

Insured Rating: S&P: “AA”

Underlying Rating: S&P: “BBB+”

(See “CONCLUDING INFORMATION - Ratings on the Bonds” herein)

In the opinion of Nossaman LLP, Irvine, California, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Series A Bonds is excludable from gross income for federal income tax purposes. Interest on the Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxable income, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Interest on the Series B Bonds is not excludable from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is, under existing law, exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “LEGAL MATTERS - Tax Matters” herein.

SUCCESSOR AGENCY TO THE OAKLEY REDEVELOPMENT AGENCY

#2015-0339 **\$2,595,000**
(OAKLEY REDEVELOPMENT PROJECT AREA)
TAX ALLOCATION
REFUNDING BONDS
SERIES 2015A

\$3,115,000 **#2015-0374**
(OAKLEY REDEVELOPMENT PROJECT AREA)
TAXABLE TAX ALLOCATION
REFUNDING BONDS
SERIES 2015B

Dated: Date of Delivery**Due: September 1, as shown on the inside cover page**

The cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

Proceeds from the sale of the Successor Agency to the Oakley Redevelopment Agency (the “Successor Agency”) Tax Allocation Refunding Bonds, Series 2015A (“Series A Bonds”) and Taxable Tax Allocation Refunding Bonds, Series 2015B (“Series B Bonds,” and together with the Series A Bonds, the “Bonds”) will be used to refinance certain outstanding obligations of the Oakley Redevelopment Agency (the “Former Agency”).

The Bonds will be issued under a Trust Indenture, dated as of May 1, 2008, between the Former Agency and Wells Fargo Bank, National Association (the “Trustee”), as supplemented by a First Supplemental Trust Indenture, dated as of May 1, 2015 (as supplemented, the “Indenture”), by and between the Successor Agency and the Trustee. The Bonds are special obligations of the Successor Agency and are payable solely from and secured by a pledge of certain tax increment revenues of the Former Agency’s Project Area, on a parity basis to certain obligations of the Former Agency to remain outstanding after the issuance of the Bonds, and a pledge of amounts in certain funds and accounts established under the Indenture (see “SECURITY FOR THE BONDS” and “RISK FACTORS”).

Interest on the Bonds is payable on March 1, 2016 and semiannually thereafter on September 1 and March 1 of each year until maturity (see “THE BONDS - General Provisions” herein). The Series A Bonds are subject to optional redemption and the Bonds are subject to mandatory sinking fund redemption prior to maturity. The Series B Bonds are not subject to optional redemption.

The Bonds are special obligations of the Successor Agency. The Bonds do not constitute a debt or liability of the City of Oakley, the County of Contra Costa, the State or of any political subdivision thereof, other than the Successor Agency. The Successor Agency shall only be obligated to pay the principal of the Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the City of Oakley, the County of Contra Costa, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Successor Agency has no taxing power.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See “MUNICIPAL BOND INSURANCE” and “APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”



The Bonds are being offered when, as and if issued, subject to the approval as to their legality by Nossaman LLP, Irvine, California, Bond Counsel. Certain legal matters will also be passed on for the Successor Agency by Nossaman LLP, Irvine, California, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California. It is anticipated that the Bonds will be available for delivery through the facilities of The Depository Trust Company on or about May 20, 2015.

STIFEL

The date of the Official Statement is May 6, 2015.

**SUCCESSOR AGENCY TO THE OAKLEY REDEVELOPMENT AGENCY
(OAKLEY REDEVELOPMENT PROJECT AREA)**

#2015-0339

**\$2,595,000 TAX ALLOCATION
REFUNDING BONDS, SERIES 2015A**

MATURITY SCHEDULE

Maturity Date September 1	Principal Amount	Interest Rate	Yield	Price	CUSIP®†
2024	\$165,000	5.000%	2.850%	117.419	673638AA0
2025	565,000	5.000	3.010	117.479	673638AB8
2026	595,000	5.000	3.210	115.563 ^C	673638AC6
2027	625,000	3.375	3.400	99.747	673638AD4
2028	645,000	3.500	3.520	99.785	673638AE2

#2015-0374

**\$3,115,000 TAXABLE TAX ALLOCATION
REFUNDING BONDS, SERIES 2015B**

MATURITY SCHEDULE

Maturity Date September 1	Principal Amount	Interest Rate	Yield	Price	CUSIP®†
2018	\$245,000	2.000%	2.000%	100.00	673638AF9
2019	470,000	2.500	2.480	100.078	673638AG7
2020	485,000	2.850	2.850	100.00	673638AH5
2021	500,000	3.000	3.150	99.148	673638AJ1
2022	510,000	3.250	3.450	98.718	673638AK8
2023	525,000	3.500	3.700	98.580	673638AL6
2024	380,000	3.750	3.900	98.836	673638AM4

^C Priced to yield to first optional redemption date of September 1, 2025 at par.

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**SUCCESSOR AGENCY TO THE
OAKLEY REDEVELOPMENT AGENCY
OAKLEY, CALIFORNIA**

CITY COUNCIL AND SUCCESSOR AGENCY BOARD

Doug Hardcastle, *Mayor*
Kevin Romick, *Vice Mayor*

Randy Pope, *Councilmember*
Sue Higgins, *Councilmember*

Vanessa Perry, *Councilmember*

CITY AND SUCCESSOR AGENCY STAFF

Bryan H. Montgomery, *City Manager*
Paul Abelson, *Finance Director*
Dwayne Dalman, *Economic Development Manager*
Derek P. Cole, *City Attorney*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Nossaman LLP
Irvine, California

Financial Advisor

Public Financial Management, Inc.

San Francisco, California

Trustee and Escrow Bank

Wells Fargo Bank, National Association
San Francisco, California

Fiscal Consultant

Fraser & Associates
Roseville, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Successor Agency in any press release and in any oral statement made with the approval of an authorized officer of the Successor Agency or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the Successor Agency to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Successor Agency, the Financial Advisor or the Underwriter. 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 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Involvement of Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Information Subject to Change. The information and expressions of opinions herein are subject to change without notice and neither 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 Successor Agency or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Web Page. The City of Oakley maintains a website. However, the information maintained on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

Build America Mutual Assurance Company (“BAM” or the “Insurer”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer, supplied by the Insurer and presented under the heading “MUNICIPAL BOND INSURANCE” and “APPENDIX G - SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

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OFFICIAL STATEMENT

SUCCESSOR AGENCY TO THE OAKLEY REDEVELOPMENT AGENCY

\$2,595,000
(OAKLEY REDEVELOPMENT
PROJECT AREA)
TAX ALLOCATION
REFUNDING BONDS
SERIES 2015A

\$3,115,000
(OAKLEY REDEVELOPMENT
PROJECT AREA)
TAXABLE TAX ALLOCATION
REFUNDING BONDS
SERIES 2015B

This Official Statement which includes the cover page and appendices (the “Official Statement”) is provided to furnish certain information concerning the sale of the Successor Agency to the Oakley Redevelopment Agency (Oakley Redevelopment Project Area) Tax Allocation Refunding Bonds, Series 2015A (“Series A Bonds”) and Taxable Tax Allocation Refunding Bonds, Series 2015B (“Series B Bonds,” and together with the Series A Bonds, the “Bonds”), in the aggregate principal amount of \$2,595,000 and \$3,115,000 respectively.

INTRODUCTION

This Introduction contains only a brief description of this issue and does not purport to be complete. The Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Authority and Purpose

The Bonds are being issued pursuant to the Constitution and laws of the State of California (the “State”), including Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Bond Law”), and Section 34177.5 of the Community Redevelopment Law, constituting Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State (the “Redevelopment Law”). The Bonds are being issued pursuant to Trust Indenture, dated as of May 1, 2008, by and between the Oakley Redevelopment Agency (the “Former Agency”) and Wells Fargo Bank, National Association, as trustee (the “Trustee”), as supplemented by a First Supplemental Trust Indenture dated as of May 1, 2015 (as supplemented, the “Indenture”) by and between the Successor Agency to the Oakley Redevelopment Agency (the “Successor Agency”) and the Trustee.

The Bonds are being issued to refinance all of the Former Agency’s outstanding Taxable Tax Allocation Bonds, Series 2003 (the “Refunded Bonds”).

See “THE FINANCING PLAN” herein.

The Bonds are being issued on a parity with the Former Agency’s Subordinated Tax Allocation Bonds Series 2008A (Oakley Redevelopment Project Area) (the “2008 Bonds”), currently outstanding in the principal amount of \$24,050,000.

The Successor Agency and the Former Agency

The Project Area was established in 1989 by the County of Contra Costa (the “County”) pursuant to the Redevelopment Law. The Redevelopment Plan for the Project Area (as defined below) was originally adopted by the County on December 27, 1989. After incorporation of the City of Oakley (the “City”), the Project Area was transferred from the County to the City on July 1, 1999 and the City Council (the “City Council”) of the City subsequently adopted Ordinance No. 02-00 which approved the Redevelopment Plan on March 27, 2000. On June 29, 2011, Assembly Bill No. 26 (“AB X1 26”) was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 (“AB X1 27”). A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al. v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. 2011), challenging the constitutionality of AB X1 26 and AB X1 27. In its December 29, 2011 decision, the California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB X1 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 (“AB 1484”), enacted as Chapter 26, Statutes of 2012 (as amended from time to time, the “Dissolution Act”). The Redevelopment Law, as amended by the Dissolution Act, is sometimes referred to herein as the “Law.”

Pursuant to Section 34173 of the Dissolution Act, the City Council of the City elected for the City to serve as successor agency to the Former Agency, by adopting Resolution No. 06-12 on January 10, 2012, and thus since the February 1, 2012 dissolution of the Former Agency, the City has served in such capacity. Section 34173(g) of the Dissolution Act expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City (see “THE SUCCESSOR AGENCY” herein).

The Successor Agency is governed by a five-member board consisting of the members of the City Council. The City Manager acts as the Successor Agency’s chief administrative officer (see “THE SUCCESSOR AGENCY” herein).

The City

The City was incorporated as a general law city on July 1, 1999 (see “APPENDIX C - CITY OF OAKLEY INFORMATION STATEMENT” herein). The City is situated in the eastern portion of the County, along the shore of the Sacramento-San Joaquin Delta, near the cities of Pittsburg, Antioch, and Brentwood. The City is located 55 miles east of San Francisco and 55 miles south of Sacramento.

Tax Allocation Financing Under the Dissolution Act

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies

thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

Under the Dissolution Act, moneys will be deposited from time to time in a Redevelopment Property Tax Trust Fund (the “Redevelopment Property Tax Trust Fund”) held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects using current assessed values on the last equalized roll on August 20 each year. See “SECURITY FOR THE BONDS - Tax Allocation Financing” herein for additional information.

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. Tax Revenues, as defined herein, pledged to pay the Bonds consist of the amounts deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act, and use of such funds to pay debt service on the Bonds is payable on a parity with the 2008 Bonds (see “Security for the Bonds” below).

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Former Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency’s Recognized Obligation Payment Schedules (see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions” and “SECURITY FOR THE BONDS - Recognized Obligation Payment Schedules”).

The Project Area

Upon the incorporation of the City on July 1, 1999, the County transferred control of the Project Area to the Former Agency. The County adopted the Redevelopment Plan establishing the initial project area (the “Original Area”) by Ordinance No. 89-89 on December 27, 1989 (the “Redevelopment Plan”). The Redevelopment Plan was amended on December 6, 1994 to conform to the provisions of AB 1290 (defined herein). The Redevelopment Plan was further amended on October 22, 2001 by Ordinance No. 17-01 to add approximately 621 acres (the “Added Area”) to the Original Area’s 916 acres. The Added Area began receiving tax increment revenue in Fiscal Year 2003/04. The Original Area and the Added Area are collectively referred to herein as the “Project Area.”

See “THE PROJECT AREA” herein for additional information on the Project Area and “THE SUCCESSOR AGENCY” herein for additional information on the Redevelopment Plans.

Security for the Bonds

For the security of the Bonds, the Successor Agency grants a pledge of and lien on all of the Tax Revenues, subject to the prior pledge, security interest and lien on Tax Revenues of debt service on parity with the 2008 Bonds. “Tax Revenues” are defined under the Indenture as taxes that were eligible for allocation to the Former Agency with respect to the Project Area and are allocated to the Successor Agency pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws and deposited in the Redevelopment Property Tax Trust Fund, with certain exclusions. By definition, Tax Revenues exclude the same amounts that were payable by the Former Agency pursuant to any existing Tax Sharing

Agreements (to the extent not subordinated to debt service on the 2008 Bonds and the Bonds, see “FINANCIAL INFORMATION - Tax Sharing Agreements and Tax Sharing Statutes”) and County administrative costs allowed under Section 34182 of the Law and Section 95.3 of the California Revenue and Taxation Code. Pursuant to the Dissolution Act, Tax Revenues are no longer required to be deposited into the Former Agency Low and Moderate Income Housing Fund previously established pursuant to Section 33334.3 of the Law. See “FINANCIAL INFORMATION - Tax Sharing Agreements and Tax Sharing Statutes” and “APPENDIX H – FISCAL CONSULTANT REPORT” herein.

Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various component projects of the Project Area, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Successor Agency’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Successor Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act. Moneys transferred by the County Auditor-Controller to the Successor Agency will be deposited into the Successor Agency’s Redevelopment Obligation Retirement Fund and will be transferred by the Successor Agency to the Trustee for deposit in the Special Fund established under the Indenture. See “SECURITY FOR THE BONDS - Recognized Obligation Payment Schedules” herein.

The Bonds are special obligations of the Successor Agency. The Bonds do not constitute a debt or liability of the City of Oakley, the County of Contra Costa, the State or of any political subdivision thereof, other than the Successor Agency. The Successor Agency shall only be obligated to pay the principal of the Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the City of Oakley, the County of Contra Costa, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Successor Agency has no taxing power.

2015-2016 Governor’s Budget Summary - Proposed Legislative Changes

In the 2015-2016 Governor’s Budget Summary released on January 9, 2015, the Governor states that oversight of the dissolution process has progressed to the point where legislative changes can be considered in order to add finality to the entire dissolution process and reduce the burden on all parties involved. For a discussion of those changes, see “SECURITY FOR THE BONDS – 2015-2016 Governor’s Budget Summary – Proposed Legislative Changes.”

Municipal Bond Insurance and Reserve Account Surety Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM” or the “Insurer”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as “APPENDIX G” to this Official Statement.

In order to further secure the payment of the principal of and interest on the Bonds, a Reserve Account for the Bonds has been established by the Indenture. The Reserve Account will be funded by the purchase of a Municipal Bond Debt Service Reserve Insurance Policy (a “Reserve Policy”) issued by the Insurer in an amount equal to the Reserve Account Requirement as defined in the Indenture. See “SECURITY FOR THE BONDS - Reserve Account - Qualified Reserve Instruments.”

Legal Matters

All legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Nossaman LLP, Irvine, California, as Bond Counsel. Such opinion, and certain tax

consequences incident to the ownership of the Bonds are described more fully under the heading “LEGAL MATTERS - Tax Matters” herein. Certain legal matters will be passed on for the Successor Agency by Nossaman LLP, Irvine, California, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

Professional Services

The Trustee will act on behalf of the Bondholders for the purpose of receiving all moneys required to be paid to the Trustee, to allocate, use and apply the same, to hold, receive and disburse the Tax Revenues and other funds held under the Indenture, and otherwise to hold all the offices and perform all the functions and duties provided in the Indenture to be held and performed by the Trustee.

