease in overall governmental revenue.

- As of June 30, 2011, the City had total long-term obligations outstanding of $1.99 billion compared to $2.0 billion outstanding for the prior fiscal year for a decrease of 0.6 percent or $11.7 million. Of this amount, $349.4 million is general obligation bonds backed by the full faith and credit of the City. The remaining $1.64 billion is comprised of various long-term debt instruments including accruals of year-end estimates for other long-term liabilities.

- The City undesignated, uncommitted fund balance met the requirements of the City Council's 7.5% reserve policy based on the total General Purpose Fund expenditures for fiscal year 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

In addition, this report also contains other supplementary information.

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements include not only the City itself, but also 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 City's Finance and Management Agency – Controller's Office at 150 Frank H. Ogawa Plaza, Suite 6353, Oakland, CA 94612-2093.

Fund Financial Statements

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

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

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

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

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

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

The City maintains the following two types of proprietary funds:

> ***Enterprise funds*** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Sewer Service System and the Parks and Recreation operations. The Sewer Service Fund is considered to be a major fund of the City.
>
> ***Internal service funds*** are used to report activities that provide services and supplies for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, radio and communication equipment, facilities management, printing and reproduction, central stores and purchasing. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

The required supplementary information includes the budgetary schedule for the General Fund and schedules of funding progress for pension and other postemployment benefits that show the City's progress towards funding its obligation to provide future pension and other postemployment benefits for its active and retired employees.

Other Information

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

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of the City's financial position. The City's total assets exceeded its liabilities as of June 30, 2011 by $738.3 million compared to $689.3 million as of June 30, 2010, an increase of $49.0 million. The largest portion of the City's net assets, 88.5 percent, reflects its investment in capital assets of $653.1 million for governmental and business-type activities net of related debt. Of the remaining balance, 51.8 percent reflects $382.6 million in resources that are subject to external restrictions on how they may be used. The unrestricted net asset deficit of $297.3 million is primarily attributed to a decrease of annual pension cost of $43.9 million as of June 30, 2011 offset by an increase of 2.8 percent in revenue and a decrease of 6.7 percent in ongoing project expenditures related to governmental activities.

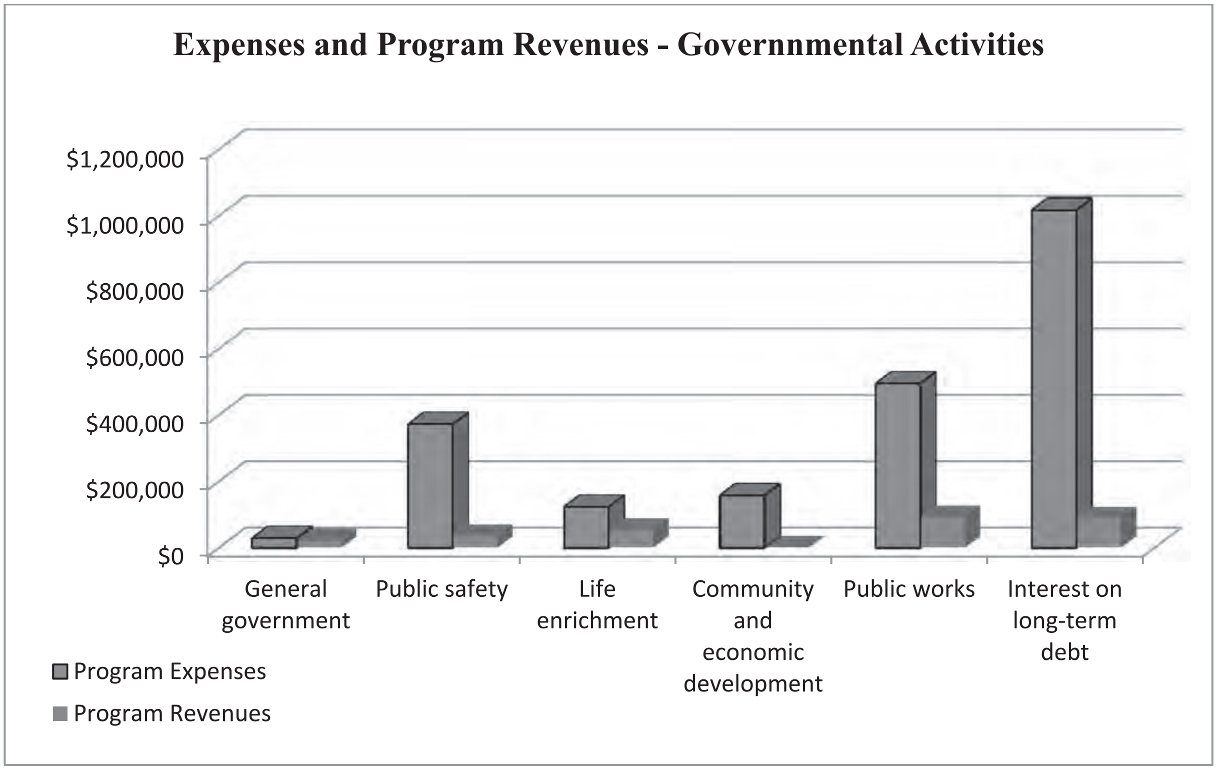
Net Assets
June 30, 2011 and 2010
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Assets:						
Current and other assets	$ 1,713,236	$ 1,721,741	$ 44,464	$ 39,826	$ 1,757,700	$ 1,761,567
Capital assets	987,411	956,574	165,363	160,407	1,152,774	1,116,981
TOTAL ASSETS	2,700,647	2,678,315	209,827	200,233	2,910,474	2,878,548
Liabilities:						
Long-term liabilities	1,932,357	1,941,296	55,549	58,327	1,987,906	1,999,623
Other liabilities	181,683	187,583	2,552	2,062	184,235	189,645
TOTAL LIABILITIES	2,114,040	2,128,879	58,101	60,389	2,172,141	2,189,268
Net assets:						
Invested in capital assets, net of related debt	538,815	478,689	114,297	113,718	653,112	592,407
Restricted	382,563	372,439	-	-	382,563	372,439
Unrestricted (deficit)	(334,771)	(301,692)	37,429	26,126	(297,342)	(275,566)
TOTAL NET ASSETS	$ 586,607	$ 549,436	$ 151,726	$ 139,844	$ 738,333	$ 689,280

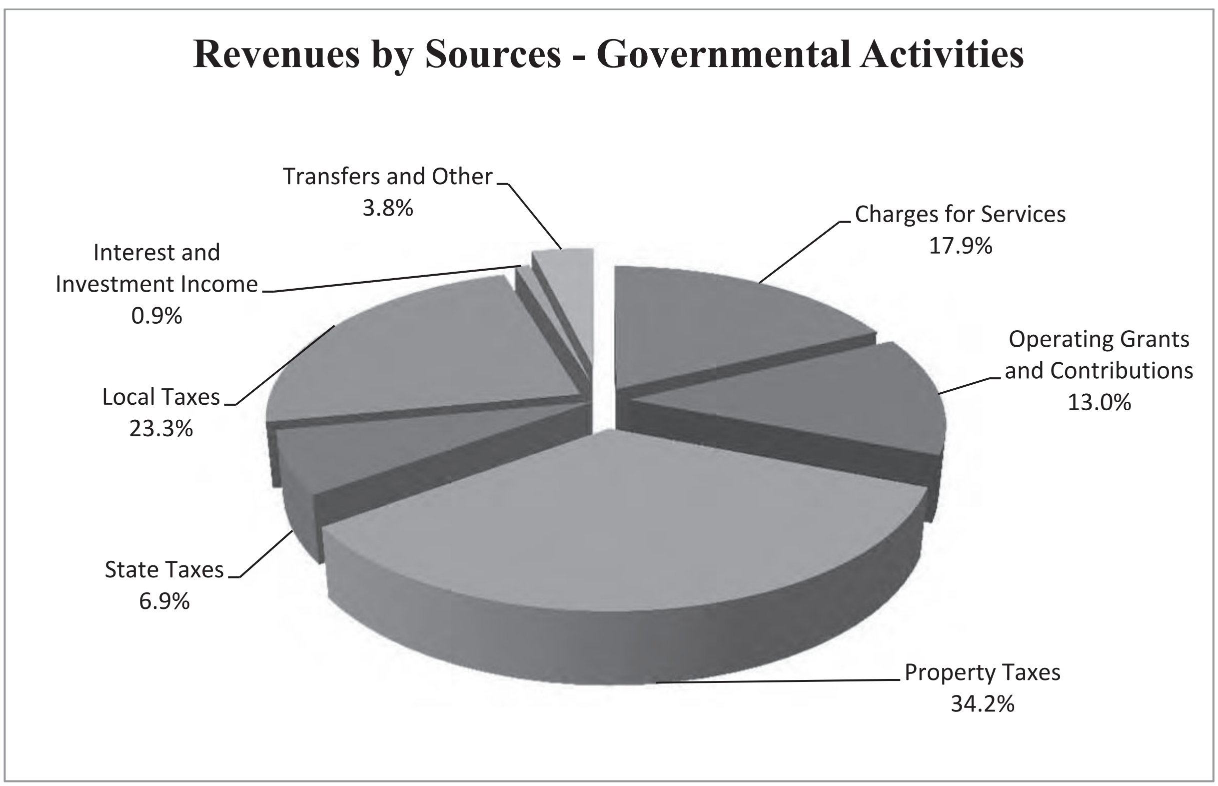
Governmental activities. The City's net assets in governmental activities increased by $37.2 million for the year ended June 30, 2011. The key elements of this increase are listed below.

Changes in Net Assets
Years Ended June 30, 2011 and 2010
(In Thousands)

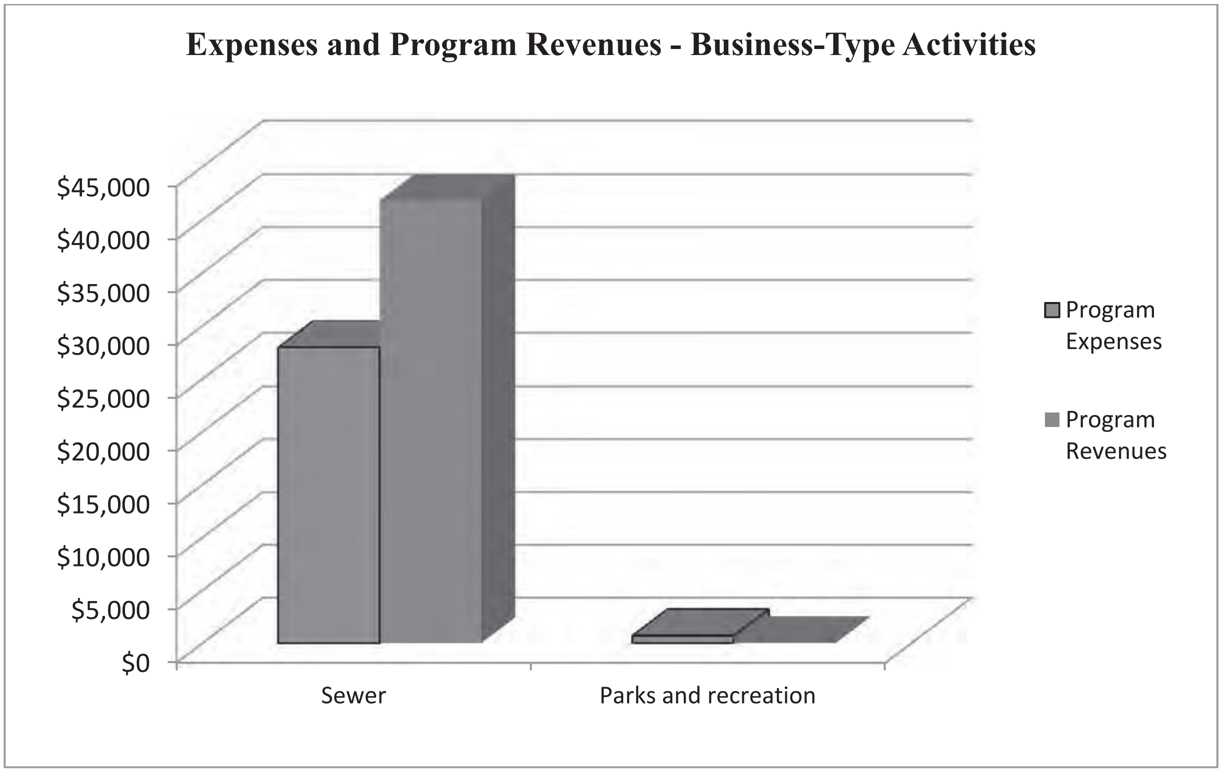
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	$ 169,668	$ 135,458	$ 41,950	$ 39,615	$ 211,618	$ 175,073
Operating grants and contributions	123,149	97,177	-	-	123,149	97,177
General revenues:						
Property taxes	324,516	346,859	-	-	324,516	346,859
State taxes:						
Sales and use taxes	51,910	45,503	-	-	51,910	45,503
Motor vehicles in-lieu tax	2,168	1,251	-	-	2,168	1,251
Gas tax	10,990	10,991	-	-	10,990	10,991
Local taxes:						
Business license	53,138	54,141	-	-	53,138	54,141
Utility consumption	53,440	51,107	-	-	53,440	51,107
Real estate transfer	31,608	36,971	-	-	31,608	36,971
Transient occupancy	12,484	10,085	-	-	12,484	10,085
Parking	13,460	13,885	-	-	13,460	13,885
Voter approved special tax	41,700	35,228	-	-	41,700	35,228
Franchise	14,854	14,655	-	-	14,854	14,655
Interest and investment income	8,592	10,894	119	113	8,711	11,007
Other	35,672	58,374	-	-	35,672	58,374
Total revenues	947,349	922,579	42,069	39,728	989,418	962,307
Expenses:						
General government	75,381	83,295	-	-	75,381	83,295
Public safety	372,587	411,333	-	-	372,587	411,333
Life enrichment	123,538	119,254	-	-	123,538	119,254
Community & economic development	158,209	222,226	-	-	158,209	222,226
Public works	88,321	70,757	-	-	88,321	70,757
Interest on long-term debt	93,618	73,735	-	-	93,618	73,735
Sewer	-	-	27,971	26,899	27,971	26,899
Parks and recreation	-	-	740	520	740	520
Total expenses	911,654	980,600	28,711	27,419	940,365	1,008,019
Change in net assets before transfers	35,695	(58,021)	13,358	12,309	49,053	(45,712)
Transfers	1,476	1,463	(1,476)	(1,463)	-	-
Change in net assets	37,171	(56,558)	11,882	10,846	49,053	(45,712)
Net assets at beginning of year	549,436	605,994	139,844	128,998	689,280	734,992
Net assets at end of year	$ 586,607	$ 549,436	$ 151,726	$ 139,844	$ 738,333	$ 689,280



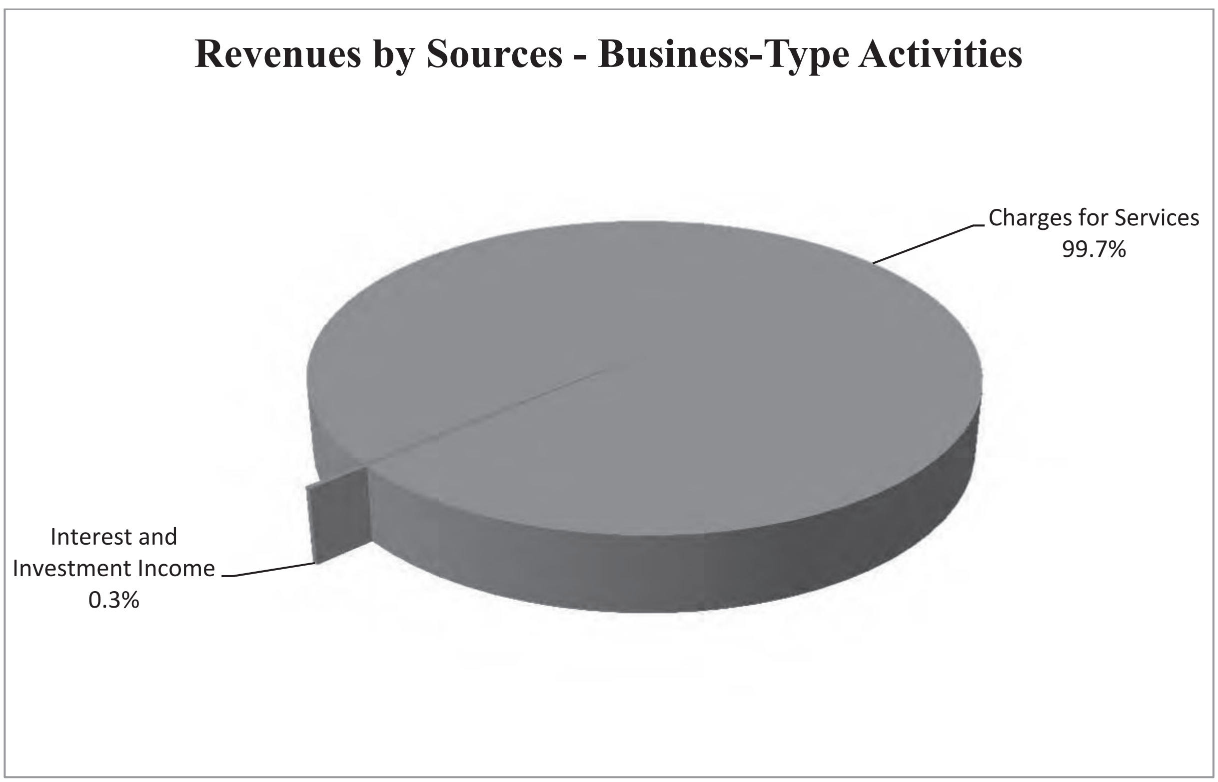
Expenses and Program Revenues - Governnmental Activities
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
General government
Public safety
Life enrichment
Community and economic development
Public works
Interest on long-term debt
Program Expenses
Program Revenues



Revenues by Sources - Governmental Activities
Transfers and Other 3.8%
Charges for Services 17.9%
Interest and Investment Income 0.9%
Operating Grants and Contributions 13.0%
Local Taxes 23.3%
State Taxes 6.9%
Property Taxes 34.2%



Expenses and Program Revenues - Business-Type Activities
$45,000
$40,000
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$0
Sewer
Parks and recreation
Program Expenses
Program Revenues



Revenues by Sources - Business-Type Activities
Charges for Services 99.7%
Interest and Investment Income 0.3%

Governmental activities: Net assets for governmental activities increased by $37.2 million or 6.8 percent during 2010-11 from $549.5 million to $587.2 million. Total revenue increased at rate of 2.7 percent compared to expenses decreased at a rate of 6.7 percent. During 2009-10, revenues decreased at a rate of 4.7 percent and expenses increased at rates of 1.6 percent, respectively.

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

- Contributing to the increase in total revenue; operating grants and contributions by $26.0 million, and state taxes by $7.3 million mainly due to short-term government and industry incentives on auto sales rebates as well as high per gallon price of gasoline. Local taxes also increase by $4.6 million due to three (3) percent surcharge on the City's transient occupancy tax. The increase is offset by a decrease in property taxes $22.3 million or 6.4 percent, this is mainly due to aggressive property revaluations by the County; Investment income also decreased by $2.3 million or 21.1 percent due to earned interest yield reflects a lower interest rate environment experienced during the year.
- General government expenses decreased by $7.9 million or 9.5 percent when compared to previous year primarily due to budgets cuts, layoffs and furlough days.
- Public safety expenses decreased by $38.7 million or 9.4 percent when compared to the previous year due primarily to budget cuts, layoffs, and union contract concessions that include 4 percent cost-of-living increase deferred to FY 2013.
- Community and economic development expenses decreased by $64.0 million or 28.8 percent is primarily attributed to the move of engineering and construction division to public works agency, layoffs, budget cuts and furlough days.
- Public work expenses increased by $17.6 million or 24.8 percent is mainly attributed to move of the engineering and construction division from community and economic development agency to public works agency. The increase is offset by a decrease in expense due to budget cuts, layoffs and furlough days.
- Interest on long-term debt increased by $20.0 million or 27.0 percent due to City debt payments and retirement of certain long-term debt.

Business-type activities: Business-type activities ended the fiscal year with a positive change in its net assets of $11.9 million compared to $10.8 million the previous fiscal year. The increase of $1.1 million in net assets is attributable to $2.5 million or 6.4 percent increase in sewer revenues offset by $1.1 million or 4.0 percent increase in sewer project related expenses.

Financial Analysis of the Government's Funds

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

General Fund: The General Fund is the chief operating fund of the City. At June 30, 2011, its unassigned fund balance is $48.3 million or 21.5 percent of the $224.8 million total General Fund balance. For the fiscal year ended June 30, 2011 and 2010, revenues for the General Fund by revenue source are distributed as follows:

	General Fund	
	2011	**2010** [1]
Revenues:		
Taxes:		
Property taxes	$ 189,237	$ 194,591
State taxes:		
Sales and use taxes	41,235	35,877
Motor vehicles in-lieu tax	2,168	1,251
Local taxes:		
Business license	53,138	54,138
Utility consumption	53,440	51,107
Real estate transfer	31,608	36,971
Transient occupancy	9,634	8,578
Parking	8,513	7,523
Franchise	14,724	14,419
Licenses and permits	888	724
Fines and penalties	24,397	27,218
Interest and investment income	1,295	2,204
Charges for services	96,052	105,694
Federal & state grants and subventions	1,370	1,927
Annuity income	7,647	13,232
Other	10,661	8,912
Total revenues	**$ 546,007**	**$ 564,366**

[1] The June 30, 2010 balances were restated to reflect the impact of GASB Statement No. 54.

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

- *Property taxes* decreased by $5.4 million or 2.8 percent due to the drop in property values for the City.
- *Real estate transfer* decreased by $5.4 million or 14.5 percent mainly due to slowing economy and sluggish housing market and in fiscal year 2010, the City benefited from a one-time $5 million real estate transfer property tax.
- *Fines and penalties* decreased by $2.8 million or 10.4 percent mainly due to lower parking citation revenues and fewer real estate tax fines and penalties due to more efficient processes and improved compliance.
- *Charges for services* decreased by $9.6 million or 9.1 percent mainly due to lower parking meters, towing and agency reimbursements.
- *Sales and use tax* increased by $5.4 million primarily due to short-term government and industry incentives on auto sales rebates as well as high per gallon price of gasoline.

For the fiscal years ended June 30, 2011 and 2010, expenditures for the General Fund by function are distributed as follows:

	General Fund	
	2011	**2010** [1]
Expenditures:		
Current:		
Elected and Appointed Officials:		
Mayor	$ 1,977	$ 2,280
Council	3,870	4,574
City Administrator	9,150	9,008
City Attorney	12,079	11,909
City Auditor	1,456	1,417
City Clerk	2,986	2,687
Agencies/Departments:		
Human Resource Management	4,231	4,369
Information Technology	8,219	8,785
Financial Services	24,007	25,894
Contracting and Purchasing	2,082	2,100
Police Services	188,384	194,602
Fire Services	96,871	99,329
Life Enrichment:		
Parks and Recreation	15,948	15,130
Library	8,912	9,005
Cultural Arts and Museum	6,008	5,829
Aging & Health and Human Services	5,968	5,823
Community and Economic Development	17,266	21,401
Public Works	35,312	31,560
Others	2,329	5,786
Capital outlay	5,899	14,014
Debt Service		
Principal repayment	1,860	1,815
Bond issuance costs	-	511
Interest charges	633	2,507
Total expenditures	**$ 455,447**	**$ 480,335**

[1] The June 30, 2010 balances were restated to reflect the impact of GASB Statement No. 54.

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

- *Public safety* decreased by $8.7 million or 3.0 percent due to budget cuts, layoffs, union contract concessions that include 4 percent cost-of-living increase deferred to FY 2013.
- *City agencies and departments* are reporting decreases in expenditures mainly due to budget cuts, layoffs, furlough days and other union contract concessions.

Federal and State Grant Fund: The Federal and State Grant Fund had a fund balance of $21.4 million as of June 30, 2011 that represents a slight increase of $5.3 million or 32.6 percent over the prior fiscal year. The increase was primarily attributed to an increase of the federal and state grants by $26.6 million over the previous year. The City received several "stimulus grants" through the American Recovery and Reinvestment Act of 2009. For example, the City was awarded $19.7 million through the U.S. Department of Justice Community Oriented Policing Services Hiring Recovery Program (CHRP) to retain 41 officers' positions.

Oakland Redevelopment Agency: The Oakland Redevelopment Agency had a fund balance of $563.4 million as of June 30, 2011 that represents an increase of $11.7 million or 2.1 percent from the prior fiscal year. The increase is primarily attributed to the issuance of $7.4 million in tax allocation and $47.0 million subordinated housing set-aside revenue bonds.

During fiscal year 2010-11, the Agency's revenues decreased by $2.7 million or 2.1 percent compared to the previous fiscal year. The decrease is mainly driven by a $4.7 million or 4.1 percent decrease in tax increment revenue primarily due to lower assessment value on properties and a $1.8 million or 59.6 percent decrease in investment income due to low interest rate environment offset by a $4.1 million or 49.3 percent increase in charges for services from rents and reimbursement income.

The Agency's expenditures also decreased by $26.5 million or 13.7 percent. The decrease is driven primarily by lower state mandated SERAF payment and a $3.9 million reduction in spending in urban redevelopment project area. Conversely, housing development spending increased by $12.2 million or 40.6 percent mainly due to increase in lending activities.

Municipal Capital Improvement Fund: The Municipal Capital Improvement Fund had a fund balance of $67.3 million as of June 30, 2011 that represents decrease of $19.5 million or 22.5 percent over the prior fiscal year. In fiscal year 2010, the City issued $67.6 million in new debt:

- General Obligation Bond (Series 2009B, Measure DD) for $64.5 million to preserve and acquire open space, renovate parks, provide educational and recreation facilities for children, clean up Lake Merritt and restore Oakland's creeks, waterfront and estuary; and
- Piedmont Pines Phase I 2010 Limited Obligation Improvement Bonds for $3.1 million for under grounding of street lighting, electric power, telephone and other communication lines of special benefits to the property within the City's Utility Underground Assessment District No. 2007-232.

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 assets invested in capital assets, net of related debt amounted to $114.3 million as of June 30, 2011, compared to $113.7 million for the previous fiscal year. The $0.6 million or 0.5 percent increase is related to proceeds spent from debt issued to finance sewer projects. During the fiscal year, the City capitalized $5.0 million in sewer system completed projects, net of depreciation.

General Fund Budgetary Highlights

During the fiscal year ended June 30, 2011, General Fund had a $31.9 million increase in budgeted revenues between the original and final amended operating budget. The increase in revenue budget is primarily attributed to charges for services from the agency reimbursements. Actual budgetary basis revenues of $549.2 million were $23.8 million less than the final amended budget. The variance is due primarily to fines and penalties, charges for services and annuity income.

In addition, there was a $73.2 million increase in appropriations between the original and final amended operating budget for the General Fund. The increase in appropriation is due primarily to the determination of actual project carryforwards for continuing appropriations for various multiyear projects, capital improvement projects, and other projects authorized by the City Council. The original approved expenditure budget contained only estimates of project carryforwards.

Actual budgetary basis expenditures of $455.4 million were $60.9 million less than the amended budget. The net budget savings is attributed to (1) general budget cuts, (2) layoffs, and (3) furlough days.

Capital Assets

The City's capital assets, net of depreciation, totaled $1.15 billion as of June 30, 2011 compared to $1.12 billion as of June 30, 2010, a decrease of $35.8 million or 3.2 percent. Governmental activities additions of $82.3 million in capital assets included construction in progress and capitalization of infrastructure, facilities and improvements, and furniture, machinery and equipment which met the City's threshold for capitalization.

These additions were offset by retirements and depreciation, the net effect of which was an increase of $30.8 million in additions against capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by $5.0 million, net of retirements and depreciation. See Note (7) for more details in capital assets.

Construction Commitments

The City has committed to funding in the amount of $153.7 million to a number of capital improvement projects for fiscal year 2012 through fiscal year 2013. This projects include building and facilities improvements; parks and open space; sewers and storm drains; streets and sidewalks construction; technology enhancements and traffic improvements. See note 18 for more details in construction commitments.

Debt Administration

At the end of the current fiscal year, the City's debt limit (3.75 percent of property valuation, net of exemptions subject to taxation) was $1,104.5 million. The total amount of debt applicable to the debt limit was $349.4 million. The resulting legal debt margin was $755.1 million.

The City of Oakland's underlying ratings for its general obligation bonds as of June 30, 2011 were as follows:

Standard and Poor's Corporation (S&P)	AA-
Moody's Investors Services, Inc. (Moody's)	Aa2
Fitch, JBCA, Inc.	A+

The Agency's bond ratings at June 30, 2011 are as follows (in thousands):

	Moody's	S&P	Fitch
Tax allocation	Baa1/Baa2/A2	A+/A/A-	N/A
Housing set-aside revenue bonds	A2	A	A+

As of June 30, 2011, the City had total long-term obligations outstanding of $2.0 billion compared to $1.99 billion outstanding for the prior fiscal year, a decrease of 0.6 percent. Of this amount, $349.4 million is general obligation bonds backed by the full faith and credit of the City. The remaining $1.64 billion is comprised of various long-term debt instruments listed below including accruals of year-end estimates for other long-term liabilities.

Outstanding Debt
June 30, 2011
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	$ 349,431	$ 366,248	$ -	$ -	$ 349,431	$ 366,248
Tax allocation, Housing and Other bonds	523,905	488,900	-	-	523,905	488,900
Certificate of participation	3,895	7,210	-	-	3,895	7,210
Lease revenue bonds	242,800	270,670	-	-	242,800	270,670
Pension obligation bonds	195,637	210,595	-	-	195,637	210,595
Special assessment debt with government commitments	7,963	8,298	-	-	7,963	8,298
Accreted interest on appreciation bonds	172,121	172,971	-	-	172,121	172,971
Sewer-bonds and notes payable	-	-	53,428	56,088	53,428	56,088
Less: deferred amounts						
Bond issuance premiums	22,203	26,846	2,121	2,239	24,324	29,085
Bond refunding loss	(23,481)	(26,396)	-	-	(23,481)	(26,396)
Total Bonds Payable	1,494,474	1,525,342	55,549	58,327	1,550,023	1,583,669
Notes & Leases payable	29,363	32,778	-	-	29,363	32,778
Other long-term liabilities	408,520	383,176	-	-	408,520	383,176
Total Outstanding Debt	$ 1,932,357	$ 1,941,296	$ 55,549	$ 58,327	$ 1,987,906	$ 1,999,623

The City's overall total long-term obligations decreased by $11.7 million compared to fiscal year 2010. The net decrease is primarily attributable to City debt payments and retirement of certain long-term debt

Summary of New Debt:

Current Year Long-Term Debt Financing

Redevelopment Agency of the City of Oakland, Broadway/MacArthur/San Pablo Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010-T, Federally Taxable Recovery Zone Economic: On November 2, 2010, the Redevelopment of the City of Oakland (the "Agency") issued $7,390,000 of Broadway/MacArthur/San Pablo Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010-T Federally Taxable Recovery Zone Economic Development Bonds (the "Series 2010-T Bonds"). The Bonds are taxable and treated as "recovery zone economic development bonds," a category of "Build America Bonds," under the American Recovery and Reinvestment Act of 2009 and Agency receives direct payment from the United States Treasury Department equal to forty-five percent (45%) of the interest payable on each interest payment date. The Agency expects to receive $6.2 million or 45% interest subsidy from the federal government as part of the bond issue.

Master Lease – Parking Access and Revenue Control System: On December 23, 2010, the City of Oakland closed a lease transaction with Chase Equipment Finance, Inc. in the amount of $2,500,000 for the purpose of financing the acquisition of the equipment, software, maintenance and services for the automation of City garages. The financing is done on a taxable basis with a final maturity of July 15, 2018; the interest rate on this lease transaction is 2.56%.

Redevelopment Agency of the City of Oakland, Subordinated Housing Set Aside Revenue Bonds, Series 2011A-T: On March 3, 2011, the Agency issued $46,980,000 of Subordinated Housing Set Aside Revenue Bonds Series 2011A-T (the "Series 2011A-T Bonds"). The Series 2011A-T Bonds are federally taxable with interest rates ranging from 3.25% to 9.25% and a final maturity of September 1, 2041.

Additional information on the City's long-term debt obligations can be found in Note 12 to the financial statements.

Economic Factors and Next Year's Budgets and Tax Rates

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

The current unprecedented state of the economy has had direct and significant impacts on the City's declining revenue base. The fiscal issues addressed in the budget were deep and widespread, touching virtually every government service that Oakland provides. The City had to address a $58 – 76 million annual General Purpose Fund shortfall in FY 2012-13 despite cutting more than $170 million in shortfalls over the last few years. As a result, the policy and management decisions required by this budget were among the most difficult ever faced by this City. In closing the funding gap the City use a combination service reduction and union concessions, budget cuts, hiring freeze or position eliminations, furlough days, restructure City departments, prioritize services and eliminate programs.

Sluggish growth is projected in fiscal years 2011-12 for the City's major sensitive revenues including property tax, sales tax, vehicle license fees, business license tax, real estate transfer tax, and parking tax, due to uncertainties brought about by the continuing housing recession, the increase in home foreclosures, and tightened lending policies. The remaining areas, while impacted by overall economic performance, are driven by other factors, for example, franchise fee is typically more heavily impacted by rate changes than economic growth.

The City of Oakland's unemployment rate decreased to 16.3 percent in June 2011 compared to an average unemployment rate of 17.2 percent for June 2010.

The Bay Area's consumer price index for all urban consumers in June 2011 was 233.646 compared to the U.S. city average consumer price index (CPI-U) for all urban consumers at 225.722 (Base period: 1982 – 84 = 100).

Estimated population for January 1, 2011 is 392,932 with an estimated total number of households of 148,875, an average household size of 2.63 persons, and a per capita personal income of $28,311.

PERS pension rates, and health care costs have been factored into the City's Fiscal Years 2011-12 budget.

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the City "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Oakland intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

On July 26, 2011, City Ordinance No. 13084 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be $39.4 million with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated $10 million will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation. Further information regarding Assembly Bill X1 26 and 27 is contained in Note 21 of the basic financial statements

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 and Management Agency, Controller's Office, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353; Oakland, California 94612-2093. This report is also available online at http://www.oaklandnet.com

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BASIC FINANCIAL STATEMENTS

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City of Oakland
Statement of Net Assets
June 30, 2011
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Port of Oakland
ASSETS				
Cash and investments	$ 378,122	$ 29,487	$ 407,609	$ 174,591
Receivables (net of allowance for uncollectible of $14,041 for the City and $3,640 for the Port):				
Accrued interest	765	-	765	10
Property taxes	18,352	-	18,352	-
Accounts receivable	48,284	9,481	57,765	26,308
Grants receivable	32,336	-	32,336	-
Due from Port	17,093	-	17,093	-
Inventories	610	-	610	-
Restricted assets:				
Cash and investments	502,440	4,959	507,399	89,576
Receivables	-	-	-	2,332
Property held for resale	179,240	-	179,240	-
Notes and loans receivable (net of allowance for uncollectible of $50,462 for the City)	365,227	-	365,227	-
Other	117	-	117	53,506
Unamortized bond issuance costs	14,549	537	15,086	-
Net pension asset	156,101	-	156,101	-
Capital assets:				
Land and other assets not being depreciated	141,377	12,698	154,075	655,300
Facilities, infrastructures, and equipment, net of depreciation	846,034	152,665	998,699	1,561,500
TOTAL ASSETS	2,700,647	209,827	2,910,474	2,563,123
LIABILITIES				
Accounts payable and accrued liabilities	132,543	2,161	134,704	26,587
Accrued interest payable	21,136	121	21,257	11,651
Due to other governments	11,349	-	11,349	-
Due to primary government	-	-	-	17,093
Unearned revenue	8,233	263	8,496	116,287
Other	8,422	7	8,429	12,215
Non-current liabilities:				
Due within one year	195,456	2,277	197,733	63,612
Due in more than one year	1,736,901	53,272	1,790,173	1,389,678
TOTAL LIABILITIES	2,114,040	58,101	2,172,141	1,637,123
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	538,815	114,297	653,112	865,602
Restricted net assets:				
Debt service	25,267	-	25,267	-
Pension	106,692	-	106,692	-
Urban redevelopment and housing	243,423	-	243,423	-
Other purposes	7,181	-	7,181	17,187
Unrestricted net assets (deficit)	(334,771)	37,429	(297,342)	43,211
TOTAL NET ASSETS	$ 586,607	$ 151,726	$ 738,333	$ 926,000

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

City of Oakland
Statement of Activities
For the Year Ended June 30, 2011
(In Thousands)

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			Component Unit
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	$ 75,381	$ 20,360	$ 1,231	$ -	$ (53,790)	$ -	$ (53,790)	
Public safety	372,587	13,573	22,167	-	(336,847)	-	(336,847)	
Life enrichment	123,538	8,483	44,334	-	(70,721)	-	(70,721)	
Community and economic development	158,209	42,418	50,491	-	(65,300)	-	(65,300)	
Public works	88,321	84,834	4,926	-	1,439	-	1,439	
Interest on long-term debt	93,618	-	-	-	(93,618)	-	(93,618)	
TOTAL GOVERNMENTAL ACTIVITIES	911,654	169,668	123,149	-	(618,837)	-	(618,837)	
Business-type activities:								
Sewer	27,971	41,832	-	-	-	13,861	13,861	
Parks and recreation	740	118	-	-	-	(622)	(622)	
TOTAL BUSINESS-TYPE ACTIVITIES	28,711	41,950	-	-	-	13,239	13,239	
TOTAL PRIMARY GOVERNMENT	$ 940,365	$ 211,618	$ 123,149	$ -	$ (618,837)	$ 13,239	$ (605,598)	
Component unit:								
Port of Oakland	$ 318,496	$ 297,983	$ -	$ 27,343				$ 6,830
	General Revenues:							
	Property Taxes				324,516	-	324,516	-
	State Taxes:							
	Sales and Use Taxes				51,910	-	51,910	-
	Motor Vehicle In-Lieu Tax				2,168	-	2,168	-
	Gas Tax				10,990	-	10,990	-
	Local Taxes:							
	Business License				53,138	-	53,138	-
	Utility Consumption				53,440	-	53,440	-
	Real Estate Transfer				31,608	-	31,608	-
	Transient Occupancy				12,484	-	12,484	-
	Parking				13,460	-	13,460	-
	Voter Approved Special Tax				41,700	-	41,700	-
	Franchise				14,854	-	14,854	-
	Interest and Investment Income				8,592	119	8,711	2,876
	Other				35,672	-	35,672	25,308
	Transfers				1,476	(1,476)	-	-
	TOTAL GENERAL REVENUES and TRANSFERS				656,008	(1,357)	654,651	28,184
	Changes In Net Assets				37,171	11,882	49,053	35,014
	Net Assets - Beginning				549,436	139,844	689,280	890,986
	NET ASSETS - ENDING				$ 586,607	$ 151,726	$ 738,333	$ 926,000

CITY OF OAKLAND
Balance Sheet
Governmental Funds
June 30, 2011
(In Thousands)

	General	Federal/State Grant Fund	Oakland Redevelopment Agency	Municipal Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 135,066	$ 94	$ 201,679	$ -	$ 38,929	$ 375,768
Receivables (net of allowance for uncollectibles of $12,060):						
Accrued interest	172	-	549	-	47	768
Property taxes	9,719	-	-	-	8,633	18,352
Accounts receivable	33,972	61	449	-	13,712	48,194
Grants receivable	-	27,969	2,178	-	2,189	32,336
Due from component unit	17,093	-	-	-	-	17,093
Due from other funds	54,565	159	13,036	98	818	68,676
Notes and loans receivable (net of allowance for uncollectibles of $50,462)	8,599	134,295	190,106	-	32,227	365,227
Restricted cash and investments	106,692	7,181	196,781	77,355	113,871	501,880
Property held for resale	-	-	179,240	-	-	179,240
Other	35	59	23	-	-	117
TOTAL ASSETS	$ 365,913	$ 169,818	$ 784,041	$ 77,453	$ 210,426	$ 1,607,651
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	$ 111,058	$ 8,719	$ 3,709	$ 2,156	$ 5,531	$ 131,173
Due to other funds	8,992	3,532	2,328	8,045	6,032	28,929
Due to other governments	3,220	-	8,067	-	62	11,349
Deferred revenue	16,187	134,891	205,309	-	39,682	396,069
Other	1,095	1,261	1,210	-	4,849	8,415
TOTAL LIABILITIES	140,552	148,403	220,623	10,201	56,156	575,935
Fund balances						
Restricted	106,692	21,415	245,955	67,252	146,502	587,816
Committed	3,890	-	130,300	-	8,878	143,068
Assigned	65,985	-	187,163	-	1,559	254,707
Unassigned	48,794	-	-	-	(2,669)	46,125
TOTAL FUND BALANCES	225,361	21,415	563,418	67,252	154,270	1,031,716
TOTAL LIABILITIES AND FUND BALANCES	$ 365,913	$ 169,818	$ 784,041	$ 77,453	$ 210,426	$ 1,607,651

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 Assets for Governmental Activities
June 30, 2011
(In Thousands)

Fund balances - total governmental funds			$	1,031,716
Amounts reported for governmental activities in the statement of net assets are different due to the following:				
Capital assets used in governmental activities are not a financial resource, and therefore are not reported in the funds.				
Primary government capital assets, net of depreciation	$	987,411		
Less: internal service funds' capital assets, net of depreciation		(11,469)		975,942
Bond issuance costs are expended in the governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for the purposes of the governmental activities on the statement of net assets.				14,549
Net pension asset is recognized in the statement of net assets as an asset; however, it is not considered a financial resource and, therefore, is not reported on the balance sheet of governmental funds.				156,101
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.				
Interest payable on long-term debt for primary government	$	(21,136)		
Add: Interest payable on long-term debt for internal service funds		48		(21,088)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the governmental funds.				387,836
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	$	(1,932,357)		
Less: long-term liabilities for internal service funds		3,692		(1,928,665)
Internal service funds are used by the City to charge the costs of providing supplies and services, fleet and facilities management, and use of radio and communication equipment to individual funds. Assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.				(29,784)
Net assets of governmental activities			$	586,607

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

CITY OF OAKLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011
(In Thousands)

	General	Federal/State Grant Fund	Oakland Redevelopment Agency	Municipal Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	$ 189,237	$ -	$ 109,673	$ -	$ 27,666	$ 326,576
State taxes:						
Sales and use tax	41,235	-	-	-	10,675	51,910
Motor vehicle in-lieu tax	2,168	-	-	-	-	2,168
Gas tax	-	-	-	-	10,990	10,990
Local taxes:						
Business license	53,138	-	-	-	-	53,138
Utility consumption	53,440	-	-	-	-	53,440
Real estate transfer	31,608	-	-	-	-	31,608
Transient occupancy	9,634	-	-	-	2,850	12,484
Parking	8,513	-	-	-	4,947	13,460
Voter approved special tax	-	6,177	-	-	35,523	41,700
Franchise	14,724	130	-	-	-	14,854
Licenses and permits	888	-	-	-	12,409	13,297
Fines and penalties	24,397	263	-	-	4,780	29,440
Interest and investment income	1,295	598	1,242	783	5,229	9,147
Charges for services	96,052	515	12,517	-	15,623	124,707
Federal and state grants and subventions	1,370	115,274	1,311	-	3,229	121,184
Annuity income	7,647	-	-	-	-	7,647
Other	10,661	3,836	1,681	1,458	7,007	24,643
TOTAL REVENUES	546,007	126,793	126,424	2,241	140,928	942,393
EXPENDITURES						
Current:						
Elected and Appointed Officials:						
Mayor	1,977	113	-	-	79	2,169
Council	3,870	-	-	-	-	3,870
City Administrator	9,150	412	-	-	1,142	10,704
City Attorney	12,079	65	-	-	411	12,555
City Auditor	1,456	-	-	-	41	1,497
City Clerk	2,986	-	-	-	-	2,986
Agencies/Departments:						
Human Resource Management	4,231	-	-	-	-	4,231
Information Technology	8,219	57	-	-	-	8,276
Financial Services	24,007	280	-	-	238	24,525
Contracting and Purchasing	2,082	-	-	-	-	2,082
Police Services	188,384	8,955	-	-	7,953	205,292
Fire Services	96,871	3,424	-	-	11,044	111,339
Life Enrichment:						
Parks and Recreation	15,948	66	-	63	4,837	20,914
Library	8,912	260	-	4	12,457	21,633
Cultural Arts and Museum	6,008	155	-	-	586	6,749
Aging & Health and Human Services	5,968	38,837	-	-	18,226	63,031
Community and Economic Development	17,266	31,539	96,958	440	29,547	175,750
Public Works	35,312	3,663	-	2,395	29,729	71,099
Other	2,329	-	22,608	680	1,445	27,062
Capital outlay	5,899	30,085	-	20,231	7,317	63,532
Debt service:						
Principal repayment	1,860	2,000	19,365	445	63,295	86,965
Bond issuance costs	-	-	828	-	-	828
Interest charges	633	403	27,272	-	61,206	89,514
TOTAL EXPENDITURES	455,447	120,314	167,031	24,258	249,553	1,016,603
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	90,560	6,479	(40,607)	(22,017)	(108,625)	(74,210)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	54,370	-	-	54,370
Discount on issuance of bonds	-	-	(2,052)	-	-	(2,052)
Capital lease	-	-	-	2,500	-	2,500
Property sale proceeds	4,481	-	-	-	-	4,481
Insurance claims and settlements	538	-	-	-	10	548
Transfers in	2,278	-	-	-	101,508	103,786
Transfers out	(100,300)	(1,208)	-	-	(578)	(102,086)
TOTAL OTHER FINANCING SOURCES (USES)	(93,003)	(1,208)	52,318	2,500	100,940	61,547
NET CHANGE IN FUND BALANCES	(2,443)	5,271	11,711	(19,517)	(7,685)	(12,663)
Fund balances - beginning, as originally report	233,050	20,898	551,707	86,769	151,955	1,044,379
Adoption of GASB Statement No. 54	(5,246)	(4,754)	-	-	10,000	-
Fund balance - beginning as restated	227,804	16,144	551,707	86,769	161,955	1,044,379
FUND BALANCES - ENDING	$ 225,361	$ 21,415	$ 563,418	$ 67,252	$ 154,270	$ 1,031,716

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

City of Oakland
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities of Governmental Activities
For the Year Ended June 30, 2011
(In Thousands)

Net change in fund balances - total governmental funds		$ (12,663)
Amounts reported for governmental activities in the statement of activities are different due to the following:		
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and other capital transactions exceeds depreciation expense in the current period.		
Primary government:		
Capital asset acquisition	$ 81,874	
Depreciation	(48,035)	
Less: net changes of capital assets within internal service funds	(3,002)	30,837
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, loans made to developers and others are treated as urban redevelopment and housing expenditures at the time the loans are made and are reported as revenues when the loans are collected in the funds. This represents the change in the deferred amounts during the current period.		
Change in deferred revenue	$ 17,832	
New notes and loans	34,828	52,660
Some expenses such as claims, workers' compensation, and vacation and sick leave reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.		(2,052)
Changes to the net pension asset, as reported in the statement of activities, do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds.		(43,902)
Bond issuance costs are expended in the governmental funds when paid, and are deferred and amortized over the life of the corresponding life of the bonds for purposes of the statement of net assets. This is the amount by which current year amortization expense exceeded bond issuance costs in the current period.		
Amortization expenses	$ (1,326)	
Cost of issuance of bonds	828	(498)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financing sources of the governmental funds. These transactions, however have no effect on net assets. This is the amount by which principal retirement exceeded bond proceeds in the current period.		
Debt and capital lease principal payments	$ 86,965	
Issuance of bonds and notes	(56,870)	
Premium and discounts on bonds	2,052	32,147
Amortization of bond premiums and discounts		2,591
Amortization of refunding loss		(2,915)
Net change in accrued and accreted interest on bonds and notes payable		(1,391)
Principal payments of Coliseum Authority pledge obligation		3,550
Net changes in mandated environmental remediation obligation		928
Net changes on postemployment benefits other than pension benefits (OPEB)		(30,741)
Net changes on fair market value of interest swap agreements		2,971
The net income of activities of internal service funds is reported with governmental activities		5,649
Change in net assets of governmental activities		$ 37,171

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

CITY OF OAKLAND
Statement of Fund Net Assets
Proprietary Funds
June 30, 2011
(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	$ 28,158	$ 1,329	$ 29,487	$ 2,354
Accounts receivables (net of uncollectibles of $1,473 and $282) for the enterprise funds and internal service funds, respectively)	9,479	2	9,481	87
Due from other funds	-	-	-	56
Inventories	-	-	-	610
Restricted cash and investments	4,483	476	4,959	560
Total Current Assets	42,120	1,807	43,927	3,667
Non-current Assets:				
Capital assets:				
Land and other assets not being depreciated	12,480	218	12,698	310
Facilities, infrastructure and equipment, net of depreciation	149,695	2,970	152,665	11,159
Total capital assets	162,175	3,188	165,363	11,469
Unamortized bond issuance costs	537	-	537	-
Total Non-current Assets	162,712	3,188	165,900	11,469
TOTAL ASSETS	204,832	4,995	209,827	15,136
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	2,161	-	2,161	1,370
Accrued interest payable	121	-	121	48
Due to other funds	-	-	-	39,803
Unearned revenue	263	-	263	-
Other liabilities	7	-	7	7
Bonds, notes payable, and capital leases	2,277	-	2,277	1,615
Total Current Liabilities	4,829	-	4,829	42,843
Non-current Liabilities:				
Bonds, notes payable, and capital leases	53,272	-	53,272	2,077
TOTAL LIABILITIES	58,101	-	58,101	44,920
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	111,109	3,188	114,297	8,391
Unrestricted (deficit)	35,622	1,807	37,429	(38,175)
TOTAL NET ASSETS (DEFICIT)	$ 146,731	$ 4,995	$ 151,726	$ (29,784)

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 Assets
Proprietary Funds
For the Year Ended June 30, 2011
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
OPERATING REVENUES				
Rental	$ -	$ 117	$ 117	$ -
Sewer services	41,828	-	41,828	-
Charges for services	-	1	1	49,435
Other	4	-	4	63
TOTAL OPERATING REVENUES	41,832	118	41,950	49,498
OPERATING EXPENSES				
Personnel	10,927	76	11,003	18,235
Supplies	556	141	697	5,583
Depreciation and amortization	4,741	291	5,032	3,427
Contractual services and supplies	2,192	-	2,192	605
Repairs and maintenance	88	9	97	2,784
General and administrative	4,159	9	4,168	4,872
Rental	899	18	917	1,921
Other	1,781	196	1,977	6,786
TOTAL OPERATING EXPENSES	25,343	740	26,083	44,213
OPERATING INCOME (LOSS)	16,489	(622)	15,867	5,285
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment income (loss)	115	4	119	(107)
Interest expense	(2,628)	-	(2,628)	(201)
Federal and State grants	-	-	-	108
Other (settlements, rental), net	-	-	-	788
TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,513)	4	(2,509)	588
INCOME (LOSS) BEFORE TRANSFERS	13,976	(618)	13,358	5,873
Transfers out	(1,476)	-	(1,476)	(224)
TOTAL TRANSFERS	(1,476)	-	(1,476)	(224)
Change in net assets (deficit)	12,500	(618)	11,882	5,649
Net Assets (deficit) - Beginning	134,231	5,613	139,844	(35,433)
NET ASSETS (DEFICIT) - ENDING	$ 146,731	$ 4,995	$ 151,726	$ (29,784)

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

CITY OF OAKLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011
(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	$ 40,982	$ 1	$ 40,983	$ 49,688
Cash received from tenants for rents	-	117	117	-
Cash from other sources	4	-	4	63
Cash paid to employees	(10,927)	(76)	(11,003)	(18,235)
Cash paid to suppliers	(9,184)	(374)	(9,558)	(22,619)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	20,875	(332)	20,543	8,897
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from interfund loans	-	-	-	255
Repayment of interfund loans	-	-	-	(6,050)
Other (settlements, rental), net	-	-	-	896
Transfers out	(1,476)	-	(1,476)	(224)
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(1,476)	-	(1,476)	(5,123)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(9,915)	(73)	(9,988)	(425)
Long-term debt:				
Repayment of long-term debt	(2,660)	-	(2,660)	(1,610)
Interest paid on long-term debt	(2,716)	-	(2,716)	(201)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(15,291)	(73)	(15,364)	(2,236)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	115	4	119	(107)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,223	(401)	3,822	1,431
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	28,418	2,206	30,624	1,483
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 32,641	$ 1,805	$ 34,446	$ 2,914
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	16,489	(622)	15,867	5,285
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Depreciation and amortization	4,741	291	5,032	3,427
Changes in assets and liabilities:				
Receivables	(846)	-	(846)	(49)
Inventories	-	-	-	292
Due from other funds	-	-	-	10
Accounts payable and accrued liabilities	489	(1)	488	(75)
Other liabilities	2	-	2	7
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 20,875	$ (332)	$ 20,543	$ 8,897
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS				
Cash and investments	$ 28,158	$ 1,329	$ 29,487	$ 2,354
Restricted cash and investments	4,483	476	4,959	560
TOTAL CASH AND CASH EQUIVALENTS	$ 32,641	$ 1,805	$ 34,446	$ 2,914
NON CASH ITEMS:				
Amortization of bond premiums	$ (118)	$ -	$ (118)	$ -
Amortization of bond cost of issuance	30	-	30	-
	$ (88)	$ -	$ (88)	$ -

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

CITY OF OAKLAND
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011
(In Thousands)

	Pension Trust Funds	Private Purpose Trust Funds
ASSETS		
Cash and investments	$ 3,553	$ 9,753
Receivables:		
Accrued interest and dividends	959	7
Accounts receivable	-	2
Investments and others	3,564	-
Restricted:		
Cash and investments:		
Short-term investments	16,910	-
Fixed income investments	81,523	-
Domestic equities and mutual funds	152,042	-
International equities and mutual funds	47,939	-
Real estate mortgage loans	38	-
Total restricted cash and investments	298,452	-
Securities lending collateral	11,536	-
TOTAL ASSETS	318,064	9,762
LIABILITIES		
Accounts payable and accrued liabilities	16,773	824
Securities lending liabilities	11,536	-
TOTAL LIABILITIES	28,309	824
NET ASSETS		
Net assets held in trust	$ 289,755	$ 8,938

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

CITY OF OAKLAND
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011
(In Thousands)

	Pension Trust Funds	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Member	$ 7	$ -
Trust receipts	-	1,026
Investment income:		
Net appreciation in fair value of investments	59,512	-
Interest	1,628	24
Dividends	4,829	-
Securities lending	119	-
TOTAL INVESTMENT INCOME	66,088	24
Less investment expenses:		
Investment expenses	(1,322)	-
Borrowers rebates and other agent fees on securities lending transactions	(30)	-
Total investment expenses	(1,352)	-
NET INVESTMENT INCOME	64,736	24
Other income	69	3,816
TOTAL ADDITIONS	64,812	4,866
DEDUCTIONS:		
Benefits to members and beneficiaries:		
Retirement	40,854	-
Disability	24,429	-
Death	2,078	-
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	67,361	-
Administrative expenses	1,111	154
Public works	-	59
Police services	-	283
Other	-	196
Capital outlay	-	3,449
TOTAL DEDUCTIONS	68,472	4,141
Change in net assets	(3,660)	725
Net assets - beginning	293,415	8,213
NET ASSETS - ENDING	$ 289,755	$ 8,938

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NOTES TO BASIC FINANCIAL STATEMENTS

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(1) ORGANIZATION AND DEFINITION OF REPORTING ENTITY

The City of Oakland, California, (the City or Primary Government) was incorporated on May 25, 1854, by the State of California and is organized and exists under and pursuant to the provisions of State law. The Mayor/Council form of government was established in November 1998 through Charter amendment. The legislative authority is vested in the City Council and the executive authority is vested in the Mayor with administrative authority resting with the City Administrator.

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

Blended Component Units

The Redevelopment Agency of the City of Oakland (Agency) was established on October 11, 1956, for the purpose of redeveloping certain areas of the City designated as project areas. Its principal activities are acquiring real property for the purpose of removing or preventing blight, constructing improvements thereon, and rehabilitating and restoring existing properties. The Oakland City Council serves as the Agency's Board of Directors. The Agency's funds are reported as a major governmental fund.

The Oakland Joint Powers Financing Authority (JPFA) was formed to assist in the financing of public capital improvements. JPFA is a joint exercise agency organized under the laws of the State of California and is composed of the City and the 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 assets.

Discretely Presented Component Unit

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

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

Finance and Management Agency, Controller's Office
City of Oakland
150 Frank H. Ogawa Plaza, Suite 6353
Oakland, CA 94612-2093

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets 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 is excluded from the government-wide financial statements. Major individual governmental funds and a major individual enterprise fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available for the year levied and if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are collected within 120 days of the end of the current 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 current. The estimated installments receivable not considered available, as defined above, are recorded as receivables and offset by deferred revenue. All other revenues are reported on a cash basis.

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. 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, 2011.

The City reports the following major governmental funds:

> The **General Fund** is the City's primary operating fund. It accounts for all financial activities and resources of the general government except those required to be accounted for in another fund. These activities are funded principally by property taxes, sales and use taxes, business, utility and real estate transfer taxes, interest and investment income, and charges for services.
>
> The **Federal/State Grant Fund** accounts for various Federal and State grants and certain state allocations used or expended for a specific purpose, activity or program.

The **Oakland Redevelopment Agency Fund** accounts for federal grants, land sales, rents and other revenues relating to redevelopment projects. Expenditures are comprised of land acquisitions and improvements and all other costs inherent to redevelopment activities.

The **Municipal Capital Improvement Fund** accounts primarily for monies pertaining to the Oakland Museum of California and the Scotlan Convention Center financings. This fund may be used for the lease, acquisition, construction or other improvements of public facilities.

The City reports the following major enterprise fund:

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

Additionally, the City reports the following fund types:

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

The **Pension Trust Funds** account for closed benefit plans that cover uniformed employees hired prior to July 1976 and non-uniformed employees hired prior to September 1970.

The **Private Purpose Trust Funds** include: (a) the Private Purpose Trust Fund, which accounts for the operations of the Youth Opportunity Program and certain gifts that are not related to Agency projects or parks, recreation and cultural, activities and (b) The Private Pension Trust Fund, which accounts for the employee deferred compensation plan.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the business-type activities in the government-wide and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

Cash and Investments

The City follows the practice of pooling cash of all operating funds for investment, except for the Oakland Redevelopment Agency Fund, and funds held by outside custodians. Investments are generally carried at fair value. Money market investments (such as short-term, highly liquid debt instruments including commercial paper, banker's acceptances, U.S. Treasury and agency obligations) that have a remaining maturity at the time of purchase of one year or less, and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) are carried at amortized cost. Changes in fair value of investments are recognized as a component of interest and investment income.

Proceeds from debt and other cash and investments held by fiscal agents by agreement are classified as restricted assets. Income earned or losses arising from the investment of pooled cash are allocated on a monthly basis to the participating funds and component units based on their proportionate share of the average daily cash balance.

Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Mortgages are reported based on the remaining principal balances which approximate the value of future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on prices in a competitive market as determined by a specialist.

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

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.

Interest Rate Swap Agreement

The City entered into an interest rate swap agreement to modify the interest rate on outstanding debt. Refer to Note 12 for additional information.

Interfund Transfers

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

> Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.
>
> Reimbursements for expenditures, initially made by one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

Bond Issuance Costs and Discounts/Premiums

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Inventories

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

Capital Assets

Capital assets, which include land, museum collections, intangibles, construction in progress, facilities and improvements, furniture, machinery and equipment, infrastructure (e.g., streets, streetlights, traffic signals, and parks), sewers and storm drains, and capital assets acquired prior to 1980, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital outlay is recorded as expenditures in the governmental funds and as assets in the government-wide and proprietary financial statements to the extent the City's capitalization threshold is met.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

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

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

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

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

Building and improvements	5-50 years
Container cranes	25 years
Infrastructure	10-50 years
Other equipment	5-10 years

Property Held for Resale

Property held for resale is acquired as part of the Agency's redevelopment program. These properties are both residential and commercial. Costs of administering Agency projects are charged to capital outlay expenditures as 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 Agency, property held for resale may generate rental or operating income. This income is recognized as it is earned in the Agency's statement of activities and generally is recognized in the Agency's governmental funds in the same period depending on when the income becomes available on a modified accrual basis of accounting. The Agency does not depreciate property held for resale, as it is the intention of the Agency to only hold the property for a period of time until it can be resold for development.

Net Pension Asset

In February 1997, the City issued pension obligation bonds to reduce the actuarial accrued liability of the Police and Fire Retirement System (PFRS). The net pension asset represents a prepaid asset amortized over the same period used by the actuary at the time of the bond issuance, as it allows for the matching of the asset with the related pension obligation bond liability. See Note 16 for the accounting treatment of the net pension asset.

Compensated Absences – Accrued Vacation, Sick Leave, and Compensatory Time

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

Retirement Plans

City employees participate in one of three defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS), and California Public Employees' Retirement System (PERS) (collectively, the Retirement Plans). Employer contributions and member contributions made by the employer to the Retirement Plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the provisions of the Retirement Plans. Refer to Note 16 for additional information.

Other Postemployment Benefits (OPEB)

The OPEB plan covers Police, Fire and Miscellaneous employees. City retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. Retiree health benefits are described in the labor agreements between the City and Local Unions and in City resolutions. The demographic rates used for the California Public Employee Retirement System (PERS) were public safety employees retirements benefits under a 3% at 50 formula and miscellaneous employees retirement benefits under a 2.7% at 55 formula. At June 30, 2011, the City reported a net OPEB obligation of $156,978,541. See Note 17 for additional information.

Pollution Remediation Obligations

Under the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the City recorded remediation liabilities related to its pollution remediation activities. See Note 12 for additional information.

Refunding of Debt

Gains or losses occurring from advance refunding are deferred and amortized into expense for both business-type activities and proprietary funds. For governmental activities reported in the government-wide financial statements, they are deferred and amortized into expense if they occurred subsequent to June 30, 2001.

Fund Balances

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balances for government funds are made up of the following:

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

- *Committed Fund Balance:* includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council. 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. Intent is expressed by (a) the City Council or (b) a body (for example: a Finance and Management Committee) or official to which the City's 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 appropriation.

- *Unassigned Fund Balance:* are amounts technically available for any purpose. It's the residual classification for the General Fund and includes all amounts not contained in the other classifications.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Fund balances for all the major and nonmajor governmental funds as of June 30, 2011, were distributed as follows:

	General	Federal/ State Grant Fund	Oakland Re-development Agency	Municipal Capital Improvement	Other Governmental Funds	Total
Restricted for:						
Capital projects	$ -	$ 21,415	$ 119,676	$ 67,252	$ 25,084	$ 233,427
Pension obligations	106,692	-	-	-	-	106,692
Property held for resale	-	-	68,012	-	-	68,012
Housing projects	-	-	48,940	-	-	48,940
Debt service	-	-	9,327	-	121,418	130,745
Subtotal	106,692	21,415	245,955	67,252	146,502	587,816
Committed for:						
Debt service	1,955	-	-	-	-	1,955
Rent Arbitration	1,935	-	-	-	-	1,935
Technology service fee	-	-	-	-	6,553	6,553
Library and museum trust	-	-	-	-	2,325	2,325
Property held for resale	-	-	130,300	-	-	130,300
Subtotal	3,890	-	130,300	-	8,878	143,068
Assigned for:						
Capital projects	65,985	-	120,980	-	1,559	188,524
Housing projects	-	-	64,183	-	-	64,183
Remediation	-	-	2,000	-	-	2,000
Subtotal	65,985	-	187,163	-	1,559	254,707
Unassigned	48,794	-	-	-	(2,669)	46,125
Total	**$ 225,361**	**$ 21,415**	**$ 563,418**	**$ 67,252**	**$ 154,270**	**$ 1,031,716**

Adoption of New Pronouncement

Beginning fund balance as of June 30, 2010 for the general fund in the amount of $5.2 million, $4.8 million for the Federal/State Grant Fund, and $10.0 million for other governmental funds have been restated as part of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* implementation.

Restricted Net Assets

Restricted net assets are those assets, net of their related liabilities that have constraints placed on their use by laws and regulations of other governments, creditors, grantors, or contributors and restrictions imposed by law through constitutional provisions or enabling legislation. Accordingly, restricted assets may include principal and interest amounts accumulated to pay debt service, unspent grant revenues, certain fees and charges, and restricted tax revenues. At June 30, 2011, the government-wide statement of net assets reported restricted net assets of $382.5 million in governmental activities, none of which was restricted by enabling legislation.

Effects of New Pronouncements

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

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements*. This statement addresses how to account for and report service concession agreements (SCAs). SCAs represent a type of public-private or public-public partnership. As used in the statement, a SCA is an agreement between a transferor (a government) and an operator (government or nongovernment) in which the following conditions are met:

- The transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and,
- The operator collects and is compensated by fees from third parties

This statement also provides authoritative guidance on whether the transferor or the operator should report the capital asset in its financial statement; when to recognize up-front payments from an operator as revenue; and how to record any obligations of the transferor to the operator. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

In November 2010, GASB issued Statement No. 61*, The Financial Reporting Entity: Omnibus*. Statement No. 61 is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements—and Management's Discussion and*

Analysis—for State and Local Governments, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The statement also amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance found in the following pronouncements issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements:

- Financial Accounting Standard Board (FASB) Statements and Interpretations,
- Accounting Principals Board Opinions, and
- Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure.

Application of this statement is effective for the City's fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and incorporates these financial measures into the definitions of the required components of the residual measure, which will be renamed as net positions, rather than net assets. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

In June 2011, GASB also issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53.* The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this statement are effective for the City's fiscal year ending June 30, 2013.

Use of Estimates

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

(3) CASH AND INVESTMENTS AND RESTRICTED CASH AND INVESTMENTS

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

- United States Treasury securities (subject to restrictions by the Nuclear Free Ordinance);
- federal agency issues;
- bankers' acceptances;
- commercial paper;
- medium term corporate notes and deposit notes;
- negotiable certificates of deposit;
- certificates of deposit;
- State of California Local Agency Investment Fund;
- money market mutual funds;
- local city/agency bonds;
- State of California bonds;
- secured obligations and agreements;
- repurchase agreements; and
- reverse repurchase agreements.

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

On March 17, 2011, the City Operating Fund or Investment Pool is rated 'AAA/V1' by Fitch Ratings, reflecting the credit quality of the portfolio assets and their low sensitivity to market risks. The fund's V1 volatility rating reflects low market risk and a capacity to return stable principal value to meet anticipated cash flow requirements of the City and the Port of Oakland, even in adverse interest rate environment.

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.

Total City deposits and investments at fair value are as follows (in thousands):

	Primary Government				Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	Port
Cash and investments	$ 378,122	$ 29,487	$ 13,306	$ 420,915	$ 174,591
Restricted cash and investments	502,440	4,959	298,452	805,851	89,576
Securities lending collateral	-	-	11,536	11,536	-
TOTAL	$ 880,562	$ 34,446	$ 323,294	$ 1,238,302	$ 264,167
Deposits				$ 24,018	$ 2,292
Investments				1,214,284	261,875
TOTAL				$ 1,238,302	$ 264,167

Primary Government

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

At June 30, 2011, the carrying amount of the City's deposits was $24.0 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance, $1.7 million was insured by the Federal Deposit Insurance Coporation (FDIC) and $22.3 million was collateralized with securities held by the pledging financial institution in the City's name, in accordance with Section 53652 of the California Government Code.

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

Credit Risk: Credit risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The most effective method for minimizing the risk of default by an issuer is to invest in high quality obligations. Under the City investment policy, short-term debt shall be rated at least A-1 by Standard and Poor's (S&P), P-1 by Moody's Investors Service or F-1 by Fitch Ratings. Long-term debt shall be rated at least A by Standard and Poor's, Moody's Investors Service or Fitch Ratings. Since these obligations are the only ones permitted by State law, investing in them is also the most effective way to maintain legal compliance. As of June 30, 2011, approximately 72% of the pooled investments was invested in "AAA" quality securities.

The following tables show the City's credit risk for the Pool and Restricted portfolios as of June 30, 2011 (in thousands):

Pooled Investments

		Ratings as of June 30, 2011		
	Fair Value	**AAA/Aaa**	**A1/P1/F1**	**Not Rated**
U.S. Government Agency Securities	$ 129,332	$ 129,332	$ -	$ -
U.S. Government Agency Securities (Discount)	195,960	195,960	-	-
Money Market Mutual Funds	97,810	97,810	-	-
Local Agency Investment Fund (LAIF)	99,214	-	-	99,214
Negotiable Certificates of Deposit	21,008	-	21,008	
Commercial Papers	44,947	-	44,947	-
Total Pooled Investments	**$ 588,271**	**$ 423,102**	**$ 65,955**	**$ 99,214**

Restricted Investments

		Ratings as of June 30, 2011			
	Fair Value	**AAA/Aaa**	**A1/P1/F1**	**Ba1**	**Not Rated**
U.S. Government Agency Securities	$ 23,009	$ 23,009	$ -	$ -	$ -
U.S. Government Agency Securities (Discount)	43,571	43,571	-	-	-
U.S. Treasury Securities (Discount)	2,000	2,000	-	-	-
Money Market Mutual Funds	242,501	242,501	-	-	-
Local Agency Investment Fund (LAIF)	3,148	-	-	-	3,148
Negotiable Certificates of Deposit	4,001	-	4,001	-	
Commercial Papers	577	-	577	-	-
Corporate Bonds	2,595	-	-	2,595	-
Local Government Bonds	88,011	-	-	-	88,011
Annuity Contract	97,000	-	-	-	97,000
Total Restricted Investments	**$ 506,413**	**$ 311,081**	**$ 4,578**	**$ 2,595**	**$ 188,159**

Concentration of Credit Risk: The City has an investment policy related to the City's cash and investment pool, which is subject to annual review. Under the City's Investment Policy, no more than five percent (5%) of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises, investment with the Local Agency Investment Fund, and proceeds of or pledged revenues for any tax and revenue anticipation notes. Per the Investment Policy, investments should conform to Sections 53600 et seq. of the California Government Code and the applicable limitations contained within the policy.

Certain other investments are governed by bond covenants which do not restrict the amount of investment in any one issuer. Investments in one issuer that exceed 5% of the City's investment portfolio at June 30, 2011 are as follows (in thousands):

Investment Type / Issuer	Amount	Percent of City's Investment Portfolio
U.S. Government Agency Securities:		
Federal National Mortgage Association (Fannie Mae)	$ 206,418	18.86%
Federal Home Loan Bank	72,306	6.61%
Federal Home Loan Mortgage Corporation (Freddie Mac)	69,995	6.39%
Local Government Bond:		
Oakland Joint Powers Financing Authority	88,011	8.04%
Annuity Contract:		
New York Life Insurance Company	97,000	8.86%

The following table shows the diversification of the City's portfolio (in thousands):

Pooled Investments

Investment Type	Fair Value	Percent (%) of Portfolio
U.S. Government Agency Securities	$ 129,332	21.99%
U.S. Government Agency Securities (Discount)	195,960	33.31%
Money Market Mutual Funds	97,810	16.63%
Local Agency Investment Fund (LAIF)	99,214	16.86%
Negotiable Certificates of Deposit	21,008	3.57%
Commercial Paper (Discount)	44,947	7.64%
Total Pooled Investments	**$ 588,271**	**100.00%**

Restricted Investments

Investment Type	Fair Value	Percent (%) of Portfolio
U.S. Government Agency Securities	$ 23,009	4.55%
U.S. Government Agency Securities (Discount)	43,571	8.60%
U.S. Treasury Securities (Discount)	2,000	0.39%
Money Market Mutual Funds	242,501	47.89%
Local Agency Investment Fund (LAIF)	3,148	0.62%
Negotiable Certificates of Deposit	4,001	0.79%
Commercial Papers	577	0.11%
Corporate Bonds	2,595	0.51%
Local Government Bond	88,011	17.38%
Annuity Contracts	97,000	19.16%
Total Restriced Investments	**$ 506,413**	**100.00%**

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

As a means for limiting its exposure to changing interest rates, Section 53601 of the State of California Government Code and the City's Investment Policy limit certain investments to short-term maturities such as certificates of deposit and commercial paper, whose maturities are 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 shorter- term and longer-term investments to minimize such risks.

The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2011, the City had the following investments and original maturities (in thousands):

Pooled Investments

			Maturity		
Investment Type	**Fair Value**	**Interest Rates (%)**	**12 Months or Less**	**1 - 3 Years**	**3 - 5 Years**
U.S. Government Agency Securities	$ 129,332	0.18 - 2.26	$ 20,285	$ 69,917	$ 39,130
U.S. Government Agency Securities (Discount)	195,960	0.02 - 0.13	195,960	-	-
Money Market Mutual Funds*	97,810	0.07 - 0.09	97,810	-	-
Local Agency Investment Fund (LAIF)*	99,214	0.45	99,214	-	-
Negotiable Certificates of Deposit	21,008	0.15 - 0.29	21,008	-	-
Commercial Paper (Discount)	44,947	0.03 - 0.50	44,947	-	-
Total Pooled Investments	**$ 588,271**		**$ 479,224**	**$ 69,917**	**$ 39,130**

* weighted average maturity used.

Restricted Investments

Investment Type	Interest Rates (%)	Fair Value	Maturity: 12 Months or Less	1 - 3 Years	3 - 5 Years	5 Years or More
U.S. Government Agency Securities	0.25 - 1.70	$ 23,009	$ 17,008	$ 6,001	$ -	$ -
U.S. Government Agency Securities (Discount)	0.02 - 0.15	43,571	43,571	-	-	-
U.S. Treasuries (Discount)	0.01 - 0.09	2,000	2,000	-	-	-
Money Market Mutual Funds*	0.01 - 0.04	242,501	242,501	-	-	-
Local Agency Investment Fund*	0.45	3,148	3,148	-	-	-
Negotiable Certificates of Deposit	0.51	4,001	4,001	-	-	-
Commercial Papers	0.18	577	577	-	-	-
Corporate Bonds	9.01	2,595	-	-	-	2,595
Local Government Bond	4.86	88,011	6,843	14,815	15,429	50,924
Annuity Contracts	3.15	97,000	-	-	-	97,000
Total Restricted Investments		**$506,413**	**$ 319,649**	**$ 20,816**	**$ 15,429**	**$ 150,519**

* weighted average maturity used.

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

Other Disclosures: As of June 30, 2011, the City's investment in LAIF is $102.4 million ($99.2 million in pooled investments and $3.2 million in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately $24 billion. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately $66.5 billion, 94.99% is invested in non-derivative financial products and 5.01% in structured notes and asset-backed securities. As of June 30, 2011, LAIF has an average life-month end of 237 days. The Local Investment Advisory Board (Advisory Board) has oversight responsibility for LAIF. The Advisory Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the City's position in the pool.

Investments – Retirement Plans

The Retirement Plans' investment policies authorize investment in the domestic stocks and bonds, U.S. equities, international equities, U.S. fixed income, mortgage loans, and real estate. The Retirement Plans' investment portfolios are managed by external investment managers. During the year ended June 30, 2011, the number of external investment managers was eleven for PFRS and one for OMERS.

Oakland Municipal Employees' Retirement System (OMERS)

Deposits in the City's Investment Pool

Cash and deposits consisted of cash in treasury held in the City's cash and investment pool. These funds are invested according to the investment policy adopted by the City Council. Interest earned on these pooled accounts is allocated monthly to all funds based on the average daily cash balance maintained by the respective funds. As of June 30, 2011, OMERS' share of the City's investment pool totaled $135,348.

Investments

OMERS' investment policy authorizes investments in domestic common stocks and bonds. OMERS' investment policy states that the asset allocation of the investment portfolio target shall be 70% domestic equity and 30% domestic fixed income. As of June 30, 2011, OMERS' investment portfolio consists of shares of two investment funds (Funds). OMERS invests in the American Century Equity Fund and the HighMark Employee Benefit Flexible Bond Commingled Fund. Specific guidelines for the Funds are detailed in the prospectus or declaration of Trust, for each individual fund.

The following summarizes OMERS' investment portfolio as well as the interest rate and the weighted average maturities of the funds as of June 30, 2011 (in thousands):

Investments	Fair Value	Yield	Weighted Average Maturity
Short-Term Investments	$ 47	-	*
Equity Investments			
American Century Equity Mutual Fund	3,256	-	*
Fixed Income Investments			
HighMark Employee Benefit Flexible Bond Commingled Fund	1,481	3.0%	4.6 Years
Total Equity & Fixed Income Investment	4,737		
Total Investments	$ 4,784		

* Weighted average maturity is less than 0.1 year.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. OMERS' investment policy states that the fixed income portfolio shall not exceed 8% investment in below investment grade securities (rated Ba/BB) or below by at least one Nationally Recognized Statistical Rating Organization (NRSRO) at fair market. As of June 30, 2011, OMERS was invested in the HighMark Employee Benefit Flexible Bond Commingled Fund which has a credit quality rating of AA.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a failure of a depository financial institution or counterparty to a transaction, OMERS may not be able to recover the value of deposits, investments, or collateral securities in the possession of an outside party.

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

OMERS does not have any investments that are not registered in the name of OMERS and are either held by the counterparty or the counterparty's trust department or agent, but not in OMERS's name.

Derivatives: OMERS has no derivatives as of June 30, 2011.

Oakland Police and Fire Retirement System (PFRS)

Deposits in the City's Investment Pool

As of June 30, 2011, cash and cash deposits consisted of cash in treasury held in the City's cash and investment pool as well as cash deposits held in bank and with a custodian. These funds are invested according to the investment policy adopted by the City Council. Interest earned on these pooled accounts is allocated monthly to all funds based on the average daily cash balance maintained by the respective funds. As of June 30, 2011, PFRS' share of the City's investment pool totaled $2,300,096.

PFRS has a money market account with Alta Alliance Bank in the amount of $1,100,158 and a cash balance of $17,421 in its international custodian accounts. Of the total cash and cash deposits not held in the City's investment pool, $267,421 was FDIC insured and $850,158 was collateralized with securities held by the pledging financial institution in PFRS' name, in accordance with Section 53652 of the California Government Code.

Investments

PFRS' investment policy authorizes investment in U.S. equities, international equities, U.S. fixed income securities, instruments including U.S. Treasury notes and bonds, government agency mortgage backed securities, U.S. corporate notes and bonds, collateralized mortgage obligations, yankee bonds and non-U.S. issued fixed income securities denominated in foreign currencies. PFRS' investment portfolio is managed by external investment managers, except for the bond iShares which are managed internally. During the year ended June 30, 2011, the number of external investment managers was eleven.

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

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

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

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

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. PFRS' investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. The weighted average duration for PFRS fixed income investment portfolio excluding fixed short-term investments and securities lending investments was 4.95 years as of June 30, 2011.

As of June 30, 2011, PFRS had the following fixed income investments by category (in thousands):

<u>Short-Term Investment Duration:</u>

Investment Type	Fair Value	Modified Duration (Year)
U.S. Treasuries	$ 5,329	0.71
Short-Term Investment Funds	11,534	n/a
Total Short-Term Investments	$ 16,863	

Long-Term Investment Duration:

Investment Type	Fair Value	Modified Duration (Year)
Government Bonds:		
U.S. Treasuries	$ 14,477	4.15
U.S. Government Agency Securities	30,949	4.82
Total Government Bonds	45,426	
U.S. Corporate and Other Bonds		
Corporate Bonds	27,407	5.22
TIPS Bond Fund (iShares)	6,608	4.59
Other Government Bonds	2,082	9.71
Total U.S. Corporate and Other Bonds	36,097	
Total Fixed Income Investments	$ 81,523	4.95
Securities Lending Collateral	$ 11,536	0.003

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, 2011 concerning credit risk of fixed income securities (in thousands):

Investment Type	S&P/Moody's Rating	Fair Value
U.S. Treasuries	AAA/Aaa	$ 5,329
Short-Term Investment Funds	Not Rated	11,534
Total Short-Term Investments		$ 16,863

The following tables provide information as of June 30, 2011 concerning credit risk of fixed income and long-term investment rating (in thousands):

S & P/Moody's Rating	Fair Value	Percent of Total Fair Value
AAA/Aaa	$ 39,873	48.92%
AA /Aa	4,567	5.60%
A/A	8,057	9.88%
BBB/Baa	7,589	9.31%
BB/Ba	440	0.54%
B/B	597	0.73%
Not Rated	20,400	25.02%
Total Fixed Income Investments	$ 81,523	100.0%

The following tables provide information as of June 30, 2011 concerning credit risk of securities lending collateral ratings (in thousands):

S & P/Moody's Rating	Fair Value
Not Rated	$ 11,536

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2011, no investment in any single insurer exceeded 5% of PFRS' investments.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a failure of a depository financial institution or counterparty to a transaction, there will be an inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party.

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

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

Derivatives: PFRS has no derivatives as of June 30, 2011.

Foreign Currency Risk: Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. Currency hedging is allowed under the PFRS investment policy for defensive purposes only. The investment policy limits currency hedging to a maximum of 25% of the portfolio value. The following summarizes PFRS' investments denominated in foreign currencies as of June 30, 2011 (in thousands):

Foreign Currency	Total
Australian Dollar	$ 1,681
Brazilian Real	998
Canadian Dollar	1,207
Danish Krone	672
Euro	8,230
Hong Kong Dollar	2,102
Indonesian Rupian	624
Japanese Yen	4,061
Malaysian Ringgit	379
Mexican Peso	425
Norwegian Kroner	447
Singapore Dollar	111
South Korean Won	856
Swedish Krona	1,010
Swiss Franc	2,968
Taiwan Dollar	231
United Kingdom Pound	4,447
Total Foreign Currency	**$ 30,449**

Securities Lending Transactions

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

The Bank of New York Mellon administers the securities lending program. The administrator is responsible for maintaining an adequate level of collateral in an amount equal to at least 102% of the market value of loaned U.S. government securities, common stock and other equity securities, bonds, debentures, corporate debt securities, notes, and mortgages or other obligations. Collateral received may include cash, letters of credit, or securities. If securities collateral is received, PFRS cannot pledge or sell the collateral securities unless the borrower defaults. PFRS does not match the maturities of investments made with cash collateral with the securities on loan.

As of June 30, 2011, management believes that PFRS has minimized its credit risk exposure to borrowers because the amounts held by PFRS as collateral exceeded the securities loaned by PFRS. PFRS' contract with The Bank of New York Mellon requires it to indemnify PFRS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities borrowed) or fail to pay PFRS for income distributions by the securities' issuers while the securities are on loan.

The following table summarizes investments in securities lending transactions and collateral received as of June 30, 2011 (in thousands):

Securities Lending Investments and Collateral Received (At Fair Value)		
Securities on loan:		
U.S. Government and Agency Securities	$	57
U.S. Corporate Bonds		513
U.S. Equity		8,906
Non-U.S. Equity		1,730
Total Securities on Loan	$	11,206
Invested Cash Collateral Received:		
Money Market Mutual Funds	$	585
Repurchase Agreements		10,951
Total Invested Cash Collateral Received	$	11,536

Fair Value Highly Sensitive to Change in Interest Rates: The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. PFRS has invested in collateralized mortgage obligations (CMOs), which are mortgage-backed bonds that pay pass-through rates with varying maturities. The fair values of CMOs are considered sensitive to interest rate changes because they have embedded options, which are triggers related to quantities of delinquencies or defaults in the loans backing the mortgage pool. If a balance of delinquent loans reaches a certain threshold, interest and principal that would be used to pay junior bondholders is instead directed to pay off the principal balance of senior bondholders and shortening the life of the senior bonds. The following table shows PFRS' investments in CMOs as of June 30, 2011 (in thousands):

Securities Name	Weighted Average Coupon Rate	Weighted Average Maturity	Fair Value	Percent of Total Investment Fair Value
Commercial Mortgage Pass-Through	4.13%	12/13/2023	$ 908	0.31%

Discretely Presented Component Unit – Port of Oakland

The Port's cash, investments and deposits consisted of the following at June 30, 2011 (in thousands):

Cash on hand	$ 9
Bank Deposits and Deposits in Escrow	2,283
Investments	261,875
Total Cash and Investments	$ 264,167

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

Investments

Under the City of Oakland Charter, all income and revenue from the operation of the Port is to be deposited in the City Treasury. Unused bonds proceeds are on deposit with a Trustee for both reserves and construction funds. The investment of funds held by a Trustee is governed by the Amended and Restated Master Trust Indenture, dated as of April 1, 2006 (the Restated Indenture). There were no investments pertaining to the Intermediate Lien Debt. Escrow funds are on deposit with an escrow agent. At June 30, 2011 the Port had the following investments (in thousands):

			Maturity	
	Fair Value	Credit Rating	Less than 1 Year	1 - 5 Years
U.S. Treasury Notes	$ 61,898	AAA	$ 61,898	$ -
Government Securities Money Market Mutual Funds	10,541	AAA	10,541	-
City Investment Pool	189,436	AAA	150,236	39,200
Total Investments	**$ 261,875**		**$ 222,675**	**$ 39,200**

Investments Authorized by Debt Agreements

The following are the maximum maturities for each type of investment as allowed under the Trust Indenture and the applicable Supplemental Indenture for each bond issue:

Authorized Investment Type	Maximum Maturity
U.S Government Securities	One year
U.S. Agency Obligations	None
Obligations of any State in the U.S	None
Prime Commercial Paper	270 days
FDIC Insured Deposits	None
Certificates of Deposits/Bankers' Acceptances	None
Money Market Mutual Funds	None
State-sponsored Investment Pools	None
Investment Contracts	None
Forward Delivery Agreement	None

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the ability to recover the value of the investments or collateral securities in the possession of an outside party may be doubtful. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Port will not be able to recover the value of its investment or collateral securities that are in possession of another party. To protect against custodial credit risk, all securities owned by the Port are held in the name of the Port for safekeeping by a third party bank trust department, acting as an agent for the Port under the terms of the Restated Trust Indenture. The carrying amount of Port deposits in escrow was $2,283,000 at June 30, 2011. Bank balances and escrow deposits of $250,000 at June 30, 2011 are insured or collateralized with securities held by the pledging financial institution's trust department in the Port's name. The remaining balance of $2,033,000 as of June 30, 2011, was exposed to custodial credit risk by not being insured or collateralized.

Cash and Investments with the City of Oakland

Pursuant to the City Charter, Port operating revenues are deposited in the City Treasury. These funds are commingled in the City's investment pool. The Port receives a monthly interest allocation from investment earnings of the City based on the average daily balance on deposit and the earnings of the investments.

(4) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash and interfund loans. The amounts due from the Oakland Redevelopment Agency are related to advances and interfund loans made by the City for projects, loans, and services. The receivable amounts of the Agency relate to project advances made by the Agency for the City. The internal service funds' borrowing will be repaid over a reasonable period of time as described in Note 20. The composition of interfund balances and transfers as of June 30, 2011, is as follows (in thousands):

Due From/Due To Other Funds

Receivables	Payable Fund	Amount
General Fund	Oakland Redevelopment Agency	$ 1,197
	Other Governmental Funds	5,520
	Municipal Capital Improvement	8,045
	Internal Service Funds	39,803
	Subtotal General Fund	54,565
Federal/State Grant Fund	Oakland Redevelopment Agency	159
Oakland Redevelopment Agency	General Fund	8,992
	Federal/State Grant Fund	3,532
	Other Governmental Funds	512
	Subtotal Oakland Redevelopment Agency	13,036
Municipal Capital Improvement	Oakland Redevelopment Agency	98
Other Governmental Funds	Oakland Redevelopment Agency	818
	Subtotal Governmental Funds	68,676
Internal Service Funds	Oakland Redevelopment Agency	56
	Total	$ 68,732

Interfund Transfers

	TRANSFERS IN		
TRANSFERS OUT	General Fund	Other Governmental Funds	Total Governmental
General Fund	$ -	$ 100,300	$ 100,300
Federal/State Grant Fund	-	1,208	1,208
Other Governmental Funds	578	-	578
Sewer Service Fund	1,476	-	1,476
Internal Service Funds	224	-	224
Total	**$ 2,278**	**$ 101,508**	**$ 103,786**

The $100.3 million transferred from the General Fund consists of transfers made to provide funding for the following:

- $11.5 million for the Kids' First Children's Program
- $88.6 million for debt service payments
- $0.2 million for City-owned parcels of land in the Wildfire Prevention Assessment District

The $0.6 million transfer from Other Governmental Funds to General Fund is to provide funding for the following:

- $0.2 million for City's claims and liability payments
- $0.4 million for Motorola IPSS support and maintenance cost

The $1.5 million transfer from the Sewer Service Fund to the General Fund is to provide funding for the following:

- $0.6 million for City-wide lease payments
- $0.9 million for City's claims and liability payments

The $0.2 million transfer from the Internal Service Fund to the General Fund is to provide funds for City's claims and liability payments.

The $1.2 million transfer from Federal/State Grant Funds to Other Governmental Funds is to set up Prop 42 fund within the State Gas Tax fund.

Interfund Loans

Certain interfund loans made from the General Fund to the Oakland Redevelopment Fund have been removed as they are not expected to be repaid within a reasonable period of time. The loans continue to be obligations of the Agency, and will be recognized as other financing sources in the General Fund upon receipt. The table below shows the total amount of interfund loans due as of June 30, 2011 (in thousands).

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Oakland Center Project	$ 13,270	$ -	$ 13,270	$ -

On July 20, 2010, the City Council approved a resolution forgiving the remaining balance of interest and principal owed by the Oakland Redevelopment Agency under the 1966 Oak Center repayment contract.

(5) MEMORANDUMS OF UNDERSTANDING

The City and the Port have Memorandums of Understanding (MOUs) relating to: general obligation bonds issued by the City for the benefit of the Port; various administrative, personnel, south airport police security, aircraft rescue and fire fighters, and financial services (Special Services); police, fire, public street cleaning and maintenance, and similar services (General Services) provided by the City to the Port; and Lake Merritt payments. Payments are made upon execution of appropriate agreements and periodic findings and authorizations from the Board.

Special Services

Payments for special services are treated as a cost of Port operations pursuant to the City Charter Section 717(3) Third Clause and have priority over certain other expenses of Port revenues. Special services totaled $6,802,000 and are included in “Operating Expenses.” At June 30, 2011, $8,501,000 was accrued as a current liability by the Port and as a receivable by the City.

General Services and Lake Merritt

Payments for General Services from 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, 2011, the Port accrued approximately $4,792,000 of payments for General Services as a current liability and by the City as a receivable. Additionally, subject to certain conditions, the Port accrued approximately $3,800,000 to reimburse the City for General Services for net City expenditures for Lake Merritt Tideland Trust properties in 2010. Subject to adequate documentation from the City, and subject to availability of surplus monies, the Port expects that it will continue to reimburse the City annually for General Services and Lake Merritt Tideland Trust services.

Lease with the Port

The Port has leased property to the City under a 66-year lease, which is expressed in terms of the Amended and Restated Lease between the Port and the City for the development and operation of the public golf course by the City. The lease commenced in 2003 when the Port delivered a completed 164.90 acres golf course to the City to replace the City's golf course that was destroyed when the Port used the site as a dredge disposal site. The golf course is leased to a third party and the minimum annual rental is $269,760 payable in twelve installments of $22,480 per month, which is then split 50/50 between the Port and the City.

(6) NOTES AND LOANS RECEIVABLE

The composition of the City's notes and loans receivable as of June 30, 2011, is as follows (in thousands):

Type of Loan	General Fund	Federal/State Grant Fund	Oakland Redevelopment Agency	Other Governmental Funds	Total
Pass-through Loans	$ 8,546	$ 3,532	$ -	$ 512	$ 12,590
HUD Loans	-	127,589	-	-	127,589
Economic Development Loans and Other	53	4,981	237,124	33,352	275,510
Less: Allowance for Uncollectable Accounts	-	(1,807)	(47,018)	(1,637)	(50,462)
Total Notes and Loans Receivable, Net	**$ 8,599**	**$ 134,295**	**$ 190,106**	**$ 32,227**	**$ 365,227**

As of June 30, 2011, the City has a total of $365.2 million net notes and loans receivable, which is not expected to be received in the next twelve months. All of the City's notes and loans receivables are offset with deferred revenue in the governmental funds as the collection of those notes and loans are not expected within the near future.