Public Financial Management, Inc., San Francisco, California (the “Financial Advisor”) advised the Successor Agency as to the financial structure and certain other financial matters relating to the Bonds.

Fees payable to Bond Counsel, Disclosure Counsel, Underwriter’s Counsel, and the Financial Advisor are contingent upon the sale and delivery of the Bonds.

Financial Statements of the Successor Agency

After the enactment of the Dissolution Act, the activities of the Successor Agency are reported as a fiduciary trust fund, as part of the City’s Comprehensive Annual Financial Report, which is in accordance with guidance issued by the State Department of Finance on September 19, 2012 and available on its website relating to redevelopment dissolution (www.dof.ca.gov/redevelopment) under the category of “Common RDA Dissolution Questions and Answers,” interpreting Section 34177(n) of the California Health and Safety Code concerning certain successor agency post audit obligations. The State Department of Finance’s website is not in any way incorporated into this Official Statement, and the Successor Agency cannot take any responsibility for, nor make any representation whatsoever as to, the continued accuracy of the Internet address or the accuracy, completeness, or timeliness of information posted there. In addition, from time to time, the State Department of Finance changes its guidance without notice.

Pursuant to the Dissolution Act, the housing assets, housing obligations, and housing activities of the Former Agency have been transferred to the City after the dissolution date and have been reported in a special fund in the City’s Comprehensive Annual Financial Report.

The City’s financial statements for the fiscal year ended June 30, 2014, attached hereto as “APPENDIX D,” have been audited by Maze & Associates, Pleasant Hill, California. The City’s audited financial statements are public documents and are included within this Official Statement without the prior approval of the auditor.

Offering of the Bonds

Authority for Issuance. The Bonds are to be issued and secured pursuant to the Indenture, as authorized by Resolution No. SA-08-14 of the Successor Agency adopted on October 28, 2014 and by Resolution No. SA-01-15 of the Successor Agency adopted on February 10, 2015 (collectively, the “Successor Agency Resolution”), the Bond Law, the Dissolution Act and the Redevelopment Law. The Successor Agency to the Oakley Redevelopment Agency Oversight Board (the “Oversight Board”) approved the action taken by the Successor Agency to refinance the Refunded Bonds on November 26,

2014 (the “Oversight Board Resolution”). The State Department of Finance approved the Oversight Board action by letter dated January 29, 2015 (the “DOF Determination Letter”).

Offering and Delivery of the Bonds. The Bonds are being sold to Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). The Bonds are offered, when, as and if issued, subject to the approval as to their legality by Nossaman LLP, Irvine, California, as Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about May 20, 2015.

Information Concerning this Official Statement

This Official Statement speaks only as of its date. The information set forth herein has been obtained by the Successor Agency from sources which are believed to be reliable and such information is believed to be accurate and complete, but such information is not guaranteed as to accuracy or completeness, nor has it been independently verified and is not to be construed as a representation by the Underwriter or the Disclosure Counsel. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended as such and are not to be construed as representations of fact. The information and expressions of opinion herein are subject to change without notice and the delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the Successor Agency since the date hereof.

Availability of Legal Documents. The summaries and references contained herein with respect to the Indenture, the Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of these documents may be obtained from the Successor Agency at 3231 Main Street, Oakley, California 94561.

THE BONDS

General Provisions

Repayment of the Bonds. Interest on the Bonds is payable at the rates per annum set forth on the inside cover page hereof. Interest on the Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months.

Interest on the Bonds will be payable on March 1 and September 1 (each an “Interest Payment Date”), commencing March 1, 2016, and thereafter from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after the close of business on the 1st calendar day of the month in which such Interest Payment Date occurs (each, a “Record Date”) and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) a Bond is authenticated on or before the first Record Date, in which event it shall bear interest from the Closing Date; *provided, however*, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Bonds are authorized to be issued in denominations of \$5,000 or any integral multiple of \$5,000, and will be dated as of the date of their original delivery.

Transfer or Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Indenture, upon surrender of such Bond for cancellation at the Principal Corporate Trust Office of the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Trustee shall authenticate and deliver a new Bond or Bonds of like series, interest rate, maturity and principal amount. The Trustee may require the payment by the Bondholder requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The foregoing provisions regarding the transfer and exchange of the Bonds apply only if the book-entry system is discontinued. So long as the Bonds are in the book-entry system of DTC as described below, the rules of DTC will apply for the transfer and exchange of Bonds.

Book-Entry System. DTC will act as securities depository for the Bonds. The 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. Interest on and principal of the Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to DTC Participants, which will in turn remit such interest and principal to Beneficial Owners of the Bonds (see “APPENDIX F – THE BOOK-ENTRY SYSTEM” herein). As long as DTC is the registered owner of the Bonds and DTC’s book-entry method is used for the Bonds, the Trustee will send any notices to Bond Owners only to DTC.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, if a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Indenture. The Successor Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bonds will be printed and delivered as described in the Indenture.

Redemption Prior to Maturity

Optional Redemption. The Series A Bonds due on or before September 1, 2025 shall not be subject to redemption before their respective stated maturities. Series A Bonds maturing on or after September 1, 2026 shall be subject to redemption, as a whole or in part, as designated by the Successor Agency, or, absent such designation, pro rata among maturities, and by lot within any one maturity if less than all of the Series A Bonds of a single maturity are to be redeemed, prior to their respective maturity dates, at the option of the Successor Agency, on any date on or after September 1, 2025, from funds derived by the Successor Agency from any source, at the redemption price of the principal amount of Series A Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The Series B Bonds are not subject to optional redemption.

Purchase in Lieu of Redemption. The Successor Agency may at any time buy Bonds at public or private sale at a price which, inclusive of brokerage fees, will not exceed the par amount of the Bonds so purchased, plus any applicable premium and any Bonds so purchased shall be tendered to the Trustee for cancellation. Term Bonds so purchased may be credited against sinking fund payments.

Notice of Redemption; Rescission. Notice of redemption shall be given by the Trustee not less than thirty (30) nor more than sixty (60) days prior to the redemption date by first class mail to each of the Owners designated for redemption at their addresses appearing on the Bond registration books of the Trustee on the date such Series A Bonds are selected for redemption. Each notice of redemption shall (a) state the redemption date; (b) state the redemption price; (c) state the place or places of redemption; (d) state the CUSIP numbers of the Series A Bonds to be redeemed, the individual number of each Series A Bond to be redeemed or that all Series A Bonds between two stated numbers (both inclusive) or that all of the Series A Bonds are to be redeemed and, in the case of Series A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed; (e) state that on the redemption date there will become due and payable on each Series A Bond the redemption price thereof and that from and after such redemption date interest thereon shall cease to accrue; and (f) require that such Series A Bonds be then surrendered, with a written instrument of transfer duly executed by the Owner thereof or by his attorney duly authorized in writing if payment is to be made to a person other than the Owner.

The Successor Agency shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Successor Agency and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

When notice of redemption has been given and when the amount necessary for the redemption of the Series A Bonds called for redemption is set aside for that purpose in the Redemption Fund, and when interest accrued and to accrue to the redemption date has been set aside for that purpose in the Interest Account, the Series A Bonds designated for redemption shall become due and payable on the redemption date thereof at the place specified in the notice of redemption. Such Series A Bonds shall be redeemed and paid at said redemption price out of the Redemption Fund and no interest will accrue on such Series A Bonds called for redemption from and after the redemption date specified in such notice. The Owners of said Series A Bonds so called for redemption after such redemption date shall look for the payment of such Bonds and the premium thereon, if any, only to the Redemption Fund.

Scheduled Debt Service on the Series A Bonds

The following is the scheduled semi-annual and annual Debt Service on the Series A Bonds (assuming no optional redemption).

Interest Payment Date	Principal	Interest	Semi-Annual Debt Service	Annual Debt Service
3/1/2016	-	\$ 85,797	\$ 85,797	-
9/1/2016	-	54,959	54,959	\$ 140,757
3/1/2017	-	54,959	54,959	-
9/1/2017	-	54,959	54,959	109,918
3/1/2018	-	54,959	54,959	-
9/1/2018	-	54,959	54,959	109,918
3/1/2019	-	54,959	54,959	-
9/1/2019	-	54,959	54,959	109,918
3/1/2020	-	54,959	54,959	-
9/1/2020	-	54,959	54,959	109,918
3/1/2021	-	54,959	54,959	-
9/1/2021	-	54,959	54,959	109,918
3/1/2022	-	54,959	54,959	-
9/1/2022	-	54,959	54,959	109,918
3/1/2023	-	54,959	54,959	-
9/1/2023	-	54,959	54,959	109,918
3/1/2024	-	54,959	54,959	-
9/1/2024	\$ 165,000	54,959	219,959	274,918
3/1/2025	-	50,834	50,834	-
9/1/2025	565,000	50,834	615,834	666,668
3/1/2026	-	36,709	36,709	-
9/1/2026	595,000	36,709	631,709	668,418
3/1/2027	-	21,834	21,834	-
9/1/2027	625,000	21,834	646,834	668,668
3/1/2028	-	11,287	11,287	-
9/1/2028	645,000	11,287	656,287	667,575
Total⁽¹⁾	\$ 2,595,000	\$ 1,261,438	\$ 3,856,438	\$ 3,856,438

(1) Totals may not add up due to rounding.

Scheduled Debt Service on the Series B Bonds

The following is the scheduled semi-annual and annual Debt Service on the Series B Bonds.

Interest Payment Date	Principal	Interest	Semi-Annual Debt Service	Annual Debt Service
3/1/2016	–	\$ 73,897	\$ 73,897	–
9/1/2016	–	47,336	47,336	\$ 121,233
3/1/2017	–	47,336	47,336	–
9/1/2017	–	47,336	47,336	94,673
3/1/2018	–	47,336	47,336	–
9/1/2018	\$ 245,000	47,336	292,336	339,673
3/1/2019	–	44,886	44,886	–
9/1/2019	470,000	44,886	514,886	559,773
3/1/2020	–	39,011	39,011	–
9/1/2020	485,000	39,011	524,011	563,023
3/1/2021	–	32,100	32,100	–
9/1/2021	500,000	32,100	532,100	564,200
3/1/2022	–	24,600	24,600	–
9/1/2022	510,000	24,600	534,600	559,200
3/1/2023	–	16,312	16,313	–
9/1/2023	525,000	16,312	541,313	557,625
3/1/2024	–	7,125	7,125	–
9/1/2024	380,000	7,125	387,125	394,250
Total⁽¹⁾	\$ 3,115,000	\$ 638,648	\$ 3,753,648	\$ 3,753,648

(1) Totals may not add up due to rounding.

THE FINANCING PLAN

The Refunding Program

On the Delivery Date, the Successor Agency will irrevocably deposit a portion of the proceeds of the Bonds with Wells Fargo Bank, National Association, as escrow bank (the “Escrow Bank”), pursuant to Escrow Instructions, dated as of May 1, 2015 (the “Escrow Instructions”), between the Successor Agency and the Escrow Bank.

The deposit, together with other funds deposited with the Escrow Bank, will be held uninvested and will be sufficient to pay the redemption price of the Refunded Bonds on or about June 19, 2015.

The lien of the Refunded Bonds will be discharged, terminated and of no further force and effect upon the deposit with the Escrow Bank of the amounts required pursuant to the Escrow Instructions (see “CONCLUDING INFORMATION – Verification of Mathematical Computations” herein). Amounts on deposit with the Escrow Bank are not available to pay debt service on the Bonds.

Estimated Sources and Uses of Funds

Under the provisions of the Indenture, the Trustee will receive the proceeds from the sale of the Bonds and other available funds and will apply them as shown below.

Sources of Funds

Par Amount of Bonds	\$ 5,710,000.00
Original Issue Premium	194,819.75
Funds Held for the Refunded Bonds	<u>674,847.14</u>
Total Sources of Funds	\$ 6,579,666.89

Uses of Funds

Transfer to Escrow Bank	\$ 6,264,343.20
Underwriter’s Discount	50,470.09
Costs of Issuance Fund ⁽¹⁾	<u>264,853.60</u>
Total Uses of Funds	\$ 6,579,666.89

⁽¹⁾ Expenses include fees and expenses of Bond Counsel, the Financial Advisor, Disclosure Counsel, Fiscal Consultant and the Trustee, costs of printing the Official Statement, rating fees, insurance premium, reserve surety premium and other costs of issuance of the Bonds.

SECURITY FOR THE BONDS

Tax Allocation Financing

Prior to the enactment of the Dissolution Act, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. First, the assessed valuation of the taxable property in a project area, as last equalized prior to adoption of the redevelopment plan, was established and became the base roll. Thereafter, except for any period during which the assessed valuation drops below the base year level, the taxing agencies, on behalf of which taxes are levied on property within the project area, receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in the assessed valuation of the taxable property in a project area over the levy upon the base roll could be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing the redevelopment project. Redevelopment agencies themselves had no authority to levy taxes on property.

The Dissolution Act now requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency had the Former Agency not been dissolved using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller (the “Redevelopment Property Tax Trust Fund”) pursuant to the Dissolution Act. Such funds, or portions thereof distributed to the Successor Agency, are deposited by the Successor Agency in its “Recognized Obligation Retirement Fund.” The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if the bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency’s Recognized Obligation Payment Schedules (see “Recognized Obligation Payment Schedules” below).

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller and payments made under Sections 33401, 33676 and 33607.7 (among others, unless subordinated) of the Redevelopment Law.

Successor agencies have no power to levy property taxes but must receive an allocation of taxes as described above. See “RISK FACTORS.”

Tax Revenues

As provided in the Redevelopment Plans for the constituent project areas (the constituent project areas are individually referred to herein as a “Redevelopment Project”) of the Project Area and pursuant to Article 6 of Chapter 6 of the Redevelopment Law, and Section 16 of Article XVI of the Constitution of the State, taxes levied upon taxable property in each Redevelopment Project each year by or for the benefit of the State, for cities, counties, districts or other public corporations (collectively, the “Taxing Agencies”) for fiscal years beginning after the effective date of the ordinance approving the applicable constituent Redevelopment Plan, or the respective effective date of an ordinance approving an

amendment to the Redevelopment Plan that added territory to the Redevelopment Project, will be divided as follows:

- a) To Taxing Agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Redevelopment Project as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory, as applicable (each, a “base year valuation”), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and
- b) To the Former Agency/Successor Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within the Plan Limit, when collected will be paid into a special fund of the Former Agency/Successor Agency. Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from this paragraph.

Tax revenues generated as set forth under (b) above and allocated to the Successor Agency constitute Tax Increment Revenues, as that term is used herein.

Tax Revenues. For the security of the Bonds, the Successor Agency grants a pledge of and lien on all of the Tax Revenues, subject to the prior pledge, security interest and lien on Tax Revenues of debt service on a parity with the 2008 Bonds. “Tax Revenues” are defined under the Indenture as taxes that were eligible for allocation to the Former Agency with respect to the Project Area and are allocated to the Successor Agency pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws and deposited in the Redevelopment Property Tax Trust Fund. By definition, Tax Revenues are net of the same amounts that were payable by the Former Agency under Tax Sharing Agreements and Statutory Tax Sharing (as defined below) (to the extent not subordinated to debt service on the 2008 Bonds and the Bonds, see “FINANCIAL INFORMATION - Tax Sharing Agreements and Tax Sharing Statutes”) as well as the County’s administrative costs allowed under Section 34182 of the Dissolution Act and Section 95.3 of the Revenue and Taxation Code. Pursuant to the Dissolution Act, Tax Revenues are no longer required to be deposited into the Former Agency Low and Moderate Income Housing Fund previously established pursuant to Section 33334.3 of the Law. See “FINANCIAL INFORMATION – Tax Sharing Agreements and Tax Sharing Statutes” herein.

Redevelopment Property Tax Trust Fund

Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Successor Agency to pay the debt service on indebtedness incurred by the Former Agency or the Successor Agency to finance or refinance the redevelopment projects of the Former Agency.

To the extent the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area, the Dissolution Act states, “It is the intent ... that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge.”

The Redevelopment Law authorized redevelopment agencies to make payments to school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. The Former Agency had entered into several agreements for this purpose (“Tax Sharing Agreements”). Additionally, Sections 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted on or after January 1, 1994 or amended after January 1, 1994 in a manner specified in such sections (the “Statutory Tax Sharing Amounts”). See “APPENDIX H – FISCAL CONSULTANT REPORT” and “Tax Sharing Statutes” herein). Section 33676 of the Redevelopment Law allows taxing entities to receive additional property taxes in a redevelopment project area above the base year revenue amount. Such payments are based on annual increases in the real property portion of the base year value up to the inflation limit of 2%. Currently, there are 6 taxing entities receiving allocations of property taxes under Section 33676 in the Project Area. The projection of Tax Revenues set forth in this Official Statement assumes that the payments will continue to be made to these taxing entities and that the payments will be made on a basis senior to payment of debt service on the Bonds. See “APPENDIX H – FISCAL CONSULTANT REPORT.” The Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under any Tax Sharing Agreements and for Statutory Tax Sharing Amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Successor Agency’s Redevelopment Obligation Retirement Fund each January 2 and June 1, unless (i) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Former Agency, as succeeded by the Successor Agency, (ii) the Successor Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency’s Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Successor Agency’s enforceable obligations, pass-through payments, and the Successor Agency’s administrative cost allowance for the applicable six-month period, and (iii) the State Controller has concurred with the Successor Agency that there are insufficient funds for such purposes for the applicable six-month period. The Successor Agency has covenanted in the Indenture to timely file a “Notice of Insufficiency” with the County Auditor-Controller in the event that such an insufficiency occurs.

If the requirements stated in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed for such six-month period. To provide for calculated shortages to be paid to the Successor Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Successor Agency’s enforceable obligations, pass-through payments, and the Successor Agency’s administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Successor Agency for administrative costs for the applicable six-month period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed under Tax Sharing Agreements and for Statutory Tax Sharing Amounts, in order to be paid to the Successor

Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted.

The Successor Agency's obligation to make payments under each of its tax sharing agreements, except for the agreement with the Contra Costa County Office of Education which is senior to the 2008 Bonds and the Bonds, is subordinate to its obligation to make payments of principal, interest or other amounts on or in connection with the 2008 Bonds and the Bonds.

The Dissolution Act provides for a procedure by which the Successor Agency may make Statutory Tax Sharing amounts subordinate to the Bonds. The Former Agency had previously undertaken proceedings to subordinate all such payments to the 2008 Bonds and the Successor Agency has undertaken proceedings to subordinate all such payments to the Bonds and therefore all Statutory Tax Sharing amounts are subordinate to the 2008 Bonds and the Bonds.

Beginning in Fiscal Year 2011-12, the Former Agency triggered the subordination provisions in the negotiated and statutory pass-through payments. Beginning in Fiscal Year 2014-15, the tax increment revenues of the Project Area began to increase to the point where subordination was no longer needed, and the County repaid approximately \$242,000 of the amount that had been subordinated. A total of approximately \$1 million remains to be repaid on the subordinate pass through amount. This amount will be repaid on a subordinate basis to the 2008 Bonds and the Bonds.

The Successor Agency expects, but cannot guarantee, that the process prescribed by the Dissolution Act of administering the Tax Revenues will effectively result in adequate Tax Revenues for the payment of principal of and interest on the Bonds when due. See "SECURITY FOR THE BONDS - Recognized Obligation Payment Schedules." The County Auditor-Controller has collected approximately 50% of the current year's annual tax increment for deposit in the Redevelopment Project Tax Trust Fund on January 2 of such year and the County Auditor-Controller will collect 50% of the current year's annual tax increment in the Redevelopment Project Tax Trust Fund on June 1 of such year such distribution in any case limited to the amount requested by the Successor Agency on the applicable Recognized Obligation Payment Schedule and approved by the State Department of Finance, as described below.

Recognized Obligation Payment Schedules

Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule (the "Recognized Obligation Payment Schedule") pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. As defined in the Dissolution Act, "enforceable obligation" includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the Low and Moderate Income Housing Fund and from the city. A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following six-month period (see "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Covenants of the Successor Agency"). The Successor Agency has covenanted to request such reserves as described below.

Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the Low and Moderate Income Housing Fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance, (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the oversight board). Other than amounts deposited in the Redevelopment Property Tax Trust Fund allocable to the Project Area and amounts held in funds and accounts under the Indenture, the Successor Agency does not expect to have any other funds available to pay the Bonds.

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule.

The Recognized Obligation Payment Schedule, with respect to each six-month period beginning January 1 and July 1, must be submitted by the Successor Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller by 90 days before the date of the next January 2 or June 1 property tax distribution. If the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadlines, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Successor Agency's administrative cost allowance is reduced by 25% if the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for corresponding six-month periods. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the Bonds, see "RISK FACTORS – Recognized Obligation Payment Schedule."

The Dissolution Act requires the State Department of Finance to make a determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than 45 days after the Recognized Obligation Payment Schedule is submitted. Within five business days of the determination by the State Department of Finance, the Successor Agency may request additional review by the department and an opportunity to meet and confer on disputed items, if any. The State Department of Finance will notify the Successor Agency and the County Auditor-Controller as to the outcome of its review at least 15 days before the January 2 or June 1 date of property tax distribution, as applicable. Additionally, the County Auditor-Controller may review a submitted Recognized Obligation Payment Schedule and object to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items, provided that the County Auditor-Controller must provide notice of any such objections to the Successor Agency, the Oversight Board, and the State Department of Finance at least 60 days prior to the January 2 or June 1 date of property tax distribution, as applicable.

In connection with the allocation and distribution by the County Auditor-Controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, under the Dissolution Act the County Auditor-Controller must prepare estimates of the amounts of (i) property tax to be allocated and distributed and (ii) the amounts of pass-through payments to be made in the upcoming six-month period, and provide those estimates to the entities receiving the distributions and the State Department of Finance no later than October 1 and April 1 of each year, as applicable. If, after receiving such estimate from the County Auditor-Controller, the Successor Agency determines and reports, no later than December 1 or

May 1, as applicable (e.g., by May 1, 2015 with respect to the Recognized Obligation Payment Schedule for July 1, 2015 through December 31, 2015), that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency, and from funds that have or will become available through asset sales and all redevelopment operations, is insufficient to fund the payment of pass-through obligations, for the Successor Agency's enforceable obligations listed on the Recognized Obligation Payment Schedule, and for the Successor Agency's administrative cost allowance, the County Auditor-Controller must notify the State Controller and the State Department of Finance no later than 10 days from the date of the Successor Agency's notification. If the State Controller concurs that there are insufficient funds to pay required debt service, the Dissolution Act provides for certain adjustments to be made to the estimated distributions, as described in more detail under "Redevelopment Property Tax Trust Fund" above.

The Successor Agency has covenanted to comply with all of the requirements of the Redevelopment Law and the Dissolution Act. Not less than 90 days prior to each January 2, the Successor Agency shall submit to the Oversight Board and the State Department of Finance, a Recognized Obligation Payment Schedule that includes all debt service on the 2008 Bonds and the Bonds due and payable in the following calendar year, so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on such January 2 amounts required to enable the Successor Agency to pay timely principal of, and interest on, the 2008 Bonds and the Bonds during such calendar year and to establish a reserve for a portion of the principal due on August 15 in such calendar year (as described below). Not less than 90 days prior to each June 1, the Successor Agency shall submit to the Oversight Board and the State Department of Finance, a Recognized Obligation Payment Schedule that includes the remaining debt service on the 2008 Bonds and the Bonds and any Parity Debt due and payable in such calendar year, together with amounts, if any, not funded from the January 2 distribution of the Redevelopment Property Tax Trust Fund, so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on such June 1 amounts required to enable the Successor Agency to pay timely principal of, and interest on the 2008 Bonds and the Bonds coming due on September 1 in such calendar year, taking into account any reserve established in the preceding period.

The Successor Agency shall place on the applicable Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, any amount required to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Law and any amount required to be deposited in the Reserve Account in order to maintain in the Reserve Account the amount of the Reserve Requirement.

Statutory Limitations on Review of Bonds on ROPS by DOF

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if the bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's Recognized Obligation Payment Schedule. Section 34177.5(f) of the Dissolution Act additionally provides that if the State Department of Finance has requested review of the Oversight Board Resolution and, after review, has approved the resolution, the scheduled payments on the Bonds shall be listed in the Recognized Obligation Payment Schedule and will not be subject to further review and approval by the State Department of Finance or the State Controller.

The DOF Determination Letter includes the following statement: “This approval is specifically conditioned on the understanding that no refunding bonds will be issued unless such bonds meet the limitations in HSC section 34177.5(a).” The issuance of the Bonds will be accompanied by approving legal opinions, substantially in the forms attached hereto as Appendix E regarding the due and valid authorization of the Series A Bonds and the Series B Bonds, respectively, under the Bond Law, Health and Safety Code Section 34177.5, the Successor Agency Resolution, the Oversight Board Resolution, and the Indenture. See, however, “RISK FACTORS – Factors Which May Affect Tax Revenues – Interpretation of and Future Changes in the Law; Voter Initiatives.”

Pledge of Tax Revenues

Under the Indenture, there is established a trust fund known as the “Special Fund” (and an Interest Account, a Principal Account, a Sinking Account, a Reserve Account, and a Redemption Account therein), which will be held by the Trustee in trust. Moneys transferred by the County Auditor-Controller to the Successor Agency will be deposited into the Successor Agency’s Redevelopment Obligation Retirement Fund and will be transferred by the Successor Agency to the Trustee for deposit in the Special Fund established under the Indenture.

The Bonds and any Parity Debt (defined below) shall be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, pursuant to Section 34177.5(g) of the Law, including all of the Tax Revenues comprised of moneys deposited from time to time in the Redevelopment Property Tax Trust Fund or Tax Revenues held from time to time in the Special Fund (if applicable). The Bonds shall be additionally secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Reserve Account. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest on the Bonds.

The Successor Agency has established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Law which the Successor Agency shall continue to hold and maintain so long as any of the Bonds are Outstanding.

The Successor Agency shall deposit all of the Tax Revenues received with respect to any Semiannual Period into the Redevelopment Obligation Retirement Fund promptly upon receipt thereof. All Tax Revenues received by the Successor Agency in excess of the amount required to pay debt service on the 2008 Bonds and to pay debt service on the Bonds and any Parity Debt and except as may be provided to the contrary in any indenture relating to any Parity Debt, shall be released from the pledge and lien of the Indenture and shall be applied in accordance with the Law, including but not limited to the payment of debt service on any subordinate debt. Prior to the payment in full of the principal of and interest on the Bonds and the payment in full of all other amounts payable under the Indenture and under any supplemental indentures, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Redevelopment Obligation Retirement Fund, except as may be provided in the Indenture and in any supplemental indenture.

Also see “No Additional Debt Other Than Refunding Bonds” below.

The Tax Revenues are pledged to the payment of principal of and interest on the Bonds pursuant to the Indenture until the Bonds have been paid, or until moneys have been set-aside irrevocably for that purpose. The Trustee will covenant to exercise such rights and remedies as may be necessary to enforce the payment of the Tax Revenues when due under the Indenture, and otherwise to protect the interests of the Bondholders in the event of default by the Successor Agency.

The Bonds are special obligations of the Successor Agency. The Bonds do not constitute a debt or liability of the City of Oakley, the County of Contra Costa, the State or of any political subdivision thereof, other than the Successor Agency. The Successor Agency shall only be obligated to pay the principal of the Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the City of Oakley, the County of Contra Costa, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Successor Agency has no taxing power.

2015-2016 Governor’s Budget Summary – Proposed Legislative Changes

In the 2015-2016 Governor’s Budget Summary (“Proposed State Budget”) released on January 9, 2015, the Governor states that oversight of the dissolution process has progressed to the point where legislative changes can be considered in order to add finality to the entire dissolution process and reduce the burden on all parties involved. The Proposed State Budget states that Administration will introduce legislation through the budget process to gradually transition the state away from the current detailed role in the RDA dissolution process.

The Proposed State Budget also states that the legislation will meet the following objectives:

- Minimize the potential erosion of property tax residuals being returned to the local affected taxing entities (both in the short and long term) while transitioning the state from detailed review of enforceable obligations to a streamlined process;
- Clarify and refine various provisions in the statutes to eliminate ambiguity, where appropriate, and make the statutes operate more successfully for all parties without rewarding previous questionable behavior; and
- Maintain the expeditious wind-down of former RDA activities while adding new incentives for substantial compliance with the law.
- In the Proposed State Budget, it states that the Administration’s proposed legislation will specifically include the following process changes:
- Transition all successor agencies from a biannual ROPS process to an annual ROPS process beginning July 1, 2016, when the successor agencies transition to a countywide oversight board. This restructured process will be more efficient and will reduce the workload on all parties.
- Establish a “Last and Final” ROPS process beginning September 2015. The Last and Final ROPS will be available only to successor agencies that have a Finding of Completion, are in agreement with Finance on what items qualify for payment, and meet other specified conditions. If approved by Finance, the Last and Final ROPS will be binding on all parties and the successor agency will no longer submit a ROPS to Finance or the oversight board. The county auditor-controller will remit the authorized funds to the successor agency in accordance with the approved Last and Final ROPS until each remaining enforceable obligation has been fully paid.

The Proposed State Budget states further that proposed legislation will also clarify that:

- Former tax increment caps and RDA plan expirations do not apply for the purposes of paying approved enforceable obligations. One of the core principles of the dissolution process is that approved enforceable obligations will be paid and that this clarification will confirm that funding will continue to flow until all approved enforceable obligations have been paid.
- Reentered agreements that are not for the purpose of providing administrative support activities are not authorized or enforceable.

- Litigation expenses associated with challenging dissolution determinations are not separate enforceable obligations, but rather are part of the administrative costs of the successor agency.
- Contractual and statutory pass through payments end upon termination of all of a successor agency's enforceable obligations.
- The State Department of Finance is exempt, as provided in existing law, from the regulatory process.
- County auditor-controllers' offices shall serve as staff for countywide oversight boards.

It is assumed that the Proposed State Budget will not amend the process for the distribution of the Redevelopment Property Tax Trust Fund moneys twice annually on January 2 and June 1 of each year. If that is the case, even with the change in the preparation of the Recognized Obligation Payment Schedule from twice a year to once a year, the Successor Agency will continue to set aside Tax Revenue and pay debt service on the Bonds and the 2008 Bonds as described herein.

The Successor Agency expects, but cannot guarantee, that the processes for funding of enforceable obligations prescribed by any new legislative change in the Dissolution Act will not interfere with its administering of the Tax Revenues in accordance with the Indenture and will effectively result in adequate Tax Revenues for the timely payment of principal of and interest on the Bonds and Parity Debt when due.

Reserve Account

A separate Reserve Account has been established under the Indenture to be held by the Trustee to further secure the timely payment of principal of and interest on each series of the Bonds and the 2008 Bonds. The Successor Agency must maintain a balance in the Reserve Account equal to the Reserve Requirement.