(7) CAPITAL ASSETS AND LEASES

Primary Government

Capital assets activity of the primary government for the year ended June 30, 2011, is as follows (in thousands):

	Balance July 1, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 78,366	$ 2,463	$ -	$ -	$ 80,829
Intangibles (easements)	2,607	-	-	-	2,607
Museum collections	481	255	-	-	736
Construction in progress	58,458	70,954	-	(72,207)	57,205
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	139,912	73,672	-	(72,207)	141,377
Capital assets, being depreciated:					
Facilities and improvements	763,888	575	-	41,355	805,818
Furniture, machinery and equipment	177,706	6,947	4,154	847	181,346
Infrastructure	545,811	1,105	-	30,005	576,921
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	1,487,405	8,627	4,154	72,207	1,564,085
Less accumulated depreciation:					
Facilities and improvements	330,037	23,147	-	-	353,184
Furniture, machinery and equipment	146,103	8,818	4,154	-	150,767
Infrastructure	194,603	19,497	-	-	214,100
TOTAL ACCUMULATED DEPRECIATION	670,743	51,462	4,154	-	718,051
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	816,662	(42,835)	-	72,207	846,034
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 956,574	$ 30,837	$ -	$ -	$ 987,411

	Balance July 1, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
BUSINESS-TYPE ACTIVITIES:					
Sewer Service Fund:					
Capital assets, not being depreciated:					
Land	$ 4	$ -	$ -	$ -	$ 4
Construction in progress	5,959	9,794	-	(3,277)	12,476
Total capital assets, not being depreciated	5,963	9,794	-	(3,277)	12,480
Capital assets, being depreciated:					
Facilities and improvements	306	-	-	-	306
Furniture, machinery and equipment	920	121	-	-	1,041
Sewer and storm drains	232,957	-	-	3,277	236,234
Total capital assets, being depreciated	234,183	121	-	3,277	237,581
Less accumulated depreciation:					
Facilities and improvements	153	21	-	-	174
Furniture, machinery and equipment	761	28	-	-	789
Sewer and storm drains	82,231	4,692	-	-	86,923
Total accumulated depreciation	83,145	4,741	-	-	87,886
Total capital assets, being depreciated, net	151,038	(4,620)	-	3,277	149,695
SEWER SERVICE FUND CAPITAL ASSETS, NET	$ 157,001	$ 5,174	$ -	$ -	$ 162,175
Parks and Recreation Fund:					
Capital assets, not being depreciated:					
Land	$ 218	$ -	$ -	$ -	$ 218
Construction in progress	-	73	-	(73)	-
Total capital assets, not being depreciated	218	73	-	(73)	218
Capital assets, being depreciated:					
Facilities and improvements	4,318	-	-	73	4,391
Furniture, machinery and equipment	369	-	-	-	369
Infrastructure	85	-	-	-	85
Total capital assets, being depreciated	4,772	-	-	73	4,845
Less accumulated depreciation:					
Facilities and improvements	1,254	276	-	-	1,530
Furniture, machinery and equipment	316	9	-	-	325
Infrastructure	14	6	-	-	20
Total accumulated depreciation	1,584	291	-	-	1,875
Total capital assets, being depreciated, net	3,188	(291)	-	73	2,970
PARKS AND RECREATION FUND CAPITAL ASSETS, NET	$ 3,406	$ (218)	$ -	$ -	$ 3,188
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 160,407	$ 4,956	$ -	$ -	$ 165,363

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental Activities:		
General Government	$	2,853
Public Safety		4,862
Life Enrichment		12,047
Community and Economic Development		6,639
Public Works		21,634
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets		3,427
Total	$	51,462
Business-Type Activities:		
Sewer	$	4,741
Parks and Recreation		291
Total	$	5,032

Discretely Presented Component Unit – Port of Oakland

Capital assets activity for the Port for the year ended June 30, 2011, is as follows (in thousands):

	Balance July 1, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
Capital assets, not being depreciated:					
Land	$ 520,182	$ 336	$ (388)	$ -	$ 520,130
Intangibles (noise easements and air rights)	12,555	87	-	-	12,642
Construction in progress	114,847	49,464	16	(41,799)	122,528
Total capital assets, not being depreciated	647,584	49,887	(372)	(41,799)	655,300
Capital assets, being depreciated:					
Building and improvements	845,335	4,372	-	1,677	851,384
Container cranes	153,775	-	-	-	153,775
Systems and structures	1,545,442	463	-	29,053	1,574,958
Intangibles (software)	-	-	-	11,069	11,069
Other equipment	75,660	296	(1,214)	-	74,742
Total capital assets, being depreciated	2,620,212	5,131	(1,214)	41,799	2,665,928
Less accumulated depreciation:					
Building and improvements	406,914	34,476	-	-	441,390
Container cranes	72,967	5,428	-	-	78,395
Systems and structures	485,834	52,880	-	-	538,714
Intangibles (software)	-	553	-	-	553
Other equipment	40,918	5,479	1,021	-	45,376
Total accumulated	1,006,633	98,816	1,021	-	1,104,428
Total capital assets, being depreciated, net	1,613,579	93,685	(193)	41,799	1,561,500
CAPITAL ASSETS, NET	$ 2,261,163	$ (43,798)	$ (565)	$ -	$ 2,216,800

Capital Leases

The capital assets leased to others at June 30, 2011, consist of the following (in thousands):

Land	$ 441,073
Container cranes	153,775
Building and other facilities	1,103,271
Subtotal	1,698,119
Less accumulated depreciation	(488,438)
Capital assets on lease, net	$ 1,209,681

Operating Leases

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

Certain maritime facilities are leased under agreements, which provide the tenants with preferential, but nonexclusive, use of the facilities. Certain leases provide for rentals based on gross revenues of the leased premises or, in the case of marine terminal facilities, on annual usage of the facilities. Such leases generally provide for minimum rentals and certain preferential assignments provide for both minimum and maximum rentals.

A summary of revenues from long-term leases for the year ended June 30, 2011, is as follows (in thousands):

Minimum non-cancelable rentals, including preferential assignments	$	157,036
Contingent rentals in excess of minimums		22,290
Secondary use of facilities leased under preferential assignments		295
Total	$	179,621

The Port and Ports America Outer Harbor Terminal, LLC, a private company, entered into a long-term concession and lease agreement on January 1, 2010 for the operation of berths 20-24 for 50 years. A $60 million upfront fee was paid to the Port with offsets of approximately $7 million for contractual obligations. The unamortized net upfront fee of approximately $52 million at June 30, 2011, is classified as short-term and long-term deferred revenues of $1.0 million and $51 million, respectively. One of the Port's goals for the concession and lease agreement for berths 20-24 was, among other things, to maintain the continuous use and occupancy of berths 20-24 by a rent-paying tenant and maximize the annual revenue guarantee over the life of the concession, while also transferring the risk and responsibility for the berths to the concessionaire to the greatest extent commercially reasonable to do so. In furtherance of these goals, the concession and lease agreement provides that the concessionaire is responsible for any redevelopment of the berths. Except for certain emissions reductions measures which the concessionaire is obligated to implement, the improvements to be made by the concessionaire are at the discretion of the concessionaire, subject to market conditions and the concessionaire's ability to compete for and handle cargo under the then existing condition of the facilities at Berths 20-24.

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

Year	Rental Revenues
2012	$ 169,100
2013	173,375
2014	162,044
2015	161,280
2016	159,797
2016 - 2021	394,797
2022 - 2026	294,262
2027 - 2031	274,973
2032 - 2036	235,581
2037 - 2041	243,774
2042 - 2046	263,975
Thereafter	869,097
Total	$ 3,402,055

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

Year	Rental Revenues
2012	$ 367
2013	378
2014	390
2015	401
2016	413
2016 - 2021	2,260
2022 - 2026	2,620
2027 - 2031	3,037
2032 - 2036	3,521
2037 - 2041	4,082
2042 - 2046	4,732
Thereafter	8,971
Total	$ 31,172

(8) PROPERTY HELD FOR RESALE

A summary of changes in Property Held for Resale is as follows (in thousands):

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Property held for resale	$ 163,919	$ 15,321	$ -	$ 179,240

The increases in Property Held for Resale represent the acquisition of the Fruitvale Bart Parking Lot from Bay Area Rapid Transit District for $6.0 million, properties located at 66th avenue from Cruise America Inc. for a total of $5.8 million and properties totaling $2.5 million for the Coliseum Transit Village project within the Coliseum Project Area. The Agency also purchased properties located at Foothill Boulevard for $1.0 million for its Central City East Project Area. The Agency purchased two properties from the City of Oakland at 615 High Street and 695 Hegenberger Road with a carrying value of a dollar each.

(9) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2011, for the City's individual major funds, nonmajor governmental funds in the aggregate, business-type activities – enterprise fund and internal service funds, are as follows (in thousands):

	Accounts Payable	Accrued Payroll/ Employee Benefits	Total
Governmental Activities:			
General Fund	$ 26,058	$ 85,000	$ 111,058
Federal/State Grant Fund	8,719	-	8,719
Oakland Redevelopment Agency	3,709	-	3,709
Municipal Capital Improvement Fund	2,156	-	2,156
Other governmental funds	5,531	-	5,531
Subtotal	46,173	85,000	131,173
Internal service funds	1,370	-	1,370
TOTAL	$ 47,543	$ 85,000	$ 132,543
Business-type Activities:			
Sewer Service Fund	2,161	-	2,161
TOTAL	$ 2,161	$ -	$ 2,161

Accounts payable and accrued liabilities for the pension trust funds and private purpose trust funds at June 30, 2011, are as follows (in thousands):

Pension Trust Funds:		
Accounts payable	$	37
Investments payable		10,823
Accrued investment management fees		396
Member benefits payable		5,517
Total		16,773
Private Purpose Trust Fund		
Accounts payable and accrued liabilities		824
TOTAL	$	17,597

(10) DEFERRED REVENUE

Governmental funds report deferred revenue in connection with revenues not considered available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2011, the various components of deferred revenue and unearned revenue reported were as follows (in thousands):

	Unavailable	Unearned	Total
Governmental Activities:			
General Fund	$ 7,954	$ 8,233	$ 16,187
Federal/State Grant Fund	134,891	-	134,891
Oakland Redevelopment Agency	205,309	-	205,309
Other Governmental Funds	39,682	-	39,682
TOTAL GOVERNMENTAL FUNDS	$ 387,836	$ 8,233	$ 396,069
Business-type activities:			
Sewer Service	$ -	$ 263	$ 263

(11) TAX AND REVENUE ANTICIPATION NOTES PAYABLE

The City issued tax and revenue anticipation notes in advance of property tax collections. The notes were used to satisfy General Fund obligations and carried an approximate effective interest rate of 2.000%. Principal and interest were paid on June 30, 2011.

The short-term debt activity for the year ended June 30, 2011, is as follows (in thousands):

	Beginning Balance	Issued	Redeemed	Ending Balance
2010 - 2011 Tax & Revenue Anticipation Notes	$ -	$ 100,000	$ (100,000)	$ -

CITY OF OAKLAND
Notes to the Basic Financial Statements (continued)
Year Ended June 30, 2011

(12) LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations as of June 30, 2011 (in thousands):

Governmental Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates		Amount
General obligation bonds (A)	2039	3.00 - 6.25%	$	349,431
Tax allocation, housing, and other bonds (B)	2042	2.50 - 9.25%		523,905
Certificates of participation (C)	2012	5.00%		3,895
Lease revenue bonds (C)	2027	2.55 - 5.50%		242,800
Pension obligation bonds (D)	2023	6.09 - 6.89%		195,637
Accreted interest (C) and (D)				172,121
City guaranteed special assessment district bonds (D)	2039	2.00 - 6.70%		7,963
Notes payable (C) and (E)	2017	1.70 - 8.27%		12,295
Capital leases (C) and (E)	2022	2.56 - 6.10%		17,068
Accrued vacation and sick leave (F)				38,542
Self- insurance liability - workers' compensation (C) compensation (C)				82,045
Self-insurance liability - general liability (C)				36,687
Estimated environmental cost (B) and (C)				5,706
Pledge obligation for Coliseum Authority debt (C)				72,450
Net OPEB obligation (C)				156,978
Interest rate swap agreement (C)				16,112
Total				1,933,635
Less Deferred Amounts:				
Bond issuance premiums				22,203
Bond refunding loss				(23,481)
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS, NET			$	1,932,357

Debt service payments are made from the following sources:

(A) Property tax recorded in the debt service funds
(B) Property tax allocated to the Oakland Redevelopment Agency based on increased assessed valuations in the project area
(C) Revenues recorded in the general fund
(D) Property tax voter approved debt
(E) Revenues recorded in the special revenue funds
(F) Revenues recorded in the funds that are responsible for the payroll costs.

Business-Type Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates		Amount
Sewer fund - Notes payable	2014	3.00 - 3.50%	$	848
Sewer fund - Bonds	2029	3.00 - 5.25%		52,580
Unamortized Bond Premium				2,121
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM OBLIGATIONS			$	55,549

Component Unit - Port of Oakland

Type of Obligation	Final Maturity Year	Remaining Interest Rates		Amount
Senior and intermediate lien bonds	2033	3.13 - 5.88%	$	1,314,080
Notes and loans	2030	0.12 - 5.00%		93,030
Less Deferred Amounts:				
Unamortized bond discounts and premiums, net				12,684
Deferred loss on refunding				(16,938)
Total bonds, notes, and loans payable				1,402,856
Self-insurance liability - workers' compensation				6,900
Self-insurance liability - general liability				3,918
Accrued vacation, sick leave and compensatory time				6,595
Environmental remediation and other liabilities				22,560
Net OPEB obligation				10,461
Total other long-term obligation				50,434
TOTAL COMPONENT UNIT LONG-TERM OBLIGATIONS, NET			$	1,453,290

Revenues Pledged for the Repayment of Debt Service

Tax Allocation Bonds

The Tax Allocation Bonds (TAB), which are comprised of Series 1992, Series 2003, Series 2005, Series 2006T, Series 2009T, Series 2006A TE/T, Series 2006B TE/T, Series 2006C TE/T, and Series 2010T are all secured primarily by a pledge of tax increment revenues, consisting of a portion of all taxes levied upon all taxable properties within each of the redevelopment project areas, and are equally and ratably secured on a parity with each TAB series. The total projected tax increment revenue through the period of the bonds is approximately $3,041,759,743. These revenues have been pledged until the year 2040, the final maturity date of the bonds. Debt service payments for these TABs is payable semi-annually on March 1 and September 1. The total principal and interest remaining on these TABs is $639,155,455 which is 21.0 percent of the total projected tax increment revenues. The pledged tax increment revenue recognized during the year ended June 30, 2011 was $74,067,000, of which $39,066,114 was used to pay debt service.

Housing Bonds

The Housing Set-Aside TAB, which are comprised of Series 2006A, Series 2006A-T and Series 2011T, are equally and ratably secured by the pledge and lien of the 20% tax increment revenue set-aside and voluntary 5 percent for the low and moderate income housing fund. The total projected 20 percent set-aside and 5 percent voluntary revenue through the period of the bonds is approximately $801,163,498 and $200,290,875, respectively. These revenues have been pledged until the year 2042 the final maturity date of the bonds. Debt service payment for these TABs is payable semi-annually on February 1 and August 1. The total principal and interest remaining on these Housing TABs is $263,256,251, which is 26.3 percent of the total projected set-aside and voluntary tax increment revenues. The pledged 20 percent set-aside and 5 percent voluntary tax increment revenue recognized for the year ended June 30, 2011, was $35,606,000, of which $7,501,417 was used to pay debt service.

Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures held by the City and Agency. Management believes that the City and Agency are in compliance.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2011, the City's debt limit (3.75% of valuation subject to taxation) was $1,104,508,857. The total amount of debt applicable to the debt limit was $349,430,620. The resulting legal debt margin was $755,078,237.

Interest Rate Swap

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

Objective of the Interest Rate Swap: On January 9, 1997, the City entered into a forward-starting synthetic fixed rate swap agreement (the "Swap") with Goldman Sachs Mitsui Marine Derivatives Products, U.S., L.P. (the "Counterparty") in connection with the $187,500,000 Oakland Joint Powers Financing Authority (the "Authority") Lease Revenue Bonds, 1998 Series A1/A2 (the "1998 Lease Revenue Bonds"). Under the swap agreement, which effectively changed the City's variable interest rate on the bonds to a synthetic fixed rate, the City would pay the Counterparty a fixed rate of 5.6775% through the end of the swap agreement in 2021 and receive a variable rate based on the Bond Market Association index. The City received an upfront payment from the Counterparty of $15 million for entering into the Swap.

On March 21, 2003, the City amended the swap agreement to change the index on which the Swap is based from the Bond Market Association index to a rate equal to 65% of the 1-month London Interbank Offer Rate ("LIBOR"). This amendment resulted in an additional upfront payment from the Counterparty to the City of $5.975 million.

On June 21, 2005, all of the outstanding 1998 Lease Revenue Bonds were defeased by the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1, A-2 and B ("Series 2005 A & B Bonds"). $143,093,669 was deposited with the trustee to defease the 1998 Lease Revenue Bonds. However, the Swap associated with the 1998 Lease Revenue Bonds still remains in effect. This is now a stand-alone swap with no association to any bond.

The amortization schedule is as follows as of June 30, 2011:

Calculation period (July 31)	Notional Amount	Fixed Rate To Counterparty	65% of LIBOR[1]	Net Rate
2011	$ 76,800,000	5.6775%	0.2266%[2]	5.4509%
2012	68,900,000	5.6775%	0.2266%[2]	5.4509%
2013	61,200,000	5.6775%	0.2266%[2]	5.4509%
2014	53,700,000	5.6775%	0.2266%[2]	5.4509%
2015	46,400,000	5.6775%	0.2266%[2]	5.4509%
2016	39,300,000	5.6775%	0.2266%[2]	5.4509%
2017	32,500,000	5.6775%	0.2266%[2]	5.4509%
2018	25,800,000	5.6775%	0.2266%[2]	5.4509%
2019	19,300,000	5.6775%	0.2266%[2]	5.4509%
2020	12,800,000	5.6775%	0.2266%[2]	5.4509%
2021	6,400,000	5.6775%	0.2266%[2]	5.4509%

[1] Rate is as of 1-month LIBOR on June 30, 2011

[2] Rates are projections, LIBOR rate fluctuates daily

Terms: The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2011 of $76,800,000. The notional amount of the swap declines through 2021. Under the Swap, the City pays the counterparty a fixed payment of 5.6775% and receives a variable payment computed at 65% of LIBOR rate (total rate not to exceed 12%). The City's payments to the counterparty under the Swap agreement are insured by the third party bond insurer.

Fair Value: Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of $16,112,193 as of June 30, 2011. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the Swap.

Credit Risk: The issuer and the counterparty take a credit risk to each other over the life of the swap agreement. This is the risk that either the issuer or the counterparty will fail to meet its contractual obligations under the swap agreement. The Counterparty was rated Aa1 by Moody's Investors Service, and AAA by Standard and Poor's as of June 30, 2011. To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A3" by Moody's Investors Service or "A-" by Standard and Poor's, the swap agreement provides the counterparty, the City, the bond insurer for the Bonds and a third party collateral agent to execute a collateral agreement within 30 days of such a downgrade.

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

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

Changes in Long-term Obligations

The changes in long-term obligations for the year ended June 30, 2011, are as follows (in thousands):

Governmental Activities

	Balance at July 1, 2010	Additional obligations, interest accretion and net increases (decreases)	Current maturities, retirements and net decreases (increases)	Balance at June 30, 2011	Amounts due within one year
Bonds Payable:					
General obligation bonds	$ 366,248	$ -	$ 16,817	$ 349,431	$ 17,678
Tax allocation, housing and other bonds	488,900	54,370	19,365	523,905	20,365
Certificates of participation	7,210	-	3,315	3,895	3,895
Lease revenue bonds	270,670	-	27,870	242,800	32,270
Pension obligation bonds	210,595	-	14,958	195,637	20,860
City guaranteed special assessment district bonds	8,298	-	335	7,963	298
Accreted interest on appreciation bonds	172,971	23,171	24,021	172,121	24,021
Less deferred amounts:					
Bond issuance premiums	26,846	(2,052)	2,591	22,203	2,504
Bond refunding loss	(26,396)	-	(2,915)	(23,481)	(1,725)
TOTAL	1,525,342	75,489	106,357	1,494,474	120,166
Notes Payable and Capital Leases:					
Notes payable	14,295	-	2,000	12,295	2,155
Capital Leases	18,483	2,500	3,915	17,068	3,570
TOTAL	32,778	2,500	5,915	29,363	5,725
Other Long-Term Liabilities:					
Accrued vacation and sick leave	39,460	51,618	52,536	38,542	27,818
Pledge obligation for Coliseum Authority debt	76,000	-	3,550	72,450	3,750
Estimated environmental cost	6,634	-	928	5,706	3,103
Self-insurance liability - workers' compensation	75,695	29,508	23,158	82,045	20,119
Self-insurance liability - general liability	40,067	20,575	23,955	36,687	14,775
Net OPEB obligation	126,237	46,451	15,710	156,978	-
Interest rate swap agreement	19,083	-	2,971	16,112	-
TOTAL	383,176	148,152	122,808	408,520	69,565
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS	$ 1,941,296	$ 226,141	$ 235,080	$ 1,932,357	$ 195,456

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, 2011, $3,692,413, of capital leases and notes payable related to the internal service funds are included in the above amounts. Compensated absences are financed by individual funds that are responsible for the charges.

Business-Type Activities

	Balance at July 1, 2010	Current maturities, retirements and net decreases	Balance at June 30, 2011	Amounts due within one year
Sewer fund - Notes payable	$ 1,708	$ 860	$ 848	$ 274
Sewer fund - Bonds	54,380	1,800	52,580	1,885
Unamortized bond premium	2,239	118	2,121	118
Total	$ 58,327	$ 2,778	$ 55,549	$ 2,277

Component Unit - Port of Oakland

	Balance at July 1, 2010	Additional obligations, interest accretion and net increases	Current maturities, retirements and net decreases	Balance at June 30, 2011	Amounts due within one year
Senior and intermediate lien bonds	$ 1,350,390	$ -	$ 36,310	$ 1,314,080	$ 46,045
Notes and loans	95,392	63,398	65,760	93,030	211
Less deferred amounts:					
Unamortized bond discount and premium, net	16,341	(11)	3,646	12,684	3,587
Deferred loss on refunding	(19,253)	-	(2,315)	(16,938)	(2,319)
TOTAL	1,442,870	63,387	103,401	1,402,856	47,524
Self-insurance liability - workers' compensation	6,900	863	863	6,900	6,900
Self-insurance liability - general liability	3,079	4,983	4,144	3,918	-
Accrued vacation, sick leave, and compensatory time	5,610	1,136	151	6,595	3,973
Environmental remediation and other liabilities	22,141	6,255	5,836	22,560	5,215
Net OPEB obligation	10,389	11,193	11,121	10,461	-
TOTAL	41,219	23,567	21,252	43,534	9,188
TOTAL COMPONENT UNIT LONG-TERM OBLIGATIONS	$ 1,490,989	$ 87,817	$ 125,516	$ 1,453,290	$ 63,612

Repayment Schedule

The annual repayment schedules for all long-term debt as of June 30, 2011, are as follows (in thousands):

Governmental Activities [1]

Year Ending	General Obligation Bonds		Tax Allocation, Housing and Other Bonds		Certificate of Participation	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 17,678	$ 17,459	$ 20,365	$ 30,363	$ 3,895	$ 195
2013	18,571	16,633	22,545	29,313	-	-
2014	19,534	15,758	24,870	28,053	-	-
2015	20,574	14,814	19,865	26,651	-	-
2016	19,520	13,838	27,140	25,334	-	-
2017-2021	109,145	54,101	163,300	99,311	-	-
2022-2026	54,889	30,941	77,825	59,811	-	-
2027-2031	44,660	19,922	54,080	43,688	-	-
2032-2036	32,590	8,479	69,505	26,672	-	-
2037-2041	12,270	1,565	39,035	9,126	-	-
2042	-	-	5,375	248	-	-
Total	$ 349,431	$ 193,510	$ 523,905	$ 378,570	$ 3,895	$ 195

Year Ending	Lease Revenue Bonds		Pension Obligation Bonds		Special Assessment District Bonds	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 32,270	$ 11,095	$ 20,860	$ 17,515	$ 298	$ 431
2013	33,680	9,728	19,923	19,632	315	416
2014	35,295	8,155	18,881	21,884	330	400
2015	31,600	6,465	18,079	23,931	355	383
2016	18,845	5,290	17,210	26,075	355	365
2017-2021	44,145	16,248	74,840	161,810	2,100	1,510
2022-2026	38,125	7,166	25,844	78,907	2,110	891
2027-2031	8,840	221	-	-	560	563
2032-2036	-	-	-	-	755	367
2037-2041	-	-	-	-	785	102
Total	$ 242,800	$ 64,368	$ 195,637	$ 349,754	$ 7,963	$ 5,428

Year Ending	Notes Payable		Capital Leases		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 2,155	$ 333	$ 3,570	$ 733	$ 101,091	$ 78,124
2013	2,325	278	2,270	586	99,629	76,586
2014	2,485	216	2,372	483	103,767	74,949
2015	2,180	157	2,104	376	94,757	72,777
2016	1,090	121	1,824	286	85,984	71,309
2017-2021	2,060	53	4,463	555	400,053	333,588
2022-2026	-	-	465	12	199,258	177,728
2027-2031	-	-	-	-	108,140	64,394
2032-2036	-	-	-	-	102,850	35,518
2037-2041	-	-	-	-	52,090	10,793
2042	-	-	-	-	5,375	248
Total	$ 12,295	$ 1,158	$ 17,068	$ 3,031	$ 1,352,994	$ 996,014

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

Business-Type Activities						
Year Ending	Sewer Revenue Bonds		Sewer Notes Payable		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 1,885	$ 2,595	$ 274	$ 25	$ 2,159	$ 2,620
2013	1,985	2,499	283	17	2,268	2,516
2014	2,090	2,395	291	9	2,381	2,404
2015	2,175	2,306	-	-	2,175	2,306
2016	2,285	2,197	-	-	2,285	2,197
2017-2021	13,180	9,232	-	-	13,180	9,232
2022-2026	16,770	5,650	-	-	16,770	5,650
2027-2029	12,210	1,241	-	-	12,210	1,241
Total	$ 52,580	$ 28,115	$ 848	$ 51	$ 53,428	$ 28,166

Discretely Presented Component Unit – Port of Oakland

The Port's required annual debt service payment for the outstanding long-term debt, not including Commercial Paper Notes, as of June 30, 2011, are as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2012	$ 46,243 (1)	$ 67,264	$ 113,507
2013	73,437	64,895	138,332
2014	115,515	62,346	177,861
2015	52,921	59,734	112,655
2016	50,222	57,179	107,401
2017 - 2021	297,587	241,345	538,932
2022 - 2026	333,604	161,730	495,334
2027 - 2031	363,816	65,517	429,333
2032 - 2033	73,765	3,734	77,499
TOTAL	$ 1,407,110	$ 783,744	$ 2,190,854

(1) Commercial Paper has been classified as long-term debt because the Port has the intent and ability to continue to refinance this debt. Although the Port intends to refinance the Commercial Paper debt in the future, for purposes of this schedule, Commercial Paper debt is amortized over the time period 2013-2017 pursuant to the terms of the Commercial Paper Reimbursement Agreements.

In January 2010, the Port defeased $44,505,000 of Series L Bonds with maturity dates from 2020 to 2032 and $3,950,000 of Series N Bonds with maturity dates of 2010 and 2022 with proceeds from monies received from the Concession and Lease Agreement with Ports America Outer Harbor Terminal LLC. Funds were deposited in escrow with the trustee, US Bank, and invested in United States Treasury Securities - State and Local Government Series (SLGS) in amounts sufficient to pay the principal and interest until November 1, 2012, on which date the outstanding defeased Series L Bonds and Series N Bonds are to be called for redemption. As of June 30, 2011, the trustee held $46,415,000 in the escrow account (along with interest earned in the escrow) to pay the remaining principal and interest on the defeased Series L Bonds and Series N Bonds until the call date of November 1, 2012. The Port incurred a defeasance loss of $4,158,000, of which $3,965,000 for Series L and $193,000 for Series N.

The Port did not capitalize any interest in fiscal year 2011.

Current Year Long-Term Debt Financings

Redevelopment Agency of the City of Oakland
Broadway/MacArthur/San Pablo Redevelopment Project
Second Lien Tax Allocation Bonds, Series 2010-T
Federally Taxable Recovery Zone Economic

On November 2, 2010, the Agency issued $7,390,000 of Broadway/MacArthur/San Pablo Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010-T Federally Taxable Recovery Zone Economic Development Bonds (the "Series 2010-T Bonds"). The Bonds were issued to finance certain redevelopment activities within or to the benefit of the project area. The Bonds are taxable and treated as "recovery zone economic development bonds," a category of "Build America Bonds," under the American Recovery and Reinvestment Act of 2009 and the Agency receives direct payment from the United States Treasury Department equal to forty-five percent (45%) of the interest payable on each interest payment date. The final maturity date is September 1, 2040. The interest rates of these bonds range from 7.20% to 7.40%.

The Series 2010-T Bonds are limited obligations of the Agency payable solely from and secured solely by a pledge of second lien tax revenues, consisting primarily of tax increment derived from property, in the Broadway/MacArthur/San Pablo Redevelopment Project Area. The Agency expects to receive $6.2 million or 45% interest subsidy from the federal government as part of the bond issue.

Master Lease – Parking Access and Revenue Control System

On December 23, 2010, the City of Oakland closed a lease transaction with Chase Equipment Finance, Inc. in the amount of $2,500,000 for the purpose of financing the acquisition of the equipment, software, maintenance and services for the automation of City garages. The financing is done on a taxable basis with a final maturity of July 15, 2018. The interest rate on this lease transaction is 2.56%.

Redevelopment Agency of the City of Oakland
Subordinated Housing Set Aside Revenue Bonds, Series 2011A-T

On March 3, 2011, the Agency issued $46,980,000 of Subordinated Housing Set Aside Revenue Bonds Series 2011A-T (the "Series 2011A-T Bonds"). The Bonds were issued to finance low and moderate income housing activities within the Agency's project areas. The Series 2011A-T Bonds are federally taxable with interest rates ranging from 3.25% to 9.25% and a final maturity of September 1, 2041.

Prior Year's Debt Defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable escrow funds. New debt has been issued and the proceeds have been used to purchase

U.S. government securities that were placed in the escrow funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and is therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2011, the amount of defeased debt outstanding amounted to $38.8 million.

Authorized and Unissued Debt

The City has $62.3 million (Measure DD) General Obligation Bonds authorized and unissued. The voters, in a City election on November 5, 2002, authorized these bonds. The bonds are to be issued by the City in general obligation bonds for the improvement of Lake Merritt, the Estuary, inland creeks, Studio One, and other specifically identified projects in the City.

Conduit Debt

The following long-term debt has been issued by the City on behalf of named agents of the City. The bonds do not constitute an indebtedness of the City. The bonds are payable solely from revenue sources defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to the bond indentures. In the opinion of City officials, these bonds are not payable from any revenues or assets of the City, and neither the full faith and credit nor the taxing authority of the City, State or any political subdivision thereof is obligated for the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded. The conduit debt issued and outstanding at June 30, 2011 (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2011
Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	$ 19,800	07/01/33	$ 15,805
Oakland JPFA Revenue Bond 2001 Series B Fruitvale Transit Village (La Clinica De La Raza Fruitvale Health Project, Inc)	5,800	07/01/33	5,200
Redevelopment Agency of the City of Oakland, Multifamily Housing Revenue Bonds (Uptown Apartment Project), 2005 Series A	160,000	10/01/50	160,000
TOTAL	$ 185,600		$ 181,005

(13) 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 appropriation for each fiscal year.

The reserved policy established criteria for the use of general purpose fund reserve, the use of excess Real Estate Transfer Tax (RETT) revenue, and use of one-time revenues, and to minimize draw-downs from the general purpose fund reserve by previous approved projects and encumbrances.

The policy also established a baseline for the Real Estate Transfer Tax at $40 million (an amount collected in a normal year), with any amount over the baseline used as follows:

- Replenishment of the General Purpose Fund (GPF) reserves until such reserves reach 10 percent of current year budgeted GPF appropriations; and the remainder.
- 50 percent to repay negative Internal Service Funds.
- 30 percent set aside the Police and Fire Retirement System (PFRS) liability until this obligation is met.
- 10 percent to establish an Other Postemployment Benefits (OPEB) trust; and
- 10 percent to replenish the Capital Improvement Reserve Fund until such baseline reaches $10 million.

The policy also requires the City to conform to the following regarding the use of one-time discretionary revenues:

- 50 percent to repay negative Internal Service Fund balances and,
- 50 percent to repay negatives in all other funds, unless legally restricted to other purposes.

As of June 30, 2011, $5.8 million of the reserves is in assigned fund balance and $25.7 million is in unassigned fund balances.

(14) SELF-INSURANCE

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

The City is self-insured for its general liability, malpractice liability, public official's errors and omissions, products and completed operations, employment practices liability, and auto liability up to $4,000,000 retention level and up to $750,000 retention level for workers' compensation and has excess insurance with the California State Association of Counties – Excess Insurance Authority as described in the Insurance Coverage section.

Property Damage

Property damage risks are covered on an occurrence basis by commercial insurance purchased from independent third parties. All properties are insured at full replacement values after a $25,000 deductible to be paid by the City.

Workers' Compensation

The City is self-insured for workers' compensation. Payment of claims is provided through annual appropriations, which are based on claim payment experience and supplemental appropriations. Of the $82,044,864 in claims liabilities as of June 30, 2011, approximately $20,118,617 is estimated to be due within one year.

Changes in workers' compensation claims liabilities for the years ended June 30, 2011 and 2010 are as follows (in thousands):

	2011	2010
Self -insurance liability - workers' compensation, beginning of year	$ 75,695	$ 77,973
Current year claims and changes in estimates	29,508	33,445
Claims payments	(23,158)	(35,723)
Self -insurance liability - workers' compensation, end of year	$ 82,045	$ 75,695

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

General Liability

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2011, the amount of liability determined to be probable of occurrence is approximately $36,687,103. Of this amount, claims and litigation approximating $14,775,498 are estimated to be due within one year. The recorded liability is the City's best estimate based on available information and may be revised as further information is obtained and as pending cases are litigated. The City and the Agency are involved in various claims and litigation arising in the ordinary course of its activities. In the opinion of the Agency'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 Agency. 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, 2011 and 2010 are as follows (in thousands):

	2011	2010
Self -insurance liability - general liability, beginning of year	$ 40,067	$ 49,237
Current year claims and changes in estimates	20,575	8,323
Claims payments	(23,955)	(17,493)
Self -insurance liability - general liability, end of year	$ 36,687	$ 40,067

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.

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, 2009, the self-insured retention levels and purchased insurance per occurrence are as follows:

Type of Coverage	Self-Insurance Retention	Insurance Authority/Purchase Insurance
General Liability	up to $4,000,000	$4,000,000 to $29,000,000 per occurrence
Automobile Liability	up to $4,000,000	$4,000,000 to $29,000,000 per occurrence
Public Officials Errors and Omissions	up to $4,000,000	$4,000,000 to $29,000,000 per occurrence/annual aggregate
Products and Completed Operations	up to $4,000,000	$4,000,000 to $29,000,000 per occurrence/annual aggregate
Employment Practices Liability	up to $4,000,000	$4,000,000 to $29,000,000 per occurrence/annual aggregate
Workers' Compensation	up to $750,000	$750,000 to $100,000,000 per occurrence/annual aggregate

Discretely Presented Component Unit – Port of Oakland

Workers' Compensation

The Port is exposed to risk of loss related to injuries of employees. The Port is self-insured and self-administered for workers' compensation up to a maximum of $750,000 per accident. The Port carries commercial insurance for claims in excess of $750,000 per accident. There were no workers' compensation claims paid in fiscal years 2011, 2010, and 2009 above the $750,000 per accident limit.

Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The claims payments and liabilities include an estimate of allocated loss adjustment expenses and claims that have been incurred but not yet reported. These losses are based on an actuarial valuation performed as of June 30, 2011. Estimated reserves can be defined as "actuarial central estimates" which represent the expected range of reasonably possible outcomes. The probability level refers to the probability that actual future payments will not exceed the indicated reserve amount.

Total reserve is equal to case reserves plus incurred but not reported (IBNR) reserves. Case reserves are established by individual claims adjusters. The IBNR reserves are estimated by the actuary and include reserves for late reported claims as well as developments on known claims. The reserve amount is net of excess insurance on an expected value, undiscounted basis. The loss reserve amount represents an estimated reserve amount required to satisfy the Port's retained liability without a contingency provision for unanticipated development. Changes in the reported liability resulted from the following (in thousands):

	2011	2010
Self -insurance liability - workers' compensation, beginning of year	$ 6,900	$ 6,137
Current year claims and changes in estimates	863	1,699
Claims payments	(863)	(936)
Self -insurance liability - workers' compensation, end of year	$ 6,900	$ 6,900

General Liability

The Port maintains general liability insurance in excess of specified deductibles. For the Airport, coverage is provided in excess of $200,000 in the aggregate up to a maximum of $200,000,000 per occurrence. For the harbor area and the Port's real estate holdings, coverage is provided in excess of $1,000,000 per occurrence up to an aggregate amount of $150,000,000 per occurrence. Additionally, the Port maintains a Public Officials Errors & Omissions and Employment Practices policy. The policy limits are $25,000,000 with a $500,000 per claim deductible. Defense costs are in addition to the policy limits, but are included in the deductible. The Port is uninsured for losses in excess of these amounts. Casualty losses are accrued when it is determined that a loss to the Port is probable and the amount is estimable.

As of June 30, 2011, the Port was a defendant in various lawsuits arising in the normal course of business, including constructing public improvements or construction related claims for unspecified amounts. The ultimate disposition of these suits and claims is not known. The Port's insurance may cover a portion of any losses. For additional information, contact the Port of Oakland, 530 Water Street, Oakland, California 94607.

Changes in the reported liabilities, which is included as part of long-term obligations is as follows:

	2011	2010
Self -insurance liability - general liability, beginning of year	$ 3,079	$ 2,571
Current year claims and changes in estimates	4,983	3,282
Claims payments	(4,144)	(2,774)
Self -insurance liability - general liability, end of year	$ 3,918	$ 3,079

(15) JOINT VENTURE

Oakland-Alameda County Coliseum

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

In August 1995, the Authority issued $9,200,000 in Fixed Rate Refunding Lease Revenue Bonds and $188,500,000 in Variable Rate Lease Revenue Bonds (collectively known as the Stadium Bonds) to satisfy certain obligations of the Authority, the City, the County, the Corporation and Oakland-Alameda County Coliseum Inc. (Coliseum Inc.), which manages the operations of the Coliseum Complex, to finance the costs of remodeling the stadium portion of the Coliseum complex as well as relocating the Raiders football franchise to the City.

On May 25, 2000, the Authority issued $201,300,000 in series 2000 C and D Refunding Bonds to retire $181,900,000 of the 1995 Variable Rate Lease Revenue Stadium Bonds ($188,500,000 less $6,600,000 principal payment). In February 2004, the 1995 Fixed Rate Refunding Lease Revenue Bond was fully repaid from the escrow established in 1995 at the time the Authority issued the Stadium Bonds.

The Stadium Bonds are limited obligations of the Authority payable solely from revenues of the Authority, consisting primarily of base rental payments to be received by the Authority from the City and the County. The source of the Authority's revenues relating to football games consists primarily of a portion of club dues, concessions, and parking payments. In the event that such football revenues and other revenues received in connection with the Stadium are insufficient to make base rental payments, the City and the County are obligated to make up the shortfall in the base rental payments from their respective General Funds. The City and the County each have covenanted to appropriate $11 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 $22 million annually in the event of default by the County.

On August 2, 1996, the Authority issued $70,000,000 Series A-1 and $70,000,000 Series A-2 Variable Rate Lease Revenue Bonds (Arena Bonds) to finance the costs of remodeling the Coliseum Arena (Arena) and to satisfy certain obligations of the Authority, the City, the County and Coliseum Inc. in connection with the retention of the Golden State Warriors (the Warriors) to play professional basketball at the Arena for at least 20 basketball seasons, beginning with the 1997-98 season. These obligations are evidenced in a series of agreements (the Warriors Agreements) between the Warriors, the City, the County, Coliseum Inc., and the Authority.

Under the Warriors Agreements, the Arena Bonds were limited obligations of the Authority, payable solely from base rental revenues of the Authority received by the Authority on behalf of the City and the County. These revenues consist of base rental payments from the City and County and certain payments from the Warriors of up to $7,428,000 annually from premium seating revenues, and other payments from Arena operations. If the revenues received from the Warriors and from Arena operations are not sufficient to cover the debt service requirements in any fiscal year, the City and County are obligated to make up the shortfall in the base rental payment from their respective General Funds. The City and the County each have covenanted to appropriate up to $9,500,000 annually to cover such revenue shortfalls; however, the City and the County are jointly and severally liable to cover such shortfalls, which means that the City could have to pay up to $19,000,000 annually in the event of default by the County.

The Authority entered into an agreement with the Oakland Coliseum Joint Venture to manage the entire Coliseum complex beginning July 1, 1998. On January 1, 2001, the Authority terminated its agreement with Oakland Coliseum Joint Venture and reinstated its Operating Agreement with Oakland-Alameda County Coliseum, Inc. Oakland-Alameda County Coliseum, Inc. subcontracted all of the operations of the Coliseum Complex to the Oakland Coliseum Joint Venture. The Operating Agreement between the Authority and Coliseum Inc. expired, by its terms, on July 31, 2006. The Authority entered into a Termination Agreement whereby, in return for certain consideration, the Authority agreed to perform the duties of Coliseum, Inc. on and after August 1, 2006. The Authority’s Management Agreement with Oakland Coliseum Joint Venture expires in June 2012.

Debt service requirements for the Coliseum Authority debt are as follows (in thousands):

For the Period	Stadium Bonds		Arena Bonds	
Ending June 30,	Principal	Interest [1]	Principal	Interest [2]
2012	$ 7,500	$ 94	$ 4,050	$ 3,650
2013	7,900	89	4,400	3,510
2014	8,300	84	4,750	3,355
2015	8,700	79	5,150	3,187
2016	9,000	73	5,400	3,005
2017-2021	52,000	272	33,200	11,900
2022-2026	51,500	86	43,245	5,060
Total	$ 144,900	$ 777	$ 100,195	$ 33,667

(1) The Stadium Bonds include Lease Revenue Bonds Series C1 and C2, which bear weekly interest rates of 0.08% and 0.05%, respectively, at June 30, 2011.

(2) The Arena Bonds include Lease Revenue Bonds Series A-1 with a variable rate that resets in separate Commercial Paper Segment (46 and 77 days as of June 30, 2011) and Series A-2 with a weekly interest rate of 0.2% and 6.8%, respectively, at June 30, 2011.

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

Under the joint exercise of power agreement, which formed the Authority, the City is responsible for funding up to 50% of the Authority's operating costs and debt service requirements, to the extent such funding is necessary. During the year ended June 30, 2011, the City made contributions of $10,034,000 to fund its share of operating deficits and debt service payments of the Authority.

The Authority has anticipated a deficit for operating costs and repayment of its Stadium bonds, such that the City and County may have to contribute to base rental payments. Of the $20,500,000 appropriated in the General Fund as part of the above agreements, it is estimated that the City may have to contribute $9,977,950 for the 2011-12 fiscal year. There are many uncertainties in the estimation of revenues for the Authority beyond one year into the future; therefore, the City has established a liability to fund the Authority's deficit in the statement of net assets in an amount equal to its contingent share (50%) of the outstanding Stadium bonds in the amount of $72,450,000. The City has not established a contingent liability for the Arena Bonds because management is of the opinion that revenues from the Arena, including payments from the Warriors and revenues from Arena operations, will be sufficient to cover the debt payments.

(16) RETIREMENT PLANS

The City has four defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS), and California Public Employees' Retirement System (PERS). PFRS and OMERS are closed plans that cover employees hired prior to July 1976 and September 1970, respectively.

These two plans are considered part of the City's reporting entity and are included in the City's basic financial statements as pension trust funds. City employees hired subsequent to the Retirement Plans' closure dates are covered by PERS, which is administered by the State of California.

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

	PFRS	OMERS	PERS
Type of plan	Single employer	Single employer	Agent multiple employer
Reporting entity	City	City	State
Most recent actuarial study	July 1, 2010	July 1, 2010	June 30, 2010

Police and Fire Retirement System (PFRS)

PFRS provides death, disability, and service retirement benefits to uniformed employees and their beneficiaries. Members who complete at least 25 years of service, or 20 years of service and have reached the age of 55, or have reached the age of 65, are eligible for retirement benefits. The basic retirement allowance equals 50% of the compensation attached to the average rank held during the three years immediately preceding retirement, plus an additional allowance of 1-2/3% of such compensation for each year of service (up to ten) subsequent to: a) qualifying for retirement, and b) July 1, 1951. Early retirees will receive reduced benefits based on the number of years of service. Benefit provisions and all other requirements are established by the City Charter (Charter). The June 30, 2010 stand alone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, CA 94612.

In accordance with the Charter, active members of PFRS contribute a percentage of earned salaries based upon entry age as determined by the City's consulting actuary. During the year ended June 30, 2011, these contributions ranged from 5.47% to 6.05%. By statute, employee contributions are limited to 13% of earned salaries. Employee contributions are refundable with interest at 4% per annum if an employee elects to withdraw from PFRS upon termination of employment with the City.

The City contributes, at a minimum, such amounts that are necessary, determined on an actuarial basis, to provide assets sufficient to meet benefits to be paid to PFRS members. The City is required to fund all liabilities for future benefits for all members by June 30, 2026. In order to do so, the City makes contributions at rates established by consulting actuaries based upon plan valuations using various assumptions as to salary progression, inflation, and rate of return on investments. The City's contributions are based on a level percentage of all uniformed employees' compensation. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefits. The City issued pension obligation bonds in February 1997 to fund PFRS through 2011. Bond proceeds in the amount of $417,173,300 were contributed in fiscal year 1997 and, as a result, no employer contributions are contractually required through fiscal year 2011. In fiscal year 2005, the City made an advance contribution of $17,709,888 to PFRS.

The City's annual pension cost and prepaid asset, computed in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* for the fiscal year ended June 30, 2011, were as follows:

Annual Required Contribution (ARC)	$ (41,400,000)
Interest on pension asset	16,000,218
Adjustment to the annual required contribution	(18,501,677)
Annual Pension Cost	(43,901,459)
Pension contribution	-
Pension assets, beginning of year	200,002,721
Pension assets, end of year	$ 156,101,262

The following table shows the City's annual pension cost and the percentage contributed for the fiscal year 2011 and each of the two preceding years:

Fiscal Year Ended June 30	Annual Pension Cost	Percentage (%) Contributed	Net Pension Asset
2009	$ 31,487,398	0%	$ 243,793,694
2010	43,790,973	0%	200,002,721
2011	43,901,459	0%	156,101,262

Actuarial Assumptions and Funded Status

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

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2010	$ 792.2	$ 297.8	$ 494.4	37.6%	$ 0.1	494400%

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

A summary of the actuarial methods and significant assumptions used to calculate the funded status of the valuation date and the annual required contribution for fiscal year ended June 30, 2011 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	July 1, 2010 [1]	July 1, 2009 [2]
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Investment Rate of Return	7.00%	7.50%
Inflation Rate, U.S.	3.25%	3.25%
Inflation Rate, Bay Area	3.50%	3.50%
Long-term General Pay Increases	4.50%	4.50%
Long-term Postretirement Benefit Increases	4.50%	4.50%
Amortization Method	Level Dollar	Level Dollar
Amortization Period	26 years closed as of July 1, 2010	27 years closed as of July 1, 2009
Actuarial Value of Assets	Expected actuarial value plus 20% of the difference from market value, with 110% and 90% market value corridor.	Expected actuarial value plus 20% of the difference from market value, with 110% and 90% market value corridor.

[1] The July 1, 2010 valuation was used to determine the funded status

[2] The July 1, 2009 valuation was used to determine the annual required contribution for fiscal year 2011

Oakland Municipal Employees Retirement System (OMERS)

OMERS provides death, and service retirement benefits to participants of the plan. Members who complete at least 20 years of service and have reached the age of 52, or who complete at least 5 years of service and reach the age of 60, are eligible for retirement benefits. The retirement allowance is calculated on a basis which takes into account the final three-years' average compensation, age and the number of years of service. Benefit provisions and all other requirements are established by the Charter. The June 30, 2011 standalone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, CA 94612.

All active non-uniformed City employees hired prior to September 1970 have transferred to PERS as of July 1, 2004. Accordingly, OMERS did not receive any employee contributions during the year ended June 30, 2011, and will not receive any employee contributions in the future. Because of the OMERS' current funded status, the City is currently not required to make contributions to OMERS. The funding of the unfunded actuarial accrued liability is based on a level percentage of payroll over a period ending July 1, 2020, as required by the City Charter.

Actuarial Assumptions and Funded Status

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

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2010	$ 5,471	$ 4,728	$ 743	86.4%	$ -	n/a

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

A summary of the actuarial methods and significant assumptions used to calculate the funded status as of the valuations date and the annual required contribution for fiscal year ended June 30, 2011 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	July 1, 2010 [1]	July 1, 2007 [2]
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Asset Valuation Method	Market Value	Market Value
Investment Rate of Return	6.50%	8.00%
Inflation Rate	3.25%	3.25%
Cost-of-living Adjustments	3.00%	3.00%
Amortization Method	Closed Level Dollar	N/A [3]
Amortization Period	6 Years	N/A [3]

[1] The July 1, 2010 valuation was used to determine the funded status
[2] The July 1, 2009 valuation was used to determine the annual required contribution for fiscal year 2011
[3] Not applicable because OMERS is in a surplus position

California Public Employees Retirement Systems (PERS)

Plan Description

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

Funding Policy

Participants are required to contribute 8% for non-safety employees, 9% for police, and 13% for fire employees of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 19.885% for non-safety employees and 28.092% for police and fire employees, of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2010-11, the City's annual pension costs of $51.1 million for the Safety Plan and $33.1 million for the Miscellaneous Plan were equal to the City's required and actual contributions. The required contributions were determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial values of plan assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). The plans' unfunded actuarial accrued liability is amortized as a level percentage of projected payroll over a closed 20-year period.

Three-year trend information for the Safety and Miscellaneous Plans are as follows (in million):

Safety Plan

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	$ 52.7	100%	$ -
2010	54.2	100%	-
2011	51.1	100%	-

Miscellaneous Plan

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	$ 45.5	100%	$ -
2010	40.1	100%	-
2011	33.1	100%	-

Funded Status and Funding Progress for Retirement Plans

Safety Plan

As of June 30, 2010, the most recent actuarial valuation date, the Public Safety plan was 75.3% funded. The actuarial accrued liability for benefits was $1,262,845,446, and the actuarial value of Plan assets was $951,508,815 resulting in an unfunded actuarial accrued liability (UAAL) of $311,336,631. The annual covered payroll was $145,619,032, and the ratio of the UAAL to the annual covered payroll was 213.8%.

A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan and the annual required contribution for the fiscal year ended June 30, 2011 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	June 30, 2010 [1]	June 30, 2008 [2]
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	31 years closed as of the Valuation Date	32 years closed as of the Valuation Date
Asset Valuation Method	15 Years Smoothed Market	15 Years Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 13.15% depending on Age, service, and type of employment	3.25% to 13.15% depending on Age, service, and type of employment
Inflation	3.00%	3.00%
Payroll Growth	3.25%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

[1] The June 30, 2010 valuation was used to determine the funded status

[2] The June 30, 2008 valuation was used to determine contribution requirements for fiscal year 2011

Miscellaneous Plan

As of June 30, 2010, the most recent actuarial valuation date, the Miscellaneous Plan was 81.8% funded. The actuarial accrued liability for benefits was $1,914,725,522, and the actuarial value of plan assets was $1,565,521,601, resulting in an unfunded actuarial accrued liability (UAAL) of $349,203,921. The annual covered payroll was $195,788,222, and the ratio of the UAAL to the annual covered payroll was 178.4%. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry in PERS. Subsequent plan amendments are amortized as a level of payroll over a closed 20-year period.

A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan and the annual required contribution for the fiscal year ended June 30, 2011 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	June 30, 2010 [1]	June 30, 2008 [2]
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	18 years closed as of the Valuation Date	19 years closed as of the Valuation Date
Asset Valuation Method	15 Years Smoothed Market	15 Years Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on age, service, and type of employment	3.25% to 14.45% depending on age, service, and type of employment
Inflation	3.00%	3.00%
Payroll Growth	3.25%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

[1] The June 30, 2010 valuation was used to determine the funded status

[2] The June 30, 2008 valuation was used to determine contribution requirements for 2011

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

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

Primary Government

Plan Description

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

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

Funding Policy

The City pays part of the health insurance premiums for all retirees from City employment receiving a pension annuity earned through City service and participating in a City-sponsored PERS health benefit plan on a pay-as-you-go basis. The City paid $15,709,758 for retirees under this program for the year ended June 30, 2011.

Annual OPEB Cost and Net OPEB Obligation

The City's annual postemployment benefit cost and net OPEB obligation for the Retiree Health Plan as of and for the fiscal year ended June 30, 2011 using a 4.00% interest rate scenario, were as follows (in thousands):

Annual Required Contribution (ARC)	$ 46,657
Interest on net OPEB obligation	5,050
Adjustment to ARC	(5,256)
Annual OPEB cost	46,451
Employer Contribution	(15,710)
Increase in net OPEB obligation	30,741
Net OPEB obligation, beginning of year	126,237
Net OPEB obligation, end of year	$ 156,978

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

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 54,564	23%	$ 85,758
2010	54,495	26%	126,237
2011	46,451	34%	156,978

OPEB Funded Status and Funding Progress

As summarized in the table below, as of July 1, 2010, the most recent actuarial valuation date, the City's Retiree Health Plan was zero percent funded on an actuarial basis for other postemployment benefits (OPEB). Changes to the UAAL for the OPEB Plan was primarily the result of the actuarial value of assets being zero and unfavorable investment returns during the last two years. The City is on a pay-as-you-go funding with no money set aside for future liabilities. The specific funded status for the OPEB plan is summarized in the table below, as of the July 1, 2010 (in thousands):

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2010	$ 520,882	$ -	$ 520,882	0.0%	$ 310,155	168%

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

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

Actuarial Methods and Assumptions for OPEB Plan

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrual liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The more significant actuarial methods and assumptions used in the calculations of the annual OPEB cost and the annual required contribution for the fiscal year ended June 30, 2011 and the funded status as of July 1, 2010 are as follows:

Description	Method/Assumption	Method/Assumption
Valuation Date	July 1, 2010 [1]	July 1, 2008 [2]
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	30 years open as of the Valuation Date	30 years open as of the Valuation Date
Asset Valuation Method	5 Years Smoothed Market	5 Years Smoothed Market
Actuarial Assumptions:		
Discount Rate [3]	4.00%	4.00%
Projected Salary Increases	2.5% per year growth	2.5% per year growth
Inflation	3.00%	3.00%
Demographic Rate	Retirement benefit at 3% 50 formula for Safety employees and at 2.7% @ 55 formula for Miscellaneous employees.	Retirement benefit at 3% 50 formula for Safety employees and at 2.7% @ 55 formula for Miscellaneous employees.
Health Care Cost Trends Rate	7% for fiscal year 2011, graded down to 5.00% for fiscal year 2015 and beyond. The trend rate is determined by the Plan sponsor based on historical data and anticipated experience under the Plan.	8% for fiscal year 2009, graded down to 5.00% for fiscal year 2015 and beyond. The trend rate is determined by the Plan sponsor based on historical data and anticipated experience under the Plan.

[1] The July 1, 2010 valuation was used to determine the funded status.

[2] The July 1, 2008 valuation was used to determine contribution requirements for fiscal year 2011.

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

Discretely Presented Component Unit – Port of Oakland

Plan Description

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

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

Funding Policy

Benefit provisions are established and may be amended through negotiations between the Port and the various bargaining units during each bargaining period. The Port contributes on a pay-as-you-go basis.

As of June 30, 2011, there were approximately 544 employees who had retired from the Port and were in the Port's retiree benefit plan. During the fiscal year ended June 30, 2011, the Port made payments of $5,947,000 on behalf of OPEB eligible retirees to third parties outside of CERBT. For fiscal year 2011, the CERBT had net investment earnings of $2,800,000.

Annual OPEB Cost and Net OPEB Obligation

The Port's annual other postemployment benefit (OPEB) cost is equal to (a) the annual required contribution (ARC) plus (b) one year's interest on the beginning balance of the net OPEB obligation, and minus (c) an adjustment of the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over an open period of thirty years.

The following table shows the components of the Port's annual OPEB cost for the year, the amount contributed to the Plan, and changes in the Port's net OPEB obligation to the Plan as of June 30, 2011 (in thousands):

Annual Required Contribution (ARC)	$ 10,994
Interest on net OPEB obligation	791
Adjustment to ARC	(592)
Annual OPEB cost	11,193
Employer Contribution	(11,121)
Increase in net OPEB obligation	72
Net OPEB obligation, beginning of year	10,389
Net OPEB obligation, end of year	$ 10,461

The Port's annual OPEB cost and net OPEB obligation are as follows (in thousands):

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 10,019	123%	$ 5,443
2010	10,019	51%	10,389
2011	11,193	99%	10,461

Funded Status and Funding Progress

The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over 30 years. The table below indicates the funded status of the Plan as of June 30, 2011, the most recent actuarial valuation date (in thousands):

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
6/30/2011	$ 128,906	$ 19,145	$ 109,761	14.9%	$ 44,627	246%

GASB Statement No. 45 requires that the interest rate used to discount future benefits payments back to the present be based on the expected rate of return on any investments set aside to pay for these benefits. As of the June 30, 2011 actuarial valuation, the Port intended to fully fund its OPEB liabilities by contributing the actuarially determined ARC amount to the CERBT trust. The ARC amount was calculated using a discount rate of 7.61 percent which was based upon PERS' expected return on assets held in the Port's OPEB Trust.

For the year ended June 30, 2011, the Port funded its annual OPEB cost at 99.36 percent. In recognition that a lower discount rate should be considered, the Port's Actuarial Service provided a second alternative valuation as of June 30, 2011, which recommended a lower discount rate of 4.25 percent in the event that the Port chose not to make any future contributions to the OPEB Trust, but would instead adopt a pay-as-you-go funding policy, keeping all other assumptions constant. The Port's UAAL, as of the June 30, 2011 actuarial valuation would increase by approximately $79.2 million and its ARC would increase by $4.4 million

Eligible Retirees Defined

Employees must have attained the age of fifty or over at the time of retirement, have five or more years of PERS service, and must be eligible to receive PERS retirement benefits in order to be classified as an eligible retiree.

Actuarial Methods and Assumptions

The actuarial cost method used for determining the benefit obligations of the Port is the Entry Age Normal Cost Method and amortized over an open period of 30 years. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of expected salary for each year of employment between entry age (defined as age at hire) and assumed exit.

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

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

The actuarial assumptions used included a discount rate of 7.61 percent, and an annual health cost trend rate of 4.5 percent in health premiums. Annual salary increases were assumed at 3.25 percent. The demographic assumptions regarding turnover and retirement are based on statistics from reports for PERS under a "2.7 percent at 55" benefit schedule.

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

(18) COMMITMENTS AND CONTINGENT LIABILITIES

Construction Commitments

The City has committed to funding in the amount of $153.7 million to a number of capital improvement projects for fiscal year 2012 through fiscal year 2013. As of June 30, 2011, the City had construction commitments for the acquisition and construction of assets as follows (in thousands):

Building, facilities and infrastructure	$	20,371
Parks and open space		25,847
Sewers and storm drains		19,243
Streets and sidewalks		61,427
Technology enhancements		542
Traffic improvements		26,247
Total	$	153,677

Other Commitments and Contingencies

As of June 30, 2011, the Agency has entered into contractual commitments of approximately $54.2 million for materials and services relating to various projects. These commitments and future costs will be funded by future tax increment revenue and other sources.

At June 30, 2011, the Agency was committed to fund $75.7 million in loans. These commitments were made to facilitate the construction of low and moderate income housing within the City.

Wood Street Affordable Housing Project Environmental Remediation

The Wood Street Affordable Housing Project analytical results show concentrations of arsenic, lead, total petroleum hydrocarbons as diesel and polycyclic aromatic hydrocarbons in site soils and or ground water sample. As of June 30, 2011, environmental remediation clean up activities has not been completed yet. The Agency has set-aside $300 thousand in escrow to cover the remaining environmental obligations.

Oakland Army Base Environmental Remediation

Land held by the Oakland Army Base project area may be subject to environmental remediation as required by the Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, the Agency and the Port are responsible for the first $13.0 million of environmental remediation costs; including environmental remediation insurance. The Agency has received a federal grant of $13 million to pay for the above-mentioned environmental remediation costs including a $3.5 million insurance premium. As of June 30, 2011 the Agency has spent approximately $13.0 million on this project. $10.9 million has been reimbursed by the U.S. Department of the Army (Army). The Agency is working with the Army on the remaining balance of $2.1 million.

The next $11.0 million of environmental remediation costs are to be shared equally by the Agency and the Port. As a result, the Agency reports its share of $5.5 million remediation obligation on the Oakland Army Base project. The next $9.0 million will be paid from insurance proceeds from the environmental remediation policy. If subsequent environmental remediation is required after the initially-required remediation is complete, then the environmental site liability policy will cover up to $30 million in additional environmental remediation-related costs. The Agency and the Port have agreed to share equally in any environmental remediation-related costs above $21 million that are not covered by insurance.

Agency management believes that none of the estimated environmental remediation costs will cause the recorded amounts of any properties held for resale to exceed their estimated net realizable values.

Discretely Presented Component Unit – Port of Oakland

The $594.5 million 5-Year Capital Needs Assessment includes projects in the Aviation, Maritime, Commercial Real Estate and Support Divisions. The most significant Aviation projects are the Terminal 1 renovation and retrofit; BART – Oakland Airport Connector; perimeter dike improvement; pavement rehabilitation; and the runway safety area. The most significant Maritime projects are the Shore Power program; maritime security initiatives; Berths 60-63 wharf replacement; site preparation and redevelopment activities at the former Oakland Army Base; and dredging related activities. The most significant projects in the Commercial Real Estate and Support Divisions include Jack London Square improvements and capital equipment purchases.

As of June 30, 2011, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

Aviation	$	26,642
Maritime		23,233
Commercial real estate		14
Total	$	49,889

The most significant projects for which the Port has contractual commitments for construction are airport terminal renovation projects of $2.6 million, runways and east apron reconstruction of $8.3 million, modernization of maritime wharves and terminals projects of $6.9 million, yard and gate improvement projects of $2.3 million and safety projects of $5.9 million.

Power Purchases

The Port purchases electrical power for resale and self-consumption at the Airport, and at Port Maritime facilities located at the former Navy Fleet and Industrial Supply Center Oakland and the former Oakland Army Base. After power requirements are determined, the Port commits and enters into purchase contracts, in advance, with power providers. The price is fixed at the time the Port enters into the contract. At June 30, 2011, the total purchase commitment was approximately $5.5 million for 99,556 megawatt-hours.

The Port is required to comply with a number of federal, state and local laws and regulations designed to protect human health, safety and the environment. In conforming to these laws and the implementing regulations, the Port has instituted a number of compliance programs and procedures.

It is the Port’s intent that its environmental compliance programs be compliant with regulatory and legal requirements while effectively managing financial resources. The Port’s financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable generally accepted accounting principles in the United States of America, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination.

The Port anticipates spending approximately $2.4 million annually for environmental compliance and remediation obligations. Environmental monitoring costs relating to legal mandates such as regulatory agency orders, court orders or other affirmative legal obligations are included in the anticipated spending.

A summary of the environmental liability accounts, included within the financial statements at June 30, 2011, is as follows (in thousands):

Obligating Event	Liability	Estimated Recovery
Pollution poses an imminent danger to the public or environment	$ 218	$ -
Identified as responsible to clean up pollution	17,533	619
Named in a lawsuit to compel to clean up	39	-
Begins or legally obligates to clean up or post-clean up activities	2,920	60
Total by Obligating Event	$ 20,710	$ 679

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

(19) TRANSACTIONS WITH THE FOX OAKLAND THEATER, INC. (“FOT”) DEVELOPMENT

FOT is a Internal Revenue Code section 501(C)(3) organization set up by and for the benefit of the Agency and the City set up to renovate the Fox Theater. The Agency transferred the Fox Theater property to FOT in August 2006 through a long-term lease and a Disposition and Development Agreement (“DDA”) which included a $25.5 million loan. The Fox Theater property was held by the Agency as property held for resale. During 2008, the property was transferred to FOT as a long-term capital lease which was valued at $6.5 million in the lease and DDA. All FOT board members are City employees and FOT has no staff. FOT set up a for profit entity, Fox Theater Manager, Inc (“FT Manager”), and then two LLCs managed by FT Manager, Fox Theater Landlord LLC and Fox Theater Master Tenant LLC. These new entities were used to syndicate Historic and New Markets Tax Credits. The Fox Theater property was transferred to the LLCs in December 2006, but the loan remains with FOT and is secured by a pledge and assignment of borrowers ninety nine and nine-tenths percent (99.9%) interests in the Community Development Entities (CDEs) loans entered into between FOT and Fox Oakland Investment Fund (FOIF). In fiscal year 2009-10, the Agency loaned an additional of $2.0 million to FOT and $1.4 million to Fox Theater Master Tenant LLC to complete the project. The $1.4 million Fox Theater Master Tenant LLC loan has a 15-year term.

The outstanding principal balance of the FOT loan shall accrue interest at the rate of 2.5 percent, commencing on the date of disbursement and compounded annually, which will only be payable to the extent of borrower's net cash flow from operations. The loan terminates at the end of ten years unless the borrower defaults on the agreement in which case the lender declares an acceleration of the maturity.

(20) DEFICIT FUND BALANCES/NET ASSETS AND EXPENDITURES OVER BUDGET

As of June 30, 2011, the following funds reported deficits in fund balance/net assets (in thousands):

Special Revenue:		
Landscape and Lighting Assessment District	$	(2,517)
Capital Projects Fund:		
Emergency Services	$	(152)

The Landscape and Lighting Assessment District and Emergency Services funds deficit will be cleared by future revenues.

Internal Service Funds:		
Equipment	$	(804)
Facilities		(25,678)
Reproduction		(426)
Central Stores		(4,290)
Purchasing		(711)

The City's facilities, equipment, central stores, and funds deficits are expected to be funded through increased user charges in future years. During the 2009-11 Budget, the City revised the repayment plan for the internal service funds to eliminate the funds net assets deficit by 2019. In addition, the City adopted a financial policy that requires half of one-time revenues to be used to eliminate negative internal service fund balances and half be used to pay off other negative funds balances.

As of June 30, 2011, the following funds reported expenditures in excess of budgets (in thousands):

Debt Service Fund:		
Other Assessment Bonds	$	(91)
Capital Projects Fund:		
Parks and Recreation	$	(66)

The excess of expenditures over budget in the Other Assessment Bonds Fund is primarily attributed to administrative and commission costs associated with property tax collection and levy and the excess of expenditures over budget for Parks and Recreation Fund is the unrealized loss in investments.

(21) SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On July 8, 2011, the City closed the 2011-2012 Tax and Revenue Anticipation Notes (the "Notes") in the principal amount of $81,200,000 with a maturity date of March 30, 2012 and June 29, 2012. The Notes are tax-exempt with an interest rate of 2.0% on both maturities to yield at 0.31% for March 30, 2012 and 0.38% for June 29, 2012 maturity. The Notes were issued to finance General Fund expenditures, including but not limited to, current expenses, capital expenditures and the discharge of other obligations of the City.

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the City "may use any available funds not otherwise obligated for other uses" to make this payment. The City intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

On July 26, 2011, City Ordinance No. 13084 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be $39.4 million with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated $10 million will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the Agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

City of Oakland v. Oakland Police and Fire Retirement System, et al., Alameda County Superior Court case number RG 11580626

In June 2011, the City filed a petition for writ of mandate and complaint for declaratory relief against Oakland PFRS seeking, in the alternative, (1) a writ of mandate to compel changes in benefit payments made by PFRS to retired police officers and police widows; (2) a judicial declaration that the City's position regarding the calculation of benefit payments made by PFRS to retired police officers and police widows is correct, that retired police officers and police widows are being overpaid for their retirement benefits, that these payments should be corrected prospectively and that such overpayments should be recovered from the retired police officers and widows. PFRS filed an answer to the City's action on August 1, 2011 that denied the City's allegations and raised certain affirmative defenses in response. A hearing on the merits of the City's action is presently scheduled for January 18, 2012.

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REQUIRED SUPPLEMENTARY INFORMATION

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PERS ACTUARIAL VALUATIONS
SCHEDULES OF FUNDING PROGRESS

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

Public Safety Retirement Plan (Police and Fire)

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
7/1/2008	$ 1,084,370,034	$ 829,712,579	$ 254,657,455	76.5%	$ 138,606,908	183.7%
7/1/2009	1,194,359,091	888,250,432	306,108,659	74.4%	150,306,150	203.7%
7/1/2010	1,262,845,446	951,508,815	311,336,631	75.3%	145,619,032	213.8%

Miscellaneous Retirement Plan

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
7/1/2008	$ 1,727,976,732	$ 1,445,373,281	$ 282,603,451	83.6%	$ 237,455,347	119.0%
7/1/2009	1,876,286,272	1,505,314,108	370,972,164	80.2%	224,759,546	165.1%
7/1/2010	1,914,725,522	1,565,521,601	349,203,921	81.8%	195,788,222	178.4%

City Other PostEmployment Benefits (OPEB)

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
7/1/2008	$ 591,575,250	$ -	$ 591,575,250	0.0%	$ 304,875,561	194.0%
7/1/2010	520,882,498	-	520,882,498	0.0%	310,154,816	167.9%

Port of Oakland PostEmployment Benefits (OPEB)

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
1/1/2009	$ 100,412,000	$ -	$ 100,412,000	0.0%	$ 48,400,000	207%
1/1/2011	131,327,000	13,373,000.00	117,954,000	10.2%	45,079,000	262%
6/30/2011	128,906,000	19,145,000.00	109,761,000	14.9%	44,627,000	246%

PFRS AND OMERS ACTUARIAL VALUATIONS
SCHEDULES OF FUNDING PROGRESS

Oakland Police and Fire Retirement System - Pension

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
7/1/2007 *	$ 888,100,000	$ 566,000,000	$ 322,100,000	63.7%	$ 400,000	80525%
7/1/2009 *	782,500,000	347,200,000	435,300,000	44.4%	100,000	435300%
7/1/2010 *	792,200,000	297,800,000	494,400,000	37.6%	100,000	494400%

* Factors influencing the decline in funded ratio in FY 2008-09 include investment performance, the contribution holiday associated with the Pension Obligation Bonds (POB) issuance, and the strengthening of discount rate and post-retirement mortality assumptions.

Oakland Municipal Employees' Retirement System - Pension

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
7/1/2007 **	$ 7,516,000	$ 9,371,000	$ (1,855,000)	124.7%	$ -	N/A
7/1/2009 **	5,499,000	4,981,000	518,000	90.6%	-	N/A
7/1/2010 **	5,471,000	4,728,000	743,000	86.4%	-	N/A

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

CITY OF OAKLAND
Budgetary Comparison Schedule - General Fund (unaudited)
For the Year Ended June 30, 2011
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 184,295	$ 184,295	$ 189,237	$ 4,942
State taxes:				
Sales and use tax	36,142	36,143	41,235	5,092
Motor vehicle in-lieu tax	1,111	1,111	2,168	1,057
Local taxes:				
Business license	50,813	50,813	53,138	2,325
Utility consumption	50,800	50,800	53,440	2,640
Real estate transfer	33,490	33,490	31,608	(1,882)
Transient occupancy	8,786	8,786	9,634	848
Parking	7,519	7,519	8,513	994
Franchise	15,365	15,365	14,724	(641)
Licenses and permits	1,362	694	888	194
Fines and penalties	31,736	31,976	24,397	(7,579)
Interest and investment income	1,640	1,640	847	(793)
Charges for services	90,183	122,002	99,717	(22,285)
Federal and state grants and subventions	1,652	1,658	1,370	(288)
Annuity income	11,700	11,700	7,647	(4,053)
Other	14,575	15,064	10,661	(4,403)
TOTAL REVENUES	541,169	573,056	549,224	(23,832)
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	1,766	1,806	1,977	(171)
Council	3,553	3,798	3,870	(72)
City Administrator	9,116	9,259	9,150	109
City Attorney	11,598	11,595	12,079	(484)
City Auditor	1,034	1,297	1,456	(159)
City Clerk	3,182	4,179	2,986	1,193
Agencies/Departments:				
Human Resource Management	3,887	3,917	4,231	(314)
Information Technology	8,017	8,028	8,219	(191)
Financial Services	23,394	23,797	24,007	(210)
Contracting and Purchasing	1,929	1,950	2,082	(132)
Police Services	175,175	176,521	188,384	(11,863)
Fire Services	102,426	99,078	96,871	2,207
Life Enrichment:				
Parks and Recreation	14,531	15,832	15,948	(116)
Library	9,202	9,407	8,912	495
Cultural Arts and Museum	5,775	5,775	6,008	(233)
Aging & Health and Human Services	8,229	6,692	5,968	724
Community and Economic Development	17,163	30,563	17,266	13,297
Public Works	32,923	39,564	35,312	4,252
Other	7,104	9,996	2,329	7,667
Capital outlay	736	50,617	5,899	44,718
Debt service:				
Principal repayment	1,698	1,984	1,860	124
Interest charges	689	719	633	86
TOTAL EXPENDITURES	443,127	516,374	455,447	60,927
EXCESS OF REVENUES OVER EXPENDITURES	98,042	56,682	93,777	37,095
OTHER FINANCING SOURCES (USES)				
Property sale proceeds	3,000	3,007	4,481	1,474
Insurance claims and settlements	-	65	538	473
Transfers in	34,498	35,444	2,278	(33,166)
Transfers out	(119,299)	(132,882)	(100,300)	32,582
TOTAL OTHER FINANCING USES, NET	(81,801)	(94,366)	(93,003)	1,363
NET CHANGE IN FUND BALANCE	16,241	(37,684)	774	38,458
Fund balances - beginning	238,067	238,067	238,067	-
Adoption of GASB Statement No. 54	-	-	(5,246)	(5,246)
Fund balance - beginning as restated	238,067	238,067	232,821	(5,246)
FUND BALANCES - ENDING	$ 254,308	$ 200,383	$ 233,595	$ 33,212

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

(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 2009, the City Council approved the City's two-year budget for fiscal years 2010 and 2011. Although appropriations are adopted for a 24-month period, they are divided into two one-year spending plans. Agencies/departments ending the first year with budgetary non-project surplus, according to Council policy, will be allowed to carry-forward 1/3 for their operating budget, 1/3 for their capital spending, and 1/3 for reverting to the General Fund balance.

The final budgetary data presented in the required supplementary information reflects approved changes to the original 2010-11 budget. Certain projects are appropriated on a multiyear rather than annual basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations are carried forward to the following year with the approval of the City Administrator.

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

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

Budgetary Basis of Accounting

The City adopts budgets each fiscal year on a basis of accounting which is substantially the same as GAAP except for certain investment earnings.

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

Major Funds

Federal/State Grants
Oakland Redevelopment Agency
Municipal Capital Improvement

Nonmajor Funds

Special Revenue Funds
- ORA Projects
- Parks, Recreation and Cultural

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

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

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

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

The main difference between Budgetary Basis "actual" and GAAP basis is a timing difference:

In October 2001, the City entered into a debt service deposit agreement with a third party whereby the City received approximately $9.6 million in exchange for forgoing its right to receive investment earnings on the amounts deposited with the trustee in advance of the date that the related debt was due to the bondholders. The compensation to the City was recorded as revenue in fiscal year 2002 when received on a budgetary basis. On a GAAP basis, the revenue was deferred and is being recognized over the 21-year life of the agreement. Amortization for the year ended June 30, 2011, was $448,154.

On June 30, 2010, the City entered into a sublease agreement with the Oakland Redevelopment Agency ("Agency") whereby the City received advance payment of $4 million for a twelve year lease agreement. The advance to the City was recorded as revenue in fiscal year 2011 when received on a budgetary basis. On a GAAP basis, the revenue was deferred and being recognized over the 12-year life of the sublease agreement. Amortization for the year ended June 30, 2011, was $335,478.

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	$ (2,443)
Advance from Scotlan Convention Center sublease	4,000
Amortization of Scotlan sublease agreement	(335)
Amortization of debt service deposit agreement	(448)
Net change in fund balance - Budgetary basis	$ 774

The General Fund's fund balance on a GAAP Basis is reconciled to a Budgetary Basis as of June 30, 2011, which is as follows (in thousands):

	General Fund
Fund balance as of June 30, 2011 - GAAP basis	$ 225,361
Advance from Scotlan Convention Center sublease	3,665
Unamortized debt service deposit agreement	4,569
Fund balance as of June 30, 2011 - Budgetary basis	$ 233,595

COMBINING NONMAJOR GOVERNMENTAL FUNDS

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CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	$ 29,573	$ 9,356	$ -	$ 38,929
Receivables, net:				
Accrued interest	35	12	-	47
Property taxes	6,817	1,816	-	8,633
Accounts receivable	13,712	-	-	13,712
Grants receivable	2,189	-	-	2,189
Due from other funds	818	-	-	818
Notes and loans receivable, net	32,227	-	-	32,227
Restricted cash and investments	-	113,345	526	113,871
TOTAL ASSETS	$ 85,371	$ 124,529	$ 526	$ 210,426
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	$ 5,394	$ 9	$ 128	$ 5,531
Due to other funds	3,527	1,955	550	6,032
Due to other governments	62	-	-	62
Deferred revenue	38,535	1,147	-	39,682
Other	4,849	-	-	4,849
TOTAL LIABILITIES	52,367	3,111	678	56,156
Fund Balances				
Restricted	25,084	121,418	-	146,502
Committed	8,878	-	-	8,878
Assigned	1,559	-	-	1,559
Unassigned	(2,517)	-	(152)	(2,669)
TOTAL FUND BALANCES	33,004	121,418	(152)	154,270
TOTAL LIABILITIES AND FUND BALANCES	$ 85,371	$ 124,529	$ 526	$ 210,426

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes:				
Property	$ 2,572	$ 25,094	$ -	$ 27,666
State:				
Sales and use	10,675	-	-	10,675
Gas	10,990	-	-	10,990
Transient occupancy	2,850	-	-	2,850
Parking	4,947	-	-	4,947
Voter approved special tax	35,523	-	-	35,523
Licenses and permits	12,409	-	-	12,409
Fines and penalties	4,702	78	-	4,780
Interest and investment income	488	4,741	-	5,229
Charges for services	15,623	-	-	15,623
Federal and state grants and subventions	3,229	-	-	3,229
Other	6,958	49	-	7,007
TOTAL REVENUES	110,966	29,962	-	140,928
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	79	-	-	79
City Administrator	1,142	-	-	1,142
City Attorney	411	-	-	411
City Auditor	41	-	-	41
Agencies/Departments:				
Financial Services	182	56	-	238
Police Services	7,953	-	-	7,953
Fire Services	11,044	-	-	11,044
Life Enrichment:				
Parks and Recreation	4,837	-	-	4,837
Library	12,457	-	-	12,457
Cultural Arts/Museum	586	-	-	586
Aging & Health and Human Services	18,226	-	-	18,226
Community and Economic Development	29,547	-	-	29,547
Public Works	29,608	-	121	29,729
Other	1,231	148	66	1,445
Capital outlay	7,080	-	237	7,317
Debt service:				
Principal repayment	-	63,295	-	63,295
Interest charges	-	61,206	-	61,206
TOTAL EXPENDITURES	124,424	124,705	424	249,553
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(13,458)	(94,743)	(424)	(108,625)
OTHER FINANCING SOURCES (USES)				
Insurance claims and settlments	10	-	-	10
Transfers in	12,875	88,633	-	101,508
Transfers out	(143)	-	(435)	(578)
TOTAL OTHER FINANCING SOURCES (USES)	12,742	88,633	(435)	100,940
NET CHANGE IN FUND BALANCES	(716)	(6,110)	(859)	(7,685)
Fund balances - beginning	23,720	127,528	707	151,955
Adoption of GASB Statement No. 54	10,000	-	-	10,000
Fund balance - beginning as restated	33,720	127,528	707	161,955
FUND BALANCES - ENDING	$ 33,004	$ 121,418	$ (152)	$ 154,270

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds-Special Revenue Funds
June 30, 2011
(In Thousands)

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessment District	Assessment Districts	Other Special Revenue	ORA Projects	Parks, Recreation, and Cultural	Total
ASSETS								
Cash and Investments	$ 10,325	$ 3,464	$ -	$ 3,163	$ 7,906	$ -	$ 4,715	$ 29,573
Receivable, net:								
Accrued interest and dividends	12	3	-	3	12	-	5	35
Property taxes	-	-	2,803	168	3,438	-	408	6,817
Accounts receivable	2,957	1,243	579	26	8,907	-	-	13,712
Grants receivable	152	-	-	-	2,037	-	-	2,189
Due from other funds	-	-	-	-	818	-	-	818
Notes and loans receivable, net	-	-	-	-	32,227	-	-	32,227
TOTAL ASSETS	$ 13,446	$ 4,710	$ 3,382	$ 3,360	$ 55,345	$ -	$ 5,128	$ 85,371
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable and accrued liabilities	$ 732	$ 187	$ 422	$ 208	$ 3,823	$ -	$ 22	$ 5,394
Due to other funds	-	-	3,015	-	512	-	-	3,527
Due to other governments	-	-	-	-	62	-	-	62
Deferred revenues	-	-	2,462	140	35,544	-	389	38,535
Other	-	-	-	-	4,016	-	833	4,849
TOTAL LIABILITIES	732	187	5,899	348	43,957	-	1,244	52,367
Fund Balances (deficit)								
Restricted	12,714	4,523	-	3,012	4,835	-	-	25,084
Committed	-	-	-	-	6,553	-	2,325	8,878
Assigned	-	-	-	-	-	-	1,559	1,559
Unassigned	-	-	(2,517)	-	-	-	-	(2,517)
TOTAL FUND BALANCES (DEFICIT)	12,714	4,523	(2,517)	3,012	11,388	-	3,884	33,004
TOTAL LIABILITIES AND FUND BALANCES	$ 13,446	$ 4,710	$ 3,382	$ 3,360	$ 55,345	$ -	$ 5,128	$ 85,371

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds-Special Revenue Funds
For the Year Ended June 30, 2011
(In Thousands)

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessment District	Assessment Districts	Other Special Revenue	ORA Projects	Parks, Recreation, and Cultural	Total
REVENUES								
Taxes:								
Property	$ -	$ -	$ -	$ 1,738	$ 834	$ -	$ -	$ 2,572
State:								
Sales and use	10,675	-	-	-	-	-	-	10,675
Gas	-	10,990	-	-	-	-	-	10,990
Licenses and permits	-	-	17	-	12,392	-	-	12,409
Transient occupancy	-	-	-	-	2,850	-	-	2,850
Parking	-	-	-	-	4,947	-	-	4,947
Voter approved special tax	-	-	19,065	-	16,458	-	-	35,523
Fines and penalities	2,782	-	-	-	1,920	-	-	4,702
Interest and investment income	31	6	-	9	425	-	17	488
Charges for services	247	26	208	-	15,142	-	-	15,623
Federal and state grants and subventions	75	138	8	-	2,912	-	96	3,229
Other	15	8	-	3	5,075	-	1,857	6,958
TOTAL REVENUES	13,825	11,168	19,298	1,750	62,955	-	1,970	110,966
EXPENDITURES								
Current:								
Elected and Appointed Officials:								
Mayor	-	-	-	-	60	-	19	79
City Administrator	104	-	6	2	1,030	-	-	1,142
City Attorney	-	-	-	-	411	-	-	411
City Auditor	-	-	-	-	41	-	-	41
Agencies/Departments:								
Financial Services	-	3	156	-	23	-	-	182
Police Services	1,554	-	-	-	6,399	-	-	7,953
Fire Services	-	-	-	1,549	9,495	-	-	11,044
Life Enrichment:								
Parks and Recreation	-	-	4,340	-	461	-	36	4,837
Library	-	-	-	-	12,250	-	207	12,457
Cultural Arts and Museum	-	-	192	-	361	-	33	586
Aging & Health and Human Services	1,219	-	-	-	17,007	-	-	18,226
Community and Economic Development	26	-	-	-	29,520	-	1	29,547
Public Works	8,707	7,741	12,347	11	600	-	202	29,608
Other	-	-	11	2	1,218	-	-	1,231
Capital outlay	4,262	457	-	9	1,047	-	1,305	7,080
TOTAL EXPENDITURES	15,872	8,201	17,052	1,573	79,923	-	1,803	124,424
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,047)	2,967	2,246	177	(16,968)	-	167	(13,458)
OTHER FINANCING SOURCES (USES)								
Insurance claims and settlments	-	-	-	-	-	-	10	10
Transfers in	-	1,208	-	151	11,516	-	-	12,875
Transfers out	-	-	(143)	-	-	-	-	(143)
TOTAL OTHER FINANCING SOURCES (USES)	-	1,208	(143)	151	11,516	-	10	12,742
NET CHANGE IN FUND BALANCES	(2,047)	4,175	2,103	328	(5,452)	-	177	(716)
Fund balances (deficit) - beginning as originally reported	14,761	348	(4,620)	2,684	7,954	(1,114)	3,707	23,720
Adoption of GASB Statement No. 54	-	-	-	-	8,886	1,114	-	10,000
Fund balance - beginning as restated	14,761	348	(4,620)	2,684	16,840	-	3,707	33,720
FUND BALANCES (DEFICIT) - ENDING	$ 12,714	$ 4,523	$ (2,517)	$ 3,012	$ 11,388	$ -	$ 3,884	$ 33,004

CITY OF OAKLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Funds
For the Year Ended June 30, 2011
(In Thousands)

	Traffic Safety and Control				State Gas Tax				Landscape and Lighting Assessment District			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES												
State:												
Sales and use	$ 9,625	$ 9,650	$ 10,675	$ 1,025	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Gas	-	-	-	-	6,638	10,838	10,990	152	-	-	-	-
Voter approved special tax	-	-	-	-	-	-	-	-	18,208	18,208	19,065	857
Licenses and permits	-	-	-	-	-	-	-	-	13	13	17	4
Fines and penalties	2,551	2,551	2,782	231	-	-	-	-	-	-	-	-
Interest and investment income	250	100	31	(69)	-	-	6	6	-	-	-	-
Charges for services	80	80	247	167	20	20	26	6	172	172	208	36
Federal and state grants and subventions	-	-	75	75	141	141	138	(3)	-	-	8	8
Other	-	-	15	15	-	-	8	8	-	-	-	-
TOTAL REVENUES	12,506	12,381	13,825	1,444	6,799	10,999	11,168	169	18,393	18,393	19,298	905
EXPENDITURES												
Current:												
Elected and Appointed Officials:												
City Administrator	98	98	104	(6)	-	-	-	-	21	24	6	18
Agencies/Departments:												
Financial Services	-	-	-	-	-	-	3	(3)	23	23	156	(133)
Police Services	2,063	2,063	1,554	509	-	-	-	-	-	-	-	-
Life Enrichment:												
Parks and Recreation	-	-	-	-	-	-	-	-	4,205	4,205	4,340	(135)
Cultural Arts and Museum	-	-	-	-	-	-	-	-	213	213	192	21
Aging & Health and Human Services	914	1,550	1,219	331	-	-	-	-	-	-	-	-
Community and Economic Development	-	34	26	8	-	-	-	-	-	-	-	-
Public Works	5,878	9,070	8,707	363	6,815	9,104	7,741	1,363	13,658	13,696	12,347	1,349
Other	-	-	-	-	-	-	-	-	-	-	11	(11)
Capital outlay	5,750	21,214	4,262	16,952	-	4,699	457	4,242	-	34	-	34
TOTAL EXPENDITURES	14,703	34,029	15,872	18,157	6,815	13,803	8,201	5,602	18,120	18,195	17,052	1,143
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,197)	(21,648)	(2,047)	19,601	(16)	(2,804)	2,967	5,771	273	198	2,246	2,048
OTHER FINANCING SOURCES (USES)												
Transfers in	1,500	-	-	-	-	-	1,208	1,208	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(143)	(143)	(143)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,500	-	-	-	-	-	1,208	1,208	(143)	(143)	(143)	-
NET CHANGE IN FUND BALANCEs	(697)	(21,648)	(2,047)	19,601	(16)	(2,804)	4,175	6,979	130	55	2,103	2,048
Fund balances (deficit) -beginning	14,761	14,761	14,761	-	348	348	348	-	(4,620)	(4,620)	(4,620)	-
FUND BALANCES (DEFICIT) - ENDING	$ 14,064	$ (6,887)	$ 12,714	$ 19,601	$ 332	$ (2,456)	$ 4,523	$ 6,979	$ (4,490)	$ (4,565)	$ (2,517)	$ 2,048

(Continued)

CITY OF OAKLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Funds
For the Year Ended June 30, 2011
(In Thousands)

	Assessment Districts				Other Special Revenue			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES								
Taxes:								
Property	$ 1,820	$ 1,821	$ 1,738	$ (83)	$ 13,651	$ -	$ 834	$ 834
Voter approved special tax	-	-	-	-	3,017	16,572	16,458	(114)
Parking	-	-	-	-	7,948	-	4,947	4,947
Transient occupancy	-	-	-	-	21	2,372	2,850	478
Licenses and permits	-	-	-	-	25,102	12,706	12,392	(314)
Fines and penalties	-	-	-	-	21	1,036	1,920	884
Interest and investment income	-	-	9	9	-	28	425	397
Charges for services	-	-	-	-	13,560	10,878	15,142	4,264
Federal and state grants and subventions	-	-	-	-	4,323	3,334	2,912	(422)
Other	3	3	3	-	85	310	5,075	4,765
TOTAL REVENUES	1,823	1,824	1,750	(74)	67,728	47,236	62,955	15,719
EXPENDITURES								
Current:								
Elected and Appointed Officials:								
Mayor	-	-	-	-	-	135	60	75
City Administrator	3	3	2	1	450	1,241	1,030	211
City Attorney	-	-	-	-	458	458	411	47
City Auditor	-	-	-	-	-	91	41	50
Agencies/Departments:								
Information Technology					1	(22)	-	(22)
Financial Services	-	-	-	-	-	53	23	30
Police Services	-	-	-	-	462	7,520	6,399	1,121
Fire Services	1,857	2,242	1,549	693	3,619	11,149	9,495	1,654
Life Enrichment:								
Parks and Recreation	-	-	-	-	-	505	461	44
Library	-	-	-	-	17	14,605	12,250	2,355
Cultural Arts and Museum	-	-	-	-	294	411	361	50
Aging, Health and Human Services	-	-	-	-	16,041	21,657	17,007	4,650
Community and Economic Development	-	-	-	-	22,324	31,471	29,520	1,951
Public Works	-	30	11	19	206	3,068	600	2,468
Other	-	-	2	(2)	(293)	2,197	1,218	979
Capital outlay	-	376	9	367	140	13,863	1,047	12,816
TOTAL EXPENDITURES	1,860	2,651	1,573	1,078	43,719	108,402	79,923	28,479
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(37)	(827)	177	1,004	24,009	(61,166)	(16,968)	44,198
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	151	(151)	11,672	17,196	11,516	(5,680)
Transfers out	-	-	-	-	(2,284)	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	151	(151)	9,388	17,196	11,516	(5,680)
NET CHANGE IN FUND BALANCES	(37)	(827)	328	853	33,397	(43,970)	(5,452)	38,518
Fund balances - beginning, as originally reported	2,684	2,684	2,684	-	7,954	7,954	7,954	-
Adoption of GASB Statement No. 54	-	-	-	-	-	-	8,886	8,886
Fund balance - beginning as restated	2,684	2,684	2,684	-	41,351	7,954	16,840	8,886
FUND BALANCES - ENDING	$ 2,647	$ 1,857	$ 3,012	$ 853	$ 50,739	$ (36,016)	$ 11,388	$ 47,404

(Concluded)

NONMAJOR DEBT SERVICE FUNDS

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

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

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

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

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

The **Special Revenue Bonds Fund** accounts for monies received in connection with the Special Refunding Revenue Bonds (Pension Financing) and for payments on such bonds. Proceeds from the bonds were used by the City to fund a portion of the City's liability for employee pensions.