"Reserve Requirement" is defined in the Indenture to mean, as of the Closing Date, an amount equal to the lesser of (i) 10% of the initial outstanding principal amount of the Bonds; (ii) Maximum Annual Debt Service on the Outstanding Bonds; or (iii) 125% of Average Annual Debt Service on the Bonds, and thereafter means an amount equal to the lesser of the initial Reserve Requirement or Maximum Annual Debt Service on the Outstanding Bonds.

No deposit need be made in the Reserve Account so long as there shall be on deposit therein a sum equal to the Reserve Requirement. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of paying principal of or interest on the Bonds, in the event of any deficiency at any time to make such payments, or for the retirement of all the Bonds then Outstanding, except that so long as the Successor Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the Reserve Requirement may be transferred to the Interest Account.

The Reserve Requirement may be satisfied by crediting to the Reserve Account moneys, a letter of credit, a bond insurance policy, any other comparable credit facility or any combination thereof, for which the Successor Agency has received confirmation from any rating agency than rating the Bonds that replacement will not adversely affect the rating on the Bonds and which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Requirement; provided, however, the provider of any such letter of credit, bond insurance policy or other comparable credit facility, must be rated in one of the two highest rating categories by Standard & Poor's at the time of delivery of such letter of credit, bond insurance policy or other comparable credit facility. Upon the deposit with the Trustee of such letter of credit, bond insurance policy or other comparable credit facility, the Trustee shall transfer

moneys then on hand in the Reserve Account to the Successor Agency to be applied for lawful redevelopment purposes. In the event of a downgrade revision in the rating of such letter of credit, bond insurance policy or other comparable credit facility provided after the Closing Date, the Successor Agency shall promptly transfer all available surplus Tax Revenues available under the Indenture to the Reserve Account until the earlier of (i) the time when the amount in the Reserve Account equals the Reserve Requirement in which case the Successor Agency shall thereafter terminate the facility, or (ii) the time when the Successor Agency secures a substitute letter of credit, bond insurance policy or other credit facility meeting the requirements of the Indenture for the Bonds.

Qualified Reserve Instruments

Concurrently with the issuance of the Bonds, the Insurer will issue its Municipal Bond Debt Service Reserve Insurance Policy for the Bonds (the "Reserve Policy") The Reserve Policy is being issued in the amount of the Reserve Account Requirement for the Bonds. Information regarding the Insurer is discussed herein under "MUNICIPAL BOND INSURANCE."

THE INSURER HAS ISSUED THE RESERVE POLICY SOLELY LIMITED TO FUNDING DRAWS BY THE TRUSTEE ON THE RESERVE ACCOUNT FOR THE BONDS.

Rating agencies have downgraded or withdrawn the ratings on the claims-paying ability and financial strength of most of the nation's bond insurance companies, including the provider of the Reserve Policy described above. Deterioration in the financial condition of the provider of the Reserve Policy or a failure to honor a draw by any provider under its Reserve Policy could occur. If circumstances should ever cause the Reserve Policy to be canceled or discharged, such cancellation or discharge could be determined to create a deficiency in the Reserve Account Requirement previously satisfied by such Reserve Policy. Under the Indenture, in the event that the amount on deposit in the Reserve Account is less than the Reserve Account Requirement, the Successor Agency is required to transfer to the Trustee an amount of available Tax Revenues sufficient to maintain the amount in such Reserve Account at such Reserve Account Requirement. Should the amount of Tax Revenues then available to maintain such Reserve Account at the applicable Reserve Account Requirement be insufficient for such purpose, such insufficiency would not result in an event of default under the Indenture, but the requirement of the Successor Agency to transfer available Tax Revenues to the Trustee would continue.

No Additional Debt Other Than Refunding Bonds

So long as the Bonds are Outstanding, the Successor Agency shall not issue any bonds, notes, loans, advances, or otherwise incur any indebtedness, other than refunding bonds, which is in any case payable from all or any part of the Tax Revenues, excepting only as provided in the Indenture. The Successor Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Tax Revenues or other amounts pledged to the Bonds superior to the pledge and lien created for the benefit of the Bonds. Nothing in the Indenture shall prevent the Successor Agency from issuing and selling Subordinate Debt.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, the Insurer will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company.

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: (212) 235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Insured Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Insured Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Insured Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Insured Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2014 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$475.7 million, \$26.9 million and \$448.8 million, respectively. BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditsights/.

Obligor Disclosure Briefs. Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the Insured Bonds. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM's website at buildamerica.com/obligor/.

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the financial advisor or underwriter for the Insured Bonds, and the issuer, the financial advisor and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Insured Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Insured Bonds, whether at the initial offering or otherwise.

THE SUCCESSOR AGENCY

Government Organization

The Former Agency was established by the County in 1989 pursuant to the Redevelopment Law. On June 29, 2011, AB X1 26 was enacted, together with a companion bill, AB X1 27. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al. v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. 2011), challenging the constitutionality of AB X1 26 and AB X1 27. In its

December 29, 2011 decision, the California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

Pursuant to Section 34173 of the Dissolution Act, the City Council elected for the City to serve as successor agency to the Former Agency, by adopting Resolution No. 06-12 on January 10, 2012, and thus since the February 1, 2012 dissolution of the Former Agency, the City has served in such capacity. Section 34173(g) of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City.

The Successor Agency is governed by a five-member board which consists of all members of the City Council. The Mayor serves as the presiding officer of the Successor Agency.

SUCCESSOR AGENCY BOARD MEMBER	TERM EXPIRES
Doug Hardcastle, Mayor	November 2016
Kevin Romick, Vice Mayor	November 2016
Randy Pope, Councilmember	November 2018
Sue Higgins, Councilmember	November 2018
Vanessa Perry, Councilmember	November 2016

The City performs certain general administrative functions for the Successor Agency. The City Manager serves as the Successor Agency’s chief administrative officer, the City Clerk serves as the Successor Agency secretary and the Finance Director serves as the Successor Agency treasurer. The costs of such functions, as well as additional services performed by City staff are allocated annually to the Successor Agency, within certain limitations established by the Dissolution Act. Such reimbursement is subordinate to payment on any outstanding bonds of the Successor Agency.

Current City Staff assigned to administer the Successor Agency include:

KEY ADMINISTRATIVE PERSONNEL

Bryan H. Montgomery	City Manager
Paul Abelson	Finance Director
Dwayne Dalman	Economic Development Manager
Derek P. Cole	City Attorney

Successor Agency Powers

All powers of the Successor Agency are vested in its members, who are elected members of the City Council. Pursuant to the Dissolution Act, the Successor Agency is a separate public body from the City and succeeds to the organizational status of the Former Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Successor Agency is tasked with expeditiously winding down the affairs of the Former Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, many Successor Agency actions are subject to approval by the Oversight Board, as well as review by the State Department of Finance. California has strict laws regarding public meetings (known as the Ralph M.

Brown Act) which generally make all Successor Agency and Oversight Board meetings open to the public in similar manner as City Council meetings.

Section 34179.5 of the Dissolution Act established a due diligence review process for determining the unobligated balances that redevelopment agencies had available as of June 30, 2012 to remit to their respective county auditor-controllers for distribution to affected taxing entities within the project areas of the former redevelopment agencies. The Successor Agency has remitted to the County Auditor-Controller all of the unobligated balances as determined by the State Department Finance. In August 2014 the Successor Agency received its Finding of Completion from the State Department of Finance. Receipt of the Finding of Completion allows the Successor Agency to do several things, among them, developing a plan for the disposition of any properties held by the Successor Agency and spending proceeds of bonds issued prior to December 31, 2010, all requiring approval of the Oversight Board.

After receiving the finding of completion, each successor agency is required to submit a Long Range Property Management Plan detailing what it intends to do with its inventory of properties. Successor agencies are not required to immediately dispose of their properties but are limited in terms of what they can do with the retained properties. Permissible uses include: sale of the property, use of the property to fulfill an enforceable obligation, retention of the property for future redevelopment, and retention of the property for governmental use. These plans must be filed by successor agencies with the State Department of Finance within six months of receiving a finding of completion. The Successor Agency submitted its Long Range Property Management Plan in November 2014 and such plan is currently under review by the State Department of Finance.

Redevelopment Plans

General

The County Board of Supervisors adopted Ordinance No. 89-89 approving the Redevelopment Plan on December 27, 1989 with respect to the Original Area. The Redevelopment Plan was amended by Ordinance No. 94-65, adopted by the County Board on December 6, 1994, which amended the Redevelopment Plan with respect to the time period during which the Redevelopment Plan will be in effect, the time period during which the Agency may establish indebtedness and the amount of tax increment revenues that may be allocated to the Agency, and which brought the Redevelopment Plan into conformance with AB 1290. The Project Area was incorporated as part of the City on July 1, 1999. Pursuant to an incorporation election on November 3, 1998, Resolution No. 97-17 of the Contra Costa County Local Agency Formation Commission (the "Incorporation Resolution") and Section 33215 of the Law, the County transferred the Project Area to the City, and the Former Agency assumed the debts and obligations of the Project Area. The Redevelopment Plan was further amended on October 22, 2001 by adoption of Ordinance No. 17-01 to add the Added Area. On December 8, 2003 the City Council adopted Ordinance No. 16-03 that amended the Redevelopment Plan to eliminate the limitation on incurrence of new indebtedness in relation to the Original Area.

The Redevelopment Plan describes the boundaries of the Project Area, contains a general statement of the objectives of such Project Area, land use, layout of principal streets, building intensities and standards, and other criteria proposed as the basis for redevelopment of the Project Area. The Redevelopment Plan also describe how the Redevelopment Plan effectuates the purposes of the Redevelopment Law and how the proposed redevelopment conforms to the General Plan of the City, and describes the impact of the Redevelopment Plan upon residents thereof and upon the surrounding neighborhood.

The general objectives of the Redevelopment Plan are to the principal goals and objectives of the Redevelopment Plan are to fund circulation and transportation improvements, primarily those related to

State Route 4 deficiencies, upgrade inadequate public and community facilities, rehabilitate existing housing units and the development of neighborhood parks and amenities, stimulate new industrial/retail development, assist in the financing and construction of roads, drainage improvements and utility upgrades, and expand the supply of affordable housing and upgrade existing residential areas by assisting in the rehabilitation of existing housing.

Financial Limitations

Pursuant to the Redevelopment Law, the City (and the County, as its predecessor in interest) has adopted a number of ordinances extending the effective date of the Redevelopment Plan (as set forth in the table below). In addition, total Outstanding principal of bonds payable from such tax increment may not at any time exceed \$450,000,000, and total Incremental Tax Revenues may not exceed \$550,000,000. Based on Agency records, the Agency has received approximately \$49 million of Incremental Tax Revenues through June 30, 2014. After the issuance of the Bonds, no other bonded indebtedness besides the Bonds and the 2008 Bonds will be outstanding.

On October 10, 2001 the Governor of the State signed into law Senate Bill 211 (“SB 211”), which allows redevelopment agencies to eliminate the time limits on their ability to incur debt for project areas established prior to January 1, 1994. Additionally, SB 211 allows redevelopment agencies to extend the termination date of their redevelopment plans and the deadline for the receipt of tax increment for the repayment of debt by 10 years for project areas established prior to January 1, 1994. In order to extend the termination of the redevelopment plans or the deadline for the receipt of tax increment for the repayment of debt, the redevelopment agency must make certain findings of blight in the applicable project areas. Additionally, if a redevelopment agency elects to eliminate the time limit on the incurrence of debt, the termination of the redevelopment plans or the deadline for the receipt of tax increment for the repayment of debt, the redevelopment agency must make certain additional statutory pass-throughs to other taxing entities.

On December 8, 2003, the City adopted Ordinance No. 16-03, eliminating the time limitation for the Original Area to incur new debt and increasing the amount of tax increment available to repay indebtedness. Therefore, commencing with the first year following the expiration of the prior time limit to incur debt (Fiscal Year 2010/11) and using the Fiscal Year 2009/10 valuations as an adjusted base year value, the Agency is required to pay to the affected taxing entities statutory pass-through payments. These tax sharing payments continue for the life of the Original Area. See “FINANCIAL INFORMATION – Tax Sharing Agreements and Tax Sharing Statutes” herein.

The expiration date of the components of the Redevelopment Plan, the final date to incur indebtedness and the final date to receive Incremental Tax Revenues from each component of the Project Area is set forth in the following table. The date of final payment of principal of and interest on the 2008 Bonds is September 1, 2032 and for the Bonds is September 1, 2028, which is prior to termination of the effective date of each component of the Project Area. If assessed value growth in the Project Area averages 13 percent (13%) per year the tax increment limit will be reached in Fiscal Year 2037-38. As part of the Governor’s budget for 2015-16, the DOF has indicated that they will sponsor legislation which clarifies that statutorily required tax increment limits, and financial time limits, no longer apply to successor agencies. See “SECURITY FOR THE BONDS - 2015-2016 Governor’s Budget Summary - Proposed Legislative Changes.”

**OAKLEY REDEVELOPMENT AGENCY
OAKLEY REDEVELOPMENT PROJECT AREA
FINANCIAL LIMITATIONS**

Project Area Component	Limit on Incurring Debt	Expiration Date of Plan	Last Date to Receive Increment	Tax Increment Limitation	Outstanding Bonded Debt
Original Area	Eliminated	12/21/29	12/21/39	-	-
Added Area	10/22/21	10/22/31	10/22/46	-	-
Total Project Area				\$550 million	\$450 million

THE PROJECT AREA

Description of the Project Area

The Project Area, as amended, consists of approximately 1,537 contiguous acres (approximately 2.4 square miles), or about 69% of the total incorporated area of the City. The Project Area includes 916 acres in the Original Area and 621 acres in the Added Area. It is generally bounded on the east by the Atchison, Topeka and Santa Fe Railroad (the "AT&SF") and State Route 4, on the south by Oakley Road, State Route 4 and Cypress Road, on the west by Bridgehead/Neroly Road, and on the north by the AT&SF right-at-way in the northeast part of the City.

The percentage of 2014/15 taxable value by land use within the Project Area is shown below.

**TABLE NO. 1
PROJECT AREA
TAXABLE VALUE BY LAND USE**

	Parcels	Taxable Value	% of Total
Residential	1,474	\$ 259,360,702	60.84%
Commercial	73	72,110,250	16.92%
Industrial	33	40,825,046	9.58%
Vacant Land	88	13,458,407	3.16%
Other	94	11,271,028	2.64%
Total Secured	1,762	397,025,433	93.14%
Unsecured / State Assessed		29,240,064	6.86%
Grand Total		\$ 426,265,497	100.00%

Source: Fraser & Associates

Assessed Valuations and Tax Revenues

Historical assessed value for the Project Area based on the equalized tax rolls are shown below. See “FINANCIAL INFORMATION – Proposition 8 Adjustments” herein for a discussion on Proposition 8 reductions between Fiscal Year 2008-09 and Fiscal Year 2010-11.