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CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds-Debt Service Funds
June 30, 2011
(In Thousands)

	General Obligation Bonds	Lease Financing	JPFA Fund	Other Assessment Bonds	Special Revenue Bonds	Total
ASSETS						
Cash and investments	$ 5,650	$ 86	$ 1,228	$ 2,392	$ -	$ 9,356
Receivables, net:						
Accrued interest and dividends	8	-	1	3	-	12
Property taxes	1,738	-	-	78	-	1,816
Restricted cash and investments	-	-	97,171	1,011	15,163	113,345
TOTAL ASSETS	$ 7,396	$ 86	$ 98,400	$ 3,484	$ 15,163	$ 124,529
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	$ 2	$ 4	$ 1	$ -	$ 2	$ 9
Deferred revenue	1,076	-	-	71	-	1,147
TOTAL LIABILITIES	1,078	4	1	71	1,957	3,111
Fund Balances						
Restricted	6,318	82	98,399	3,413	13,206	121,418
TOTAL FUND BALANCES	6,318	82	98,399	3,413	13,206	121,418
TOTAL LIABILITIES AND FUND BALANCES	$ 7,396	$ 86	$ 98,400	$ 3,484	$ 15,163	$ 124,529

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds-Debt Service Funds
For the Year Ended June 30, 2011
(In Thousands)

	General Obligation Bonds	Lease Financing	JPFA Fund	Other Assessment Bonds	Special Revenue Bonds	Total
REVENUES						
Property taxes	$ 25,094	$ -	$ -	$ -	$ -	$ 25,094
Fines and penalties	78	-	-	-	-	78
Interest and investment income	17	-	4,630	47	47	4,741
Other	-	49	-	-	-	49
TOTAL REVENUES	25,189	49	4,630	47	47	29,962
EXPENDITURES						
Agencies/Departments:						
Financial services	-	-	-	56	-	56
Other	7	10	4	121	6	148
Debt Service:						
Principal repayment	10,397	14,415	10,875	335	27,273	63,295
Interest charges	13,574	3,414	9,274	444	34,500	61,206
TOTAL EXPENDITURES	23,978	17,839	20,153	956	61,779	124,705
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,211	(17,790)	(15,523)	(909)	(61,732)	(94,743)
OTHER FINANCING SOURCES						
Transfers in	-	17,832	9,027	-	61,774	88,633
TOTAL OTHER FINANCING SOURCES	-	17,832	9,027	-	61,774	88,633
NET CHANGE IN FUND BALANCES	1,211	42	(6,496)	(909)	42	(6,110)
Fund balances - beginning	5,107	40	104,895	4,322	13,164	127,528
FUND BALANCES - ENDING	$ 6,318	$ 82	$ 98,399	$ 3,413	$ 13,206	$ 121,418

CITY OF OAKLAND

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Debt Service Funds

For the Year Ended June 30, 2011

(In Thousands)

	General Obligation Bonds				Lease Financing			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES								
Taxes:								
Property	$ 19,399	$ 23,994	$ 25,094	$ 1,100	$ -	$ -	$ -	$ -
Fines and penalties	-	-	78	78	-	-	-	-
Interest and investment income	-	-	17	17	7	7	-	(7)
Other	-	-	-	-	21,500	21,500	49	(21,451)
TOTAL REVENUES	19,399	23,994	25,189	1,195	21,507	21,507	49	(21,458)
EXPENDITURES								
Current:								
Other	33	39	7	32	12	12	10	2
Debt service:								
Principal repayment	9,342	10,397	10,397	-	35,915	35,915	14,415	21,500
Interest charges	10,024	13,578	13,574	4	3,418	3,418	3,414	4
TOTAL EXPENDITURES	19,399	24,014	23,978	36	39,345	39,345	17,839	21,506
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(20)	1,211	1,231	(17,838)	(17,838)	(17,790)	48
OTHER FINANCING SOURCES								
Transfers in	-	-	-	-	17,839	17,839	17,832	(7)
TOTAL OTHER FINANCING SOURCES	-	-	-	-	17,839	17,839	17,832	(7)
NET CHANGE IN FUND BALANCES	-	(20)	1,211	1,231	1	1	42	41
Fund balances - beginning	5,107	5,107	5,107	-	40	40	40	-
FUND BALANCES - ENDING	$ 5,107	$ 5,087	$ 6,318	$ 1,231	$ 41	$ 41	$ 82	$ 41

(Continued)

CITY OF OAKLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service Funds
For the Year Ended June 30, 2011
(In Thousands)

	JPFA Fund				Other Assessment Bonds				Special Revenue Bonds			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES												
Property	$ -	$ -	$ -	$ -	$ -	$ 177	$ -	$ (177)	$ -	$ -	$ -	$ -
Interest and investment income	4,593	4,593	4,630	37	-	-	47	47	-	-	47	47
Other	-	-	-	-	640	640	-	(640)	-	-	-	-
TOTAL REVENUES	4,593	4,593	4,630	37	640	817	47	(770)	-	-	47	47
EXPENDITURES												
Current:												
Agencies/Departments:												
Financial Services	-	-	-	-	46	46	56	(10)	-	-	-	-
Other	16	16	4	12	23	28	121	(93)	24	24	6	18
Debt service:												
Principal repayment	10,875	10,875	10,875	-	275	335	335	-	27,273	27,273	27,273	-
Interest charges	9,274	9,274	9,274	-	286	456	444	12	32,042	34,892	34,500	392
TOTAL EXPENDITURES	20,165	20,165	20,153	12	630	865	956	(91)	59,339	62,189	61,779	410
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(15,572)	(15,572)	(15,523)	49	10	(48)	(909)	(861)	(59,339)	(62,189)	(61,732)	457
OTHER FINANCING SOURCES (USES)												
Transfers in	15,572	15,572	9,027	(6,545)	561	650	-	(650)	59,339	62,189	61,774	(415)
Transfers out	-	-	-	-	(561)	(650)	-	650	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	15,572	15,572	9,027	(6,545)	-	-	-	-	59,339	62,189	61,774	(415)
NET CHANGE IN FUND BALANCES	-	-	(6,496)	(6,496)	10	(48)	(909)	(861)	-	-	42	42
Fund balances - beginning	104,895	104,895	104,895	-	4,322	4,322	4,322	-	13,164	13,164	13,164	-
FUND BALANCES - ENDING	$ 104,895	$ 104,895	$ 98,399	$ (6,496)	$ 4,332	$ 4,274	$ 3,413	$ (861)	$ 13,164	$ 13,164	$ 13,206	$ 42

(Concluded)

NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds account for financial resources to be used for the acquisition, construction or improvement of major capital facilities, except those financed by proprietary funds.

The **Parks and Recreation Fund** accounts for monies from the issuance of the General Obligation Bonds to be used for financing the acquisition of land and to expand, develop, and rehabilitate park and recreational facilities.

The **Emergency Services Fund** accounts for monies from the issuance of the General Obligation Bonds to be used for financing the enhancement of emergency response capabilities and seismic reinforcement of essential public facilities and infrastructures.

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CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds-Capital Projects Funds
June 30, 2011
(In Thousands)

	Parks and Recreation	Emergency Services	Total
ASSETS			
Restricted cash and investments	$ 526	$ -	$ 526
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	$ 128	$ -	$ 128
Due to other funds	398	152	550
TOTAL LIABILITIES	526	152	678
Fund balances			
Unassigned:	-	(152)	(152)
TOTAL LIABILITIES AND FUND BALANCES	$ 526	$ -	$ 526

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds-Capital Projects Funds
For the Year Ended June 30, 2011
(In Thousands)

	Parks and Recreation	Emergency Services	Total
EXPENDITURES			
Current:			
Public Works	121	-	121
Other	66	-	66
Capital outlay	146	91	237
TOTAL EXPENDITURES	333	91	424
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(333)	(91)	(424)
OTHER FINANCING USES			
Transfers out	(426)	(9)	(435)
TOTAL OTHER FINANCING USES	(426)	(9)	(435)
NET CHANGE IN FUND BALANCES	(759)	(100)	(859)
Fund balances (deficit) - beginning	759	(52)	707
FUND BALANCES (DEFICIT) - ENDING	$ -	$ (152)	$ (152)

CITY OF OAKLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Project Funds
For the Year Ended June 30, 2011
(In Thousands)

	Parks and Recreation				Emergency Services			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
EXPENDITURES								
Public Works	-	121	121	-	-	3	-	3
Other	-	-	66	(66)	-	-	-	-
Capital outlay	-	146	146	-	-	94	91	3
TOTAL EXPENDITURES	-	267	333	(66)	-	97	91	6
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(267)	(333)	(66)	-	(97)	(91)	6
OTHER FINANCING (USES)								
Transfers out	-	(426)	(426)	-	-	(9)	(9)	-
TOTAL OTHER FINANCING (USES)	-	(426)	(426)	-	-	(9)	(9)	-
NET CHANGE IN FUND BALANCES	-	(693)	(759)	(66)	-	(106)	(100)	6
Fund balances (deficit) -beginning	759	759	759	-	(52)	(52)	(52)	-
FUND BALANCES (DEFICIT) - ENDING	$ 759	$ 66	$ -	$ (66)	$ (52)	$ (158)	$ (152)	$ 6

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INTERNAL SERVICE FUNDS

Internal service funds account for operations that provide goods or services to other City departments and agencies, or to other governments, on a cost-reimbursement basis.

The **Equipment Fund** accounts for the purchase of automotive and rolling equipment, and the related maintenance service charges and related billings for various City departments.

The **Radio Fund** accounts for the purchase, maintenance and operation of radio and other communication equipment being used by various City departments.

The **Facilities Fund** accounts for the repair and maintenance of City facilities, and for provision of custodial and maintenance services related thereto.

The **Reproduction Fund** accounts for the acquisition, maintenance and provision of reproduction equipment and services related to normal governmental operations.

The **Central Stores Fund** accounts for inventory provided to various City departments on a cost reimbursement basis.

The **Purchasing Fund** accounts for procurement of materials, equipments and services essential to providing governmental services for the City.

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CITY OF OAKLAND
Combining Statement of Fund Net Assets
Internal Service Funds
June 30, 2011
(In Thousands)

	Equipment	Radio	Facilities	Reproduction	Central Stores	Purchasing	Total
ASSETS							
Current assets:							
Cash and Investments	$ -	$ 2,354	$ -	$ -	$ -	$ -	$ 2,354
Accounts receivable	27	14	46	-	-	-	87
Due from other funds	-	-	1	-	-	55	56
Inventories	227	-	-	-	383	-	610
Restricted cash and investments	419	141	-	-	-	-	560
Total Current assets	673	2,509	47	-	383	55	3,667
Non-current assets:							
Capital assets:							
Land and other assets not being depreciated	-	-	310	-	-	-	310
Facilities and equipment, net of depreciation	10,309	217	555	78	-	-	11,159
Total Non-current Assets	10,309	217	865	78	-	-	11,469
TOTAL ASSETS	10,982	2,726	912	78	383	55	15,136
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	522	185	591	62	9	1	1,370
Accured interest payable	2	4	42	-	-	-	48
Due to other funds	10,371	-	23,561	442	4,664	765	39,803
Other liabilities	-	-	7	-	-	-	7
Notes payable and capital leases	891	412	312	-	-	-	1,615
Total Current Liabilities	11,786	601	24,513	504	4,673	766	42,843
Non-current liabilities:							
Notes payable and capital leases	-	-	2,077	-	-	-	2,077
TOTAL LIABILITIES	11,786	601	26,590	504	4,673	766	44,920
NET ASSETS (DEFICIT)							
Invested in capital assets, net of related debt	9,837	-	(1,524)	78	-	-	8,391
Unrestricted (deficit)	(10,641)	2,125	(24,154)	(504)	(4,290)	(711)	(38,175)
TOTAL NET ASSETS (DEFICIT)	$ (804)	$ 2,125	$ (25,678)	$ (426)	$ (4,290)	$ (711)	$ (29,784)

CITY OF OAKLAND
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2011
(In Thousands)

	Equipment	Radio	Facilities	Reproduction	Central Stores	Purchasing	Total
OPERATING REVENUES							
Charges for services	$ 17,458	$ 4,005	$ 23,775	$ 1,048	$ 2,255	$ 894	$ 49,435
Other	33	-	29	-	-	1	63
TOTAL OPERATING REVENUES	17,491	4,005	23,804	1,048	2,255	895	49,498
OPERATING EXPENSES							
Personnel	5,495	1,373	9,443	429	897	598	18,235
Supplies	4,548	32	863	125	1	14	5,583
Depreciation and amortization	3,248	74	56	49	-	-	3,427
Contractual services and supplies	56	44	502	-	3	-	605
Repairs and maintenance	569	96	2,112	3	4	-	2,784
General and administrative	1,655	271	2,576	259	72	39	4,872
Rental	883	187	294	505	52	-	1,921
Other	287	343	5,171	4	977	4	6,786
TOTAL OPERATING EXPENSES	16,741	2,420	21,017	1,374	2,006	655	44,213
OPERATING INCOME (LOSS)	750	1,585	2,787	(326)	249	240	5,285
NON-OPERATING REVENUES (EXPENSES)							
Interest and investment income (loss)	(27)	9	(69)	(2)	(15)	(3)	(107)
Interest expense	(64)	(27)	(110)	-	-	-	(201)
Rental	-	-	85	-	-	-	85
Federal and State grants	101	-	7	-	-	-	108
Insurance claims and settlements	332	5	284	-	-	-	621
Other, net	82	-	-	-	-	-	82
TOTAL NON-OPERATING REVENUES (EXPENSES)	424	(13)	197	(2)	(15)	(3)	588
INCOME (LOSS) BEFORE TRANSFERS	1,174	1,572	2,984	(328)	234	237	5,873
Transfers out	(210)	-	(14)	-	-	-	(224)
Change in net assets (deficit)	964	1,572	2,970	(328)	234	237	5,649
Total net assets (deficit) - beginning	(1,768)	553	(28,648)	(98)	(4,524)	(948)	(35,433)
TOTAL NET ASSETS (DEFICIT) - ENDING	$ (804)	$ 2,125	$ (25,678)	$ (426)	$ (4,290)	$ (711)	$ (29,784)

CITY OF OAKLAND
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011
(In Thousands)

	Equipment	Radio	Facilities	Reproduction	Central Stores	Purchasing	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers and users	$ 17,426	$ 4,007	$ 23,728	$ 1,048	$ 2,576	$ 903	$ 49,688
Cash from other sources	33	-	29	-	-	1	63
Cash paid to employees	(5,495)	(1,373)	(9,443)	(429)	(897)	(598)	(18,235)
Cash paid to suppliers	(8,119)	(796)	(11,641)	(872)	(1,119)	(72)	(22,619)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3,845	1,838	2,673	(253)	560	234	8,897
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Proceeds of interfund loans	-	-	-	255	-	-	255
Repayment of interfund loans	(2,854)	-	(2,420)	-	(545)	(231)	(6,050)
Other (settlements, rental), net	515	5	376	-	-	-	896
Transfers out	(210)	-	(14)	-	-	-	(224)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(2,549)	5	(2,058)	255	(545)	(231)	(5,123)
CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES							
Acquisition of capital assets	(351)	-	(74)	-	-	-	(425)
Repayment of long-term debt	(854)	(394)	(362)	-	-	-	(1,610)
Interest paid on long-term debt	(64)	(27)	(110)	-	-	-	(201)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,269)	(421)	(546)	-	-	-	(2,236)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest income (loss)	(27)	9	(69)	(2)	(15)	(3)	(107)
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	1,431	-	-	-	-	1,431
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	419	1,064	-	-	-	-	1,483
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 419	$ 2,495	$ -	$ -	$ -	$ -	$ 2,914
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Operating income (loss)	$ 750	$ 1,585	$ 2,787	$ (326)	$ 249	$ 240	$ 5,285
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Depreciation	3,248	74	56	49	-	-	3,427
Changes in assets and liabilities:							
Receivables	(3)	-	(46)	-	-	-	(49)
Due from other funds	-	2	(1)	-	-	9	10
Inventories	(29)	-	-	-	321	-	292
Accounts payable and accrued liabilities	(121)	177	(130)	24	(10)	(15)	(75)
Other liabilities	-	-	7	-	-	-	7
Total Adjustments	3,095	253	(114)	73	311	(6)	3,612
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 3,845	$ 1,838	$ 2,673	$ (253)	$ 560	$ 234	$ 8,897
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS							
Cash and investments	$ -	$ 2,354	$ -	$ -	$ -	$ -	$ 2,354
Restricted cash and investment	419	141	-	-	-	-	560
TOTAL CASH AND CASH EQUIVALENTS	$ 419	$ 2,495	$ -	$ -	$ -	$ -	$ 2,914

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FIDUCIARY FUNDS

Fiduciary funds, including pension and private purpose trusts, account for resources held by the City which must be spent as provided in legal trust agreements and related state laws. Agency funds account for assets held for other funds, governments, private organizations or individuals. Agency funds do not measure the results of operations and generally serve as clearing accounts.

PENSION TRUST FUNDS

The **Oakland Municipal Employees Retirement System (OMERS) Fund** is a closed benefit plan that covers non-uniformed employees hired prior to September 1970 who have not elected to transfer to the California Public Employees Retirement System.

The **Police and Fire Retirement System (PFRS) Fund** is a closed benefit plan administered by a Board of Trustees which covers uniformed police and fire employees. Membership in the plan is limited to uniformed employees hired prior to July 1, 1976. All subsequent hires are covered under the California Public Employees Retirement System.

PRIVATE PURPOSE TRUST FUNDS

Private Purpose Trust Fund accounts for the operations of certain trust funds, such as the Major Gifts Funds or the Youth Opportunity Program Fund, and retiree medical payments; that are not related to Oakland Redevelopment Agency projects or parks, recreation or cultural activities. The **Private Pension Trust Fund** accounts for employee deferred compensation fund.

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CITY OF OAKLAND
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2011
(In Thousands)

	OMERS	PFRS	TOTAL
ASSETS			
Cash and investments	$ 135	$ 3,418	$ 3,553
Receivables:			
Accrued interest and dividends	-	959	959
Investments and other	6	3,558	3,564
Restricted:			
Short-term investments	47	16,863	16,910
Fixed income investments	-	81,523	81,523
Domestic equities and mutual funds	4,737	147,305	152,042
International equities and mutual funds	-	47,939	47,939
Real estate mortgage loans	-	38	38
Total restricted cash and investments	4,784	293,668	298,452
Securities lending collateral	-	11,536	11,536
TOTAL ASSETS	4,925	313,139	318,064
LIABILITIES			
Accounts payable and accrued liabilities	52	16,721	16,773
Securities lending liabilities	-	11,536	11,536
TOTAL LIABILITIES	52	28,257	28,309
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 4,873	$ 284,882	$ 289,755

CITY OF OAKLAND
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2011
(In Thousands)

	OMERS	PFRS	TOTAL
ADDITIONS:			
Contributions:			
Members	$ -	$ 7	$ 7
Investment Income:			
Net appreciation in fair value of investments	835	58,677	59,512
Interest	71	1,557	1,628
Dividends	38	4,791	4,829
Securities lending income	-	119	119
Total investment income, net	944	65,144	66,088
Less investment expense	(25)	(1,297)	(1,322)
Borrowers' rebates and other agent fees and securities lending transactions	-	(30)	(30)
Net investment income	919	63,817	64,736
Other income	6	63	69
TOTAL ADDITIONS	925	63,887	64,812
DEDUCTIONS:			
Disbursements to members and beneficiaries:			
Retirement	435	40,419	40,854
Disability	76	24,353	24,429
Death	3	2,075	2,078
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	514	66,847	67,361
Administrative expenses	266	845	1,111
TOTAL DEDUCTIONS	780	67,692	68,472
Change in net assets	145	(3,805)	(3,660)
Net assets - beginning	4,728	288,687	293,415
NET ASSETS - ENDING	$ 4,873	$ 284,882	$ 289,755

CITY OF OAKLAND
Statement of Fiduciary Net Assets
Private Purpose Trust Funds
June 30, 2011
(In Thousands)

	Private Purpose Trust Fund	Private Pension Trust Fund	Total
ASSETS			
Cash and investments	$ 9,461	$ 292	$ 9,753
Receivables:			
Accrued interest and dividends	6	1	7
Accounts receivable	2	-	2
TOTAL ASSETS	9,469	293	9,762
LIABILITIES			
Accounts payable and accrued liabilities	824	-	824
NET ASSETS HELD IN TRUST	$ 8,645	$ 293	$ 8,938

CITY OF OAKLAND
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the Year Ended June 30, 2011
(In Thousands)

	Private Purpose Trust Fund	Private Pension Trust Fund	Total
ADDITIONS:			
Trust receipts	$ 813	$ 213	$ 1,026
Interest	23	1	24
Other income	3,816	-	3,816
TOTAL ADDITIONS	4,652	214	4,866
DEDUCTIONS:			
Administrative expenses	-	154	154
Public works	59	-	59
Police services	283	-	283
Other	196	-	196
Capital outlay	3,449	-	3,449
TOTAL DEDUCTIONS	3,987	154	4,141
Change in net assets	665	60	725
NET ASSETS - BEGINNING	7,980	233	8,213
NET ASSETS - ENDING	$ 8,645	$ 293	$ 8,938

STATISTICAL SECTION

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CITY OF OAKLAND
STATISTICS

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Pledged Revenue Coverage

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

Demographic and Economic Information

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

Operating Information

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

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

SCHEDULE 1

NET ASSETS BY COMPONENT
(in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	$ 395,311	$ 385,354	$ 389,345	$ 310,633	$ 319,932	$ 353,715	$ 401,881	$ 442,793	$ 478,689	$ 538,815
Restricted	246,923	429,353	316,026	292,415	267,824	317,558	336,908	338,514	372,439	382,563
Unrestricted	(634,634)	(400,886)	(260,074)	(55,983)	(8,522)	37,704	(117,971)	(156,331)	(301,692)	(334,771)
Total governmental activities net assets	$ 7,600	$ 413,821	$ 445,297	$ 547,065	$ 579,234	$ 708,977	$ 620,818	$ 624,976	$ 549,436	$ 586,607
Business-type activities										
Invested in capital assets, net of related debt	$ 103,197	$ 109,682	$ 113,610	$ 107,396	$ 110,279	$ 109,886	$ 111,881	$ 113,961	$ 113,718	$ 114,297
Restricted	-	-	-	-	-	-	-	-		
Unrestricted	(4,287)	(3,643)	(6,185)	3,114	989	2,173	7,731	15,037	26,126	37,429
Total business-type activities net assets	$ 98,910	$ 106,039	$ 107,425	$ 110,510	$ 111,268	$ 112,059	$ 119,612	$ 128,998	$ 139,844	$ 151,726
Primary government										
Invested in capital assets, net of related debt	$ 498,508	$ 495,036	$ 502,955	$ 418,029	$ 430,211	$ 463,601	$ 513,762	$ 556,754	$ 592,407	$ 653,112
Restricted	246,923	429,353	316,026	292,415	267,824	317,558	336,908	338,514	372,439	382,563
Unrestricted	(638,921)	(404,529)	(266,259)	(52,869)	(7,533)	39,877	(110,240)	(141,294)	(275,566)	(297,342)
Total primary government net assets	$ 106,510	$ 519,860	$ 552,722	$ 657,575	$ 690,502	$ 821,036	$ 740,430	$ 753,974	$ 689,280	$ 738,333

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

SCHEDULE 2

CHANGES IN NET ASSETS
(in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental Activities:										
General government	$ 80,170	$ 95,671	$ 67,069	$ 65,865	$ 71,471	$ 91,119	$ 102,218	$ 94,957	$ 83,295	$ 75,381
Public safety	250,503	302,273	297,869	319,908	335,171	348,436	412,050	424,435	411,333	372,587
Life enrichment	99,223	105,133	102,314	96,649	101,902	105,728	115,315	119,659	119,254	123,538
Community and economic development	108,101	110,400	121,160	117,689	140,351	183,968	203,406	182,327	222,226	158,209
Public works	72,639	83,548	70,369	107,457	100,448	101,075	79,348	74,081	70,757	88,321
Interest on long-term debt	72,924	56,072	58,820	62,238	73,224	79,864	74,545	71,552	73,735	93,618
Total governmental activities expenses	$ 683,560	$ 753,097	$ 717,601	$ 769,806	$ 822,567	$ 910,190	$ 986,882	$ 967,011	$ 980,600	$ 911,654
Business-type activities:										
Sewer	$ 15,848	$ 17,960	$ 20,597	$ 21,337	$ 24,841	$ 29,365	$ 30,502	$ 25,530	$ 26,899	$ 27,971
Parks and recreation	94	68	159	160	734	1,087	384	652	520	740
Total business-type activities	$ 15,942	$ 18,028	$ 20,756	$ 21,497	$ 25,575	$ 30,452	$ 30,886	$ 26,182	$ 27,419	$ 28,711
Total primary government expenses	$ 699,502	$ 771,125	$ 738,357	$ 791,303	$ 848,142	$ 940,642	$ 1,017,768	$ 993,193	$ 1,008,019	$ 940,365
Program Revenues (see schedule 3)										
Governmental activities:										
Charges for services:										
General government	$ 25,131	$ 27,946	$ 14,913	$ 25,641	$ 16,266	$ 13,741	$ 22,276	$ 21,128	$ 24,382	$ 20,360
Public safety	14,715	15,489	38,959	66,983	42,492	9,803	10,331	15,733	14,900	13,573
Life enrichment	5,123	4,355	73	125	79	3,992	5,110	11,084	8,128	8,483
Community and economic development	21,553	21,599	7,287	12,528	7,947	16,437	45,466	47,223	48,765	42,418
Public works	21,872	26,898	3,600	6,190	3,927	31,269	27,113	30,887	39,283	84,834
Operating grants and contributions	63,235	79,784	78,965	74,694	77,154	106,903	91,278	94,353	97,177	123,149
Capital grants and contributions	10,553	9,262	10,366	-	-	-	-	-	-	-
Total governmental activities program revenues	$ 162,182	$ 185,333	$ 154,163	$ 186,161	$ 147,865	$ 182,145	$ 201,574	$ 220,408	$ 232,635	$ 292,817
Business-type activities:										
Charges for services:										
Sewer	$ 19,153	$ 19,364	$ 22,590	$ 24,252	$ 24,678	$ 29,838	$ 33,264	$ 35,382	$ 39,329	$ 41,832
Parks and recreation	100	122	58	244	197	237	487	796	286	118
Operating grants and contributions	19	19	-	-	-	21	-	-	-	-
Total business-type activities program revenues	$ 19,272	$ 19,505	$ 22,648	$ 24,496	$ 24,875	$ 30,096	$ 33,751	$ 36,178	$ 39,615	$ 41,950
Total primary government program revenues	$ 181,454	$ 204,838	$ 176,811	$ 210,657	$ 172,740	$ 212,241	$ 235,325	$ 256,586	$ 272,250	$ 334,767
Net (Expense)/Revenue										
Governmental activities	$ (521,378)	$ (567,764)	$ (563,438)	$ (583,645)	$ (674,702)	$ (735,868)	$ (785,308)	$ (746,603)	$ (747,965)	$ (618,837)
Business-type activities	3,330	1,477	1,892	2,999	(700)	(356)	2,865	9,996	12,196	13,239
Total primary government net expense	$ (518,048)	$ (566,287)	$ (561,546)	$ (580,646)	$ (675,402)	$ (736,224)	$ (782,443)	$ (736,607)	$ (735,769)	$ (605,598)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	$ 172,029	$ 202,297	$ 200,731	$ 234,127	$ 268,693	$ 317,666	$ 358,338	$ 359,851	$ 346,859	$ 324,516
State taxes	68,603	79,444	72,906	68,451	67,304	67,723	73,928	67,642	57,745	65,068
Local taxes	160,729	199,720	197,873	251,301	261,815	256,658	235,470	214,266	216,072	220,684
Other	66,883	64,414	117,238	84,850	30,406	108,048	50,153	81,885	58,374	35,672
Interest and investment income	36,463	40,043	5,566	46,063	78,053	48,073	47,852	25,917	10,894	8,592
Transfers	659	629	600	621	600	600	600	1,200	1,463	1,476
Special Items	-	-	-	-	-	59,020	-	-	-	-
Total governmental activities	$ 505,366	$ 586,547	$ 594,914	$ 685,413	$ 706,871	$ 857,788	$ 766,341	$ 750,761	$ 691,407	$ 656,008
Business-type activities:										
Interest and investment income	$ 10	$ 199	$ 94	$ 707	$ 1,996	$ 1,745	$ 1,434	$ 590	$ 113	$ 119
Other	1,891	6,082	-	-	62	2	-	-	-	-
Transfers	(659)	(629)	(600)	(621)	(600)	(600)	(600)	(1,200)	(1,463)	(1,476)
Total business-type activities	$ 1,242	$ 5,652	$ (506)	$ 86	$ 1,458	$ 1,147	$ 834	$ (610)	$ (1,350)	$ (1,357)
Total primary government	$ 506,608	$ 592,199	$ 594,408	$ 685,499	$ 708,329	$ 858,935	$ 767,175	$ 750,151	$ 690,057	$ 654,651
Change in Net Assets										
Governmental activities	$ (16,012)	$ 18,783	$ 31,476	$ 101,768	$ 32,169	$ 129,743	$ (18,967)	$ 4,158	$ (56,558)	$ 37,171
Business-type activities	4,572	7,129	1,386	3,085	758	791	3,699	9,386	10,846	11,882
Total primary government	$ (11,440)	$ 25,912	$ 32,862	$ 104,853	$ 32,927	$ 130,534	$ (15,268)	$ 13,544	$ (45,712)	$ 49,053

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

SCHEDULE 3

PROGRAM REVENUES BY FUNCTION/PROGRAM
(in thousands)

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
Charges for services:										
General government	$ 25,131	$ 27,946	$ 14,913	$ 25,641	$ 16,266	$ 13,741	$ 22,276	$ 21,128	$ 24,382	$ 20,360
Public safety	14,715	15,489	38,959	66,983	42,492	9,803	10,331	15,733	14,900	13,573
Life enrichment	5,123	4,355	73	125	79	3,992	5,110	11,084	8,128	8,483
Community and economic development	21,553	21,599	7,287	12,528	7,947	16,437	45,466	47,223	48,765	42,418
Public works	21,872	26,898	3,600	6,190	3,927	31,269	27,113	30,887	39,283	84,834
Operating grants and contributions	63,235	79,784	78,965	74,694	77,154	106,903	91,278	94,353	97,177	123,149
Capital grants and contributions	10,553	9,262	10,366	-	-	-	-	-	-	-
Subtotal governmental activities	$ 162,182	$ 185,333	$ 154,163	$ 186,161	$ 147,865	$ 182,145	$ 201,574	$ 220,408	$ 232,635	$ 292,817
Business-type activities:										
Charges for services:										
Sewer	$ 19,153	$ 19,364	$ 22,590	$ 24,252	$ 24,678	$ 29,838	$ 33,264	$ 35,382	$ 39,329	$ 41,832
Parks and recreation	100	122	58	244	197	237	487	796	286	118
Operating grants and contributions	19	19	-	-	-	21	-	-	-	-
Subtotal business-type activities	$ 19,272	$ 19,505	$ 22,648	$ 24,496	$ 24,875	$ 30,096	$ 33,751	$ 36,178	$ 39,615	$ 41,950
Total primary government	$ 181,454	$ 204,838	$ 176,811	$ 210,657	$ 172,740	$ 212,241	$ 235,325	$ 256,586	$ 272,250	$ 334,767

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

SCHEDULE 4

FUND BALANCES, GOVERNMENTAL FUNDS
(in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund [1]									
Reserved	$ 196,067	$ 214,317	$ 10,779	$ 151,494	$ 134,151	$ 138,891	$ 126,575	$ 116,543	$ 103,372
Unreserved	29,666	38,801	222,529	140,343	152,368	143,016	121,109	120,406	129,678
Total general fund	$ 225,733	$ 253,118	$ 233,308	$ 291,837	$ 286,519	$ 281,907	$ 247,684	$ 236,949	$ 233,050

	2011
General Fund [2]	
Restricted	$ 106,692
Committed	3,890
Assigned	65,985
Unassigned	48,794
Total general fund	$ 225,361

	2002	2003	2004	2005	2006	2007	2008	2009	2010
All Other Governmental Funds [1]									
Reserved	$ 327,871	$ 475,385	$ 284,475	$ 445,531	$ 496,474	$ 797,702	$ 828,314	$ 788,476	$ 761,679
Unreserved, reported in:									
Special revenue funds	(11,809)	(108,238)	4,704	19,785	42,102	32,444	8,129	9,553	(16,486)
Capital projects funds	4,222	6,599	164,788	143,456	130,221	98,912	73,147	41,322	66,136
Total all other governmental funds	$ 320,284	$ 373,746	$ 453,967	$ 608,772	$ 668,797	$ 929,058	$ 909,590	$ 839,351	$ 811,329

	2011
All Other Governmental Funds [2]	
Restricted	$ 481,124
Committed	139,178
Assigned	188,722
Unassigned	(2,669)
Total general fund	$ 806,355

Source: City of Oakland Balance Sheet, Governmental Funds

Note:

[1] The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

[2] The City implemented GASB Statement No. 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned compared to reserved and unreserved.

SCHEDULE 5

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

(in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes (see Schedule 6)	$ 402,435	$ 439,159	$ 457,949	$ 535,706	$ 578,474	$ 616,754	$ 648,153	$ 641,086	$ 622,901	$ 612,328
Licenses and permits	11,758	13,098	13,476	15,676	19,006	20,390	19,319	14,467	12,124	13,297
Fines and penalties	17,806	20,645	28,189	26,325	25,467	26,859	23,497	29,348	31,220	29,440
Interest/investment net income	35,481	40,619	7,672	38,495	30,721	49,141	49,894	27,520	11,495	9,147
Charges for services	60,840	65,324	67,176	73,133	70,711	75,242	76,735	77,285	82,289	124,707
Other intergovernmental revenues	-	-	-	-	-	-	33,561	35,588	45,116	-
Federal and State grants and subventions	48,234	72,483	79,918	97,009	73,778	97,382	94,428	87,971	98,850	121,184
Other revenues	61,391	70,027	48,608	53,711	47,558	74,758	24,200	40,587	32,116	32,290
Total revenues	$ 637,945	$ 721,355	$ 702,988	$ 840,055	$ 845,715	$ 960,526	$ 969,787	$ 953,852	$ 936,111	$ 942,393
Expenditures										
General government	$ 41,389	$ 39,365	$ 42,225	$ 45,466	$ 49,411	$ 67,194	$ 45,600	$ 40,838	$ 35,710	$ 33,781
Financial and Personnel Services	16,637	17,025	22,339	22,197	24,181	26,018	35,761	34,863	30,943	28,756
Information Technology	-	-	-	-	-	-	13,666	12,975	9,137	8,276
Contracting and Purchasing	-	-	-	-	-	-	2,280	1,959	2,100	2,082
Police services	151,791	166,266	166,175	178,813	187,968	206,561	225,893	231,789	218,129	205,292
Fire services	84,239	88,154	91,542	98,029	111,162	112,699	118,429	119,711	111,583	111,339
Life enrichment										
Administration	561	660	1	7	-	-	-	-	-	-
Parks & Recreation	32,481	28,556	29,445	16,740	17,296	19,148	20,872	20,308	20,259	20,914
Library	16,540	17,096	18,460	20,547	22,942	24,631	23,833	21,824	20,927	21,633
Museum	7,278	7,561	8,327	7,383	267	6,976	6,883	6,584	6,146	6,749
Marketing	-	-	2,367	-	-	-	-	-	-	-
Aging, Health & Human Services	24,568	27,740	33,238	35,609	46,581	53,228	56,239	62,382	59,441	63,031
Cultural Arts	1,382	1,753	41	-	6,832	-	-	-	-	-
Community & Economic Development	118,234	122,715	92,788	101,031	135,561	169,233	206,908	197,285	227,505	175,750
Public Works	52,841	51,458	60,328	73,338	79,816	91,490	71,971	64,288	57,133	71,099
Other	41,471	36,652	30,372	38,327	23,048	10,641	10,597	20,099	8,328	27,062
Capital outlay	22,055	27,056	24,779	36,219	25,014	49,895	46,312	44,418	61,233	63,532
Debt service										
Bond issuance costs	3,711	4,212	12,874	4,478	2,496	4,467	4,210	864	1,558	828
Other refunding cost							5,674	-		
Principal	39,686	50,356	61,831	88,506	72,583	79,964	92,940	138,854	105,742	86,965
Interest	58,558	55,020	62,897	60,656	69,027	69,682	71,528	65,157	69,097	89,514
Total expenditures	$ 713,422	$ 741,645	$ 760,029	$ 827,346	$ 874,185	$ 991,827	$ 1,059,596	$ 1,084,198	$ 1,044,971	$ 1,016,603
Excess of revenues over(under) expenditures	$ (75,477)	$ (20,290)	$ (57,041)	$ 12,709	$ (28,470)	$ (31,301)	$ (89,809)	$ (130,346)	$ (108,860)	$ (74,210)
Other Financing Sources (Uses)										
Issuance of debt	$ -	$ -	$ 3,927	$ 433,956	$ 105,840	$ 143,988	$ -	$ 40,228	$ 67,693	$ 56,870
Issuance of refunding bonds	213,655	202,765	188,650	-	-	102,590	241,410	-		
Premiums/discounts on issuance of bonds	788	-	587	13,535	328	1,963	11,313	(779)	908	(2,052)
Payment to refunding bond escrow agent	(208,907)	(110,826)	(96,395)	(247,860)	(27,853)	(22,729)	(221,250)	-	-	-
Property sale proceeds	16,094	8,569	1,497	394	4,262	618	4,045	8,723	5,013	4,481
Insurance claims and settlements	-	-	-	-	-	-	-	-	1,641	548
Transfers in	142,816	79,144	95,404	109,911	101,643	97,397	98,691	130,095	106,409	103,786
Transfers out	(142,157)	(78,515)	(94,804)	(109,311)	(101,043)	(95,897)	(98,091)	(128,895)	(104,725)	(102,086)
Total other financing sources (uses)	$ 22,289	$ 101,137	$ 98,866	$ 200,625	$ 83,177	$ 227,930	$ 36,118	$ 49,372	$ 76,939	$ 61,547
Special item	$ -	$ -	$ -	$ -	$ -	$ 59,020	$ -	$ -	$ -	$ -
Change in fund balances										
Net change in fund balances	$ (53,188)	$ 80,847	$ 41,825	$ 213,334	$ 54,707	$ 255,649	$ (53,691)	$ (80,974)	$ (31,921)	$ (12,663)
Total fund balance - beginning	599,205	546,017	645,450	687,275	900,609	955,316	1,210,965	1,157,274	1,076,300	1,044,379
Total fund balance - ending	$ 546,017	$ 626,864	$ 687,275	$ 900,609	$ 955,316	$ 1,210,965	$ 1,157,274	$ 1,076,300	$ 1,044,379	$ 1,031,716
Debt service as a percentage of noncapital expenditures	14.21%	14.75%	16.96%	18.85%	16.68%	15.89%	17.00%	20.33%	18.13%	18.85%

Note: Debt ratio was calculated by dividing principal and interest by total government expenditures excluding capital outlay $80,834 for fiscal year 2011.
General government include Mayor, Council, City Administrator, City Attorney, City Auditor and City Clerk

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

SCHEDULE 6

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
(in thousands)

Fiscal Year	Property	Sales & Use	Motor Vehicle in-lieu	Gas	Business License	Utility Consumption	Real Estate Transfer	Transient Occupancy	Parking	Voter Approved	Franchise	Total
2002	163,130	45,749	22,854	7,705	42,094	49,547	37,272	10,530	7,525	5,085	10,944	402,435
2003	193,738	48,798	24,259	6,387	42,020	46,581	42,088	10,863	8,242	5,359	10,824	439,159
2004	200,646	47,760	18,178	6,968	44,223	48,056	55,665	9,857	9,799	5,205	11,592	457,949
2005	232,061	51,148	9,656	7,647	43,902	49,781	77,722	10,926	11,580	30,155	11,128	535,706
2006	268,361	56,844	2,984	7,476	43,790	48,770	79,483	11,690	15,196	31,728	12,152	578,474
2007	314,468	58,006	2,268	7,449	50,339	51,426	61,505	12,303	16,202	29,778	13,010	616,754
2008	358,074	64,812	1,811	7,305	52,542	52,524	36,205	12,400	15,747	32,942	13,791	648,153
2009	359,699	56,090	1,282	9,749	54,291	52,701	34,267	10,599	14,196	33,772	14,440	641,086
2010	349,084	45,503	1,251	10,991	54,141	51,107	36,971	10,085	13,885	35,228	14,655	622,901
2011	326,576	51,910	2,168	10,990	53,138	53,440	31,608	12,484	13,460	41,700	14,854	612,328
Change 2002-2011	100.2%	13.5%	-90.5%	42.6%	26.2%	7.9%	-15.2%	18.6%	78.9%	720.1%	35.7%	52.2%

Note: Reflects revenues of the General, Special Revenue, Debt Service and Capital Projects Funds, and Oakland Redevelopment Agency.

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

SCHEDULE 7

ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY

(in thousands)

Fiscal Year	Land	Improvements	Personal Property	Total Assessed Value	Less: Tax-Exempt Property	Less: Redevelopment Tax Increments	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Taxable Assessed Value	Total Assessed Value as a Percentage of Estimated Taxable Value
2002	7,200,754	15,231,115	2,165,091	24,596,960	1,666,969	3,057,178	19,872,813	5.613	111,546,099	17.82%
2003	7,725,624	16,906,517	1,997,630	26,629,771	1,828,260	3,524,500	21,277,011	5.392	114,725,643	18.55%
2004	8,374,188	18,571,148	1,964,460	28,909,796	1,863,890	4,090,609	22,955,297	5.811	133,393,231	17.21%
2005	9,157,808	20,308,258	1,878,079	31,344,145	2,067,228	5,186,441	24,090,476	5.534	133,316,694	18.07%
2006	10,206,973	22,383,882	1,962,917	34,553,772	2,310,189	7,750,010	24,493,573	5.519	135,180,029	18.12%
2007	11,410,672	24,862,440	1,894,048	38,167,160	2,347,281	9,552,758	26,267,121	5.667	148,855,775	17.65%
2008	12,472,317	27,192,312	2,132,949	41,797,578	2,478,761	9,552,758	29,766,059	5.508	163,951,453	18.16%
2009	13,222,782	28,429,996	2,205,480	43,858,258	2,584,624	10,425,138	30,848,496	5.414	167,013,757	18.47%
2010	12,708,080	27,749,554	2,110,456	42,568,090	2,691,489	9,753,604	30,122,997	5.674	170,917,885	17.62%
2011	12,479,365	26,787,417	1,985,401	41,252,183	2,768,044	9,030,570	29,453,569	5.692	167,649,715	17.57%

Note: Total Direct Tax Rate is "per $10,000 assessed value".
Source: County of Alameda

SCHEDULE 8

DIRECT AND OVERLAPPING PROPERTY TAX RATES

	City Direct Rates				Overlapping Rates								
Fiscal Year	Basic Rate	Debt Service Fund	1981 Pension Liability	Total Direct Rate	Alameda County	Education	Education Debt	BART and AC Transit	BART Debt	Other	East Bay Municipal Utility Debt	East Bay Regional Parks District	East Bay Reg. Parks District Debt
2002	0.3485	0.0553	0.1575	0.5613	0.3086	0.2165	0.0959	0.0517	-	0.0505	0.0084	0.0242	0.0072
2003	0.3485	0.0332	0.1575	0.5392	0.3086	0.2165	0.0994	0.0517	-	0.0505	0.0084	0.0242	0.0065
2004	0.3485	0.0751	0.1575	0.5811	0.3086	0.2165	0.0923	0.0517	-	0.0505	0.0079	0.0242	0.0057
2005	0.3485	0.0474	0.1575	0.5534	0.3086	0.2165	0.0875	0.0517	-	0.0505	0.0076	0.0242	0.0057
2006	0.3485	0.0459	0.1575	0.5519	0.3086	0.2165	0.1018	0.0517	-	0.0505	0.0072	0.0242	0.0057
2007	0.3485	0.0607	0.1575	0.5667	0.3086	0.2165	0.1074	0.0517	-	0.0505	0.0068	0.0242	0.0085
2008	0.3485	0.0448	0.1575	0.5508	0.3086	0.2165	0.1030	0.0517	-	0.0505	0.0065	0.0242	0.0080
2009	0.3485	0.0354	0.1575	0.5414	0.3086	0.2165	0.1197	0.0517	-	0.0505	0.0064	0.0242	0.0100
2010	0.3485	0.0614	0.1575	0.5674	0.3086	0.2165	0.1689	0.0517	0.0057	0.0505	0.0065	0.0242	0.0108
2011	0.3485	0.0632	0.1575	0.5692	0.3086	0.2165	0.1697	0.0517	0.0031	0.0505	0.0067	0.0242	0.0084

Note: Rates per $1,000 assessed value
Source: County of Alameda

SCHEDULE 9

PRINCIPAL PROPERTY TAX PAYERS

Taxpayer	2002 (1) Taxable Assessed Value	2002 (1) Percentage of Total City Taxable Assessed Value	2002 (1) Rank	2011 (2) Taxable Assessed Value	2011 (2) Percentage of Total City Taxable Assessed Value	2011 (2) Rank
SIC Lakeside Drive LLC				$ 206,990,615	0.538%	1
Oakland City Center Venture LLC	$ 204,141,387	0.890%	1	181,647,009	0.472%	2
CIM Oakland Center 21 LP				168,979,565	0.439%	3
Oakland Property LLC				165,154,080	0.429%	4
Kaiser Foundation Health Plan Inc				154,068,849	0.400%	5
Catholic Cathedral Corporation of the East Bay				144,403,733	0.375%	6
CIM Oakland 1 Kaiser Plaza LP				126,710,589	0.329%	7
1800 Harrison Foundation	104,206,152	0.455%	4	121,642,954	0.316%	8
Suncal Oak Knoll LLC				113,722,961	0.296%	9
Clorox Company	100,415,242	0.438%	5	98,818,392	0.257%	10
Prentiss Properties Acquisition Partners LP	117,787,784	0.514%	2	N/A		
Kaiser Foundation Hospitals	113,701,243	0.496%	3	N/A		
Kaiser Center, Inc.	123,860,033	0.540%	6	N/A		
Lake Merritt Plaza	95,900,011	0.418%	7	N/A		
Owens Illinois Glass Container, Inc.	71,754,700	0.313%	8	N/A		
Webster Street Partners, Ltd.	67,050,200	0.293%	9	N/A		
KSL Claremont Resort, Inc.	76,568,200	0.334%	10	N/A		
Total	$ 1,075,384,952	4.691%		$ 1,482,138,747	3.851%	

Note:
(1) 2002 based on total assessed value of $22,929,990,869
(2) 2011 based on total assessed value of $38,484,139,533

Source: County of Alameda

CITY OF OAKLAND
STATISTICS

SCHEDULE 10

PROPERTY TAX LEVIES AND COLLECTIONS
(in thousands)

1% TAX ROLL

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Year	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2002	56,947	55,270	97.06%	0	55,270	97.06%
2003	61,164	59,276	96.91%	0	59,276	96.91%
2004	65,248	63,546	97.39%	0	63,546	97.39%
2005	68,095	66,301	97.37%	0	66,301	97.37%
2006	73,331	71,198	97.09%	0	71,198	97.09%
2007	79,357	75,654	95.33%	0	75,654	95.33%
2008	86,220	81,048	94.00%	0	81,048	94.00%
2009	89,482	84,063	93.94%	0	84,063	93.94%
2010	85,706	82,015	95.69%	0	82,015	95.69%
2011	83,960	81,013	96.49%	0	81,013	96.49%

Voter-Approved Debt Tax Roll

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Year	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2002	49,024	46,849	95.56%	0	46,849	95.56%
2003	48,441	46,001	94.96%	0	46,001	94.96%
2004	61,760	59,602	96.51%	0	59,602	96.51%
2005	59,673	57,558	96.46%	0	57,558	96.46%
2006	63,369	60,887	96.08%	0	60,887	96.08%
2007	75,071	70,586	94.03%	0	70,586	94.03%
2008	76,453	70,621	92.37%	0	70,621	92.37%
2009	75,753	70,494	93.06%	0	70,494	93.06%
2010	83,581	79,172	94.72%	0	79,172	94.72%
2011	85,262	81,506	95.59%	0	81,506	95.59%

Note: Collections in subsequent year data not available
Source: County of Alameda

SCHEDULE 11

TAXABLE SALES BY CATEGORY
(in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Auto & Transportation	$ 895,331	$ 929,517	$ 871,710	$ 817,924	$ 860,194	$ 912,876	$ 840,330	$ 695,919	$ 580,398	$ 651,555
Business & Industry	588,871	715,740	700,079	622,816	667,630	613,457	691,322	574,628	490,566	512,453
General Consumer Goods	504,084	480,747	453,363	461,085	554,136	549,394	536,955	505,460	480,781	496,571
Restaurants and Hotels	442,948	430,058	406,565	441,158	496,814	483,765	527,276	515,602	525,068	566,973
Building & Construction	348,829	393,261	369,886	491,196	488,972	495,607	465,797	416,701	344,171	325,085
Food & Drugs	342,013	341,625	308,529	316,990	321,467	330,643	341,677	342,922	366,461	359,148
Fuel & Service Stations	317,736	342,098	593,926	869,866	1,058,122	1,186,535	1,236,876	638,147	433,207	620,279
Total	$ 3,439,812	$ 3,633,046	$ 3,704,058	$ 4,021,035	$ 4,447,335	$ 4,572,277	$ 4,640,233	$ 3,689,379	$ 3,220,652	$ 3,532,064
City direct sales tax rate					1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

Source: HdL Companies

SCHEDULE 12

DIRECT AND OVERLAPPING SALES TAX RATES

Fiscal Year	City Direct Rate	State of California
2002	n/a	n/a
2003	n/a	n/a
2004	n/a	n/a
2005	n/a	n/a
2006	1.50%	7.25%
2007	1.50%	7.25%
2008	1.50%	7.25%
2009	1.50%	8.25%
2010	1.50%	8.25%
2011	1.50%	8.25%

Source: California State Board of Equalization

SCHEDULE 13

RATIOS OF OUTSTANDING DEBT BY TYPE
(in thousands)

	Governmental Activities										Business-type Activities				
Fiscal Year	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Lease Revenue Bonds	Pension Obligation Bonds	Accreted Interest	Special Assessment Bonds	Notes Payable	Capital Leases	Pledge Oblig. For Authority Debt	Sewer Fund Notes Payable	Sewer Fund Bonds	Total Primary Government	Percentage of Personal Income (1)	Per Capita
2002	133,295	214,295	67,346	399,675	435,686	-	8,870	52,283	-	99,048	7,663	-	1,418,161	12.12%	4
2003	167,350	246,660	63,631	382,645	442,592	-	8,463	49,448	-	96,590	7,045	-	1,464,424	12.52%	4
2004	232,045	235,555	59,594	386,200	436,873	-	7,940	46,153	-	93,950	6,362	-	1,504,672	12.86%	4
2005	227,010	270,085	50,195	488,721	366,405	70,811	7,370	18,440	26,769	91,150	5,655	62,330	1,684,941	14.40%	4
2006	358,124	319,115	49,154	346,110	341,475	85,884	7,085	17,940	20,218	88,100	4,925	60,840	1,698,970	14.52%	4
2007	345,214	514,475	45,795	325,105	313,625	104,356	6,800	17,090	31,809	85,350	4,126	59,305	1,853,050	20.33%	4
2008	331,528	496,630	40,495	323,340	282,705	125,743	6,200	19,045	26,968	82,450	3,346	57,720	1,796,170	17.02%	4
2009	317,188	505,765	10,375	296,985	248,455	148,580	5,645	17,610	23,235	79,350	2,540	56,090	1,711,818	15.31%	4
2010	366,248	488,900	7,210	270,670	210,595	172,971	8,298	14,295	18,483	76,000	1,708	54,380	1,689,758	14.45%	4
2011	349,431	523,905	3,895	242,800	195,637	172,121	7,963	12,295	17,068	72,450	848	52,580	1,650,993	14.84%	4

Source: Notes to Basic Financial Statements, Note (12) - Long-term Obligations
(1) Per capita income $28,311 multiplied by population 392,932 gives personal income $11,124,297,852

SCHEDULE 14

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
(in thousands)

General Bonded Debt Outstanding

Fiscal Year	Net Bonded Debt [1]	Assessed Value [2]	Percentage of Actual Taxable Value of Property (%)	Per Capita [3] *(in dollars)*
2002	133,295	22,930,000	0.5813	326.06
2003	167,350	24,802,000	0.6747	405.99
2004	232,045	27,046,000	0.8580	563.76
2005	227,010	29,277,000	0.7754	550.59
2006	358,124	32,244,000	1.1107	869.75
2007	345,214	35,820,000	0.9637	830.86
2008	331,528	39,319,000	0.8432	789.01
2009	317,188	41,274,000	0.7685	746.21
2010	366,248	39,877,000	0.9184	850.42
2011	349,431	38,484,140	0.9080	889.29

Note:
(1) Source: City of Oakland Annual Debt Service Roll Forward, General Obligation Debt Total as of June 30, 2011
(2) Source: County of Alameda.
(3) Population 392,932 as of 1/1/11 per State of California Demographic Information by City.

SCHEDULE 15

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

Governmental Unit	Estimated Percentage Applicable	City Share of Debt
Direct Bonded Debt		
City of Oakland [1]	100	$ 349,430,620
City of Oakland and Coliseum Authority General Fund Obligations	100	371,145,000
City of Oakland 1915 Act Bond Obligations	100	7,978,483
City of Oakland Pension Obligations	100	195,636,499
Total Direct Bonded Debt:		$ 924,190,602
Overlapping Bonded Debt		
Alameda-Contra Costa Transit District Certificates of Participation	21.499	$ 8,054,600
Alameda County and Coliseum Authority General Fund Obligation	17.621	125,375,530
Alameda County Pension Obligations	17.621	27,239,377
Bay Area Rapid Transit District	6.831	28,271,118
East Bay Municipal Utility District, Special District #1	49.911	12,250,655
East Bay Regional Park District	10.584	16,298,302
Chabot-Las Positas Community College District	0.957	4,352,621
Chabot-Las Positas Community College District General Fund Obligations	0.957	43,017
Peralta Community College District	52.76	229,809,370
Peralta Community College District Pension Obligation	52.76	80,041,716
Berkeley & Castro Valley Unified School District	0.004 & 0.126	114,809
Oakland Unified School District	99.998	713,895,722
Oakland Unified School District Certificates of Participation	99.998	60,903,782
San Leandro Unified School District	9.715	16,280,046
Castro Valley Unified School District Certificates of Participation	0.126	391
City of Emeryville 1915 Act Bonds	4.183	340,705
City of Piedmont 1915 Act Bonds	4.792	159,094
Total Overlapping Bonded Debt:		$ 1,323,430,855
Total Direct and Overlapping Debt		$ 2,247,621,457
Less: East Bay M.U.D. Special District #1 (100% self-supporting)		12,250,655
Total Net Direct and Overlapping Bonded Debt		$ 2,235,370,802

[1] Source: City of Oakland Annual Debt Service Roll Forward, General Obligation Debt Total as of June 30, 2011
Source: City of Oakland Treasury Division

SCHEDULE 16

LEGAL DEBT MARGIN INFORMATION

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	$ 745,230,478	$ 798,115,131	$ 860,823,608	$ 903,392,821	$ 918,508,985	$ 985,017,038	$ 1,116,227,253	$ 1,156,818,628	$ 1,129,612,382	$ 1,104,508,857
Total net debt applicable to limit	133,295,000	167,350,000	232,045,000	227,010,000	358,124,189	345,214,363	331,528,315	317,188,697	366,247,851	349,430,620
Legal debt margin	$ 611,935,478	$ 630,765,131	$ 628,778,608	$ 676,382,821	$ 560,384,796	$ 639,802,675	$ 784,698,938	$ 839,629,931	$ 763,364,531	$ 755,078,237
Total net debt applicable to the limit as a percentage of debt limit (%)	17.89%	20.97%	26.96%	25.13%	38.99%	35.05%	29.70%	27.42%	32.42%	31.64%

Source: County of Alameda and City of Oakland Annual Debt Service Roll Forward (General Obligation Debt Total as of June 30, 2011).

SCHEDULE 17

PLEDGED-REVENUE COVERAGE, PORT OF OAKLAND AND REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

(thousands of dollars)

Fiscal Year	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
PORT OF OAKLAND					
2002	85,485	13,810	39,380	53,190	160.72%
2003	94,610	10,638	46,323	56,961	166.10%
2004	110,797	9,241	50,124	59,365	186.64%
2005	126,636	8,155	53,633	61,788	204.95%
2006	136,566	14,968	56,806	71,774	190.27%
2007	138,458	19,892	62,756	82,648	167.53%
2008	144,931	19,800	70,474	90,274	160.55%
2009	130,173	19,724	75,578	95,302	136.59%
2010	147,860	35,593	78,018	113,611	130.15%
2011	155,502	36,500	69,378	105,878	146.87%
REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND					
2009	131,536	505,595	343,747	849,342	15.49%
2010	113,299	488,900	316,344	805,244	14.07%
2011	109,673	523,905	378,570	902,475	12.15%

Source: Port of Oakland and Redevelopment Agency of the City of Oakland
Note: FY2000 to FY2008 pledged-revenue coverage data for Redevelopment Agency is not available.

SCHEDULE 18

DEMOGRAPHIC AND ECONOMIC STATISTICS

Calendar Year	Population	Personal Income *(thousands of dollars)*	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate (%)
2002	408,800	16,192,977	39,611	33.3	53,108	6.7
2003	412,200	17,979,340	43,618	33.3	52,629	6.8
2004	411,600	18,163,496	44,129	33.3	49,334	6.1
2005	412,300	9,044,213	21,936	33.3	49,334	5.3
2006	411,755	11,697,548	28,409	33.3	41,467	7.1
2007	415,492	9,114,233	21,936	33.3	39,802	7.4
2008	420,183	10,554,157	25,118	36.1	39,705	9.6
2009	425,068	11,182,689	26,308	36.7	38,826	17.1
2010	390,757 (1)	10,607,099	27,145	37.1	38,450	17.2
2011	392,932	11,124,298	28,311	36.3	38,540	16.3

Note: In FY 2000 - 2004 median family income was used as per capital personal income

Source: Population - State of California Department of Finance, Per Capita Income and Median Age - DemographicsNow.com, School Enrollment - Oakland Unified School District, Unemployment Rate - State of California Employment Development Department

(1) 2010 is updated with newly available data from the California Department of Finance.

SCHEDULE 19

PRINCIPAL EMPLOYERS

Employer	2006 Number of Employees	2006 Rank	2006 Percent of Total Employment	2011 Number of Employees	2011 Rank	2011 Percent of Total Employment
County of Alameda	9,740	1	5.49%	9,611	1	5.42%
Oakland Unified School District	8,000	2	4.51%	5,570	2	3.14%
World Savings & Loan Assn	N/A			4,389	3	2.48%
Cost Plus Inc	N/A			4,148	4	2.34%
City of Oakland	4,290	5	2.42%	4,073	5	2.30%
Dreyer's Grand Ice Cream Inc	N/A			3,700	6	2.09%
Peralta Community College Dist	N/A			2,759	7	1.56%
Internal Revenue Service	N/A			2,500	8	1.41%
Children's Hospital & Research	N/A			2,070	9	1.17%
Itron	N/A			2,000	10	1.13%
Kaiser Permanente Medical Group	5,450	3	3.07%	N/A		
Kaiser Foundation Hospitals	4,340	4	2.45%	N/A		
Bay Area Rapid Transit	2,800	6	1.58%	N/A		
Federal Express	2,790	7	1.57%	N/A		
Alta-Bates Medical Center	2,620	8	1.48%	N/A		
Kaiser Foundation Health Plan	2,590	9	1.46%	N/A		
Summit Medical Center	2,230	10	1.26%	N/A		
Total	44,850			40,820		

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

Source: Fiscal Year 2006 - Economic Development Alliance for Business, Alameda County Largest Employers.
Fiscal Year 2011 - Economic Development Alliance for Business, Alameda County Largest Employers.
Total employment of 177,258 (2010 estimate) from DemographicsNow.com is used to calculate the percentage of employment

SCHEDULE 20

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Aging, Health & Human Services	n/a	n/a	224	219	210	213	208	204	217	231
Community & Economic										
Development Agency	n/a	n/a	285	266	258	262	419	380	364	241
Fire										
Firefighters and officers	492	506	481	464	445	456	462	448	434	427
Civilians	74	81	78	72	77	81	82	77	78	69
General Government										
Management services	n/a	n/a	214	207	199	222	211	204	184	169
Finance	n/a	n/a	184	175	201	210	209	196	176	172
Retirement Services	n/a	n/a	8	6	7	7	5	5	5	5
Personnel Resource Mgmt	n/a	n/a	36	35	38	41	53	47	35	35
Contracts and Purchasing	n/a	n/a	n/a	n/a	n/a	n/a	22	22	22	23
Information Technology Division	n/a	n/a	73	72	76	76	92	88	67	62
Library	n/a	n/a	181	172	173	160	150	140	133	135
Marketing - CAM	n/a	n/a	22	22	22	22	21	20	12	12
Museum	n/a	n/a	67	61	56	58	55	51	42	38
Parks and Recreation	n/a	n/a	216	81	88	81	76	92	82	87
Police										
Officers	839	763	759	714	701	725	746	791	763	627
Civilians	443	443	385	370	354	335	432	303	305	279
Public Works	n/a	n/a	609	698	709	727	561	546	482	593
Total	**4,556**	**3,858**	**3,822**	**3,634**	**3,614**	**3,676**	**3,804**	**3,614**	**3,401**	**3,205**

Note: FTE's not broken down by function/program prior to FY04.

Source: City of Oakland Personnel Resource Mgmt.

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SCHEDULE 21

OPERATING INDICATORS BY FUNCTION/PROGRAM

Function/Program	2005	2006	2007	2008	2009	2010	2011
General Government							
Building permits issued	15,942	15,674	16,488	14,957	13,055	12,951	13,648
Building inspections conducted	N/A	78,306	89,388	95,064	77,845	71,931	70,016
Authorized new dwelling units	1,350	1,377	2,035	704	395	555	528
Commercial value (in thousands)	173,292	173,908	171,157	213,696	117,876	95,851	108,767
Residential value (in thousands)	356,256	646,214	611,036	258,617	196,362	168,872	179,374
Police							
Dispatched calls	N/A	317,323	299,283	289,032	315,522	265,277	236,517
Field Contacts	N/A	8,270	7,221	9,641	8,393	20,220	23,391
Physical arrests	N/A	10,958	14,908	16,866	18,183	15,056	15,029
Parking violations	539,115	512,376	470,008	459,459	496,655	450,656	386,494
Traffic violations	N/A	36,233	39,098	44,897	51,019	33,484	20,731
Fire							
Emergency responses	34,806	58,736	61,470	49,784	51,255	49,887	51,041
Fires extinguished	N/A	3,095	2,021	3,800	2,601	1,143	1,073
Inspections	2,310	2,515	2,631	3,062	3,258	2,087	2,211
Port of Oakland							
Imports (in tonnage)	12,434,675	15,223,082	16,081,289	16,203,404	14,664,473	13,014,470	14,868,310
Exports (in tonnage)	14,510,634	14,837,250	14,710,407	16,191,383	16,258,547	17,357,582	17,647,626
Total tonnage	26,945,309	30,060,332	30,791,696	32,394,787	30,923,020	30,372,052	32,515,936
Containers	1,160,270	1,292,277	1,369,123	1,363,367	1,273,805	1,161,082	1,316,473
Other public works							
Street resurfacing (miles)	N/A	2.44	14.58	13.83	18.63	18.50	11.50
Potholes repaired	N/A	5,020	12,574	11,758	8,515	10,062	8,262
Parks and recreation							
Athletic field permits issued	N/A	465	543	330	340	346	378
Community center admissions	N/A	909,303	1,436,682	1,423,577	1,342,657	1,454,124	1,653,451
Library							
Volumes in collection	1,357,589	1,300,023	1,956,249	1,242,415	1,316,849	1,452,930	1,535,451
Total volumes borrowed	2,062,891	2,316,772	2,270,755	2,328,712	2,436,806	2,469,588	2,585,613
Water							
New connections	N/A	890	389	474	297	192	111
Water main breaks	N/A	269	261	251	410	242	263
Average daily consumption (gallons/family)	203	203	203	N/A	N/A	N/A	N/A
Peak daily consumption (thousands of gallons)	385,000	385,000	385,000	N/A	N/A	N/A	N/A
Wastewater							
Average daily sewage treatment (thousands of gallons)	76,000	77,000	75,500	75,000	66,000	68,000	70,000

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

SCHEDULE 22

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Function/Program	2005	2006	2007	2008	2009	2010	2011
Aviation facilities							
Airports operated	1	1	1	1	1	1	1
Paved airport runways	4	4	4	4	4	4	4
Total length of runways (in feet)	24,520	25,038	25,038	25,038	25,038	25,038	25,038
Area of airport (in acres)	2,500	2,600	2,600	2,600	2,600	2,600	2,600
Police							
Stations	n/a	2	7	8	8	7	7
Patrol units	n/a	611	630	622	633	602	592
Fire stations	25	25	25	25	25	25	25
Harbor facilities							
Miles at waterfront	n/a	19	19	19	19	19	19
Berthing length at wharves (in feet)	n/a	23,063	23,063	23,063	23,233	23,233	23,233
Harbor area (in acres)	n/a	786	786	786	786	786	779
Hospitals	n/a	2	2	4	4	4	4
Library branches	16	16	16	15	15	15	16
Museums	2	2	2	1	1	1	1
Other public works							
Streets (in lane miles)	n/a	2,294	2,287	2,288	2,323	1,963	1,965
Streetlights	n/a	36,219	33,952	36,219	36,219	36,219	37,000
Traffic signals	n/a	671	680	671	688	688	688
Parks and recreation							
Acreage	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Swimming pools	7	7	5	7	5	5	4
Tennis courts	44	44	36	44	44	44	44
Playgrounds	13	13	89	106	106	106	106
Baseball/softball diamonds	64	46	46	40	40	40	40
Soccer/football fields	13	13	15	15	15	15	15
Community centers	29	29	29	34	34	34	33
Water							
Water mains (miles)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fire hydrants	n/a	6,700	6,705	6,719	6,733	6,738	6,759
Storage capacity (thousands of gallons)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Wastewater							
Sanitary sewers (miles)	n/a	29	29	29	29	29	29
Treatment capacity (million gallons per day)	n/a	120	120	320	320	320	320

Source: City of Oakland, Port of Oakland, and East Bay Municipal Utility District
Note: Harbor Facilities data based on prior calendar year; fiscal year data unavailable.
Data prior to fiscal year 2005 is not available.

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GENERAL INFORMATION

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

With an estimated population of over 392,932, ranking the eighth largest city in the State of California, Oakland is a city of contrasts. It has a thriving industrial port located near restored historic buildings. Major corporate headquarters are in close proximity to traditional businesses and small shops. Historic structures continue to be preserved and revitalized while new buildings are built.

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

ALL-AMERICAN CITY

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

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

GOVERNMENT

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

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

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

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

COMMERCIAL SECTORS

Oakland has made significant gains in diversifying its economic base. While manufacturing jobs have decreased, the economy now offers a healthy mix of trade, transshipment, government, high tech, financial, real estate, medical, publishing, and service-oriented occupations. It also has growing skilled-crafts and re-emerging food production sectors. Because it is considered the transportation hub of Northern California, the growth in its port and international airport activities have been unprecedented in the last five years driven by agricultural and high tech products shipped to and from the far east economies.

Oakland is abundant in resources that are available to its businesses and residents. State-of-the-art transportation, communications, and utility facilities keep the City running smoothly. Waterfront restaurants, shops, live performance venues, and a nine-screen movie theater makes Jack London Square a lively nighttime attraction. In addition, new office and retail buildings, public facilities, hotels, a convention center, park enhancements, seven farmer's markets, outdoor cinema, 32 art galleries and scores of public art installations and the annual Art & Soul festival have created a cosmopolitan environment in the downtown. The City's 40 increasingly robust neighborhood retail areas are expanding and being revitalized. Abandoned warehouses, foundries and long silent cigar, macaroni, and tent factories are being converted into live/work studios for crafts people.

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

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

As the economic, transportation, and civic hub of the East Bay, Oakland offers tremendous opportunity for retailers. The City's approximately 392,932 residents per capita income in 2010 averaged $28,311. Portions of Oakland are among the wealthiest consumer markets in California; more than half of the City's households report household income in excess of $75,000. Estimated annual taxable sales were $3.5 billion in 2011. Compared to other East Bay cities, Oakland sees a significant number of auto-related purchases, with opportunities available in consumer goods, building materials, and office products.

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

- "…uniquely positioned as an excellent point for international business." (Mickey Kanter, former U.S. Secretary of Commerce);
- "…ranked 8th in the nation in the percentage of women-owned businesses." (*Center for Women's Business Research, September 2004, based on U.S. Census Bureau data*);
- "…ranked 4th best potential retail market in the nation." (Marcus & Millichap, 2007);
- "…ranked 2nd in technology intensity and 4th highest percentage of U.S. households with computer users." (MetaFacts, April 2003);
- "…ranked the top commercial real estate market in the nation, projected to have the largest increase in rents of all U.S. cities through 2007." (*Cushman & Wakefield*, 2006);
- "…among the top ten in 2008 US Cities Sustainability Ranking." (Sustainlane.com 2008);
- "…ranked 5th greenest economic cities." (Communitywalk.com 2008);
- "…ranked 2nd in top 10 large cities recycling program." (Natural Resources Defense Council);
- "…ranked nation's 5th coolest city according to Forbes Magazine 2010";
- "…ranked in top 10 for U.S. office, industrial and multi-housing markets." (Grubb & Ellis Company, 2011);
- "…ranked 2nd in the Top "Can-do" Cities in America." (Newsweek, 2011);
- "…one of the 20 towns of the future." (Sunset Magazine, 2011)

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DEMOGRAPHICS

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

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

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

Mayor Quan Talks with Chinese Investors

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

Get Connected Oakland!

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

Community & Economic Development

Oakland can flourish with more local business incentives, and jobs, equitable opportunities, smart planning for thriving local districts, affordable housing, access to services and resourced parks, libraries and arts. They can start if every Oakland resident committed to spending just 25% more right here in Oakland. If they all fulfilled that commitment, they could pour between $9 and $12 million additional dollars into the Oakland economy each year.

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HISTORY

Oakland's first inhabitants, the Ohlone Indians, arrived about 1200 B.C. and lived in small tribal groups on the edge of the hills surrounding the Bay. The Ohlone Indians were a stocky hunting and gathering group who lived in such harmony with nature that they left no permanent mark on the landscape. They maintained such a peaceful attitude with each other that they had no word for war.

Spanish explorers first entered the area that is now Oakland by land in 1772. They reported the natural geography as possibly the most perfect on earth. Near the shore were magnificent oaks; on the hills stood acres of giant redwoods. In the spring, wildflowers filled the valley with golden poppies and purple iris. Deer, rabbits, bears and wildcats roamed the woods. Creeks tumbled into a Bay filled with salmons, crabs, sturgeons, smelts, lobsters, clams, and mussels. The marsh that would become Lake Merritt was alive with wildfowls.

Spain established a Presidio and a Mission on the west side of the Bay in 1776, and Mission San Jose (south of Oakland) is now Fremont. Mission San Jose had jurisdiction over Oakland, the area the Spaniards called Encinal, "grove of evergreen oaks." European diseases and settler hostility obliterated the Ohlones and most of their culture within a few years.

Development as a commercial and transportation center began with the California Gold Rush of 1849, when Oakland became the mainland staging point for passengers and cargo traveling between the Bay and the Sierra foothills.

Oakland was incorporated as a city in 1852, and construction of shipping wharfs began immediately. Ferry service between Oakland and San Francisco had existed for years, but by building large wharfs and dredging a shipping channel, Oakland became an independent destination. Oakland grew steadily through the 19th century. After the devastating earthquake in 1906, many people and businesses chose to relocate from San Francisco to Oakland. Oakland's population more than doubled between 1900 and 1910.

Oakland benefited from the general prosperity of the area through the 1920s. California farms expanded their markets, contributing to canning, processing and shipping companies based in Oakland. Automakers and steel companies led the industrial expansion throughout the East Bay. Construction businesses had plenty of work as homes went up south and east of the inner city and new high-rise office buildings were built in downtown Oakland.

World War II brought tremendous changes to Oakland. Huge numbers of workers moved to the Bay Area to work in local shipyards and many of these people, as well as large numbers of military personnel who mustered out at Treasure Island and the Oakland Army Base, chose to remain in the Bay Area. The population grew by almost one third between 1940 and 1950.

Oakland has a rich literary and cultural heritage. Such historical notables as writers Bret Harte, Jack London, Joaquin Miller, Ina Donna Coolbrith, Jessica Mitford, Narman Jayo, Ishmael Reed, and Gertrude Stein; architect Julia Morgan; and dancer Isadora Duncan are just a few who have left their cultural mark on the City. It is also the birthplace of the West Coast Blues.

TRANSPORTATION

Located in the geographical center of the Bay Area, Oakland has been recognized as an important transportation hub for more than 100 years. The combination of train, bus, ferry, marine, aviation, freeways (I-880, I-580, Hwy 13, and Hwy 24), and the Bay Area Rapid Transit (BART) system guarantees ease of travel for local residents and efficient channels of commerce for businesses relying on the City's easy access. Oakland's Port is a primary sea terminal for transporting cargo between the Western United States and the Pacific Rim, Latin America, and Europe. Air cargo service is minutes away at the Oakland International Airport.

The Port of Oakland

The Port of Oakland is located on the east (or mainland) side of San Francisco Bay, one of the most beautiful natural harbors in the world. The Port is the third largest container port on the Pacific Coast, fourth largest in the United States and among the top 30 in the world. It is served by two railroad companies: the Burlington Northern Santa Fe (BNSF) and the Union Pacific.

The Port handles over 98 percent of Northern California's container traffic, which includes service by over 30 container lines. It has technically advanced facilities available not only for containers but for break-bulk, heavy-lift, and other specialized cargo. The Port has approximately 1,000 acres of developed terminal facilities and container storage and handling areas with 35 ship-to-shore container cranes in operation at these facilities. All Vision 2000 terminal facilities are open and operating. They consist of the 120 acre Hanjin container terminal, the 150 acre Stevedoring Services of America container terminal and the 85 acre intermodal rail terminal operated by the BNSF. The recently renovated and expanded Union Pacific Railroad intermodal facility is located adjacent to the BNSF facility. As part of the Port's Vision 2000 expansion, a new harbor roadway has been constructed along with other harbor area roadway improvements

Oakland International Airport

Oakland International is San Francisco Bay Area's most convenient airport and was ranked #1 for on-time arrivals in North America as measured by FlightStats.com in 2009. Strategically located at the center of the region, Oakland International handled 9.5 million passengers in 2010 and almost 1,000,000 metric tons of air cargo annually. It is the 31st largest airport in the United States by passenger traffic, and the second largest airport in the Bay Area. The airport is comprised of two airfields: South Field (the main commercial airfield) and North Field (primarily used by general and corporate aviation and some cargo companies). Between the two airfields, the airport offers more than 150 commercial passenger non-stop flights daily to 26 domestic and international destinations and 51 all-cargo flights as of February 2009. The passenger terminal complex consists of two terminals with 29 gates, including an international arrivals building for Oakland's growing international service to such destinations as Guadalajara, Morelia, Leon, Mexico, Paris, and Papeete, Tahiti and the Azores Islands. Service between Oakland and Hawaii was inaugurated in February 2000 and direct flights to New York, JFK and Newark, New Jersey were started. There are approximately 8,000 Port and tenant employees working at the Airport.

Air Cargo at Oakland International Airport

Oakland International handles nearly 1,000,000 metric tons of cargo annually and it is among the top 30 airports in the world in the amount of cargo handled. Five all-cargo carriers currently serve Oakland International. Additionally, air cargo is on the domestic and international passenger carriers that serve the airport. About one in every four employees works in a job related to cargo. FedEx, which currently doubled its operations in Oakland by opening a new 13-acre, 191,000 square foot complex, operates a regional sorting and international import clearance facility at Oakland, where nearly 2,100 people are employed. UPS employs 293 people in its airport sort facility and operates a regional distribution center at the nearby Oakland Airport Business Park.

Mass Transit

Local bus service is provided by AC Transit, the public bus system serving 13 cities (and adjacent unincorporated communities) in 364 square miles along the east shore of San Francisco Bay. Serving approximately 230,000 daily riders, AC Transit operates a network of 105 transbay and local East Bay bus routes, 98% of which make transfer connections with the Bay Area Rapid Transit (BART) system. AC Transit buses also serve the Amtrak Station and ferry terminal at Jack London Square, the Oakland International Airport, and many other Bay Area attractions including downtown San Francisco.

BART is a 104-mile, automated rapid transit system serving over 3 million people in the three BART counties of Alameda, Contra Costa, and San Francisco counties, as well as northern San Mateo County. Trains traveling up to 80 mph connect 17 Bay Area cities and 43 stations. Travel time between downtown Oakland and downtown San Francisco averages only 11 minutes on BART.

Other modes of transportation include the Alameda/Oakland Ferry Service that also links Oakland with San Francisco. Nine major U.S. and California highways pass through Oakland. Daily service to rail destinations throughout the U.S. is offered at the Oakland Amtrak Station. Greyhound Bus Lines likewise offers daily bus service to cities throughout the United States.

Car-sharing is offered by City CarShare, Flexcar and Zipcar. There are over 90 miles of bike lanes, routes and paths for the public. Oakland was one of the first cities to pilot the “sharrow” lane – shared-lane pavement markings to indicate road lanes shared by cyclists and motorists.

EDUCATION

The Oakland Unified School District is governed by the Board of Education consisting of seven elected members and three mayoral appointees. The day-to-day operations are managed by the Superintendent of Schools.

The District operates 65 elementary, 20 middle, and 24 high schools. They also operate 36 child development centers and 6 adult education schools. The pupil to teacher ratio is 20:1 for K-3, 31:1 for grades 4-5, and 32:1 for 6-12 graders. Current implementation of 20:1 ratio for 9th graders is ongoing.
There are two community colleges and six four-year institutions inside the city limits, with the world-renowned U.C. Berkeley campus located nearby. In addition, a variety of evening extension courses is

offered in Oakland by nine other Bay Area colleges, including U.C. Berkeley. A wide array of non-profit, county and City-sponsored skills enhancement training programs are provided to Oakland residents, and career development is successfully encouraged at area high school academies.

HEALTH CARE

Oakland's medical facilities are among the best in the nation. The medical community provides the latest and most sophisticated medical technology for the diagnosis and treatment of disease. Over 1,500 physicians, 250 dentists, and four major hospitals are located within the City. Overall, the health care industry in Oakland employs approximately 14,000 people.

PUBLIC SAFETY

The Oakland Police Department is striving to use successful and innovative techniques to reduce crime in the City. The Department continues to strengthen its commitment by developing and implementing a "Total Community Policing" model in Oakland. The Mission of the Oakland Police Department is to provide the people of Oakland an environment where they can live, work, play and thrive free from crime and the fear of crime.

PARKS AND RECREATION

Sports, performing arts, boating, camping, gardens, and many other leisure activities are available at more than 140 parks, playgrounds, community centers, and other recreational facilities operated by the City. There are two public golf courses and a third driving range. Four public pools offer seasonal lap and recreational swimming, instruction and showers. The Parks and Recreation Department operates more than 40 tennis courts. Oakland's Feather River Camp, a family camp located in the Plumas National Forest, is operated by the nonprofit group Camps in Common and offers both tent and cabin sites for overnight camping. Families and groups enjoy the rustic amenities, swimming, a variety of activities, and theme weeks offered at the camp throughout the summer months. Instruction in sailing, wind surfing and kayaking are available at Lake Merritt. Boats are available for rent, including paddleboats, kayaks, rowboats, canoes, and sailboats. The City provides public boat launches at its seven-acre, waterfront park on the estuary and at Lake Merritt. The Port of Oakland owns and operates three marinas with berths.

There are over 79,000 acres of wilderness and parklands in the nearby East Bay Regional Park District, including 53 parks and 20 regional trails in Alameda and Contra Costa counties.

CULTURAL ARTS

Oakland is home to one of the most vibrant visual, performing and cultural arts communities in the West Coast. It is experiencing a dynamic cultural renaissance and economic revitalization throughout downtown, the waterfront, and neighborhoods. There are more than 5,000 professional artists living and working in Oakland; 25 dance companies; 36 music groups and organizations; 12 theater companies; 40 visual arts galleries and 15 historic and museum sites.

The Mayor and City Council have established a priority to “Celebrate Arts and Culture to express the creativity and diversity of Oakland.” The Cultural Arts & Marketing Division, Community and Economic Development Agency, is the City’s local arts agency which provides services to the arts community and sponsors culturally enriching programs, exhibitions, and events to celebrate Oakland’s creative and cultural diversity. Through its three program areas, the Cultural Funding Program, Public Art Program, and Special Projects, the Cultural Arts & Marketing Division seeks to broaden and strengthen community participation in the development, support, and promotion of Oakland’s rich artistic and cultural heritage at the local, regional, and national level.

Cultural Funding Program—The City of Oakland, through a competitive application process, awards over $1.1 million in contracts over the years to Oakland-based nonprofit organizations and individual artists that collectively provide more than 5,000 arts and cultural activities to Oakland residents and visitors.

Public Art Program—The City of Oakland Public Art Program serves Oakland residents and visitors of all ages by commissioning permanent and temporary works of art to help create a positive vision and identity for the City and its neighborhoods. The Public Art Program supports downtown and neighborhood revitalization by engaging a diverse range of artists in contributing to the quality of the visual environment while communicating Oakland’s historical, social and cultural significance. Public Art Program Staff administers a variety of programs, including site-specific public art connected to City capital improvements.

Special Projects—The City collaborates with other community organizations, businesses, public institutions, and City agencies to produce programs, events, festivals, and celebrations that promote Oakland’s art and culture. Current projects include: Oakland Artisan Marketplace, Art & Soul Oakland Festival, and support for 20 major festivals citywide.

Galleries—Three new exhibition spaces downtown showcase high quality art by Oakland Bay Area visual artists in a variety of expressive mediums. They include the Craft and Cultural Arts City of Oakland/State of California Gallery, established through a ‘partnership in the arts’ collaboration, the Oakland Art Gallery, and the Galleries of Oakland space in City Hall. The Third Thursday Oakland Art Night, through which art patrons can tour downtown galleries until 8pm on the third Thursdays, is a newly created program.

Oakland Museum of California—It brings together collections of art, history and natural science under one roof to tell the extraordinary stories of California and its people. Oakland Museum of California connects collections and programs across disciplines, advancing an integrated, multilayered understanding of this ever-evolving state. With more than 1.8 million objects, the Museum is a leading cultural institution of the Bay Area and a resource for the research and understanding of California’s dynamic cultural and environmental heritage.

Paramount Theater—This 1931 movie place, authentically restored in 1973, is Oakland’s premiere live performance facility. The Oakland East Bay Symphony, led by maestro Michael Morgan, showcases a fine classical repertoire and works of California composers. The internationally recognized Oakland Ballet is expanding its definition of Ballet under Artistic Director Graham Lustig.

Both the Symphony and the Ballet perform at the Paramount Theater, which also hosts Broadway shows, R&B concerts, gospel musicals, comedy performances and many special engagements.

Malonga Casquelourd Center for the Arts — The beautifully restored turn-of-the-century Arts Center, formerly known as the Alice Arts Center, is one of the area's busiest performing arts facilities. Patrons can participate in a variety of arts programs or rent spaces for arts events and activities. This restored 1920s building is a popular multicultural, multidisciplinary performing arts complex sponsored by the city. The 350-seat theater and five performance spaces showcase drama, ballet, and African and contemporary dance.

The Oakland School for the Arts—It is a California Distinguished School and has been recognized by the national Arts Schools Network as an Exemplary School. Oakland School for the Arts (OSA) is part of the revitalization of uptown Oakland. Located in the recently restored historic Fox Theater, OSA anchors the uptown arts movement with its shows, productions and performances.

SPORTS

Oakland is a magnet for sports fans of all types. Whatever the season, Oakland pro and amateur games frequently garner large crowds and broad national media coverage. In the last three decades, Oakland's professional sports teams have won six world championships in three major sports.

- Golden State Warriors – The Warriors were one of the most exciting teams in basketball to watch in the 2008-2009 season. Golden State ranked second in the league in scoring with 108.6 points per game, and seven different players had at least one game with 30-plus points.

- Oakland Athletics – The Oakland Athletics have won six American League Championships and four baseball World Series titles.

- Oakland Raiders – From dominance in three Super Bowl victories to improbable come-from-behind victories, the Raiders have been involved in some of professional football's most incredible moments.

MEDIA

Oakland has its own daily and weekly regional newspapers, radio stations and a television station with daily award-winning newscasts. Its neighborhoods distribute 50 newsletters. In addition to media and cable companies located in Oakland, the City is served by other major Bay Area newspapers, seven television stations (including the three major networks) and the Public Broadcasting System. Over 30 other Bay Area radio stations are easily received in Oakland.

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APPENDIX C

CITY OF OAKLAND INVESTMENT POLICY

City of Oakland
and Oakland Redevelopment Agency
Investment Policy
For
Fiscal Year 2011-2012

Prepared by
Treasury Division, Finance and Management Agency
Adopted by the City Council and Oakland Redevelopment Agency
On June 21, 2011

Table of Contents

I. General

Authority

Pursuant to Council Resolution Nos. 75855 C.M.S. and 00-38 C.M.S. and in accordance with Government Codes Section 53607, the City Council delegates to the Finance Director/Treasurer the authority to invest the City's and the Agency's operating fund within the guidelines of Section 53600 of the Government Code of the State of California (the "Code"). The Code also allows the City to present an annual investment policy for confirmation to the City Council, which the City Council shall consider at a public meeting. This Investment Policy is now amended and adopted as of June 21 2011 and will serve as the City of Oakland's Investment Policy for fiscal year 2011-12 and until further revised. By approval of this Investment Policy the City Council extends the authority and responsibility of the Finance Director/Treasurer to invest or to reinvest the City's and the Agency's funds, or to sell or exchange securities so purchased, ail as provided by Government Code Section 53607.

Scope

The Investment Policy applies to the operating funds of the City of Oakland and the Port of Oakland (the "City Operating Portfolio") and the Oakland Redevelopment Agency (the "Agency Operating Portfolio"). As specified in the Government Code, the proceeds of notes, bond issues or similar financings including, but not limited to reserve finds, project funds, debt service funds and capital trust funds derived from such financings, are not governed by this Investment Policy, but rather shall be invested pursuant to their respective bond or trust indentures or the State of California Government Code 53600, as applicable. Similarly, retirement/pension funds and deferred compensation funds also are not governed by this Investment Policy, but rather by the policies and Federal or State statutes explicitly applicable to such funds.

Delegation

Management responsibility for the investment program is specifically delegated to the Treasury Manager who shall establish procedures for the investment program, which are consistent with this Investment Policy. Authorization for investment decisions is limited to the Treasurer and Treasury Manager. A Principal Financial Analyst may execute investment transactions in the absence of the Treasury Manager per the Treasury Manager instructions or prior authorization.

A Principal Financial Analyst, Financial Analyst, or Treasury Analyst may make decisions only with respect to overnight investments, but may implement investment decisions received directly from the Treasurer or Treasury Manager.

Prudent Investor Standard

All investments and evaluation of such investments shall be made with regard to the "Prudent Investor" standard of care, that is, with the care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the professional management of their business affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Ethics and Avoidance of Conflicts of Interest

All officers and employees involved in the investment process shall not engage in any personal business activity, which could conflict with proper execution of the investment program or impair their ability to make impartial investment decisions. Any material financial interests in financial institutions, which do business with the City, should be disclosed to the City Administrator. Personal investment transactions are to be subordinate to those of the City, particularly with respect to the timing of purchases and sales. All individuals involved in the investment process are required to report all gifts and income in accordance with California State law.

Internal Control

The Finance Director/Treasurer and Treasury Manager shall maintain a system of internal controls designed to ensure compliance with the Investment Policy and to prevent losses due to fraud, employee error, misrepresentations by third parties or unanticipated changes in financial markets.

The independent/external auditors shall perform an annual appraisal audit of the investment portfolio to evaluate the effectiveness of the City's investment program as well as its compliance with the Investment Policy. Additionally, the City Auditor's Office may conduct periodic audits of Treasury operations to review its procedures and policies and to make recommendations for changes and improvements, if warranted.

2. Applicable Ordinances

Nuclear Free Zone Ordinance

Under the guidelines of a voter-approved Measure, the Oakland City Council approved Ordinance No. 11062 C.M.S., which restricts the City's investment in U.S. Government Treasuries. The Treasurer will make every attempt to invest in any available short-term option that provides approximately the same level of security and return as Treasuries issued by the Government. In the event that no reasonable alternatives exist, or to the extent that the City may experience financial hardship as a result of investment in these alternatives, the City Council may adopt a waiver for a period not to exceed 60 days, as authorized by the Ordinance, allowing the City to invest in U.S. Treasury securities.

Linked Banking Ordinance

Pursuant to Ordinance No. 11067 C.M.S. the City has established a Linked Banking Service Program. This reference applies to depositories for both the City of Oakland and the Port of Oakland banking needs. Depositories are defined within the Ordinance as "all banking services utilized by the City including the Port of Oakland operating fund, with the exception of investments made through investment banks and broker/dealers." Depositories providing services to the City and the Port of Oakland must provide to the City, annually, the information enumerated under Section 3 of the Ordinance.

Tobacco Divestiture Resolution

On February 17, 1998, Council adopted Resolution No. 74074 C.M.S., which prohibits investment in businesses deriving greater than fifteen percent of their revenues from tobacco products. Treasury Division maintains a list of firms excluded from permitted investments due to the tobacco divestiture requirements.

Preferences

When possible, it is the City's policy to invest in companies that promote the use and production of renewable energy resources and any other socially responsible investments, subject to the prudent investment standard.

3. *The Portfolio*

Definition of the Portfolio

For the purposes of this Investment Policy, the "Portfolio" or "Fund" consists of the unexpended fund balances of the City of Oakland (including certain operating funds held from time to time for the City's Retirement Systems) and the Port of Oakland, and the "Agency Portfolio" or "Agency Fund" consists of the unexpended fund balances of the Oakland Redevelopment Agency. This Investment Policy applies equally to both the City and the Agency, and all references to "Portfolio" or "Fund" are deemed to include that of each respective entity.

As specified in the Government Code, the proceeds of notes, bond issues or similar financings including, but not limited to reserve funds, project funds, debt service funds and capital trust funds derived from such financings, are not included in the Portfolio, but rather shall be invested separately pursuant to their respective bond or trust indentures or the State of California Government Code 53600, as applicable. Similarly, retirement/pension funds and deferred compensation funds are not included in the Portfolio, but rather shall be invested separately pursuant to the respective policies and Federal or State statutes explicitly applicable to such funds.

Objectives

Preservation of Capital (Safety)

The first and primary goal of the Fund is the preservation of capital. Investments shall be made with the aim of avoiding losses due to market value risk, issuer default and broker default. Diversification of the Fund further ensures that potential losses on individual securities do not exceed the income generated on the remainder of the Fund.

Liquidity

Adequate cash on hand to meet cash disbursements and payroll are to be covered through maturing investments. Cash flow modeling is an integral part of the overall cash management responsibilities of the Treasury Division.

Diversity

Reducing overall portfolio risks while maintaining market average rates of return is essential. The objective is to avoid over-concentration in issuers, instruments, and maturity sectors. No more than 5 percent of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises, investment with the Local Agency Investment Fund and proceeds of or pledged revenues for any tax revenue anticipation notes.

Yield

While not the primary consideration of the Fund, it is important to recognize that the objectives of the City go beyond the preservation of capital. The Fund is managed to maximize its overall return with consideration of the safety, liquidity, and diversity parameters discussed above.

Custody

All investments of the City/Agency are to be secured through third-party custody and safekeeping procedures. All securities purchased from dealers and brokers shall be held in safekeeping by the City's custodial bank, which establishes ownership, by the City of Oakland or the Agency, as applicable.

All collateralized securities, such as repurchase agreements, are to be purchased using delivery versus payment procedures.

Reporting Requirements

Interim Requirements to Council

After the adoption of California Government Code Section 53646, the City is not mandated to submit an annual investment policy or a quarterly investment report to its legislative body. As best practice and sound financial management practice, the Finance Director/Treasurer will submit a quarterly investment report and an annual investment policy for the City and the Agency within 30 days following the period being reported to the City Council.

The quarterly report will be deemed timely pursuant to this Investment Policy and Government Code Section 53646, so long as it has been submitted to the City Administrator within 30 days following the period being reported to be scheduled for Finance and Management Committee. The quarterly cash management report for the period ending June 30 will be filed in a timely manner, but it will not be approved until September due to the City Council summer recess.

The report will include the information required under Government Code Section 53646 including: the type of investment, issuer, date of maturity, par and dollar amount invested (this data may be in the form of a subsidiary ledger of investments); a description of any investments under management of contracted parties, if any; current market values and source of valuation; statement of compliance or manner of non-compliance with the Investment Policy; and a statement denoting the ability to meet the Fund's expenditure requirements for the next six months. In addition, the report shall summarize economic conditions, liquidity, diversity, risk characteristics and other features of the portfolio. The report will disclose the total investment return for the 3-month period. In meeting these requirements, the report shall include an appendix that discloses all transactions during each month and the holdings at the end of each month during the period being reported.

Annual Requirements

The Government Accounting Standards Board (GASB) Statement #31 requires the portfolio be marked to market each June 30 in accordance with requirements of generally accepted accounting principals and the Government Accounting Standards Board. However, unrealized gains or losses will not be distributed.

The Government Accounting Standards Board (GASB) Statement #40 is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks that GASB 40 requires to be disclosed, including Custodial Credit Risk, Concentration of Credit Risk, Financial Credit Risk, Interest Rate Risk, and Foreign Currency Risk. Listed below is a brief description of each risk and how to mitigate the risk.

Custodial Credit **Risk**: In the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of deposits, 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 departments, acting as a agent for the City under the terms of the Custody Agreement.

Credit **Risk (Financial Risk)**: 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 obligations. Since these obligations are the only ones permitted by State law, investing in them is also the most effective way to maintain legal compliance.

Concentration of **Credit Risk:** The inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by the lack of diversification. The City believes in the importance of a well-diversified portfolio. It is the policy of the City to review the diversity of the portfolio on a regular basis so that reliance on any one issuer will not place an undue financial burden on the City.

Interest **Rate Risk:** The possibility that an interest rate change could adversely affect an investment's fair value. The City manages interest rate risk by measuring the duration of the portfolio as a method of gauging the degree of interest rate risk to which the portfolio is exposed. Duration measures the exposure to fair value arising from changing interest rates by using the present value of cash flows weighted as a percentage of the investment's full price.

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

Reports to California Debt and Investment Advisory Commission (CDIAC)

Effective October 11th, 2009, the City is no longer required to submit investment reports to the California Debt and Investment Advisory Commission within 60 days after the close of the second and fourth quarters of each calendar year pursuant to Section 53466 (g) of the California Government Code.