**TABLE NO. 2
PROJECT AREA
HISTORICAL TAXABLE VALUE (1)**

Fiscal Year	Locally-Assessed Secured Value	Unsecured Value	State-Assessed Value	Total Taxable Value	Percentage Change	Total Incremental Value (1)
2014-15	\$ 397,025,433	\$ 24,097,964	\$ 5,142,100	\$ 426,265,497	14.98%	\$ 323,968,263
2013-14	343,303,603	25,617,663	1,802,100	370,723,366	3.67	268,426,132
2012-13	328,552,135	27,467,841	1,582,100	357,602,076	-2.64	255,304,842
2011-12	337,085,917	30,138,485	62,100	367,286,502	-2.01	264,989,268
2010-11	351,076,379	22,883,862	846,225	374,806,466	-5.74	272,509,232
2009-10	371,005,290	26,615,904	0	397,621,194	-19.92	295,323,960
2008-09	470,719,017	25,798,418	0	496,517,435	-1.25	394,220,201
2007-08	476,777,548	26,036,140	0	502,813,688	7.84	400,516,454
2006-07	440,420,028	24,789,593	1,061,481	466,271,102	17.33	363,973,868
2005-06	373,094,980	23,202,158	1,101,743	397,398,881	N/A	295,101,648
Total Percentage Change					7.26%	
Average Percentage Change					0.78%	

Source: Fraser & Associates.

(1) Taxable Value above base year value of \$106,422,877.

Historical Tax Increment Revenues levied by the County and Tax Incremental Revenues received by the County for the Project Area are shown below in Table 3. The initial County levy is compared to the actual receipt of Tax Incremental Revenues (exclusive of supplemental revenues) to determine collection trends on Table 3. The levy and receipts analysis shown on Table 3 reflects total tax increment prior to reductions for senior liens. Actual receipts of tax increment have averaged 99.95 percent of the levy for the Project Area. Supplemental taxes are a function of new construction or changes of ownership since the last property tax lien date and typically increase the amount of tax increment in a project area, but can sometimes result in negative revenue during declining market periods

**TABLE NO. 3
PROJECT AREA
HISTORICAL TAX INCREMENT LEVY AND RECEIPTS**

	Levy per County (1)	Tax Increment Receipts Less Supplementals (2)	% of Levy Received	Supplementals	Total Tax Increment Receipts	% of Levy Received
2013-14	\$ 2,698,816	\$ 2,700,812	100.07%	\$ (669)	\$ 2,700,143	100.05%
2012-13	2,657,313	2,658,516	100.05	(18,707)	2,639,809	99.34
2011-12	2,782,537	2,771,007	99.59	1,563	2,772,570	99.64
2010-11	2,783,374	2,784,586	100.04	774	2,785,360	100.07
2009-10	3,022,085	3,022,820	100.02	(38,917)	2,983,903	98.74

Source: Fraser & Associates.

- (1) Initial levy reported by Contra Costa County.
(2) Receipts per Agency records, inclusive of property tax administrative fees and pass through payments.

Actual Tax Increment Revenues paid to the Former Agency or available to the Successor Agency from the Project Area are shown below.

**TABLE NO. 4
PROJECT AREA
HISTORICAL ANALYSIS OF TAX REVENUES**

Category	2009-10	2010-11	2011-12	2012-13	2013-14
Tax Increment	\$ 3,022,820	\$ 2,784,586	\$ 2,771,007	\$ 2,658,516	\$ 2,700,812
Supplemental Taxes	(38,917)	774	1,563	(18,707)	(669)
Total Tax Increment (1)	2,983,903	2,785,360	2,772,570	2,639,809	2,700,143
<i>Senior Liens on Tax Increment:</i>					
Property Tax Administration Fees	31,412	28,272	25,981	48,965	35,749
Section 33676 Allocations	71,549	71,009	72,721	90,864	81,981
Housing Set-Aside (2)	596,781	557,072	0	0	0
Negotiated Tax Sharing Payments (3)	542,581	514,425	508,361	482,152	524,718
Statutory Tax Sharing Payments (4)	23,916	20,785	15,888	18,111	18,433
Tax Revenue	\$ 1,717,664	\$ 1,593,797	\$ 2,149,619	\$ 1,999,717	\$ 2,039,262
Sub. Negotiated Tax Sharing Payments	48,558	44,782	43,249	42,795	44,567
Net Tax Revenue	\$ 1,669,106	\$ 1,549,015	\$ 2,106,370	\$ 1,956,922	\$ 1,994,695

Source: Fraser & Associates.

- (1) Reflects actual receipts based on the records of the Agency.
(2) The housing set-aside is no longer required under the Dissolution Act.
(3) Payments per negotiated tax sharing agreements that are senior to debt service.
(4) Required per Section 33607.5 of the CRL.

Major Taxpayers

The ten largest property taxpayers for fiscal year 2014/15 within the Project Area are shown below.

**TABLE NO. 5
MERGED PROJECT AREA
TEN LARGEST TAXPAYERS AS A PERCENT OF 2014/15 ASSESSED VALUE**

Assessee	Number of Parcels	Area	Type of Use	2014-15			% of Value (2)	% of Inc Value (2)
				Secured	Unsecured	Total Value		
1) Cypress Square – S and R Associates	1	Original	Shopping Center	\$ 18,101,126	\$ 0	\$ 18,101,126	4.25%	5.59%
2) Lucky No Cal Investor LLC (3)	1	Original	Shopping Center	8,385,446	0	8,385,446	1.97	2.59
3) Shurgard Storage Centers Inc	2	Original	Self-Storage	7,400,000	11,923	7,411,923	1.74	2.29
4) Simon-Oakley Town Center LLC	4	Original	Shopping Center	6,119,300	0	6,119,300	1.44	1.89
5) Corporation for Better Housing	3	Original	Apartment	5,853,680	0	5,853,680	1.37	1.81
6) HPH Properties LP	1	Original	Industrial Shopping	5,842,829	0	5,842,829	1.37	1.80
7) WEC 98D-30 LLC	1	Original	Shopping Center	5,582,836	0	5,582,836	1.31	1.72
8) Oakley Generating Station	1	Amendment	Utility	5,080,000	0	5,080,000	1.19	1.57
9) Western Oilfields Supply Company	2	Original	Industrial	1,270,861	3,126,045	4,396,906	1.03	1.36
10) Hayworth-Fabian LLC	1	Original	Commercial	4,363,097	25,525	4,388,622	1.03	1.35
Total Valuation				\$67,999,175	\$ 3,163,493	\$ 71,162,668	16.69%	21.97%

Source: Contra Costa County property tax records.

(1) Based on ownership of locally-assessed secured property.

(2) Based on total 2014-15 Project Area taxable value of \$426,265,497 and incremental value of \$323,968,263.

(3) This owner has an outstanding assessment appeal and has requested a reduction of value of \$4.4 million.

FINANCIAL INFORMATION

Successor Agency Accounting Records and Financial Statements

The activities of the Successor Agency are reported as a fiduciary trust fund as part of the City's Comprehensive Annual Financial Report, which is in accordance with guidance issued by the State Department of Finance on September 19, 2012 and available on its website relating to redevelopment dissolution (www.dof.ca.gov/redevelopment) under the category of "Common RDA Dissolution Questions and Answers," interpreting Section 34177(n) of the California Health and Safety Code concerning certain successor agency post audit obligations. The Successor Agency does not prepare separate financial statements.

Pursuant to the Dissolution Act, the housing assets, housing obligations, and housing activities of the Former Agency have been transferred to the City after the dissolution date and have been reported in a special fund in the Comprehensive Annual Financial Report. These funds are not under the purview of the State Department of Finance.

The City's financial statements for the Fiscal Year ended June 30, 2014, attached hereto as "APPENDIX C" have been prepared by the City.

Property Taxation in California

Manner in Which Property Valuations and Assessments are Determined (Article XIII A). On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution which imposes certain limitations on taxes that may be levied against real property. This amendment, which added Article XIII A to the State Constitution, among other things, defines full cash value of property 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." This full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by substantial damage, destruction or other factors. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value of that property, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on any bonded indebtedness for the acquisition or improvement of real property which is approved after July 1, 1978 by two-thirds of the votes cast by voters voting on such indebtedness. However, pursuant to an amendment to the California Constitution, redevelopment agencies are prohibited from receiving any of the tax increment revenue attributable to tax rates levied to finance bonds approved by the voters on or after January 1, 1989 for the acquisition or improvement of real property. Moreover, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from such prohibitions (see "SECURITY FOR THE BONDS - Tax Revenues," "Property Tax Rate" below and "RISK FACTORS - Factors Which May Affect Tax Revenues - Reduction in Inflationary Rate").

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend the terms "purchase" and "change of ownership," for purposes of determining full cash value of property under Article XIII A, to not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county (or in certain cases, another county), to transfer the old residence's assessed value to the new residence.

Proposition 8 Adjustments. Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide, and such methodology has been upheld by the California courts. During the recent recession, the County made significant blanket assessed value reductions throughout the County pursuant to Proposition 8 from the maximum amount that could be assessed on property. As a result, the Former Agency saw reductions in property values of approximately 29% between 2008/09 and 2012/13, which the Successor Agency attributes primarily to Proposition 8 reductions. Recently, the County has made significant reversals of its previous Proposition 8 reductions. See “APPENDIX H – FISCAL CONSULTANT REPORT- *Proposition 8 Reductions and Reversals.*”

Unsecured and Secured Property. In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property, arising pursuant to State law, has priority over all other liens on the secured property, regardless of the time of the creation of the other liens.

Property in the Project Area is assessed by the Contra Costa County Assessor except for public utility property which is assessed by the State Board of Equalization.

The valuation of secured property is determined as of January 1 each year for taxes owed with respect to the succeeding Fiscal Year. The tax rate is equalized during the following September of each year, at which time the tax rate is determined. Secured and unsecured property is entered on separate parts of the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment in addition to a \$20 cost on the second installment. On July 1 of each fiscal year any property which is delinquent will become defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption, together with any other charges permitted by law. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Property taxes on the unsecured roll become delinquent if unpaid on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1-1/2% per month begins to accrue on November 1 of the fiscal year. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder’s Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Supplemental Assessments. Legislation adopted in 1984 (Section 75, *et seq.* of the Revenue and Taxation Code of the State of California) provides for the supplemental assessment and taxation of property at

its full cash value as of the date of a change of ownership or the date of completion of new construction (the “Supplemental Assessments”). To determine the amount of the Supplemental Assessment the County Auditor applies the current year’s tax rate to the supplemental assessment roll and computes the amount of taxes that would be due for the full year. The taxes due are then adjusted by a proration factor to reflect the portion of the tax year remaining as determined by the date on which the change in ownership occurred or the new construction was completed. Supplemental Assessments become a lien against the real property on the date of the change of ownership or completion of new construction.

Unitary Property. Commencing in the 1988/89 Fiscal Year, the Revenue and Taxation Code of the State of California changed the method of allocating property tax revenues derived from state assessed utility properties. It provides for the distribution of state assessed values to tax rate areas by a county-wide mathematical formula rather than assignment of state assessed value according to the location of those values in individual tax rate areas.

Commencing with the 1988/89 Fiscal Year, each county has established one county-wide tax rate area. The assessed value of all unitary property in the county has been assigned to this tax rate area and one tax rate is levied against all such property (“Unitary Revenues”).

The property tax revenue derived from the assessed value assigned to the county-wide tax rate area shall be allocated as follows: (1) each jurisdiction will be allocated up to 2% of the increase in Unitary Revenues on a pro-rata basis county-wide; and (2) any decrease in Unitary Revenues or increases less than 2%, or any increase in Unitary Revenues above 2% will be allocated among jurisdictions in the same proportion of each jurisdiction’s Unitary Revenues received in the prior year to the total Unitary Revenues county-wide.

Legislation adopted in 2006 (SB 1317, Chapter 872) provides that, commencing with Fiscal Year 2007/08, certain property related to new electrical facilities shall be allocated entirely to the county in which such property is located and property tax revenues derived from such property shall be allocated to such county and certain taxing entities with such county.

Property Tax Rate. There are a number of tax rate areas within the Project Area. The differences between the \$1.00 tax rate and those actually levied (referred to as the “tax override rate”) represents the tax levied by overlapping entities to pay debt service on bonded indebtedness approved by the voters.

Tax override rates typically decline each year. A declining tax override rate is the result of several factors: an effective limit, established by Article XIII A of the California Constitution, on the amount of property taxes that can be levied; rising taxable values within the jurisdictions of taxing entities levying the approved override rate (which reduces the tax rate needed to be levied by the taxing entity to meet debt service requirements); and the eventual retirement, over time, of the voter-approved debt.

Section 34183 of the Dissolution Act effectively eliminated the tax override rate from the calculation of tax increment revenues with respect to tax override rates authorized by voters for the purpose of repaying bonded indebtedness for the acquisition or improvement of real property. Future Tax Increment Revenues have been projected by applying a tax rate of \$1.00 per \$100 of taxable value general levy to incremental taxable values.

Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing

SB 1559 amounts, to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund. For Fiscal Year 2013/14, the County administrative fees charged to the Project Area including administration of the Redevelopment Property Tax Trust Fund were \$35,749. In total, the fees represent approximately 1.32% of gross tax increment revenues, excluding revenue generated from tax overrides.

Tax Sharing Agreements, Tax Sharing Statutes, and Section 33676 Allocations

Tax Sharing Agreements

Pursuant to prior Section 33401(b) of the Redevelopment Law, a redevelopment agency was authorized to enter into an agreement to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project to alleviate any financial burden or detriment caused by the redevelopment project. These agreements are commonly referred to as “tax sharing agreements” or “pass-through agreements.”

The Successor Agency’s obligation to make payments to the Mosquito District, the Fire Protection District, the Antioch Unified School District, the Oakley Union School District and the Liberty High School District under the respective agreements are subordinate to its obligation to make payments of principal, interest or other amounts on or in connection with the issuance of the 2008 Bonds and Bonds. The Successor Agency’s obligation to make payments to Contra Costa County Office of Education under the agreement described below are senior to its obligation to make payments of principal, interest or other amounts on or in connection with the issuance of the 2008 Bonds and Bonds. The Tax Sharing Agreements generally provides the following:

Senior Tax Sharing Agreements.

Contra Costa County Office of Education. Pursuant to an agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Contra Costa County Office of Education dated as of December 21, 1989, the Agency agreed to pay a percentage of the portion of tax increment that would have been paid to the Contra Costa County Office of Education without regard to the division and allocation of tax increment revenue pursuant to Health and Safety Code Section 33670. Such percentage is either 50% (beginning five years after adoption of the Redevelopment Plan or the construction of 50,000 square feet of development), or 100% (beginning ten years after adoption of the Redevelopment Plan, which was December 27, 1999). The Agency’s obligation to make payments to the Contra Costa County Office of Education under this agreement is senior to its obligation to make payments of principal, interest or other amounts on or in connection with the issuance of the Bonds, or other indebtedness of the Agency.

Subordinate Tax Sharing Agreements.

East Contra Costa Fire Protection District. Pursuant to an agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the East Contra Costa Fire Protection District, as successor to the Oakley Fire Protection District dated as of December 21, 1989, the Agency has agreed to pay one hundred percent of the portion of tax increment that would have been paid to the East Contra Costa Fire Protection District if the Project Area had not been established without regard to the division and allocation of tax increment revenue pursuant to Health and Safety Code Section 33670.

Contra Costa Mosquito Abatement District. Pursuant to an agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Contra Costa Mosquito Abatement District dated as of December 21, 1989, the Agency agreed to pay a percentage of the Mosquito District’s Share (such Share being the portion of tax increment that would have been paid to the Mosquito District if the Project Area had not been established without regard to the division and allocation of tax increment revenue

pursuant to Health and Safety Code Section 33670). The percentage is calculated based on the amount of assistance funds the Agency provides to the Mosquito District. The percentage ranges from 100% (if the Agency contributes less than \$10,001) to 0% (if the Agency contributes more than \$90,000). The Agency's obligation under this agreement commenced in December 1994 and ends on December 21, 2029. The Agency's obligation to make payments to the Mosquito District under this agreement are subordinate to its obligation to make payments of principal, interest or other amounts on or in connection with the issuance of the Bonds, or other indebtedness of the Agency.

Antioch Unified School District, Oakley Union School District and Liberty High School District. Pursuant to an agreement between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Antioch Unified School District dated as of March 28, 1990, an agreement between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Oakley Union School District dated as of February 14, 1990, and an agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Liberty High School District dated as of February 14, 1990, the Agency agreed to pay to each of the School Districts (i) their full shares of general levy tax increment revenue attributable to inflationary growth of base year real property values in the Original Area, and (ii) 25% of their share of the general levy tax increment revenues in the Original Area net of the district's inflationary share, continuing until the expiration of the Redevelopment Plan (which occurs on December 21, 2029). The School Districts agree to limit the use such tax increment pass-throughs for certain projects of benefit to the School Districts, as set forth in the Agreements.

Tax Sharing Statutes

Certain provisions were added to the Redevelopment Law by the adoption of AB 1290 in 1994. If a new redevelopment project was formed by a redevelopment plan adopted on or after January 1, 1994 or if new territory was added to a redevelopment project on or after January 1, 1994, under Section 33607.5 of the Redevelopment Law, any affected taxing entity would share in the Tax Increment Revenues generated by such added area pursuant to a statutory formula ("Statutory Tax Sharing").

In addition, with respect to redevelopment projects formed by adoption of a redevelopment plan prior to January 1, 1994, if the Former Agency deleted the time limit to incur indebtedness in a redevelopment project (pursuant to Section 33333.6(e) of the Redevelopment Law, as amended pursuant to SB 211) or increased the total amount of Tax Increment Revenues to be allocated to the project area or increased the duration of the Redevelopment Plan and the period for receipt of Tax Increment Revenues, Statutory Tax Sharing is required under Section 33607.7 of the Redevelopment Law with all affected taxing entities not already a party to a tax sharing agreement, once the original limitations were reached.

The Dissolution Act provides for a procedure by which the Successor Agency may make Statutory Tax Sharing amounts subordinate to the Bonds. The Former Agency had previously undertaken proceedings to subordinate all such payments to the 2008 Bonds and the Successor Agency has undertaken proceedings to subordinate all such payments to the Bonds and therefore all Statutory Tax Sharing amounts are subordinate to the 2008 Bonds and the Bonds.

Since dissolution, the County Auditor-Controller calculates and pays the Statutory Tax Sharing amounts.

Section 33676 Allocations

Section 33676 of the Redevelopment Law allows taxing entities to receive additional property taxes in a redevelopment project area above the base year revenue amount. Such payments are based on annual increases in the real property portion of the base year value up to the inflation limit of 2%. Currently, there are 6 taxing entities receiving allocations of property taxes under Section 33676 in the Project Area. The

projection of Tax Revenues set forth in this Official Statement assumes that the payments will continue to be made to these taxing entities and that the payments will be made on a basis senior to payment of debt service on the Bonds. See “APPENDIX H – FISCAL CONSULTANT REPORT.”

Impact on Pledged Tax Revenues Arising from Santa Ana Litigation

In 2001, the State Court of Appeals upheld a Superior Court decision which held the Santa Ana Unified School District had the right to receive payments from the Orange County Redevelopment Agency pursuant to a resolution adopted by the School District in 1996 under former Section 33676(a) of the Redevelopment Law (*Santa Ana Unified School District v. Orange County Redevelopment Agency*, 108 Cal. Rptr.2d 770, 90 Cal. App 4th 404 (App. 4 Dist. 2001), review denied (the “Santa Ana USD Case”). Prior to an amendment in 1984, Section 33676(a)(2) provided that, unless a negotiated tax sharing agreement had been entered into, pursuant to adoption of a resolution prior to adoption of a redevelopment plan, affected taxing agencies (including school and community college districts) “may elect to be allocated” increases in the assessed value of taxable property in the Project Area based on inflation growth (the “2% Property Tax Increase”). As amended in 1984, the section provided pursuant to adoption of a resolution “Prior to the adoption by the legislative body of a redevelopment plan . . . any affected taxing agency may elect, and every school . . . district shall elect, to be allocated” the 2% Property Tax Increase. (Emphasis added.) The Court of Appeals affirmed the lower court ruling, stating that notwithstanding the latent ambiguity in the clause “shall elect” the Legislature intended by the 1984 amendment to former Section 33676(a) that school and community college districts were to automatically receive the 2% Property Tax Increase even without adopting the appropriate resolution prior to the adoption of a redevelopment plan (“[The 1984 amendment] was a clarification of the statute’s true intent: mandatory payment of the funds to school districts.”). In the Santa Ana USD Case, the school district adopted its resolution subsequent to the adoption of the relevant redevelopment plan.

After the passage of AB 1290 in 1993, Section 33676 was amended again such that the 2% Property Tax Increase was eliminated and made applicable only to redevelopment plans (or territory-adding amendments) adopted before December 31, 1993. Therefore, the ruling in the Santa Ana USD Case affects only project areas that were formed (or territories that were added to project areas) on or after the effective date of the 1984 amendment to Section 33676(a) (*i.e.*, January 1, 1985) and before the effective date of AB 1290 (*i.e.*, January 1, 1994). The Original Area was formed during this window of time. Therefore, affected school districts shall be allocated increases in the assessed value of the taxable property in the Original Area based on the 2% inflation growth, pursuant to the holding in the Santa Ana USD Case. Pursuant to the Santa Ana USD case, there are six taxing entities entitled to receive its share of revenue derived from inflation factor increases pursuant to Health and Safety Code Section 33676. See Section G – Adjustments and Liens on Tax Increment in “APPENDIX H – FISCAL CONSULTANT REPORT.”

Outstanding Indebtedness

After refinancing the Refunded Bonds, the Successor Agency will only have the Bonds and the 2008 Bonds outstanding in the aggregate principal amount of \$29,760,000. The Bonds are being issued on a parity with the 2008 Bonds.

Projected Tax Revenues and Debt Service Coverage

Receipt of projected Tax Revenues shown in Tables No. 6 and 7 in the amounts and at the times projected by the Successor Agency depends on the realization of certain assumptions relating to the Tax Increment Revenues. Table No. 6 projects a 2% per year property increase while Table No. 7 projects no growth in real property value. Fraser & Associates has projected taxable valuation and Tax Revenues in the Project Area. The Successor Agency believes the assumptions upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may

occur (see “RISK FACTORS”). Therefore, the actual Tax Revenues received during the forecast period may vary from the projections and the variations may be material and could affect the Successor Agency’s ability to timely pay principal of and interest on the Bonds.

TABLE NO. 6
PROJECTED TAX REVENUES
(ASSUMES 2% GROWTH)
(000's Omitted)

Fiscal Year	Real Property (1)	New Development (2)	Other Property (3)	Total Value	Value Over Base of 102,297	Total Tax Increment (4)	Property Tax Admin Fees (5)	Section 33676 (6)	Senior Negotiated Tax Sharing (7)	Tax Revenue	2008 Bonds Debt Service (8)	2015 Bonds Debt Service (8)	Coverage (9)
2014-2015	\$ 399,832	N/A	26,434	426,265	323,968	3,255	43	\$ 83	\$ 71	\$ 3,057	\$ 1,584	\$ 0	1.93
2015-2016	403,800	0	26,434	430,234	327,937	3,294	43	88	72	3,091	1,607	262	1.65
2016-2017	411,876	0	26,434	438,310	336,013	3,375	44	93	74	3,164	1,633	205	1.72
2017-2018	420,114	0	26,434	446,548	344,250	3,457	45	98	76	3,239	1,658	450	1.54
2018-2019	428,516	0	26,434	454,950	352,653	3,541	47	103	77	3,315	1,650	670	1.43
2019-2020	437,086	0	26,434	463,520	361,223	3,627	48	108	79	3,392	1,641	673	1.47
2020-2021	445,828	0	26,434	472,262	369,965	3,715	49	113	81	3,471	1,636	674	1.50
2021-2022	454,745	0	26,434	481,179	378,881	3,804	50	119	83	3,552	1,629	669	1.55
2022-2023	463,840	0	26,434	490,274	387,976	3,895	51	124	85	3,634	1,626	668	1.58
2023-2024	473,116	0	26,434	499,550	397,253	3,987	52	130	87	3,718	1,616	669	1.63
2024-2025	482,579	0	26,434	509,013	406,715	4,082	54	136	89	3,804	1,614	667	1.67
2025-2026	492,230	0	26,434	518,664	416,367	4,179	55	141	91	3,891	1,606	668	1.71
2026-2027	502,075	0	26,434	528,509	426,212	4,277	56	147	93	3,980	1,602	669	1.75
2027-2028	512,116	0	26,434	538,550	436,253	4,377	58	153	96	4,071	1,601	668	1.79
2028-2029	522,359	0	26,434	548,793	446,495	4,480	59	160	98	4,163	1,996	-	2.09
2029-2030	532,806	0	26,434	559,240	456,943	4,584	60	166	100	4,258	2,000	-	2.13
2030-2031	543,462	0	26,434	569,896	467,599	4,691	62	172	102	4,354	1,995	-	2.18
2031-2032	554,331	0	26,434	580,765	478,468	4,800	63	179	105	4,453	1,998	-	2.23
2032-2033	565,418	0	26,434	591,852	489,555	4,910	65	186	107	4,553	1,997	-	2.28
2033-2034	576,726	0	26,434	603,160	500,863	5,024	66	192	110	4,655	1,997	-	2.33
2034-2035	588,261	0	26,434	614,695	512,397	5,139	68	199	112	4,760	1,999	-	2.38
2035-2036	600,026	0	26,434	626,460	524,163	5,257	69	207	115	4,866	1,997	-	2.44
2036-2037	612,027	0	26,434	638,460	536,163	5,377	71	214	117	4,975	1,996	-	2.49
2037-2038	624,267	0	26,434	650,701	548,404	5,499	72	221	120	5,085	1,995	-	2.55

Source: Fraser & Associates

(1) Prior Year Real Property increased by 2 percent per year.

(2) No New Development included in projections.

(3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.

(4) Based on the application of 1% tax rate to incremental taxable value plus unitary revenue.

(5) Per SB 2557, reflects Project Area share of County's property tax administrative costs. Also includes estimate of County costs for the implementation of the Dissolution Act.

(6) Allocations made per former Section 33676 of the CRL.

(7) Payments required per negotiated agreements in the Original Area that are subordinate to debt service.

(8) Represents debt service due in each Bond Year ending September 2 of each year.

(9) Excludes debt service payment made on March 1, 2015 for the Refunded Bonds in the amount of \$190,572.00. Including such payment estimated debt service coverage would be 1.72.

TABLE NO. 7
PROJECTED TAX REVENUES
(ASSUMES NO GROWTH)
(000's Omitted)

Fiscal Year	Real Property (1)	New Development (2)	Other Property (3)	Total Value	Value Over Base of 102,297	Total Tax Increment (4)	Property Tax Admin Fees (5)	Section 33676 (6)	Senior Negotiated Tax Sharing (7)	Tax Revenue	2008 Bonds Debt Service (8)	2015 Bonds Debt Service (8)	Coverage (9)
2014-2015	\$ 399,832	N/A	26,434	426,265	323,968	3,255	43	\$ 83	\$ 71	\$ 3,057	\$ 1,584	\$ 0	1.93
2015-2016	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,607	262	1.61
2016-2017	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,633	205	1.63
2017-2018	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,658	450	1.43
2018-2019	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,650	670	1.30
2019-2020	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,641	673	1.30
2020-2021	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,636	674	1.30
2021-2022	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,629	669	1.31
2022-2023	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,626	668	1.31
2023-2024	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,616	669	1.31
2024-2025	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,614	667	1.32
2025-2026	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,606	668	1.32
2026-2027	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,602	669	1.32
2027-2028	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,601	668	1.32
2028-2029	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,996	--	1.51
2029-2030	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	2,000	--	1.50
2030-2031	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,995	--	1.51
2031-2032	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,998	--	1.50
2032-2033	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,997	--	1.50
2033-2034	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,997	--	1.50
2034-2035	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,999	--	1.50
2035-2036	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,997	--	1.50
2036-2037	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,996	--	1.51
2037-2038	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	1,995	--	1.51

Source: Fraser & Associates.

- (1) Prior Year Real Property held constant.
- (2) No New Development included in projections.
- (3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
- (4) Based on the application of 1% tax rate to incremental taxable value plus unitary revenue.
- (5) Per SB 2557, reflects Project Area share of County's property tax administrative costs. Also includes estimate of County costs for the implementation of the Dissolution Act.
- (6) Allocations made per former Section 33676 of the CRL.
- (7) Payments required per negotiated agreements in the Original Area that are senior to debt service.
- (8) Represents debt service due in each Bond Year ending September 2 of each year.
- (9) Excludes debt service payment made on March 1, 2015 for the Refunded Bonds in the amount of \$190,572.00. Including such payment estimated debt service coverage would be 1.72.

RISK FACTORS

The purchase of the Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

Factors Which May Affect Tax Revenues

The ability of the Successor Agency to pay principal of and interest on the Bonds depends on the timely receipt of Tax Revenues as projected herein (see “FINANCIAL INFORMATION - Projected Tax Revenues” herein). Projections of Tax Revenues are based on the underlying assumptions relating to Tax Increment Revenues derived from the Project Area. Tax Revenues allocated to the Successor Agency (which constitute the ultimate source of payment of principal of and interest on the Bonds, as discussed herein) are determined by the amount of incremental valuation of taxable property in the Project Area, the current rate or rates at which property in the Project Area is taxed and the percentage of taxes collected in the Project Area, adjusted to reflect prior claims on the Tax Increment Revenues. A number of factors which may affect Tax Increment Revenues, and consequently, Tax Revenues, are outlined below.

Reductions in Assessed Value. Tax Revenues allocated to the Redevelopment Property Tax Trust Fund are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property in the Project Area caused by economic factors beyond the Successor Agency’s control, such as relocation out of the Project Area by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Tax Revenues that provide for the repayment of and secure the 2008 Bonds and the Bonds. Such reduction of Tax Revenues could have an adverse effect on the Successor Agency’s ability to make timely payments of principal of and interest on the Bonds.

Article XIII A. Pursuant to the California voter initiative process, on June 6, 1978, California voters approved Proposition 13 which added Article XIII A to the California Constitution. This amendment imposed certain limitations on taxes that may be levied against real property to 1% of the full cash value of the property, adjusted annually for inflation at a rate not exceeding 2% annually. Full cash value is determined as of the 1975/76 assessment year, upon change in ownership (acquisition) or when newly constructed (see “FINANCIAL INFORMATION - Tax Increment Revenues” herein for a more complete discussion of Article XIII A). Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Reduction in Inflationary Rate. The annual inflationary adjustment, while limited to 2%, is determined annually and may not exceed the percentage change in the California Consumer Price Index (CCPI).

Because the Revenue and Taxation Code does not distinguish between positive and negative changes in the CCPI used for purposes of the inflation factor, there was a decrease of 0.237% in 2009/10 – applied to the 2010/11 tax roll – reflecting the actual change in the CCPI, as reported by the State Department of Finance. For each fiscal year since Article XIII A has become effective (the 1978/79 fiscal year), the annual

increase for inflation has been at least 2% except in eight fiscal years (including for the upcoming Fiscal Year 2015/16) as shown below:

<u>Tax Roll</u>	<u>Percentage</u>
1981/82	1.000%
1995/96	1.190
1996/97	1.110
1998/99	1.853
2004/05	1.867
2010/11	(0.237)
2011/12	0.753
2014/15	0.454
2015/16	1.998

Proposition 8 Adjustments. Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide. This methodology has been approved by the Fourth District Court of Appeals in a case in which the California Supreme Court declined further review. See “FINANCIAL INFORMATION - Tax Increment Revenues – Proposition 8 Adjustments” herein.