Derivatives

Callable step-up securities and floaters (which are tied to a short-term index such as 3- or 6-month LIBOR, 3-month Treasury Bills or Fed Funds rate) are considered suitable investments.

Structured notes, capped and range floaters, floating rate notes tied to a long-term index such as the Cost of Funds Index, inverse floaters and leveraged floaters are not permitted investments of the Fund at this time.

Collateralized Mortgage Obligations or their derivatives such as interest only strips are not permitted investments at this time.

General Credit Quality

Short- term debt shall be rated at least "A-1" by Standard & Poor's Corporation, "P-1" by Moody's Investor Service, Inc. or "F-1" by Fitch. Long-term debt shall be rated at least "A" by Standard & Poor's Corporation, Moody's Investors Service, Inc., or Fitch.

The minimum credit requirement for each security is further defined within the Permitted Investments section of the policy. If securities which are purchased for the Fund are downgraded below the credit quality required by the Fund. The Treasury Manager, will determine whether to retain or to sell the security. Evaluation of divestiture of securities will be determined on a case-by-case basis.

Maturity

The maximum maturity for any one investment shall not exceed 5 years unless authority for such investment is expressly granted in advance by the City Council in accordance with Government Code Section 53601. If portfolio percentage constraints are violated due to a temporary imbalance in the portfolio, then the City shall hold the affected securities to maturity in order to avoid capital losses. Portfolio percentage limits are in place in order to ensure diversification of the City investment portfolio; a small, temporary imbalance will not significantly impair that strategy.

Trading Policies

Sales Prior to Maturity

"Buy and hold" is not necessarily the strategy to be used in managing the Funds. It is expected that gains will be realized when prudent. Losses are acceptable if the proposed swap/trade clearly enhances the portfolio yield over the life of the new security on a total return basis.

Sufficient written documentation will be maintained to facilitate an audit of the transaction. Losses, if any, will be recognized and recorded based on the transaction date.

Purchasing Entities, Broker/Dealers and Financial Institutions

The purchase of any authorized investment shall be made either directly from the issuer or from any of the following:

- Institutions licensed by the State of California as a broker/dealer
- Members of a federally regulated securities exchange
- National or state-chartered banks
- Federal or state savings institutions or associations as defined in Finance Code Section 5102
- Brokerage firms reporting as a primary government dealer to the Federal Reserve Bank

The Treasury Manager will maintain a current and eligible list of reputable primary and regional dealers, brokers and financial institutions with whom securities trading and placement of funds are authorized. A strong capital base credit worthiness, and, where applicable, a broker/dealer staff experienced in transactions with California local governments are the primary criteria for inclusion on the City of Oakland's approved list. Approved dealers and brokers shall be limited to primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) and which provide: proof of National Association of Securities Dealers certification; proof of California State registration; and a completed City of Oakland broker/dealer questionnaire. In addition, prior to approval and annually thereafter, approved dealers and brokers must provide: an audited financial statement; certification of receipt, review of and willingness to comply with the current Investment Policy; and certification of compliance with Rule G-37 of the Municipal Securities Rulemaking Board regarding limitations on political contributions to the Mayor or any member of the City Council or to any candidate for these offices.

The Treasurer or Treasury Manager may remove a firm from the approved list at any time due to: any failure to comply with any of the above criteria; any failure to successfully execute a transaction; any change in broker/dealer staff; or any other action, event or failure to act which, in the sole discretion of the Treasurer or Treasury Manager is materially adverse to the best interests of the City/Agency.

4. *Permitted Investments*

The following securities are permissible investments pursuant to Section 53601 of the Government Code as well as this Investment Policy. Any other investment not specified hereunder shall be made only upon prior approval by the City Council and/or the Agency.

U. S. Treasury Securities

Bills, notes and bonds issued by the U.S. Treasury which are direct obligations of the federal government.

Maximum Maturity	5 years
Maximum Portfolio Exposure	20%*
Maximum Issuer Exposure	Prudent person standard applies overall
Credit Requirement	N.A.

* 20% limit is a result of the Nuclear Free Zone Ordinance, subject also to prior adoption by Council of a waiver for a period not to exceed 60 days allowing investment in U.S. Treasury securities due to specified findings. There is no limitation under the Government Code.

Federal Agencies and Instrumentalities

Notes and bonds of federal agencies, government-sponsored enterprises and international institutions. Not all are direct obligations of the U. S. Treasury but may involve federal sponsorship and/or guarantees, in some instances.

Maximum Maturity	5 years
Maximum Portfolio Exposure	None
Maximum Issuer Exposure	Prudent person standard applies overall
Credit Requirement	N.A.

Banker's Acceptances (BA)

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

Maximum Maturity	180 days
Maximum Portfolio Exposure	40%
Maximum Issuer Exposure	30% of total surplus funds may be in BAs of one commercial bank; maximum 5% per issuer
Credit Requirement	Al, Pl, or Fl (S&P/Moody's/Fitch)

Commercial Paper

A short-term, unsecured promissory note issued by financial and non-fmancial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-fmancial companies issue for operating funds.

Maximum Maturity	270 days
Maximum Portfolio Exposure	25%
Maximum Issuer Exposure	No more than 10% of the total assets of the investments held by the City or Agency may be invested in any one issuer's commercial paper; and maximum 5% per issuer
Credit Requirement	Prime quality of the highest letter and number rating as provided by a nationally recognized statistical rating organization (NRSRO). For example, Al or PI (S&P/Moody's); or Fl (Fitch).
Eligibility	Limited to general corporations organized and operating in the United States with assets in excess of $500 million, and having "A" or higher ratings for the issuer's debt, other than commercial paper, if any, as provided by NRSRO.

Asset-Backed Commercial Paper

Asset-Backed Commercial Paper ("ABCP") issued by special purpose corporations ("SPCs") that is supported by credit enhancement facilities (e.g. over-collateralization, letters of credit, surety bonds, etc.)

Maximum Maturity	270 days
Maximum Portfolio Exposure	25% (Not to exceed 25% of total secured and unsecured CP)
Maximum Issuer Exposure	No more than 10% of the total assets of the investments held by the City or Agency may be invested in any one issuer's commercial paper; and maximum 5% per issuer
Credit Requirement	Rated "A1" by Standard and Poor's, "P1" by Moody', or "F1" by Fitch
Eligibility	Issued by special purpose corporations ("SPC") organized and operating in the the United States with assets exceeding $500 million. Restricted to programs sponsored by commercial banks or finance companies organized and operated in the United States. Program must have credit facility that provides at least 100% liquidity Serialized ABCP programs are not eligible

Ratings are to be routinely monitored. The Treasurer or Treasury Manager is to perform his/her own due diligence as to creditworthiness.

Local Government Investment Pools

For local agencies (including counties, cities or other local agencies) that pool money in deposits or investments with other local agencies, investments may be made subject to the following:

Maximum Maturity	N/A
Maximum Portfolio Exposure	20%
NAV Requirement	$1.00

Credit Requirement	Top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations
Must retain an Investment Advisor	Registered with the SEC with not less than 5 years experience in investing securities as authorized by the Code, and with assets under management in excess of $500 million
Fund Composition	Comprised of instruments in accordance with the California State Government Code

Medium Term Notes

Corporate Bonds, Corporate Notes and Deposit Notes. Issuers are banks and bank holding companies, thrifts, finance companies, insurance companies and industrial corporations. These are debt obligations that are generally unsecured.

Maximum Maturity	5 years (additional limitations based on credit, below)
Maximum Portfolio Exposure	30%
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Credit Requirement	Top 3 rating categories, A, A2 or A (S&P/Moody's/Fitch) being the lowest. Maturity no greater than 24 months ("A" category) or 36 months ("AA" category)
Eligibility	Limited to corporations organized and operating within the United States or depository institutions licensed by the United States or any state and operating within the United States

Negotiable Certificates of Deposit

Issued by commercial banks and thrifts, and foreign banks (Yankee CD's).

Maximum Maturity	5 years
Maximum Portfolio Exposure	30%
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Credit Requirement	Top 3 rating categories, A, A2 or A (S&P/Moody's/Fitch) being the lowest, if rated by S&P, Moody's or Fitch, otherwise, for Domestic Banks and Savings & Loans a minimum of C (Thomson Bank Watch) and for Foreign Banks a minimum of B (Thomson Bank Watch), or in either case equivalent ratings from another generally recognized authority on bank ratings

Repurchase Agreements

A contractual transaction between the investor and a bank/dealer to exchange cash for temporary ownership or control of securities/collateral with an agreement by the bank/dealer to repurchase the securities on a future date. Primarily used as an overnight investment vehicle.

Maximum Maturity	360 days
Maximum Portfolio Exposure	None
Maximum Dealer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Collateral Requirements	Collateral limited to Treasury and Agency securities; must be 102% or greater
Mark-to-market	Daily
Eligibility	Limited to primary dealers of the Federal Reserve Bank of New York, for which a current Master Repurchase Agreement has been executed with the City/Agency

Reverse Repurchase Agreements

The mirror image of a repurchase agreement. Used as a source of liquidity when there is a mismatch of cash flow requirement and scheduled maturities. A mechanism to avoid liquidating securities for immediate cash needs. Restricted to securities owned for a minimum of 30 days prior to settlement of the repurchase agreement.

This strategy should be used solely for liquidity and not for arbitrage or leverage purposes.

Maximum Maturity	92 days (unless a written agreement guaranteeing the earnings or spread for the entire period)
Maximum Portfolio Exposure	20% of the base value of the portfolio
Eligibility	Limited to primary dealers of the Federal Reserve Bank of New York or nationally or State chartered bank with significant banking relationship with the City

Secured Obligations and Agreements

Obligations, including notes or bonds, collateralized at all times in accordance with Sections 53651 and 53652 of the Government Code.

Maximum Maturity	2 years
Maximum Portfolio Exposure	20%
Maximum Issued/Provider Exposure	Prudent person standard applies overall; maximum 5% per issue
Collateral Requirements	Collateral limited to Treasury and Agency securities; must be 102% or greater
Mark-to-market	Daily
Credit Requirement	Issuer/Provider rated in "AA" category by at least one national rating agency; or agreement guaranteed by an "AA" company
Eligibility	Banks, insurance companies, insurance holding companies and other financial institutions

Certificates of Deposit

Time deposits, which are non-negotiable, are issued most commonly by commercial banks, savings and loans and credit unions with federal deposit insurance available for amounts up to $250,000 until December 31, 2013. Deposits in banks, savings and loan associations and federal credit unions with a branch office within Oakland will be made (to the extent permissible by State and Federal law or rulings) pursuant to the following conditions:

Maximum Maturity	360 days
Maximum Portfolio Exposure	Prudent person standard applies.
Maximum Issuer Exposure	Prudent person standard applies.
Credit Requirement	For deposits over $250,000: Top 3 rating categories - A, A2 or A (S&P/Moody's/ Fitch) being the lowest, if rated by S&P, Moody's or Fitch; otherwise, for Domestic Banks and Savings & Loans, a minimum standard of C (Thompson Bank Watch) and for Foreign Banks a minimum of B (Thompson Bank Watch), or in either case equivalent ratings from another generally recognized authority on bank ratings
Deposit Limit	For federally insured deposits of $250,000 or less: No minimum credit rating required. City's deposits cannot exceed the total shareholder's equity of the institution. For deposits over $250,000, it must be collateralized.
Depository Selection	Highest available rate of interest
Institution Requirements	Most recent Annual Report

Note: Pursuant to Government code 53637, the City is prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body or decision-making authority serves on the board of directors or committee.

Money Market Mutual Funds

Regulated by the SEC, these funds operate under strict maturity and diversification guidelines. These funds have no federal guarantee but are viewed as a very safe short-term cash investment.

Maximum Maturity	N/A
Maximum Portfolio Exposure	20%
NAV Requirement	$1.00
Credit Requirement	Top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations
Investment Advisor Alternative to Ratings	Registered with the SEC with not less than 5 years experience in investing securities as authorized by the Code, and with assets under management in excess of $500 million
Fund Composition	Comprised of instruments in accordance with the California State Government Code

State Investment Pool (Local Agency Investment Fund)

A pooled investment fimd overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. Maximum currently authorized by Local Agency Investment Fund (LAIF) is $50 million, which is subject to change. The LAIF is in trust in the custody of the State Treasurer. The City's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget. As of June 20, 2005, commercial paper of a limited liability corporation is a legal investment for LAIF, per Chapter 16, Statutes of 2005 (AB 279, Calderon).

Maximum Maturity	N/A
Maximum Portfolio Exposure	None

Local City/Agency Bonds

Bonds issued by the City of Oakland, the Redevelopment Agency or any department, board, agency or authority of the City or the Redevelopment Agency.

Maximum Maturity	5 years
Maximum Portfolio Exposure	None
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Credit Requirement	Prudent person standard applies

State of California Obligations and Others

State of California and any other of the 49 United States registered state warrants, treasury notes, or bonds issued by a State.

Maximum Maturity	5 years
Maximum Portfolio Exposure	None
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Credit Requirement	Prudent person standard applies

Other Local Agency Bonds

Bonds, notes, warrants or other evidences of indebtedness of any local agency within the state.

Maximum Maturity	5 years
Maximum Portfolio Exposure	Prudent person standard applied overall; maximum 5% per issuer
Maximum Issuer Exposure	Prudent person standard applies
Credit Requirement	Prudent person standard applies

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APPENDIX D

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of provisions of the Trust Agreement and the Third Supplemental Trust Agreement. Certain other provisions of the foregoing documents are summarized in the forepart of the Official Statement. This summary is not intended to be definitive and is qualified in its entirety by reference to the Trust Agreement and the Third Supplemental Trust Agreement for the complete terms thereof. Copies of the Trust Agreement and the Third Supplemental Trust Agreement may be obtained by contacting the Trustee. As used in this APPENDIX D, the "City of Oakland, California Taxable Pension Obligation Bonds, Series 2012" are referred to as the "Series 2012 Bonds," and the "City of Oakland, California Taxable Pension Obligation Bonds, Series 2001" are referred to as the "Series 2001 Bonds." The Series 2001 Bonds, the Series 2012 Bonds, and any Additional Bonds are referred to collectively as "Bonds."

DEFINITIONS

The following are summaries of definitions of certain terms used in the Summary of Principal Legal Documents. All capitalized terms not defined in this Summary or elsewhere in the Official Statement have the meanings set forth in the Third Supplemental Trust Agreement or the Trust Agreement unless the context clearly requires otherwise.

"Accreted Value" shall mean (i) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in a Supplemental Trust Agreement as the amount representing the initial principal amount of such Bond plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (ii) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Bonds plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value shall be determined in accordance with the provisions of the Supplemental Trust Agreement authorizing the issuance of such Bonds.

"Authorized City Representative" shall mean the Director of Budget and Finance, Treasury Manager, City Attorney of the City or such other officer or employee of the City or other person, which other officer, employee or person has been designated by the City as an Authorized City Representative by written notice delivered by the City Manager, Director of Budget and Finance, or City Attorney to the Trustee. Any action required or authorized to be taken by the City in the Trust Agreement may be taken by the Authorized City Representative with such formal approvals by the City as are required by the policies and practices of the City and applicable laws; provided, however, that any action taken by the Authorized City Representative in accordance with the provisions of the Trust Agreement shall conclusively be deemed by the Trustee and the Owners to be the act of the City without further evidence of the authorization thereof by the City.

"Authorized Denominations" means $5,000 principal amount and integral multiples thereof with respect to the Series 2012 Bonds.

"Bonds" as defined in the Trust Agreement, shall mean all bonds, notes or other obligations authorized to be issued from time to time pursuant to the PFRS Pension Obligation Bond Law which are issued pursuant to the Trust Agreement and any Supplemental Trust Agreement executed pursuant to the provisions of the Trust Agreement.

"Bond Counsel" shall mean a firm or firms of attorneys which are nationally recognized as experts in the area of municipal finance and which are familiar with the transactions contemplated under the Trust Agreement and which are acceptable to the City.

"Bondholder," *"holder*," *"owner"* or *"registered owner"* shall mean the person in whose name any Bond or Bonds are registered on the books maintained by the Registrar and shall include any Credit Provider or Liquidity Provider to which a Repayment Obligation is then owed, to the extent that such Repayment Obligation is deemed to be a Bond under the provisions of the Trust Agreement.

"Book-Entry Bonds" shall mean the Series 2012 Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions of the Third Supplemental Trust Agreement.

"Business Day" shall mean a day on which banks located in New York, New York, in Oakland, California and in the city in which the principal corporate trust office of the Trustee is located are open, provided that such term may have a different meaning for any specified Series or Subseries of Bonds if so provided by Supplemental Trust Agreement.

"Capital Appreciation Bonds" shall mean Bonds all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Indenture and is payable only upon redemption or on the maturity date of such Bonds. Bonds which are issued as Capital Appreciation Bonds, but later convert to Bonds on which interest is paid periodically shall be Capital Appreciation Bonds until the conversion date and thereafter shall no longer be Capital Appreciation Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date. *"Capital Appreciation Bonds"* includes the Series 2001 Bonds.

"Charter" shall mean the Charter of the City of Oakland adopted on November 5, 1968, as amended from time to time.

"City" shall mean the City of Oakland, California.

"City Attorney" shall mean legal counsel to the City, whether employees of the City or outside counsel hired by the City to render an opinion or give advice as to any specific matter.

"City Council" shall mean the City Council of the City of Oakland, California, created under the provisions of the Charter, and any successor to its function.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

"Consultant" shall mean any Independent consultant, consulting firm, accountant or accounting firm, a specialized employee of the City (who need not be Independent) or other expert recognized to be well-qualified for work of the character required and retained by the City to perform acts and carry out the duties provided for such consultant in the Trust Agreement.

"Continuing Disclosure Certificate" shall mean the Continuing Disclosure Certificate of the City dated the date of issuance and delivery of the Series 2012 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs" shall mean all costs representing or relating to the obligations of the City to the System under Article XXVI of the Charter, and shall include, but not be limited to, the following: (1) the costs of

services provided to implement the Program described in the PFRS Pension Obligation Bond Law, including costs of consultants, advisors, actuaries, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the City or an Independent consultant; (2) costs of the City properly allocated to the Program and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (3) costs of amortizing any unfunded accrued actuarial liability of the System; (4) financing expenses, including costs related to issuance of and securing of Bonds, costs of credit facilities, liquidity facilities, municipal bond insurance or any other kind of credit enhancement relating to the Bonds, any amount to be deposited in any debt service reserve fund, the cost of any reserve fund surety policy, trustee's and paying agent's fees and expenses; (5) any interest rate swap termination payments due under a swap relating to any Series or Subseries of Bonds or the failure to issue Bonds, or any payments due upon initiation of any swap arrangement; (6) Costs of Issuance; and (7) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the City.

"Costs of Issuance" shall mean the costs of issuing any Bonds under the Trust Agreement or any Supplemental Trust Agreement. The Costs of Issuance are Costs permitted by the definition of "Costs" in the Trust Agreement and in the PFRS Pension Obligation Bond Law. With respect to the Series 2012 Bonds, *"Costs of Issuance"* shall mean all costs and expenses incurred by the City in connection with the issuance of the Series 2012 Bonds, including, but not limited to, costs and expenses of preparation, printing and copying of the preliminary and final official statement and other documents and agreements, the preparation of the Series 2012 Bonds, underwriters' compensation, the fees, costs and expenses of rating agencies, the Trustee, any paying agents, legal counsel, actuaries, accountants, financial advisors, verification agents, tender agents and other consultants.

"Covenant of Payment" shall mean the Covenant of Payment included in the Covenant of Payment and the Granting Clause of the Trust Agreement.

"Credit Facility" shall mean a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, Reserve Fund Surety Policy or other financial instrument which obligates a third party to make payment of or provide funds to the Trustee for the payment of the principal of and/or interest on Bonds, whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the City fails to do so.

"Credit Provider" shall mean the party obligated to make payment of principal of and interest on the Bonds under a Credit Facility.

"Debt Service Fund" or *"Debt Service Funds"* shall mean a Debt Service Fund or any of the Debt Service Funds required to be created by the Trust Agreement and further described therein.

"Designated Debt" shall mean a specific indebtedness designated by the City with the intent that the risks associated with such debt be offset with a Swap, such specific indebtedness to include all or any part of a Series or Subseries of Bonds.

"DTC" shall mean The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"Event of Default" shall mean any occurrence or event specified as such in the Trust Agreement.

"First Supplemental Trust Agreement" shall mean the First Supplemental Trust dated as of February 1, 1997 between the Trustee and the City, providing for the issuance of the Series 1997 Bonds.

"Fiscal Year" shall mean the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other similar period as the City designates as its fiscal year.

"Fitch" shall mean Fitch Investors Service, Inc.

"Funding Agreement" shall mean any agreement executed by the City and the System from time to time setting forth those undertakings of the City pursuant to Article XXVI of the Charter which the City is financing by the issuance of Bonds pursuant to the PFRS Pension Obligation Bond Law.

"Government Obligations" shall mean (1) United States Obligations (including obligations issued or held in book-entry form) and (2) prerefunded municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash and/or United States Obligations, which United States Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (c) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (d) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (f) the municipal obligations are rated in the highest rating category by Moody's if Moody's then maintains a rating on such obligations and by S&P if S&P then maintains a rating on such obligations.

"Holder" or *"Bondholder"* shall mean the registered owner of any Bond including DTC or its nominee as the registered owner of Book-Entry Bonds.

"Independent" shall mean, when used with respect to any specified firm or individual, such a firm or individual who (i) does not have any direct financial interest or any material indirect financial interest in the operations of the City, other than the payment to be received under a contract for services to be performed, and (ii) is not connected with the City as an official, officer or employee.

"Interest Payment Date" shall mean each June 15 and December 15, commencing [December 15, 2012], the dates upon which interest on the Series 2012 Bonds becomes due and payable.

"Liquidity Facility" shall mean a letter of credit, line of credit, standby purchase agreement or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase Bonds.

"Liquidity Provider" shall mean the entity, including the Credit Provider, which is obligated to provide funds to purchase Bonds under the terms of a Liquidity Facility.

"Mail" shall mean by first-class United States mail, postage prepaid.

"Maturity Amount" shall mean the amount of principal payable with respect to the Capital Appreciation Bonds at the maturity thereof.

"Moody's" shall mean Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, *"Moody's"* shall be deemed to refer to any other nationally recognized rating agency designated by the City.

"Notes" shall mean Bonds issued under the provisions of the Trust Agreement which have a maturity of five years or less from their date of original issuance and which are not issued as part of a commercial paper notes program.

"Original Issue Discount Bonds" shall mean Bonds which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Bonds by the Supplemental Trust Agreement under which such Bonds are issued.

"Outstanding," when used with respect to Bonds, shall mean all Bonds which have been authenticated and delivered under the Trust Agreement, except:

(a) Bonds canceled or purchased by the Trustee for cancellation or delivered to or acquired by the Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(b) Bonds deemed to be paid in accordance with the Trust Agreement;

(c) Bonds in lieu of which other Bonds have been authenticated under the Trust Agreement;

(d) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Trustee or a Paying Agent;

(e) Bonds which, under the terms of the Supplemental Trust Agreement pursuant to which they were issued, are deemed to be no longer Outstanding;

(f) any Repayment Obligation deemed to have the same status as Bonds under the Trust Agreement to the extent such Repayment Obligation arose under the terms of a Liquidity Facility and is secured by a pledge of Outstanding Bonds acquired by the Liquidity Provider; and

(g) for purposes of any consent or other action to be taken by the holders of a specified percentage of Bonds under the Trust Agreement, Bonds held by or for the account of the City or by any person controlling, controlled by or under common control with the City, unless such Bonds are pledged to secure a debt to an unrelated party.

"Paying Agent" or *"Paying Agents"* shall mean, with respect to the Bonds or any Series or Subseries of Bonds, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Trust Agreement or a resolution of the City as the Paying Agent acting as paying agent for such Bonds. *"Paying Agent,"* for purposes of the Third Supplemental Trust Agreement, shall mean the Trustee.

"Payment Date" shall mean, with respect to any Bonds, each date on which interest is due and payable thereon and, each date on which principal is due and payable thereon, whether at maturity or redemption thereof.

"Payments" shall mean the payments made by the City pursuant to the Covenant of Payment, which payments the City has agreed to make from any monies of the City legally available to pay principal of or interest, redemption price or other amounts owed with respect to the Bonds. No special source of monies or revenues, other than the Pledged Revenues, is specifically pledged by the City to the payment of the Bonds pursuant to the terms of the Trust Agreement.

"*Permitted Investments*" means any of the following:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United State of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration (FmHA)
Certificates of beneficial ownership

3. Federal Financing Bank

4. Federal Housing Administration Debentures (FHA)

5. General Services Administration
Participation certificates

6. Government National Mortgage Association (GNMA or "Ginnie Mae") GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations

7. U.S. Maritime Administration
Guaranteed Title XI financing

8. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
Senior debt obligations

2. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”) Participation, Certificates Senior debt obligations

3. Federal National Mortgage Association (FNMA or “Fannie Mae”) Mortgage backed securities and senior debt obligations

4. Student Loan Marketing Association (SLMA or “Sallie Mae”) Senior debt obligations

5. Resolution Funding Corp. (REFCORP) obligations

6. Farm Credit System Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G”, “AAA-m” and a Moody’s rated “Aaa”, “Aal” or “Aa2”.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

G. Investment agreements not adversely affecting the ratings on the Series 2012 Bonds.

H. Commercial paper rated, at the time of purchase, “Prime-1” by Moody’s and “A-l” or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime - 1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P.

K. Any other investment selected by the City which does not adversely affect the ratings on the Series 2012 Bonds.

“PFRS Pension Obligation Bond Law” shall mean Chapter 4.44 of the Oakland Municipal Code, enacted by Ordinance No. 11851 adopted by the City Council on January 23, 1996.

“Pledged Revenues” shall mean the Tax Override Revenues and any other revenues which are specifically pledged to the payment of Bonds under the terms of any Supplemental Trust Agreement.

“Pledged Revenues Account” shall mean the fund of such designation created pursuant to the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement and the Third Supplemental Trust Agreement.

"Program" shall mean the program referred to in the PFRS Pension Obligation Bond Law.

"Program Fund" shall mean the fund designated by such name established pursuant to the Trust Agreement.

"Qualified Swap" shall mean any Swap (a) whose Designated Debt is all or part of a particular Series or Subseries of Bonds; (b) which has been approved in writing by any Credit Provider securing payment of principal of and interest on such Series or Subseries of Bonds (including any bond insurer); (c) whose Swap Provider is a Qualified Swap Provider or has been a Qualified Swap Provider within the 60 day period preceding the date on which the determination of such status is being made; (d) which has a term not greater than the term of the Designated Debt or to a specified mandatory tender or redemption of such Designated Debt; and (e) which has been designated in writing to the Trustee by the City as a Qualified Swap with respect to such Bonds.

"Qualified Swap Provider" shall mean a financial institution (a) whose senior long-term debt obligations, or whose obligations under any Qualified Swap are guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least "AA," in the case of Moody's and "Aa," in the case of Standard & Poor's, or the equivalent thereto in the case of any successor thereto, and (b) acceptable to the Credit Provider for the Designated Debt.

"Rating Agency" shall mean Moody's, S&P or Fitch.

"Rating Category" and *"Rating Categories"* shall mean (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Record Date" shall mean, with respect to any Series or Subseries of Bonds, the record date as specified in the Supplemental Trust Agreement which provides for the issuance of such Series. *"Record Date"* shall mean, for a June 15 Interest Payment Date the preceding June 1 and for a December 15 Interest Payment Date, shall mean the preceding December 1.

*"Redemption Account" or "Redemption Accounts" s*hall mean a Redemption Account or any of the Redemption Accounts created pursuant to the provisions of the Trust Agreement and designated by such name and further described in a Supplemental Trust Agreement.

"Refunding Bonds" shall mean any Bonds issued pursuant to the provisions of the Trust Agreement to refund or defease all or a portion of any Series of Outstanding Bonds or any Subordinated Obligation.

"Registrar" shall mean, with respect to the Bonds or any Series or Subseries of Bonds, the bank, trust company or other entity designated in a Supplemental Trust Agreement or a resolution of the City to perform the function of Registrar under the Trust Agreement or any Supplemental Trust Agreement, and which bank, trust company or other entity has accepted the position in accordance with the provisions of the Trust Agreement. *"Registrar,"* for purposes of the Third Supplemental Trust Agreement, shall mean the Trustee.

"Regularly Scheduled Swap Payments" shall mean the regularly scheduled payments under the terms of a Swap which are due absent any termination, default or dispute in connection with such Swap.

"Repayment Obligations" shall mean an obligation arising under a written agreement of the City and a Credit Provider pursuant to which the City agrees to reimburse the Credit Provider for amounts paid through a Credit Facility to be used to pay debt service on any Bonds or an obligation arising under a written agreement of the City and a Liquidity Provider pursuant to which the City agrees to reimburse the Liquidity Provider for amounts paid through a Liquidity Facility to be used to purchase Bonds.

"Reserve Fund" shall mean any trust account created pursuant to any Supplemental Trust Agreement and that is required to be funded for the purpose of providing additional security for any Bonds issued pursuant to the terms of the Trust Agreement and as specified in any Supplemental Trust Agreement.

"Reserve Requirement" shall mean such amount specified by the terms of any Supplemental Indenture as the minimum amount to be maintained in any Reserve Fund or any sub-account thereof with respect to any issue or Series or Subseries of Bonds.

"Reserve Fund Surety Policy" shall mean an insurance policy or surety bond, or a letter of credit, deposited in any Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Reserve Fund Surety Policy shall be rated in one of the two highest Rating Categories by both Moody's if Moody's is then maintaining a rating on the Bonds and S&P if S&P is then maintaining a rating on the Bonds at the time such instrument is provided.

"S&P" shall mean Standard & Poor's, a division of McGraw-Hill Companies, its successors and their assigns, and if such rating agency shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

"Second Supplemental Trust Agreement" shall mean the Second Supplemental Trust Agreement dated as of September 1, 2001 between the City and the Trustee, providing for the issuance of the Series 2001 Bonds.

"Series 2001 Bonds" shall mean the $195,636,449.10 original aggregate principal amount of Bonds issued under the Trust Agreement and the Second Supplemental Trust Agreement and designated as "City of Oakland, California, Taxable Pension Obligation Bonds, Series 2001."

"Series 2012 Bonds" shall mean the $__________________ original aggregate principal amount of Bonds issued under the Trust Agreement and the Third Supplemental Trust Agreement and designated as "City of Oakland, California Taxable Pension Obligation Bonds, Series 2012."

"Series 2012 Costs of Issuance Fund" shall mean the Costs of Issuance Fund designated by such name created in the Third Supplemental Trust Agreement and into which money is to be deposited to pay Costs of Issuance with respect to the issuance of the Series 2012 Bonds.

"Series 2012 Debt Service Fund" shall mean the Debt Service Fund designated by such name created in the Third Supplemental Trust Agreement and into which money is to be deposited to pay debt service on the Series 2012 Bonds.

"Series" shall mean Bonds designated as a separate Series by a Supplemental Trust Agreement.

"State" shall mean the State of California.

"Subordinated Obligation" shall mean any bond, note or other debt instrument issued or otherwise entered into by the City which ranks junior and subordinate to the Bonds and which may be paid from moneys constituting Pledged Revenues only if all amounts of principal and interest which have become due and payable on the Bonds, whether by maturity, redemption or acceleration, have been paid in full and the City is current on all payments, if any, required to be made to replenish any Reserve Fund. "Subordinated Obligations" are not Bonds for purposes of the Trust Agreement; provided, however, that the City may henceforth by Supplemental Trust Agreement elect to have the provisions of the Trust Agreement applicable to the Bonds apply to the Subordinated Obligations issued thereunder, except that such Subordinated Obligations shall be secured on a junior and subordinate basis to the Bonds from the Pledged Revenues. No bond, note or other instrument of indebtedness shall be deemed to be a "Subordinated Obligation" for purposes of the Trust Agreement and payable on a subordinated basis from Pledged Revenues unless specifically designated by the City as a "Subordinated Obligation" in a Supplemental Trust Agreement or other written instrument. In connection with any Subordinated Obligation with respect to which a Swap is in effect or if the City proposes a Swap to be in effect, the term "Subordinated Obligation" includes, collectively, both such Subordinated Obligation and either such Swap or the obligations of the City under each such Swap, as the context requires. The term "Subordinated Obligations" also includes a Swap or the obligations of the City under such Swap which has been entered into in connection with a Subordinated Obligation, as the context requires, although none of the Subordinated Obligations with respect to which such Swap was entered into remain outstanding. In connection with any Bonds with respect to which a Qualified Swap is in effect or proposed to be in effect, the term "Subordinated Obligation" includes any Swap Termination Payment.

"Subseries" shall mean any Bonds designated as a subseries within a Series of Bonds by a Supplemental Trust Agreement.

"Supplemental Trust Agreement" shall mean any document supplementing or amending the Trust Agreement or providing for the issuance of Bonds and entered into as provided in the Trust Agreement.

"Swap" shall mean any financial arrangement between the City (or the Trustee at the direction of the City) and a Swap Provider which provides that (a) each of the parties shall pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or a variable rate or measured against some other rate) on a Designated Debt, and payable from time to time or at a designated time or times (whether before, during or after the term of the arrangement); (b) if such amount is to be paid *before* it is deemed to have accrued, the amount paid shall reflect the present value of such future amount (i.e., an upfront premium), while an amount to be paid *after* it is deemed to have accrued shall reflect the time value of such funds; (c) payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one shall pay to the other any net amount due under such arrangement.

"Swap Provider" shall mean a party to a Swap with the City.

"Swap Termination Payment" shall mean an amount payable by the City or a Qualified Swap Provider, in accordance with a Qualified Swap, to compensate the other party to the Qualified Swap for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Qualified Swap.

"Tax Override" and *"Tax Override Revenues"* shall mean the annual tax levy and the revenues generated and collected thereby by the City in each Fiscal Year, as and when collected and net of collection costs and administrative charges, as proceeds of the annual tax levy authorized by Measure R enacted by the voters of the City on June 8, 1976, amending Section 2602, 2607, 2608, 2610, 2618 and

2619 of the Charter, and Measure O approved by the voters of the City on June 7, 1988, amending Section 2619(6) of the Charter. The "Tax Override Revenues" shall not include investment earnings on such revenues while held by the City in the Tax Override Revenues Account. The use and application of the Tax Override Revenues shall be in accordance with the Trust Agreement.

"Term Bonds" shall mean Bonds of a Series which are payable on or before their specified maturity dates from sinking fund installment payments established for that purpose pursuant to the Supplemental Trust Agreement for such Series and calculated to retire the Bonds on or before their specified maturity dates.

"Third Supplemental Trust Agreement" shall mean the Third Supplemental Trust Agreement dated as of June 1, 2012, between the City and the Trustee and which sets forth the terms of the Series 2012 Bonds.

"Treasurer" shall mean the Treasurer of the City as set forth in the Charter.

"Trust Agreement" shall mean the Master Trust Agreement dated as of February 1, 1997 between the City and the Trustee, together with all Supplemental Trust Agreements.

"Trustee" shall mean the entity named as such in the heading of the Trust Agreement until a successor replaces it and, thereafter, shall mean such successor.

"United States Obligations" shall mean direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, with respect only to direct and general obligations and not to guaranteed obligations, evidences of ownership of proportionate interests in future interest and/or principal payments of such obligations, provided that investments in such proportionate interests must be limited to circumstances wherein: (1) a bank or trust company acts as custodian and holds the underlying United States Obligations; (2) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (3) the underlying United States Obligations are held in a special account separate from the custodian's general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated. *"United States Obligations"* shall include any stripped interest or principal portion of United States Treasury securities and any stripped interest portion of Resolution Funding Corporation securities.

COVENANT OF PAYMENT AND GRANTING CLAUSE

To secure the payment of the Bonds and the performance and observance by the City of all the covenants, agreements and conditions expressed or contained in the Bonds, the City (i) agrees to pay from any legally available source of revenues of the City, including but not limited to the Tax Override Revenues (as defined in the Trust Agreement), as and to the extent provided in the Trust Agreement, all amounts due and owing with respect to Bonds issued under the Trust Agreement and all Supplemental Trust Agreements executed pursuant to the Trust Agreement according to the provisions of such agreements, including principal and interest thereon and the redemption price thereof (such payments being referred to in the Trust Agreement as the "Payments") and (ii) pledges and assigns to the Trustee and grants to the Trustee a lien on and security interest in all right, title and interest of the City in and to all of the following, and provides that such lien and security interest shall be prior in right to any other pledge, lien or security interest created by the City in the following: (a) the Tax Override Revenues and all amounts (exclusive of investment earnings thereon) held from time to time to the credit of the Tax Override Revenues Account of the City's General Fund, as and to the extent provided in the Trust

Agreement, (b) Pledged Revenues (as defined in the Trust Agreement) and all moneys and securities held from time to time by the Trustee under the Trust Agreement as follows: (1) moneys and securities held in any Reserve Fund relating to Bonds of any Series and any Reserve Fund Surety Policy, as defined in the Trust Agreement, provided at any time in satisfaction of all or a portion of the Reserve Requirement, and (2) moneys and securities held in any Program Fund, as and to the extent provided in any Supplemental Trust Agreement, whether or not held by the Trustee, (c) earnings on amounts included in provisions (a) and (b) of the Granting Clause (except to the extent excluded from the definition of "Pledged Revenues" by the Trust Agreement or any Supplemental Trust Agreement), and (d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind executed by or on behalf of the City, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security under the Trust Agreement, for the equal and proportionate benefit and security of all Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall, with respect to the security provided by the Covenant of Payment and Granting Clause of the Trust Agreement, be of equal rank without preference, priority or distinction as to any Bond over any other Bond or Bonds, except as to the timing of payment of the Bonds. Any security or Credit Facility provided for specific Bonds or a specific Series or Subseries of Bonds may, as provided by a Supplemental Trust Agreement, secure only such specific Bonds or Series or Subseries of Bonds and, therefore, shall not be included as security for all Bonds under the Trust Agreement and moneys and securities held in trust as provided in the Trust Agreement exclusively for Bonds which have become due and payable and moneys and securities which are held exclusively to pay Bonds which are deemed to have been paid under the provisions of the Trust Agreement shall be held solely for the payment of such specific Bonds. The agreement of the City set forth in subparagraph (i) above is referred to in the Trust Agreement as the "Covenant of Payment."

THE BONDS; SECURITY; PARITY

Issuance of Bonds. Bonds may be issued by the City under the terms of the Trust Agreement for any purpose for which the City, at the time of such issuance, may incur debt pursuant to the PFRS Pension Obligation Bond Law, which may include issuing Bonds and loaning the proceeds to other entities (if it is determined to be legally permissible for the City to do so at such time) or investing the proceeds of Bonds in any Permitted Investment, provided that, if the proceeds of the Bonds are loaned to other entities or invested, the loan repayments and interest or investment earnings thereon and the invested proceeds and interest or investment earnings thereon shall be included as Pledged Revenues. Bonds may be issued under the Trust Agreement only if the provisions of the Trust Agreement are satisfied. The Bonds may be in certificated or uncertificated form, and Bonds which are issued in certificated form may be freely transferable or may be immobilized and held by a custodian for the beneficial owners, all as shall be set forth or permitted in the Supplemental Trust Agreement providing for the issuance of such Bonds. The Bonds may have notations, legends or endorsements required by law or usage.

The Series 2012 Bonds are issued under and subject to the terms of the Trust Agreement and are secured by and payable from the Payments to be made by the City and other security provided in the Covenant of Payment and Granting Clause of the Master Trust Agreement and in accordance with the terms of the Trust Agreement, on a parity with the Outstanding Series 2001 Bonds.

The City agrees to pay from any legally available source of revenues of the City, including but not limited to the Tax Override Revenues, as and to the extent therein provided, all amounts due and owing with respect to the Series 2012 Bonds issued under the Third Supplemental Trust Agreement according to the provisions of such agreement and on a parity with the Outstanding Series 2001 Bonds. There shall inure to the benefit of the Series 2012 Bonds the City's pledge, assignment and grant to the

Trustee set forth in the Covenant of Payment and Granting Clauses of the Master Trust Agreement, of a lien on, and security interest in, all right, title and interest of the City in and to the Pledged Revenues as and to the extent provided in the Trust Agreement, and on a parity with the Outstanding Series 2001 Bonds. There shall inure to the benefit of the Series 2012 Bonds, on a parity with the Outstanding Series 2001 Bonds, the City's pledge, assignment and grant to the Trustee, set forth in the Covenant of Payment and Granting Clauses of the Master Trust Agreement, of a lien on and security interest in all right, title and interest of the City in and to (i) all moneys and securities held from time to time by the Trustee under the Trust Agreement and (ii) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind executed by or on behalf of the City, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security under the Third Supplemental Trust Agreement, for the equal and proportionate benefit and security of all Series 2012 Bonds and Series 2001 Bonds and any Additional Bonds.

Bond Register. Bonds of each Series may be presented at the designated corporate trust office of the Trustee or such other Registrar, unless a different office has been designated for such purpose, for registration, transfer and exchange. The Trustee or a Registrar will keep a register of each Series or Subseries of Bonds and of their transfer and exchange.

Registration and Transfer or Exchange of Bonds, Persons Treated as Owners. Supplemental Trust Agreements may designate certain limited periods during which Bonds will not be exchanged or transferred.

Bonds delivered upon any exchange or transfer as provided in the Trust Agreement, shall be valid obligations of the City, evidencing the same debt as the Bond or Bonds surrendered, shall be secured by the Trust Agreement and shall be entitled to all of the security and benefits of the Trust Agreement to the same extent as the Bond or Bonds surrendered.

The City, the Trustee and the Paying Agent shall treat the Bondholder of a Bond, as shown on the registration books kept by the Registrar, as the person exclusively entitled to payment of principal, premium, if any, and interest on such Bond and as the party entitled to the exercise of all other rights and powers of the Bondholder, except that all interest payments will be made to the party who, as of the Record Date, is the Bondholder.

Issuance of Series or Subseries Bonds; Supplemental Trust Agreement; Application of Bond Proceeds. Bonds may be issued, from time to time, subject to the conditions of the Trust Agreement.

Bonds shall be dated, shall mature, shall bear interest, shall be subject to redemption and shall be amortized, all as provided in the Supplemental Trust Agreement relating to such Series or Subseries of Bonds. In addition, each such Supplemental Trust Agreement may provide for the appointment of a Registrar or Registrars and a Paying Agent or Paying Agents and such other agents as the City shall determine to be necessary in addition to or in place of the Trustee.

Each issue or Series of the Bonds, upon execution by the City, shall be deposited with the Trustee or an agent for authentication and delivery, but prior to or simultaneously with the original delivery of such Series or Subseries of Bonds, there shall be filed with the Trustee the following:

(a) an original executed counterpart or a copy, certified by the City Clerk, of the Trust Agreement, together with all prior Supplemental Trust Agreements, executed by the City;

(b) an original executed counterpart or a copy, certified by the City Clerk, of the Supplemental Trust Agreement or Supplemental Trust Agreements providing for the issuance of such Series or Subseries of Bonds and setting forth the terms of such Series or Subseries of Bonds;

(c) a certified copy of the Funding Agreement relating thereto, if any, or a certificate of an Authorized City Representative listing those undertakings of the City which the City expects to finance with proceeds of the sale of such Series or Subseries of Bonds and such certificate shall, with respect to each item on the list, include the estimated Cost of such undertaking;

(d) a certificate of the Authorized City Representative stating that none of the Events of Default set forth in the Trust Agreement have occurred and remain uncured;

(e) an opinion of Bond Counsel to the effect that the issuance of such Bonds has been duly authorized, that all legal conditions precedent to the delivery of such Bonds have been fulfilled, and that the Bonds are valid and binding obligations of the City, enforceable in accordance with their terms; and

(f) written instructions from the City to authenticate the Bonds and, upon receipt of the purchase price, to deliver the Bonds to or upon the order of the purchasers named in such instructions.

When the documents mentioned in clauses (a) to (f), inclusive, of the immediately preceding paragraph shall have been filed with the Trustee and when such Bonds shall have been executed and authenticated, the Trustee or authenticating agent shall deliver such Bonds to or upon the order of the purchasers thereof, but only upon payment by the purchasers of the purchase price of such Bonds.

Refunding Bonds. Refunding Bonds may be issued under and secured by the Trust Agreement. Such Refunding Bonds shall be issued in accordance with the provisions of the Trust Agreement.

Issuance of Additional Bonds. The City may issue Additional Bonds secured on a parity with any Bonds Outstanding under the Trust Agreement at any time so long as the resolution of the Council authorizing their issuance states that such Additional Bond shall be subject to the terms and conditions of the Trust Agreement. No restriction is imposed by the Trust Agreement on the maximum principal amount of Bonds to be issued under the Trust Agreement. No term or provision of the Trust Agreement shall prevent the City from issuing general obligation bonds or other indebtedness or liabilities payable from the general revenues, or any special source of revenues, of the City.

Repayment Obligations Afforded Status of Bonds. If a Credit Provider or Liquidity Provider makes payment of principal of a Bond or advances funds to purchase or provide for the purchase of Bonds and is entitled to reimbursement thereof, pursuant to a separate written agreement with the City, but is not reimbursed, the City's Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Bond issued under the Trust Agreement, and, if afforded such status, the Credit Provider or Liquidity Provider shall be the Bondholder and such Bond shall be deemed to have been issued at the time of the original Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of the Trust Agreement therein described; provided, however, notwithstanding the stated terms of the Repayment Obligation, the payment terms of the Bond held by the Credit Provider or Liquidity Provider under the Trust Agreement shall be as follows: interest shall be due and payable semiannually and principal (which shall be limited to reimbursement for amounts paid by such Credit Provider or Liquidity Provider) shall be due and payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof in (i) 30 years or, if shorter, (ii)(a) a term extending to the maturity date of the Bonds secured by such Credit Facility or Liquidity Facility, or (b) if later, the final maturity of the Repayment Obligation under the written agreement, and providing substantially level Annual Debt Service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Repayment Obligation as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence shall bear interest in accordance with the terms of the Repayment Obligation. Any amount which comes due on the Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Bond shall be a Subordinated Obligation of the City. The provision shall not defeat or alter the rights of subrogation which any Credit Provider may have under law or under the terms of any Supplemental Trust Agreement.