If further Proposition 8 adjustments are made by the County Assessor in future years because of declines in the fair market value of properties caused by the lack of real estate development in the area generally, Tax Revenues may be adversely affected and as a possible consequence may have an adverse effect on the Successor Agency’s ability to pay debt service on the Bonds.

Assessment Appeals. Assessment appeals may be filed by property owners seeking a reduction in the assessed value of their property. After the property owner files an appeal, the County’s Appeals Board will hear the appeal and make a determination as to whether or not there should be a reduction in assessed value for a particular property and the amount of the reduction, if any. To the extent that any reductions are made to the assessed valuation of such properties with appeals currently pending, or appeals subsequently filed, Tax Increment Revenues, and correspondingly, Tax Revenues will be reduced.

Earthquake, Flood and Other Risks. Any natural disaster or other physical calamity, including earthquake, may have the effect of reducing Tax Increment Revenues through reduction in the aggregate assessed valuation within the boundaries of the Project Area.

Natural disasters, including floods and earthquakes, could damage improvements and/or property in the Project Area, or impair the ability of landowners within the Project Area to develop their properties or to pay property taxes.

There are several identified faults within close proximity to or within the boundaries of the Project Area that could potentially result in damage to buildings, roads, bridges, and property within the Project Area in the event of an earthquake. The Health and Safety Element of the City’s General Plan states that the Brentwood Fault lies under the City and that it is inferred active on the basis of scattered small magnitude earthquakes near the trace of the fault. Other inferred active faults – the Davis and Antioch Faults – lie west of the City. More information about seismic hazards in the City can be found in the Health and Safety

Element of the City's General Plan on the City's web site at <http://www.ci.oakley.ca.us>. A majority of the property within the Project Area has been developed in conformity with the 1988 Uniform Building Code standards.

If an earthquake were to substantially damage or destroy taxable property within the Project Area, the assessed valuation of such property would be reduced. Such a reduction of assessed valuations could result in a reduction of the Tax Revenues that could impair the ability of the Successor Agency to make payments of debt service on the Bonds when due.

While certain portions of the Project Area are within mapped flood plains, these parcels are not expected to be developed in the foreseeable future.

Hazardous Substances. An additional environmental condition that may result in the reduction in the assessed value of parcels would be the discovery of a hazardous substance that would limit the beneficial use of a property within the Project Area. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner (or operator) may be required to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Project Area be affected by a hazardous substance would be to reduce the marketability and value of the property, perhaps by an amount in excess of the costs of remedying the condition. The Successor Agency can give no assurance that future development will not be limited by these conditions.

Development Risks. The Successor Agency's collection of Tax Revenues is directly affected by the economic strength of the Project Area. Projected or potential development within the Project Area will be subject to all the risks generally associated with real estate development projects, including unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in real estate market and interest rates, unexpected increases in development costs and other similar factors. Further, real estate development operations within the Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in the Project Area is delayed or halted, the economy of the Project Area could be affected, causing a reduction in Tax Revenues available to pay debt service on the Bonds.

Certain Bankruptcy Risks. The enforceability of the rights and remedies of the Owners of the Bonds and the obligations of the Successor Agency 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; usual equitable 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 federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Limited Obligations. The Successor Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provision of additional sources of income to taxing agencies having the effect of reducing the property tax rate must necessarily reduce the amount of Tax Increment Revenues, and consequently, Tax Revenues that would otherwise be available to pay the principal of, and interest on the Bonds.

Interpretation of and Future Changes in the Law; Voter Initiatives. The Redevelopment Law and the Dissolution Act are complex bodies of law and their application to the Successor Agency, the Redevelopment Plan and the Project Area may be subject to different interpretations by the Successor Agency, the Department of Finance, the County Auditor-Controller, taxing entities and other interested parties, including with respect to Plan Limitations, Statutory Tax Sharing obligations and enforceable obligations. Since the effectiveness of the Dissolution Act, the State Department of Finance and various successor agencies have from time to time disagreed about the interpretation of different language contained in the Dissolution Act, as well as whether or not the State Department of Finance has exceeded its authority in rejecting items from Recognized Obligation Payment Schedules submitted by successor agencies, as evidenced by numerous lawsuits. While the Successor Agency has covenanted in the Indenture to preserve and protect the security of the Bonds and the rights of the Bondowners (see “APPENDIX A – Summary of Certain Provisions of the Indenture - Covenants of the Successor Agency”), any such action taken by the Successor Agency could incur substantial time and cost that may have a detrimental effect on the Successor Agency’s ability to timely pay debt service on the Senior Obligations and the Bonds. Moreover, the Successor Agency cannot guarantee the outcome of any such action taken by the Successor Agency to preserve and protect the security of the Bonds and the rights of the Bondowners.

In addition to the existing limitations on Tax Increment Revenues described in this Official Statement under “FINANCIAL INFORMATION - Property Taxation in California,” the California electorate or Legislature could adopt future limitations with the effect of reducing Tax Increment Revenues payable to the Successor Agency.

Real Estate and General Economic Risks

Tax Increment Revenues as presented herein as available for payment of any indebtedness of the Successor Agency are based upon the latest actual assessed values for the 2014/15 Fiscal Year. Redevelopment of real property within the Project Area, which may be adversely affected by changes in general economic conditions, fluctuations in the real estate markets and interest rates, unexpected increases in development costs, changes in or new governmental policies including governmental policies to restrict or control certain kinds of development and by other similar factors. If development and redevelopment activities in the Project Area encounters significant obstacles of the kind described herein or other impediments, the economy of the area in and around the Project Area could be adversely affected, causing reduced taxable valuation of property in the Project Area a reduction of the Tax Increment Revenues and a consequent reduction in Tax Revenues available to repay the Bonds. Due to the decline in the general economy of the region, owners of property within the Project Area may be less able or less willing to make timely payments of property taxes, causing a delay or stoppage of Tax Revenues received by the Successor Agency from the Project Area.

State of California Fiscal Issues

AB X1 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State’s budget acts for its fiscal years 2011/12 and 2012/13, respectively. The 2011/12 State budget included projected State savings estimated to aggregate \$1.7 billion in 2011/12 associated with AB X1 27, which would have allowed redevelopment agencies to continue in operation provided their establishing cities or counties agreed to make an aggregate \$1.7 billion in payments to K-2 schools. However, AB X1 27 was found in December 2011 by the California Supreme Court to violate the State Constitution, which altered this budgetary plan of the State. According to the State’s Summary of the 2012/13 State budget, AB 1484 implements a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (projected savings of \$1.5 billion). The State’s budgets for fiscal years 2013/14 and 2014/15 did not include any additional legislation dealing with

dissolution of redevelopment agencies. There is legislation and litigation pending that deals with a wide range of dissolution issues.

See “SECURITY FOR THE BONDS – 2015-2016 Governor’s Budget Summary – Proposed Legislative Changes” above for a discussion on how certain legislation, if adopted, could affect the administration of the Redevelopment Property Tax Trust Fund and the preparation and approval of Recognized Obligation Payment Schedules.

There can be no assurance that legislation of the type described in the Proposed State Budget will be adopted, or that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or Tax Revenues.

The full text of each State Assembly bill cited above may be obtained from the “Official California Legislative Information” website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: <http://www.leginfo.ca.gov/bilinfo.html>.

Information about the State budget and State spending is available at various State maintained websites. Text of the current State budget summary, the current State budget, and other documents related to the State budget may be found at the website of the State Department of Finance, www.dof.ca.gov. A nonpartisan analysis of the budget is posted by the Legislative Analyst’s Office 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.

None of the websites or webpages referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The Successor Agency makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.

Recognized Obligation Payment Schedule

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency’s oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Successor Agency’s Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable. See “SECURITY FOR THE BONDS - Recognized Obligation Payment Schedules.” In the event the Successor Agency was to fail to file a Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Tax Revenues to the Successor Agency could be adversely affected for such period.

The Successor Agency has covenanted to take all actions required under the Dissolution Act to include scheduled debt service on the 2008 Bonds and the Bonds as well as any amount required under the Indenture to replenish the Reserve Account of the Special Fund, in Recognized Obligation Payment Schedules for each six-month period and to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency’s Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the 2008 Bonds and the Bonds coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the Indenture or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of

the 2008 Bonds and the Bonds for the next payment due in the following six-month period (see “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Covenants of the Successor Agency”).

The Dissolution Act also contains certain penalties in the event the Successor Agency does not timely submit a Recognized Obligation Payment Schedule for a six-month period. Specifically, a Recognized Obligation Payment Schedule must be submitted by the Successor Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller no later than 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each six-month period. If the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadlines, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Successor Agency’s administrative cost allowance is reduced by 25% if the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for corresponding six-month periods.

The Successor Agency has submitted all Recognized Obligation Payment Schedules, duly approved by the Oversight Board, in a timely manner.

See “SECURITY FOR THE BONDS – 2015-2016 Governor’s Budget Summary – Proposed Legislative Changes” herein for a discussion on how certain legislation, if adopted, could affect the administration of the Redevelopment Property Tax Trust Fund and the preparation and approval of Recognized Obligation Payment Schedules.

Series A Bonds Loss of Tax Exemption

As discussed under the caption “LEGAL MATTERS – Tax Matters” herein, interest on the Series A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series A Bonds were executed and delivered as a result of future acts or omissions of the Successor Agency in violation of its covenants contained in the Indenture. Should such an event of taxability occur, the Series A Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity.

In addition, Congress has considered in the past, is currently considering and may consider in the future, legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Series A Bonds. Prospective purchasers of the Series A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. The Successor Agency can provide no assurance that federal tax law will not change while the Series A Bonds are outstanding or that any such changes will not adversely affect the exclusion of the interest on the Series A Bonds from gross income for federal income tax purposes. If the exclusion of the interest on the Series A Bonds from gross income for federal income tax purposes were amended or eliminated, it is likely that the market price for the Series A Bonds would be adversely impacted.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series A Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Series A Bonds might be affected as a result of such an audit of the Series A Bonds (or by an audit of similar bonds).

Risks Related to Insured Bonds

The Bond Insurer. If the Successor Agency fails to provide funds to make payment of the principal of and interest on the Bonds when the same shall become due, any owner of such Bonds shall have a claim on the Policy for such payments. Purchasers of the Bonds should also note that, while the Policy will insure payment of the principal amount (but not any premium) paid to any owner of the Bonds in connection with the mandatory or optional prepayment of any Bond which is recovered from such owner as a voidable preference under applicable bankruptcy law, such amounts will be repaid by the Bond Insurer to the Owner only at the times and in the amounts as would have been due absent such prepayment unless the Bond Insurer chooses to pay such amount at an earlier date or dates.

So long as the Bonds are Outstanding and the Bond Insurer performs its obligations under the Policy, the Bond Insurer shall be deemed to be the sole holder of the Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent of direction or taking any other action that the Owners of such Bonds are entitled to take pursuant to the Indenture pertaining to defaults and remedies, and the duties and obligations of the Trustee.

If the Bond Insurer is unable to make payments of principal of and interest on the Bonds as such payments become due, the Bonds are payable solely from moneys received by the Trustee pursuant to the Indenture. If the Bond Insurer is required to pay principal of or interest with respect to the Bonds, no representation or assurance is given or can be made that such event will not adversely affect the market price for or marketability of the Bonds.

The long-term rating on the Bonds is dependent, in part, on the claims paying ability or financial strength ratings, as applicable, of the Bond Insurer's current claims paying ability or financial strength ratings are predicated upon a number of factors which could change over time and could result in downgrading of the ratings on the Bonds insured by the Bond Insurer. Such a downgrade could adversely affect the market price for, and marketability of, the Bonds. The Bond Insurer is not contractually bound to maintain its present claims paying ability or financial strength ratings in the future. See "CONCLUDING INFORMATION – Ratings on the Bonds" herein.

Creditworthiness of the Bond Insurer. The Bond Insurer's obligation under the Policy is a general obligation of the Bond Insurer. Default by the Bond Insurer may result in insufficient funds being available to pay the principal of and interest on the Insured Bonds. In such event, the remedies available to the Trustee may be limited by, among other things, certain risks related to bankruptcy proceedings, and may also have been altered prior to a default by the Bond Insurer, which has the right, acting with the Trustee, without Owner consent, and upon the occurrence of an Event of Default, to waive the applicable provisions of the Indenture governing defaults and remedies and to direct the Trustee to enforce rights and remedies with respect to such Bonds.

When making an investment decision on the Bonds a prospective Owner should look to the ability of the Successor Agency to pay principal and interest on the Bonds and not solely to the Insurer's ability to pay claims under the Policy. No review of the business or affairs of the Bond Insurer has been conducted by the Successor Agency in connection with the offering of the Bonds. No assurance can be given by the Successor Agency as to the Bond Insurer's ability to pay claims under the Policy. See "MUNICIPAL BOND INSURANCE" herein and "APPENDIX G" hereto for further information concerning the Bond Insurer and the Policy, including resources for obtaining certain financial information concerning the Bond Insurer.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market

conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Indenture or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Bonds and the Indenture are subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Approval of Legal Proceedings

Nossaman LLP, Irvine, California, as Bond Counsel, will render an opinion which states that the Indenture is a valid and binding obligation of the Successor Agency and enforceable in accordance with its terms. The legal opinion of Bond Counsel will be subject to the effect of bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in accordance with general principles of equity. See "APPENDIX E" for the proposed form of Bond Counsel's opinions.

The Successor Agency has no knowledge of any fact or other information which would indicate that the Indenture is not so enforceable against the Successor Agency, except to the extent such enforcement is limited by principles of equity and by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally.

Certain legal matters will be passed on for the Successor Agency by Nossaman LLP, Irvine, California, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. Fees payable to Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

Tax Matters

Series A Bonds

General. In the opinion of Nossaman LLP, Irvine, California, Bond Counsel, based on existing statutes, regulations, rulings and court decisions, interest on the Series A Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. A copy of the proposed opinion of Bond Counsel is set forth in Appendix E hereto.

The Internal Revenue Code of 1986 (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series A Bonds. The District has covenanted to comply with certain restrictions designed to assure that interest on the Series A Bonds will not be includable in federal gross income. Failure to comply with these covenants may result in interest on the Series A Bonds being includable in federal gross income, possibly from the date of issuance of the Series A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series A Bonds may affect the value of, or the tax status of interest on the Series A Bonds. Further, no

assurance can be given that pending or future legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Series A Bonds. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Bond Counsel is further of the opinion that interest on the Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel observes, however, that interest on the Series A Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income.

Prospective purchasers of the Series A Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest with respect to the Series A Bonds, (ii) interest with respect to the Series A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income, including interest with respect to the Series A Bonds, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations having subchapter C earnings and profits at the close of the taxable year and gross receipts more than 25% of which constitute passive investment income, and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series A Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Series A Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Series A Bond is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such Series A Bond (other than a purchaser who holds such Series A Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Series A Bond constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes.