Obligations Under Qualified Swap; Nonqualified Swap. The obligation of the City to make Regularly Scheduled Swap Payments under a Qualified Swap with respect to a Series or Subseries of Bonds may be on a parity with the obligation of the City to make payments with respect to such Series or Subseries of Bonds and other Bonds under the Trust Agreement, except as otherwise provided by Supplemental Trust Agreement and elsewhere in the Trust Agreement with respect to any Swap Termination Payments. The City may provide in any Supplemental Trust Agreement that interest swap payment obligations under a Qualified Swap may be payable from the Payments and secured by a pledge of or lien on the Pledged Revenues on a parity with the Bonds of such Series and all other Bonds, regardless of the principal amount, if any, of the Bonds of such Series remaining Outstanding. The interest rate swap obligation of the City payable from the Payments or secured by Pledged Revenues shall be limited to the net amount actually owed at any time by the City under such Qualified Swap, for purposes of determining the parity status of such obligation. The Trustee shall take all action consistent with the other provisions of the Trust Agreement as shall be requested in writing by the Qualified Swap Provider necessary to preserve and protect any such pledge, lien and assignment and to enforce the obligations of the City with respect thereto. In the event the action requested to be taken pursuant to the preceding sentence shall require the Trustee either to exercise the remedies granted in the Trust Agreement or to institute any action, suit or proceeding in its own name, the Qualified Swap Provider shall provide to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred in connection therewith.

In the event that a Swap Termination Payment or any other amounts other than as described in clause (a) above are due and payable by the City under a Qualified Swap, such Swap Termination Payment and any such other amounts shall constitute a Subordinated Obligation under the Trust Agreement.

Obligations of the City to make payments, including termination payments, under a Nonqualified Swap shall constitute Subordinate Obligations under the Trust Agreement.

PAYMENTS AND FUNDS

Bonds Payable Out of Payments and Secured by Lien on Pledged Revenues. The City shall cause the Payments to be made in such amounts and at such times as are necessary to cause all payments of principal, interest and redemption price of Bonds issued under the Trust Agreement and each Supplemental Trust Agreement executed pursuant to the Trust Agreement to be made to Bondholders when and as due. The Bonds authorized and issued under the provisions of the Trust Agreement shall be secured as provided in the Covenant of Payment and Granting Clause of the Trust Agreement. The City covenants that, except as expressly permitted by any Supplemental Trust Agreement, until all the Bonds authorized and issued under the provisions of the Trust Agreement and the interest thereon shall have been paid or are deemed to have been paid, it will not grant any prior or parity pledge of or any security interest in any Pledged Revenues pledged by any Supplemental Trust Agreement executed pursuant to the Trust Agreement or any of the other security, if any, which is expressly pledged pursuant to the Granting

Clauses of the Trust Agreement, or create or permit to be created any charge or lien thereon or any security interest therein ranking prior to or on a parity with the charge or lien of the Bonds from time to time Outstanding under the Trust Agreement. The City may, as provided in the Trust Agreement, grant a lien on or security interest in any Pledged Revenues to secure Subordinated Obligations, but only on a subordinated basis. The Trust Agreement creates no pledge of or security interest in any Pledged Revenues or other security or property for the benefit of the Bondholders on the date of delivery of the Trust Agreement other than the Tax Override Revenues. The Trust Agreement and the Covenant of Payment and the pledge of security set forth in the Granting Clauses of the Trust Agreement shall not be construed to restrict in anyway the right of the City to create any charge or lien on the legally available monies of the City or any source thereof.

Provisions of Trust Agreement Subject to Charter Provisions. The City covenants to cause the Payments required by the Trust Agreement to be made only in accordance with Section 806 of the Charter, relating to budgeting and appropriations.

Establishment of Funds and Accounts. Earnings on the various funds and accounts created under any Supplemental Trust Agreement shall be deposited as provided in such Supplemental Trust Agreement, except that (i) during the continuation of an Event of Default earnings on such funds and accounts shall be deposited into the Debt Service Funds created under the respective Supplemental Trust Agreements, and (ii) pursuant to the Trust Agreement, earnings on any Reserve Funds may be retained in such funds under the conditions therein described.

In the Trust Agreement, the City establishes or authorizes the establishment of the following special trust funds and accounts:

(1) Program Fund.

(2) Debt Service Funds and Accounts.

(3) Reserve Funds.

(4) Residual Fund.

(5) Cost of Issuance Fund.

(6) Revenue Fund and Accounts.

Pursuant to the Trust Agreement, the City establishes within the General Fund of the City a special account, to be designated "The City of Oakland, Tax Override Revenues Account," to be held in trust by the City and applied as provided in the Trust Agreement.

ESTABLISHMENT OF FUNDS RELATING TO THE SERIES 2012 BONDS AND APPLICATION THEREOF

Establishment of Funds and Accounts. The following funds are established with the City and the Trustee in the Third Supplemental Trust Agreement:

(a) The City of Oakland, Taxable Pension Obligation Bonds, Series 2012 Debt Service Fund;

(b) The City of Oakland, Taxable Pension Obligation Bonds, Series 2012 Costs of Issuance Fund;

(c) The City of Oakland, Taxable Pension Obligation Bonds, Series 2012 Program Fund; and

(d) The City of Oakland, Taxable Pension Obligation Bonds, Series 2012 Bond Proceeds Fund.

Application of Proceeds and Other Funds and Securities. The proceeds of the sale of the Series 2012 Bonds net of the underwriters' discount received by the Trustee shall be deposited by the Trustee in the Series 2012 Bond Proceeds Fund and then portions thereof shall be deposited in the Series 2012 Program Fund and the Series 2012 Costs of Issuance Fund.

City Transfers of Annual Debt Service; Series 2012 Debt Service Fund. The City shall deposit with the Trustee on or before August 1 of each year, commencing August 1, 20__, an aggregate amount from its legally available revenues and such amount of the Tax Override Revenues held in the Tax Override Revenues Account of the City as is necessary (when added together with other monies of the City) to pay all principal and interest due on any Series 2012 Bonds due on the next December 15 and June 15; provided, however, that Tax Override Revenues shall be deposited by the Trustee in the Pledge Revenue Account and shall be applied to pay the principal of and interest on the Bonds, including the Series 2012 Bonds, as and to the extent due and payable. The City shall designate to the Trustee in writing the amounts transferred from the Tax Override Revenues Account for deposit pursuant to the Trust Agreement.

The Trustee shall deposit into the Series 2012 Debt Service Fund the amounts received from the City, as provided in the Trust Agreement, to be used to pay all principal and interest on any Series 2012 Bonds due on the next succeeding December 15 and June 15 thereafter. Earnings on the Series 2012 Debt Service Fund shall be withdrawn and paid to, or otherwise applied in accordance with the written direction of, the City unless an Event of Default exists under the Trust Agreement, in which event the earnings shall be retained in such Fund.

The Series 2012 Debt Service Fund shall be invested and reinvested as directed in writing by an Authorized City Representative in Permitted Investments.

Tax Override Revenues Account and Pledged Revenue Account; Application of Pledged Revenues. Until such time as no Series 2012 Bonds remain Outstanding under the Trust Agreement, all Tax Override Revenues, as and when collected by the City, shall be deposited in the Tax Override Revenues Account of the City as provided in the First Supplemental Trust Agreement and shall be applied solely as provided in the Trust Agreement, the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement, the Third Supplemental Trust Agreement, and any supplemental trust agreement providing for the issuance of Additional Bonds or Refunding Bonds. As provided in the First Supplemental Trust Agreement, the City shall transfer, not later than August 1 of each Fiscal Year in which the payment of the principal of and interest on the Series 2012 Bonds shall be due and payable and the Maturity Amount of any Series 2001 Bond shall be due and payable, such amount of the Tax Override Revenues, which together with other moneys of the City, shall be sufficient to pay the principal of and interest on the Series 2012 Bonds due said Fiscal Year and the Maturity Amount of all Series 2001 Bonds maturing in said Fiscal Year.

The Trustee is directed to take such actions as are necessary to apply amounts of Pledged Revenues credited to the Pledged Revenue Account to the payment of the principal of and interest on the

Series 2012 Bonds and the Maturity Amount of the Series 2001 Bonds in accordance with the First Supplemental Trust Agreement.

Notwithstanding the provisions of the Trust Agreement, nothing in the Trust Agreement shall preclude the City from making the payments described above from sources other than Pledged Revenues. Earnings on the Pledged Revenues Account of the Revenue Fund shall be withdrawn and paid to the City or applied as directed by the City in writing on or after June 30 of each Fiscal Year unless an Event of Default exists under the Trust Agreement, in which event the earnings shall be retained in such Fund. After application of the Pledged Revenues as set forth above in each Fiscal Year, any balance of Pledged Revenues remaining in the Pledged Revenues Account of the Revenue Fund on or after June 30 of each Fiscal Year shall be applied pursuant to the Trust Agreement.

Receipt and Deposit of Tax Override Revenues in the Tax Override Revenues Account of the City General Fund. Beginning on the date of issuance and delivery of the Series 2012 Bonds and during each year thereafter that Bonds are outstanding, the City shall deposit all Tax Override Revenues into the Tax Override Revenues Account and shall cause the Tax Override Revenues to be segregated and held in trust therein for application pursuant to the Trust Agreement. The City shall cause amounts of Tax Override Revenues to be transferred to the Trustee for deposit in the Pledged Revenues Account of the Revenue Fund at the times and in the amounts provided in any Supplemental Trust Agreement relating to the issuance of Bonds secured by the Pledged Revenues, for application pursuant to the provisions of the Trust Agreement.

Receipt and Deposit of Other Pledged Revenues in the Pledged Revenues Account. Subject to the provisions of the Trust Agreement: if any Supplemental Trust Agreement requires that the City pledge any specific revenues, fund or money, the revenues required to be so set aside into the specified accounts shall be set aside only out of such source of funds or fund or money and not out of any other funds or revenues of the City. The Authorized City Representative shall direct that such sums be set aside through transfers or payments made at such time and in such amounts as may be necessary to comply with the provisions of the Trust Agreement and any Supplemental Trust Agreement. Unless a differing procedure is set forth in a Supplemental Trust Agreement relating to the Bonds or any Series or Subseries thereof, the amounts of Pledged Revenues credited to the Pledged Revenues Account of the Revenue Fund shall be applied in the manner and in the order set forth in the Trust Agreement.

Deposits into and Withdrawals from the Debt Service Funds. The City may provide in any Supplemental Trust Agreement that, as to any Series or Subseries of Bonds Outstanding, any amounts required to be transferred to and paid into a Debt Service Fund may be prepaid, in whole or in part, by being earlier transferred to and paid into that Debt Service Fund, and in that event any subsequently scheduled monthly transfer, or any part thereof, which has been so prepaid need not be made at the time appointed therefor. In any Supplemental Trust Agreement, the City may provide that monies in the Redemption Account allocable to sinking fund installment payments of a Series may, at the discretion of the City, be applied to the purchase and cancellation of such Series (at a price not greater than par) prior to notice of redemption of such Series. Such Bonds so delivered or previously redeemed or purchased at the direction of the City shall be credited by the Treasurer at the principal amount thereof to the next scheduled sinking fund installment payments on Bonds of such Series and any excess over the sinking fund installment payment deposit required on that date shall be credited against future sinking fund installment deposits in such manner and order as the City may determine in its discretion, and the scheduled principal amount of the Bonds to be redeemed by operation of such sinking fund installment payments shall be accordingly modified in such manner as the City may determine.

Money set aside and placed in a Debt Service Fund for any Series or Subseries of Bonds shall remain therein until from time to time applied to the payment of debt service and shall not be used for any other purpose whatsoever, except that any such money so set aside and placed in a Debt Service Fund may be temporarily invested as provided in the Trust Agreement, but such investment shall not affect the obligation of the City to cause the full amount required by the terms of the Trust Agreement to be available in a Debt Service Fund at the time required to meet payments of principal of and interest on Bonds of the Series for which it is accumulated. Earnings on such investments may be transferred into the Residual Fund, except that during the continuation of an Event of Default, such earnings shall remain in the Debt Service Funds created under the respective Supplemental Trust Agreements.

Each Debt Service Fund established to pay principal of and interest on any Series or Subseries of Bonds shall be held by the Trustee or any agent of the Trustee, and amounts to be used to pay principal and interest on such Series, as received by the Trustee or its agent, shall be deposited therein and used for such purpose. Accounts and subaccounts shall be created by the Trustee or any agent of the Trustee in the various Debt Service Funds as requested in writing by the Authorized City Representative and shall be held by the Trustee or such agents as shall be provided by Supplemental Trust Agreement.

The moneys in each Debt Service Fund established for any issue or Series shall be held in trust and applied as provided in the Trust Agreement and in the Supplemental Trust Agreement, and pending the application of such amounts in accordance herewith and with the provisions of such Supplemental Trust Agreement shall be subject to a lien on and security interest in favor of the Trustee and the holders of the Outstanding Bonds of such Series.

On or before the fifth Business Day preceding a mandatory redemption date from sinking fund installment payments for a Series or Subseries of Bonds, the Trustee shall transfer to the Redemption Account for such Series an amount which, together with amounts on deposit therein and available for such purpose, is sufficient to make the sinking fund installment payment due on such mandatory redemption date. On or before each date on which Term Bonds of a Series are to be mandatorily redeemed from sinking fund installment payments, the Trustee shall pay to the Owners of Bonds of such Series from amounts available in the Redemption Account for such Series, an amount equal to the amount of interest and the principal amount of Term Bonds of such Series to be mandatorily redeemed on such date.

On or before each date on which Bonds of any Series shall otherwise become subject to optional or mandatory redemption (other than from sinking fund installment payments) in accordance with the provisions of any Supplemental Trust Agreement, the Trustee shall pay to the Owners of such Bonds, an amount of interest and principal, and premium, if any, on such Bonds to be mandatorily or optionally redeemed on said date. On the date that is specified in such notice and in accordance with the Supplemental Trust Agreement pursuant to which such Bonds are issued, the City shall have deposited in the Redemption Account for such Series, an amount which, together with amounts on deposit therein and available for such purpose, is sufficient to pay the redemption price of such Bonds on such redemption date. The City may at any time, prior to the Trustee's issuing such notice of redemption to Bondholders as may be required by the Supplemental Trust Agreement under which such Bonds were issued, modify or otherwise change the scheduled date for the redemption or payment of any Bond deemed to be paid under the terms of the Trust Agreement in accordance with the terms of the Bonds or the Trust Agreement, subject to receipt of an approving opinion of a nationally recognized accounting firm that there are sufficient moneys and/or Government Obligations to provide for the payment of such Bonds.

All money remaining in a Debt Service Fund on the final Payment Date, in excess of the amount required to make provision for the payment in full of the interest and/or the principal of and any premium on the Bonds of the Series for which that Debt Service Fund was established, shall be returned to the City.

If, on any Payment Date, the Trustee does not have sufficient amounts in the Debt Service Funds (without regard to any amounts which may be available in any Reserve Fund) to pay in full with respect to Bonds of all Series all amounts of principal and/or interest due on such date, the Trustee shall allocate the total amount which is available to make payment on such day (without regard to any amounts in any Reserve Fund) as follows: first to the payment of past due interest on Bonds of any Series, in the order in which such interest came due, then to the payment of past due principal on Bonds of any Series, in the order in which such principal came due, then to the payment of interest then due and payable on the Bonds of each Series due on such Payment Date and, if the amount available shall not be sufficient to pay in full all interest on the Bonds then due, then *pro rata* among the Series according to the amount of interest then due and second to the payment of principal then due on the Bonds and, if the amount available shall not be sufficient to pay in full all principal on the Bonds then due, then *pro rata* among the Series according to the Principal Amount then due on the Bonds.

Notwithstanding the foregoing, the City may, by Supplemental Trust Agreement, provide for different provisions and timing of deposits with the Trustee and different methods of paying principal of or interest on Bonds of any Series depending upon the terms of such Series or Subseries of Bonds and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the respective Debt Service Fund created for the Series or Subseries of Bonds for which such Credit Facility is provided.

If the cash amount of any Pledged Revenues pledged by any Supplemental Trust Agreement deposited into the Debt Service Fund or accounts therein to pay any Series or Subseries of Bonds secured by said Pledged Revenues is at any time insufficient to make the deposits required to make payments on the Bonds, the City may, at its election, pay to the Trustee funds from any available sources with the direction that such funds be deposited into the Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein.

Parity Pledge; Additional Security. The pledge of Pledged Revenues and the other security provided in the Granting Clauses of the Trust Agreement, secure all Bonds issued under the terms of the Trust Agreement on an equal and ratable basis, except as to the timing of payments on the Bonds. The City may, however, in its discretion, provide additional security or credit enhancement for specified Bonds or Series or Subseries of Bonds with no obligation to provide such additional security or credit enhancement to other Bonds.

COVENANTS OF THE CITY

Payment of Principal and Interest. The City covenants and agrees that it will duly and punctually pay or cause to be paid from the Payments and any Pledged Revenues, pledged pursuant to any Supplemental Trust Agreements, and to the extent thereof the principal of, premium, if any, and interest on every Bond at the place and on the dates and in the manner in the Trust Agreement, in the Supplemental Trust Agreements and in the Bonds specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements in the Trust Agreement and in the Bonds contained, provided that the City's obligation to make payment of the principal of, premium, if any, and interest on the Bonds shall be limited to payment from the Payments and any Pledged Revenues, the funds and accounts pledged therefor in the Granting Clauses of the Trust Agreement and any other source which the City may specifically provide for such purpose, and, except to enforce the City's obligations with respect to the Tax Override Revenues set forth in the Trust Agreement, no Bondholder shall have any right to enforce payment from any particular source of funds of the City.

Performance of Covenants by City; Authority; Due Execution. The City covenants that it will faithfully perform at all times any and all covenants and agreements contained in the Trust Agreement, in any and every Bond executed, authenticated and delivered under the Trust Agreement and in all of its proceedings pertaining to the Trust Agreement. The City covenants that it is duly authorized under the Constitution and laws of the State and the Charter to issue the Bonds and to apply the Tax Override Revenues and other legally available moneys of the City to pay principal of and interest on, and any redemption price of the Bonds.

Senior Lien Obligations Prohibited. The City agrees that so long as any Bonds are Outstanding under the Trust Agreement, it (i) will not adopt any official action determining that Payments or any Pledged Revenues be used to pay general obligation bonds or other indebtedness or liabilities payable from the general revenues of the City on a senior lien basis, and (ii) will not issue any additional bonds or other obligations with a lien on or security interest granted in Pledged Revenues which is senior to the Bonds.

No Inconsistent Contract Provisions. The City covenants that no contract or contracts will be entered into or any action taken by the City which shall be inconsistent with the provisions of the Trust Agreement. The City covenants that it will not take any action which, in the City's judgment at the time of such action, will substantially impair or materially adversely affect the rights of the holders of the Bonds. The City shall be unconditionally and irrevocably obligated, so long as any of the Bonds are Outstanding and unpaid, to take all lawful action necessary or required to pay the principal of and interest on the Bonds and to make the other payments provided for in the Trust Agreement.

Subordinated Obligations. The City may, from time to time, incur indebtedness which is subordinate to the Bonds and which indebtedness is, in the Trust Agreement, referred to as Subordinated Obligations. Such indebtedness shall be incurred at such times and upon such terms as the City shall determine, provided that:

(1) Any Supplemental Trust Agreement authorizing the issuance of any Subordinate Obligations shall specifically state that such lien on or security interest granted in the Pledged Revenues is junior and subordinate to the lien on and security interest in such Pledged Revenues and other assets granted to secure the Bonds; and

(2) Payment of principal of and interest on such Subordinated Obligations shall be permitted, provided that all deposits required to be made to the Trustee to be used to pay debt service on the Bonds or to replenish any Reserve Fund are then current in accordance with the Trust Agreement.

Maintenance of Powers. The City covenants that it will at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to the Charter and all other laws and that it will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to delay either the payment of the indebtedness evidenced by any of the Bonds or the performance or observance of any of the covenants contained in the Trust Agreement. The City shall not permit any modification of the City Charter which would materially adversely affect the levy or collection of the Tax Override Revenues or the application thereof to the Bonds (except that any amendment extending the date as of which the accrued unfunded pension liability shall be amortized by the City shall be permitted.)

Tax Override Levy; Collection and Application of Tax Override Revenues. The City covenants that, so long as any Bonds are outstanding under the Trust Agreement, the City shall levy the Tax Override (up to the maximum tax permitted by law) in each Fiscal Year, whether or not the accrued unfunded actuarial liability of the City to the System is amortized prior to the final maturity of any Bond issued pursuant to the Trust Agreement, in an amount that the City expects will be sufficient, when aggregated with the other amounts legally available to the City and on hand, and amounts budgeted by the City in such Fiscal Year and expected to be available, to pay principal of and interest on and the redemption price of the Bonds. The City pledges and assigns to the Trustee and grants to the Trustee a lien on and security interest in all right, title and interest of the City in and to the Tax Override Revenues levied and collected in each Fiscal Year to secure the payment of principal of and interest on and the redemption price of Bonds due and payable in such year, and provides that such lien and security interest shall be prior in right to any other pledge, lien or security interest created by the City in the Tax Override Revenues as and to the extent provided in the Trust Agreement. The City covenants that the Tax Override Revenues levied and collected in each Fiscal Year shall be pledged and applied to pay principal of and interest on and the redemption price of the Bonds in such Fiscal Year, and to the extent that, on June 30 of each Fiscal Year during the term of any Bonds Outstanding under the Trust Agreement, commencing on or after June 30, 1998, any surplus amount of Tax Override Revenues remaining on deposit in the Pledged Revenues Fund after payment of all principal of and interest on and the redemption price of the Bonds during such Fiscal Year, such amounts may be applied on and after July 1 of the next succeeding Fiscal Year for any lawful purpose of the City, at the written direction of the City to the Trustee. The Tax Override Revenues may not be applied to pay principal and interest and the redemption price, if any, of Bonds issued to pay obligations of the City to the System other than Bonds or other obligations or liabilities issued or incurred to pay all or a portion of the accrued actuarial unfunded liability of the City to the System.

The City covenants that it will keep and provide accurate books and records of account showing all Tax Override Revenues received by the City and all expenditures of the City relating to such Tax Override Revenues and that it will keep or cause to be kept accurate books and records of account showing all accounts and funds provided for in the Trust Agreement which are or shall be in the control or custody of the City; and that all such books and records shall be open upon reasonable notice during business hours to the Trustee and to the Owners of not less than ten percent (10%) of the Principal Amount of Bonds then Outstanding, or their representatives duly authorized in writing. Within 180 days after the close of each Fiscal Year, so long as any of the Bonds remain Outstanding, the City will prepare and file with the Trustee audited financial statements including a statement of the income and expenses for such Fiscal Year and a balance sheet prepared as of the close of such Fiscal Year for the City all accompanied by a certificate or opinion in writing of an independent certified public accountant of recognized standing, selected by the City and acceptable to the Trustee, which opinion shall include a statement that said financial statements present fairly in all material respects the financial position of the City and are prepared in accordance with generally accepted accounting principles.

Budget and Appropriation. The City covenants to take such action as may be necessary to include all Payments (to the extent such Payments are known to the City at the time its annual budget is proposed) due under the Trust Agreement in its annual budget and to make the necessary annual appropriations therefor, and to maintain such items to the extent unpaid for that Fiscal Year in its budget throughout such Fiscal Year. Such budgeting and appropriation shall be done in accordance with the City Charter provisions relating thereto. The covenants on the part of the City contained in the Trust Agreement shall be deemed to be and shall be construed to be duties imposed by law and it shall be the ministerial duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Trust Agreement agreed to be carried out and performed by the City. The City will not assign or pledge the Tax Override Revenues or other amounts under the Trust Agreement except as provided under the terms of the Trust Agreement

Continuing Disclosure. The City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the

Third Supplemental Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Owner or Beneficial Owner or any Participating Underwriter (as defined in the Continuing Disclosure Certificate) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under such covenant. For purposes of the requirements of the Continuing Disclosure Certificate, "Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2012 Bonds (including persons holding Series 2012 Bonds through nominees, depositories or other intermediaries).

Covenants of City Binding on City and Successors. All covenants, stipulations, obligations and agreements of the City contained in the Trust Agreement shall be deemed to be covenants, stipulations, obligations and agreements of the City to the full extent authorized or permitted by law. If the powers or duties of the City shall hereafter be transferred by amendment of the Charter or a new Charter or any provision of the Constitution or any other law of the State or in any other manner there shall be a successor to the City, and if such transfer shall relate to any matter or thing permitted or required to be done under the Trust Agreement by the City, then the entity that shall succeed to such powers or duties of the City shall act and be obligated in the place and stead of the City as in the Trust Agreement provided, and all such covenants, stipulations, obligations and agreements shall be binding upon the successor or successors thereof from time to time and upon any officer, City Council, body or commission to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law.

Except as otherwise provided in the Trust Agreement, all rights, powers and privileges conferred and duties and liabilities imposed upon the City by the provisions of the Trust Agreement shall be exercised or performed by the City or by such officers, City Council, body or commission as may be permitted by law to exercise such powers or to perform such duties.

Trust Agreement To Constitute a Contract. The Trust Agreement, including all Supplemental Trust Agreements, is executed by the City for the benefit of the Bondholders and constitutes a contract with the Trustee for the benefit of the Bondholders.

INVESTMENTS

Monies held by the Trustee in the funds and accounts created in the Trust Agreement and under any Supplemental Trust Agreement shall be invested and reinvested as directed by the City in Permitted Investments subject to the restrictions set forth in the Trust Agreement and such Supplemental Trust Agreement creating any such fund or account and subject to the investment restrictions imposed upon the City by the Charter and the laws of the State. The City shall direct such investments by written certificate of an Authorized City Representative or by telephone instruction followed by prompt written confirmation by an Authorized City Representative. Any monies held in any fund or account which have been paid to or constructively received by the System shall be subject to such investment restrictions imposed by the Charter relating to the System, as such restrictions may be modified or amended from time to time.

DEFEASANCE

Bonds or portions thereof (such portions to be in integral multiples of the Authorized Denomination) which have been paid in full or which are deemed to have been paid in full shall no longer be secured by or entitled to the benefits of the Trust Agreement except for the purposes of payment from moneys or Government Obligations held by the Trustee or a Paying Agent for such purpose. When all

Bonds which have been issued under the Trust Agreement have been paid in full or are deemed to have been paid in full, and all other sums payable under the Trust Agreement by the City, including all necessary and proper fees, compensation and expenses of the Trustee, the Registrar and the Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Trustee in and to any Pledged Revenues and any other assets pledged to secure the Bonds under the Trust Agreement shall thereupon cease, terminate and become void, and thereupon the Trustee shall cancel, discharge and release the Trust Agreement, shall execute, acknowledge and deliver to the City such instruments as shall be requisite to evidence such cancellation, discharge and release and shall assign and deliver to the City any property and revenues at the time subject to the Trust Agreement or any Supplemental Trust Agreement applicable thereto which may then be in the Trustee's possession, except funds or securities in which such funds are invested and are held by the Trustee or the Paying Agent for the payment of the principal of, premium, if any, and interest on the Bonds.

A Bond shall be deemed to be paid within the meaning of and for all purposes of the Trust Agreement when payment of the principal, interest and premium, if any, either (a) shall have been made or caused to be made in accordance with the terms of the Bonds and the Trust Agreement or (b) shall have been provided for by depositing with the Trustee in trust and setting aside exclusively for such payment: (i) moneys sufficient to make such payment, and/or (ii) noncallable Government Obligations, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Bonds shall be deemed to be paid under the Trust Agreement, such Bonds shall no longer be secured by or entitled to the benefits of the Trust Agreement, except for the purposes of payment from such moneys or Government Obligations.

Any deposit under clause (b) of the foregoing paragraph shall be deemed a payment of such Bonds. Once such deposit shall have been made, the Trustee shall notify all holders of the affected Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the defeasance provisions of the Trust Agreement. No notice of redemption shall be required at the time of such defeasance or prior to such date as may be required by the Supplemental Trust Agreement under which such Bonds were issued. Notwithstanding anything in the Trust Agreement to the contrary, monies from the trust or escrow established for the defeasance of Bonds may be withdrawn and delivered to the City so long as the requirements above are met prior to or concurrently with any such withdrawal.

DEFAULTS AND REMEDIES

Events of Default. Each of the following events shall constitute and is referred to in the Trust Agreement as an "Event of Default":

(a) a failure to pay the principal of or premium, if any, on any of the Bonds when the same shall become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Bonds when such interest shall become due and payable;

(c) a failure to pay the purchase price of any Bond when such purchase price shall be due and payable upon an optional or mandatory tender date as provided in the Supplemental Trust Agreement;

(d) a failure by the City to observe and perform any covenant, condition, agreement or provision (other than as specified in the foregoing paragraphs) that is to be observed or performed by the City and which is contained in the Trust Agreement or a Supplemental Trust

Agreement, which failure shall continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the City by the Trustee, which notice may be given at the discretion of the Trustee and shall be given at the written request of holders of 25% or more of the Principal Amount of the Bonds then Outstanding, unless the Trustee, or the Trustee and holders of Bonds in a Principal Amount not less than the Principal Amount of Bonds the holders of which requested such notice, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee or the Trustee and the holders of such principal amount of Bonds shall be deemed to have agreed to an extension of such period if corrective action is initiated by the City within such period and is being diligently pursued;

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of the United States Code (as the same may from time to time be hereafter amended), or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the City and, if instituted against the City, said proceedings are consented to or are not dismissed within 60 days after such institution; or

(f) the occurrence of any other Event of Default as is provided in a Supplemental Trust Agreement.

If, on any date on which payment of principal of or interest on the Bonds is due, sufficient moneys are not available to make such payment, irrespective of any previous notices which may have been given, the Trustee shall give telephone notice of such insufficiency to the City.

Remedies. Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the Principal Amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name and as the Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the City to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Charter or any other law to which it is subject and the Trust Agreement, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Trust Agreement;

(ii) bring suit upon the Bonds;

(iii) commence an action or suit in equity to require the City to account as if it were the trustee of an express trust for the Bondholders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

The Trustee shall be under no obligation to take any action with respect to and shall not be deemed to have notice of an Event of Default or of any event or conditions which, with the giving of notice, the passage of time, or both, might constitute an Event of Default unless (i) the Trustee has received written notice thereof from the City, any Credit Provider, or any Holder or (ii) a Responsible Officer of the Trustee shall have actual knowledge thereof. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein, or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default thereunder.

Restoration to Former Position. In the event that any proceeding taken by the Trustee to enforce any right under the Trust Agreement shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then the City, the Trustee, and the Bondholders shall be restored to their former positions and rights under the Trust Agreement, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Bondholders' Right To Direct Proceedings. Anything in the Trust Agreement to the contrary notwithstanding, holders of a majority in Principal Amount of the Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Trust Agreement to be taken in connection with the enforcement of the terms of the Trust Agreement or exercising any trust or power conferred on the Trustee by the Trust Agreement; provided that such direction shall not be otherwise than in accordance with the provisions of law and the Trust Agreement and that there shall have been provided to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Trustee.

Limitation on Right To Institute Proceedings. No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Trust Agreement, or any other remedy under the Trust Agreement or on such Bonds, unless such Bondholder or Bondholders previously shall have given to the Trustee written notice of an Event of Default and unless also holders of 25% or more of the Principal Amount of the Bonds then Outstanding shall have made written request of the Trustee to do so, after the right to institute such suit, action or proceeding under the Trust Agreement shall have accrued, and shall have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Bondholders shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Trust Agreement, or to enforce any right under the Trust Agreement or under the Bonds, except in the manner provided in the Trust Agreement, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Trust Agreement and for the equal benefit of all Bondholders.

No Impairment of Right To Enforce Payment. Notwithstanding any other provision in the Trust Agreement, the right of any Bondholder to receive payment of the principal of and interest on such Bond or the purchase price thereof, on or after the respective due dates expressed therein and to the extent of the Pledged Revenues and other security provided for the Bonds, or to institute suit for the enforcement of any such payment on or after such respective date, shall not be impaired or affected without the consent of such Bondholder.

Proceedings by Trustee Without Possession of Bonds. All rights of action under the Trust Agreement or under any of the Bonds secured by the Trust Agreement which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the equal and ratable benefit of the Bondholders, subject to the provisions of the Trust Agreement.

EXECUTION OF SUPPLEMENTAL TRUST AGREEMENTS; MODIFICATION OF THE TRUST AGREEMENT

Limitations. The Trust Agreement shall not be modified or amended in any respect subsequent to the first delivery of fully executed and authenticated Bonds except as provided in and in accordance with and subject to the provisions of the Trust Agreement.

Supplemental Trust Agreements Not Requiring Consent of Bondholders. The City may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Trust Agreements supplementing and/or amending the Trust Agreement or any Supplemental Trust Agreement as follows:

(a) to provide for the issuance of a Series or multiple Series or Subseries of Bonds under the provisions of the Trust Agreement and to set forth the terms of such Bonds and the special provisions which shall apply to such Bonds;

(b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Trust Agreement or any Supplemental Trust Agreement, or to conform the Trust Agreement or any Supplemental Trust Agreement to the requirements of law, provided such supplement or amendment is not materially adverse to the Bondholders;

(c) to add to the covenants and agreements of the City in the Trust Agreement or any Supplemental Trust Agreement other covenants and agreements or to surrender any right or power reserved or conferred upon the City, provided such supplement or amendment shall not adversely affect the interests of the Bondholders;

(d) to confirm, as further assurance, any interest of the Trustee in and to the Pledged Revenues or in and to the funds and accounts held by the Trustee or in and to any other moneys, securities or funds of the City provided pursuant to the Trust Agreement or to otherwise add additional security for the Bondholders;

(e) to evidence any change made in the terms of any Series or Subseries of Bonds if such changes are authorized by the Supplemental Trust Agreement at the time the Series or Subseries of Bonds is issued and such change is made in accordance with the terms of such Supplemental Trust Agreement;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;

(g) to modify, alter, amend or supplement the Trust Agreement or any Supplemental Trust Agreement in any other respect which is not materially adverse to the Bondholders;

(h) to provide for uncertificated Bonds or for the issuance of coupons and bearer Bonds or Bonds registered only as to principal;

(i) to qualify the Bonds or a Series or Subseries of Bonds for a rating or ratings by Moody's, S&P or Fitch;

(j) to accommodate the technical, operational and structural features of Bonds which are issued or are proposed to be issued or of a Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the City from time to time deems appropriate to incur;

(k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Bonds or a specific Series or Subseries of Bonds; or

(l) if so determined by the City, to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to cause the interest on any Series or Subseries of Bonds to be excluded from gross income for purposes of federal income taxation, including, without limitation, the segregation of moneys held under the Trust Agreement into different funds and the creation of a Rebate Fund.

Before the City shall, pursuant to the Trust Agreement, execute any Supplemental Trust Agreement, there shall have been delivered to the City an opinion of Bond Counsel to the effect that such Supplemental Trust Agreement is authorized or permitted by the Trust Agreement, the Charter and other applicable law, complies with their respective terms, and will, upon the execution and delivery thereof, be valid and binding upon the City in accordance with its terms. If any Series or Subseries of Bonds shall have been issued and be outstanding the interest on which is excluded from gross income for federal income tax purposes, such opinion shall either state that such Supplemental Trust Agreement shall have no effect on such Series or Subseries of Bonds or, alternatively, that such Supplemental Trust Agreement will not cause interest on any such Series of the Bonds which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes.

Supplemental Trust Agreement Requiring Consent of Bondholders. Except for any Supplemental Trust Agreement not requiring consent of Bondholders and any Supplemental Trust Agreement entered into pursuant to the following paragraph, subject to the terms and provisions contained in the Trust Agreement and not otherwise, the holders of not less than a majority in aggregate Principal Amount of the Bonds then Outstanding shall have the right from time to time to consent to and approve the execution by the City of any Supplemental Trust Agreement deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement or in a Supplemental Trust Agreement; provided, however, that, unless approved in writing by the holders of all the Bonds then Outstanding or unless such change affects less than all Series or Subseries of Bonds and the following paragraph is applicable, nothing contained in the Trust Agreement shall permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of or interest on any Outstanding Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds or the rate of interest thereon; and provided that nothing contained in the Trust Agreement, including the provisions of the following paragraph, shall, unless approved in writing by the holders of all the Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Trust Agreement) upon or pledge of the Pledged Revenues created by the Trust Agreement, ranking prior to or on a parity with the claim created by the Trust Agreement, (iv) except with respect to additional security which may be provided for a particular Series or Subseries of Bonds, a preference or priority of any Bond or Bonds over any other Bond or Bonds with respect to the security granted therefor under the Granting Clauses of the Trust Agreement, or (v) a reduction in the aggregate Principal Amount of Bonds the consent of the Bondholders of which is required for any such Supplemental Trust Agreement. Nothing contained in the Trust Agreement, however, shall be construed as making necessary the approval by Bondholders of the execution of any Supplemental Trust Agreement not requiring consent of Bondholders, including the granting, for the benefit of particular Series or Subseries of Bonds, security in addition to the pledge of the Pledged Revenues.

The City may, from time to time and at any time, execute a Supplemental Trust Agreement which amends the provisions of an earlier Supplemental Trust Agreement under which a Series or multiple Series or Subseries of Bonds were issued. If such Supplemental Trust Agreement is executed for one of the purposes set forth in the Trust Agreement not requiring consent of Bondholders, no notice to or consent of the Bondholders shall be required. If such Supplemental Trust Agreement contains provisions which affect the rights and interests of less than all Series or Subseries of Bonds Outstanding and the provisions of the Trust Agreement which permit delivery of a Supplemental Trust Agreement without consent of Bondholders is not applicable, then the provisions of this paragraph rather than the paragraph above shall control and, subject to the terms and provisions contained in this paragraph and not otherwise, the holders of not less than 51% in aggregate Principal Amount of the Bonds of all Series which are affected by such changes shall have the right from time to time to consent to any Supplemental Trust Agreement deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Trust Agreement and affecting only the Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the Bonds of all the affected Series then Outstanding, nothing contained in the Trust Agreement shall permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on any Outstanding Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds of such Series or the rate of interest thereon. Nothing contained in the Trust Agreement, however, shall be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Trust Agreement not requiring consent of Bondholders, including the granting, for the benefit of particular Series or Subseries of Bonds, of security in addition to any pledge of Pledged Revenues.

If at any time the City shall desire to enter into any Supplemental Trust Agreement for any of the purposes of the Trust Agreement requiring consent of Bondholders, the City shall cause notice of the proposed execution of the Supplemental Trust Agreement to be given by mail to all Bondholders or, under the immediately preceding paragraph, all Bondholders of the affected Series. Such notice shall briefly set forth the nature of the proposed Supplemental Trust Agreement and shall state that a copy thereof is on file at the office of the City for inspection by all Bondholders and it shall not be required that the Bondholders approve the final form of such Supplemental Trust Agreement but it shall be sufficient if such Bondholders approve the substance thereof.

The City may execute and deliver such Supplemental Trust Agreement in substantially the form described in such notice, but only if there shall have first been delivered to the City (i) the required consents, in writing, of Bondholders and (ii) the opinion of Bond Counsel required by the Trust Agreement.

If Bondholders of not less than the percentage of Bonds required by the Trust Agreement shall have consented to and approved the execution and delivery thereof as provided in the Trust Agreement, no Bondholders shall have any right to object to the adoption of such Supplemental Trust Agreement or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the City from executing the same or from taking any action pursuant to the provisions thereof.

Effect of Supplemental Trust Agreement. Upon execution and delivery of any Supplemental Trust Agreement pursuant to the provisions of the Trust Agreement, the Trust Agreement or the Supplemental Trust Agreement shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Trust Agreement and the

Supplemental Trust Agreement of the City, the Trustee, the Paying Agent and all Bondholders shall thereafter be determined, exercised and enforced under the Trust Agreement and the Supplemental Trust Agreement, if applicable, subject in all respects to such modifications and amendments.

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

City of Oakland
Oakland, California

City of Oakland, California Taxable Pension Obligation Bonds, Series 2012
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Oakland, California (the "Issuer") in connection with the issuance of $__________ aggregate principal amount of City of Oakland, California Taxable Pension Obligation Bonds, Series 2012 (the "Bonds") issued pursuant to a Master Trust Agreement, dated as of February 1, 1997, as previously amended and supplemented, and as further amended and supplemented by a Third Supplemental Trust Agreement, dated as of July 1, 2012 (collectively, the "Trust Agreement"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as successor (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, an opinion of counsel to the Issuer, certificates of the Issuer, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement. We call attention to the fact that the rights and obligations under the Bonds and the Trust Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and the default judgment rendered on January 3, 1997, by the Superior Court of the County of Alameda in the action entitled City of Oakland v. All Persons, Case No. 772719-7, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the Issuer.

2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the moneys and securities held by the Trustee under the Trust Agreement, including the Pledged Revenues, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and provisions set forth in the Trust Agreement.

3. Interest on the Bonds is not excluded from gross income for federal income taxes purposes under Section 103 of the Internal Revenue Code of 1986, but is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered as of **__________**, 2012, by the CITY OF OAKLAND (the "City'), a charter city organized and existing under the laws and the Constitution of the State of California, in connection with the execution and delivery of the Taxable Pension Obligation Bonds, Series 2012 (the "Bonds"), dated and delivered on the date hereof.

The City covenants and agrees as follows:

Section 1. Purpose of This Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City, under the Rule (as hereinafter defined) in connection with the Bonds for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with the Rule but shall not be deemed to create any monetary liability on the part of the City to any other persons, including Owners or Beneficial Owners of the Bonds based on the Rule. The sole remedy in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance of any act required hereunder. The Bonds are being issued pursuant to a resolution adopted by the Council of the City on June 19, 2012, an ordinance adopted by the Council of the City on June 28, 2012 (a Master Trust Agreement dated as of February 1, 1997, and a Third Supplemental Trust Agreement dated as of July 1, 2012 (collectively, the "Trust Agreement"), each by and between the City and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee").

Section 2. Definitions. The definitions set forth in the Trust Agreement shall apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section. The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Section 3 and 4 of this Disclosure Certificate.

"Annual Report Date" shall mean the date that is nine months after the end of the City's fiscal year (currently March 31 based on the City's fiscal year end of June 30).

"Beneficial Owner" or "beneficial owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Bond holders" or "Owners" shall mean, while the Bonds are registered in the name of The Depository Trust Company, any applicable participant in its depository system, or the owner of any Bond for federal income tax purposes.

"Dissemination Agent" shall mean the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at *http://emma.msrb.org*.

"Official Statement" shall mean the official statement relating to the Bonds, dated _____________, 2012.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the Securities and Exchange Commission.

"State" shall mean the State of California.

Section 3. <u>Provision of Annual Reports</u>.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing nine months after the end of the City's 2011-12 fiscal year, with the report for the 2011-12 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) The following additional items:

1. The assessed valuation of taxable property in the City;

2. Property taxes (including the Tax Override Revenues) due, property taxes collected and property taxes delinquent;

3. Property tax levy rate per $1,000 of assessed valuation; and

4. Outstanding general obligation debt of the City.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the EMMA web site of the MSRB or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occurs: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. Modifications to rights of Bond holders;

3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The City notes that Sections 5(a)(3), (4) and (5) and 5(b)(1) and (4) are not applicable to the Bonds.

(d) The City shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a), as provided in Section 3(b).

(e) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(f) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format accompanied by such identifying information, all as prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Trust Agreement.

Section 6. Termination of Reporting Obligation. The obligations of the City under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or if less than all the Bonds are defeased, with respect to those Bonds. If such termination occurs prior to the final maturity date of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out the obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent. The initial Dissemination Agent shall be the City.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4, 5(a), (b), (d) or (f), or 8(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of a majority in aggregate principal amount of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (ii) does not, in the opinion of the City Attorney or of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds. The City also may amend this Disclosure Certificate without approval by the Owners to the extent permitted by rule, order or other official pronouncement of the SEC.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any Annual Report or future notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner or any Participating Underwriter of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Prior Undertakings. The City hereby certifies that during the previous five years, it has complied in all material respects with all prior undertakings made by it pursuant to Rule 15c2-12(b)(5).

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriters and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity (except the right of the Dissemination Agent or any Owner or Beneficial Owner to enforce the provisions of the Disclosure Certificate on behalf of the Owners). This Disclosure Certificate is not intended to create any monetary rights on behalf of any person based upon the Rule.

Section 13. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the City shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof, and the Owners of the Bonds shall retain all the benefits afforded to them hereunder. The City hereby declares that it would have executed and delivered this Disclosure Certificate and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 14. Governing Law. The laws of the State shall govern this Disclosure Certificate, the interpretation thereof and any right or liability arising hereunder. Any action or proceeding to enforce or interpret any provision of this Disclosure Certificate shall be brought, commenced or prosecuted in any court of the State located in Alameda County, California.

Section 15. Effective Date. This Disclosure Certificate shall be effective on and as of the date hereof.

Section 16. Notices. Any notice or communication to the City relating to this Disclosure Certificate may be given as follows:

City of Oakland
Finance and Management Agency
150 Frank H. Ogawa Plaza, Suite 5330
Oakland, California 94612
Telephone: (510) 238-3201
Fax: (510) 238-2137

The City may, by written notice to the other parties acting hereunder, designate a different address and/or telephone number(s) to which subsequent notices or communications should be sent.

IN WITNESS WHEREOF, this Disclosure Certificate is given by the City as of the date set forth above.

CITY OF OAKLAND, CALIFORNIA

By: ____________________________________
Authorized Officer

EXHIBIT A

NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: **THE CITY OF OAKLAND, CALIFORNIA**

Name of Bond Issue: City of Oakland, California, Taxable Pension Obligation Bonds, Series 2012 (the "Bonds")

Date of Delivery: _______________, 2012.

NOTICE IS HEREBY GIVEN that the City of Oakland, California (the "City"), has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated as of _______________, 2012, relating to the Bonds. The City anticipates that the Annual Report will be filed by _______________.

Dated: _______________

CITY OF OAKLAND, CALIFORNIA

By:_________________________________
Authorized Representative

APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix G concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry only system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. Accordingly, the Direct Participants, the Indirect Participants and the Beneficial Owners should not rely on the information in this Appendix G with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. The City cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below) (a) payments of interest, principal or premium, if any, with respect to the Series 2012 Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2012 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2012 Bonds, or that they will so do on a timely basis, or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the City nor the Trustee will have any responsibility or obligations to the DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the Series 2012 Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Trust Agreement; or (4) any consent given or other action taken by DTC as registered owner of the Series 2012 Bonds.

DTC will act as securities depository for the Series 2012 Bonds. The Series 2012 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012 Bond certificate will be issued for each maturity of the Series 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such web site is not incorporated by reference.

Purchases of Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2012 Bond documents. For example, Beneficial Owners of Series 2012 Bonds may wish to ascertain that the nominee holding the Series 2012 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2012 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and premiums, if any, and purchase prices, if any, on the Series 2012 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and premiums, if any, and purchase prices, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2012 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2012 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Series 2012 Bonds, the provisions of the Trust Agreement relating to place of payment, transfer and exchange of Series 2012 Bonds, regulations with respect to exchanges and transfers, Bond register, Series 2012 Bonds mutilated, destroyed or stolen, and evidence of signatures of Bond Owners and ownership of Series 2012 Bonds will govern the payment, registration, transfer, exchange and replacement of the Series 2012 Bonds. Interested persons should contact the City or the Trustee for further information regarding such provisions of the Trust Agreement.

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CITY OF OAKLAND, CALIFORNIA • TAXABLE PENSION OBLIGATION BONDS, SERIES 2012

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