Under the Code, original issue discount is excludable from gross income for federal income tax purposes to the same extent as the interest on the Series A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each such Series A Bond and the basis of such Series A Bond acquired at such initial offering price by an initial purchaser of each such Series A Bond will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of such Series A Bonds who purchase such Series A Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such Series A Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such Series A Bonds. All holders of such Series A Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Under the Code, original issue premium is amortized for federal income tax purposes over the term of such a Series A Bond based on the purchaser’s yield to maturity in such Series A Bond, except that in the case of such a Series A Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Series A Bond. A purchaser of such a Series A Bond is required to decrease his or her adjusted basis in such Series A Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Series A Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such Series A Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each

taxable year and the effect of bond premium on the sale or other disposition of such a Series A Bond, and with respect to the state and local tax consequences of owning and disposing of such a Series A Bond.

Certain agreements, requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to the effect on any Series A Bond or the interest payable with respect thereto if any change occurs or action is taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the Series A Bonds is excludable from federal gross income, and is exempt from State of California personal income taxes, the ownership or disposition of the Series A Bonds, and the accrual or receipt of interest on the Series A Bonds may otherwise affect an Owner's state or federal tax liability. The nature and extent of these other tax consequences will depend upon each Owner's particular tax status and the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code may cause interest on the Series A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. For example, Representative Dave Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the Series A Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts, and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the Series A Bonds to some extent for high-income individuals. There can be no assurance that such future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code enacted or proposed after the date of issuance of the Series A Bonds will not have an adverse effect on the tax exempt status or market price of the Series A Bonds.

Internal Revenue Service Audit of Tax-Exempt Issues. The Internal Revenue Service ("IRS") has initiated an expanded program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates might be affected as a result of such an audit of the Certificates (or by an audit of similar obligations).

Information Reporting and Backup Withholding. Information reporting requirements apply to interest (including original issue discount) paid after March 31, 2007 on tax-exempt obligations, including the Series A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Series B Bonds

General. In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the opinion that interest on the Series B Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds. A copy of the proposed opinion of Bond Counsel to be delivered in connection with the issuance of the Series B Bonds is set forth in Appendix E hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series B Bonds that acquire their Series B 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 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 B 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, (ii) the indirect effects on persons who hold equity interests in a holder, or (iii) any tax consequences applicable to Non-U.S. Holders (as such term is defined below) of the Series B Bonds. In addition, this summary generally is limited to investors that acquire their Series B Bonds pursuant to this offering for the issue price that is applicable to such Series B Bonds (i.e., the price at which a substantial amount of the Series B Bonds are sold to the public) and who will hold their Series B Bonds as “capital assets” within the meaning of Section 1221 of the Code. This summary also does not consider the taxation of the Series B Bonds under state, local or foreign tax laws.

As used herein, “U.S. Holder” means a beneficial owner of a Series B 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 B Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series B 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 B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series B Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Prospective investors should consult their own tax advisors in determining the federal, state, local or foreign tax consequences to them from the purchase, ownership and disposition of the Series B Bonds in light of their particular circumstances.

Interest. Interest on the Series B Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

The Series B Bonds may be issued with original issue discount ("original issue discount"). In general, the excess of the stated redemption price at maturity of a Series B Bond over its issue price will constitute original issue discount for U.S. federal income tax purposes. The stated redemption price at maturity of a Series B Bond is the sum of all scheduled amounts payable on such Bond (other than qualified stated interest). U.S. Holders of Series B Bonds issued with original issue discount will be required to include original issue discount in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods. The Series B Bonds may be issued at a premium. In general, the excess of the issue price of a Series B Bond over its stated principal amount will constitute a premium. A U.S. Holder of a Series B Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series B Bond.

Sale or Other Taxable Disposition of the Series B Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the State) or other disposition of a Series B 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 B 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 B Bond which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted tax basis in the Series B Bond (generally, the purchase price paid by the U.S. Holder for the Series B Bond, increased by the amount of any original issue discount previously included in income, and decreased by any payments previously made on such Series B Bond (other than payments of qualified stated interest) or by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the Series B 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 B Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Net Investment Income. Certain non-corporate holders of Series B Bonds who are U.S. Holders will be required to pay an additional 3.8% tax on their net investment income (including, among other things, interest and capital gains from the sale, exchange, redemption, retirement or other taxable disposition of Series B Bonds).

Information Reporting and Backup Withholding. Payments on the Series B Bonds generally will be subject to U.S. information reporting and "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series B Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Series B Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series B Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not

subject to backup withholding. A holder's failure to comply with back-up withholding rules may result in the imposition of penalties by the IRS.

No Litigation

There is no action, suit or proceeding known to the Successor Agency to be pending and notice of which has been served upon and received by the Successor Agency, or threatened, restraining or enjoining the execution or delivery of the Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Successor Agency taken with respect to any of the foregoing.

CONCLUDING INFORMATION

Ratings on the Bonds

Standard & Poor's is expected to assign its rating of "AA" to the Bonds with the understanding that the Policy insuring the payment when due of the principal of and interest on the Bonds will be issued concurrently by the Insurer with the delivery of the Bonds. The Bonds have received the underlying rating of "BBB+" by Standard & Poor's. Such ratings reflect only the views of Standard & Poor's, and any desired explanation of the significance of such ratings may be obtained from such rating agency at the following addresses: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, (212) 438-2000. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Except as otherwise required in the Continuing Disclosure Certificate, the Successor Agency undertakes no responsibility either to bring to the attention of the owners of any Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

The Financial Advisor

Public Financial Management, Inc., San Francisco, California, an independent financial consulting firm, advised the Successor Agency as to the financial structure and certain other financial matters relating to the Bonds. Fees paid to the Financial Advisor are contingent upon the sale and delivery of the Bonds.

Continuing Disclosure

The Successor Agency will covenant (i) to provide annually certain financial information and operating data relating to the Project Area by not later than March 31 each year commencing March 31, 2016, (ii) to provide the Successor Agency's post audit of its financial transactions and records (which, in accordance with Section 34177(n) of the Dissolution Act and related State Department of Finance guidance are contained in the audited financial statements of the City) for the Fiscal Year ended June 30, 2015 and for each subsequent Fiscal Year when they are available (together, the "Annual Report"), and (iii) to provide notices of the occurrence of certain other enumerated events. The Annual Report will be filed by NBS, as Dissemination Agent, on behalf of the Successor Agency on the Electronic Municipal Market Access Website ("EMMA") operated by the Municipal Securities Rulemaking Board (www.emma.msrb.org). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events and certain other terms of the continuing disclosure obligation are summarized in "APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The Former Agency and the Successor Agency have never failed to comply in all material respects with any undertaking made pursuant to the Rule in the previous five years.

Underwriting

The Bonds were sold to Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), who is offering the Bonds at the prices set forth on the inside cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter has purchased the Bonds at a price equal to \$5,854,349.66, which amount represents the principal amount of the Bonds (\$5,710,000), plus a net original issue premium of \$194,819.75, less an

Underwriter's discount of \$50,470.09. The Underwriter will pay certain of its expenses relating to the offering.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

References

All statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Successor Agency and the purchasers or Owners of any of the Bonds.

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APPENDIX A

SUMMARY OF INDENTURE

The following are brief summaries of certain provisions of the Indenture of Trust and the First Supplement to Indenture of Trust relating to the Bonds and not otherwise described in the text of this Official Statement. Such summaries are not intended to be definitive, and reference is made to the actual Indenture and First Supplement for the complete terms hereof.

THE INDENTURE

Definitions

“Additional Revenues” means, as of the date of calculation, the amount of Tax Revenues which, as shown in the Report of an Independent Fiscal Consultant, are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made as a result of increases in the assessed valuation of taxable property in the Project Area due to (i) transfer of ownership or any other interest in real property which has been recorded but which is not then reflected on the tax rolls and/or, (ii) inflation at an assumed annual inflation rate equal to the lesser of (a) the annual rate of inflation for the preceding twelve-month period for which figures are available or (b) two percent (2%), but only if the rate of inflation had increased by at least two percent (2%) in each of the preceding five Fiscal Years, and/or (iii) new construction for which building permits have been issued by the City pursuant to which construction has been completed. For purposes of this definition, the term “increases in the assessed valuation” means the amount by which the assessed valuation of taxable property in the Project Area is estimated to increase above the assessed valuation of taxable property in the Project Area (as evidenced in the written records of the County) as of the date on which such calculation is made.

“Annual Debt Service” for the Bonds and any Parity Bonds means, for each Bond Year, the sum of (1) the interest falling due on such Outstanding indebtedness in such Bond Year, assuming that such Outstanding indebtedness is retired as scheduled and that any mandatory sinking fund account payments are made as scheduled, and (2) the principal amount of such Outstanding indebtedness falling due by their terms in such Bond Year including any principal required to be prepaid by operation of mandatory sinking fund payments, together with the redemption premiums, if any, thereon.

“Bond Counsel” means any attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities and selected by the Agency.

“Bond Year” means, with respect to the Bonds, the twelve-month period ending on September 2 of each year; provided, however, that the first Bond Year shall begin on the Closing Date and end on September 2, 2008.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York and Los Angeles, California, are authorized or obligated by law to be closed.

“Certificate of the Agency” means an instrument in writing signed by either the Chair, the Executive Director, or by any other officer of the Agency duly authorized by the Agency for that purpose.

“Code” means the Internal Revenue Code of 1986, as amended. Any reference to a provision of the Code shall be deemed to include the applicable Tax Regulations promulgated with respect to such provision.

“County” means the County of Contra Costa, California.

“County Assessor” means the person who holds the office in the County in which the Agency is located designated as the County Assessor, or one of his duly appointed deputies, or any person or persons performing substantially the same duties in the event said office is ever abolished or changed.

“County Auditor-Controller” means the person who holds the office in the County in which the Agency is located designated as the County Auditor-Controller, or one of his duly appointed deputies, or any person or persons performing substantially the same duties in the event Said office is ever abolished or changed.

“Debt Service” for the Bonds and any Parity Bonds means, with respect to an Interest Payment Date or Principal Payment Date (1) the interest falling due on such Outstanding indebtedness on such Interest Payment Date, assuming that such Outstanding indebtedness is retired as scheduled and that any mandatory sinking fund account payments are made as scheduled, and (2) the principal amount of such Outstanding indebtedness falling due by their terms on such Principal Payment Date, including any principal required to be prepaid by operation of mandatory sinking fund payments, together with the redemption premiums, if any, thereon.

“Event of Default” means any of the events described in the Indenture.

“Federal Securities” means direct general 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 of the United States of America).

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both inclusive, or any other twelve-month period hereafter selected and designated by the Agency as its official fiscal year period.

“Housing Tax Revenues” means those Tax Revenues which are required to be deposited into the Low and Moderate Income Housing Account pursuant to Sections 33334.2, 33334.3 and 33334.6 of the Law.

“Independent Certified Public Accountant” means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State of California, appointed by the Agency, and who, or each of whom:

- (1) is in fact independent and not under domination of the Agency;
- (2) does not have any substantial interest, direct or indirect, with the Agency; and
- (3) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Independent Fiscal Consultant” means any financial consultant or firm of such consultants appointed by the Agency, and who, or each of whom:

- (1) is in fact independent and not under domination of the Agency;
- (2) does not have any substantial interest, direct or indirect, with the Agency; and
- (3) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Interest Payment Date” means September 1 and March 1 in any year in which Bonds are Outstanding, commencing September 1, 2008.

“Law” means the Community Redevelopment Law of the State of California, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California, as amended and supplemented.

“Low and Moderate Income Housing Account” means the account by that name established and held by the Agency.

“Maximum Annual Debt Service” means, as of the date of calculation, the largest amount of Annual Debt Service on all Outstanding Bonds for the current or any future Bond Year.

“Outstanding,” when used as of any particular time with reference to Bonds, means all Bonds except-

- (1) Bonds therefore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant to the Indenture or any Parity Bond Indenture.

“Owner” or “Bondowner” means the person or persons whose name appears on the registration books maintained by the Trustee as the registered owner of a Bond or Bonds.

“Parity Bond Indenture” means the any agreement, resolution or other instrument then in full force and effect which has been duly adopted by the Agency, relating to the issuance of Parity Bonds, including a supplement to the Indenture; but only if and to the extent that such Parity Bond Indenture is specifically authorized under the Indenture.

“Parity Bonds” means any bonds, notes, loans, advances, or indebtedness issued or incurred by the Agency payable from all or a portion of Tax Revenues on a parity with the Bonds in accordance with the provisions of Sections 3.03 and 3.04 of the Indenture.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely upon any direction of the Agency as a certification that such investment constitutes a Permitted Investment):

A. The following obligations may be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts (no premium credit shall be given for the investment of accrued and/or capitalized interest):

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation),

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

B. The following may to be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies approved by the Insurer

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(6) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(b)(i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date

or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) Municipal Obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P;

(8) Investment Agreements approved in writing by the Insurer (supported by appropriate opinions of counsel);

(9) other forms of investments (including repurchase agreements) approved in writing by the Insurer;

(10) The Local Agency Investment Fund of the State or any state administered pool investment fund in which the Agency is statutorily permitted or required to invest will be deemed a permitted investment; and

(11) The California Asset Management Program, which constitutes shares in a California common law trust established pursuant to Section 6509.7 of Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by subdivision (o) of Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of California, as it may be amended.

C. The value of the above investments shall be determined as follows:

(a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup Global Markets Inc., Bear Stearns, or Lehman Brothers.

(b) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon; and

(c) As to any investment not specified above: the value thereof established by prior agreement among the Agency, the Trustee, and the Insurer.

“Plan Limitations” means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from Tax Revenues which may be outstanding at any time, (h) the aggregate amount of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, (c) the period of time for establishing or incurring indebtedness payable from Tax Revenues and (d) the period of time for receiving Tax Revenues any purpose, established pursuant to Section 33333.4 or 33333.6 of the Law.

“Principal Corporate Trust Office” means the Trustee’s principal corporate trust office in San Francisco, California, or such other office designated by the Trustee from time to time.

“Principal Payment Date” means September 1 in each year in which any of the Bonds mature by their respective terms; and with respect to any Parity Bond means the stated maturity date of such Parity Bond.

“Project” or “Redevelopment Project” means the undertaking of the Agency pursuant to the Redevelopment Plan, as amended, and the Law for the redevelopment of the Project Area.

“Project Area” or “Redevelopment Project Area” means the Project Area described in the Redevelopment Plan.

“Record Date” means, with respect to any Interest Payment Date, the close of business on the fifteenth calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redevelopment Consultant” means any consultant or firm of consultants appointed by the Agency and judged by the Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to financing in redevelopment project areas, and who, or each of whom:

- (1) is in fact independent and not under domination of the Agency;
- (2) does not have any substantial interest, direct or indirect, with the Agency; and
- (3) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Redevelopment Plan” or “Plan” means the Redevelopment Plan for the Oakley Redevelopment Project Area, approved by Ordinance No. 89-89 enacted by the Board of Supervisors of Contra Costa County on December 21, 1989, as predecessor to the City, together with all amendments thereto at any time duly authorized pursuant to the Law.

“Report” means a Report in writing signed by an Independent Certified Public Accountant, Independent Fiscal Consultant or Redevelopment Consultant and including:

- (1) a statement that the person or firm making or giving such Report has read the pertinent provisions of the Indenture to which such Report relates;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

“Reserve Requirement” with respect to the Bonds as of the Closing Date, an amount equal to the lesser of (i) 10% of the initial outstanding principal amount of the Bonds; (ii) Maximum Annual Debt Service on the Outstanding Bonds; or (iii) 125% of Average Annual Debt Service on the Bonds, and thereafter means an amount equal to the lesser of the initial Reserve Requirement or Maximum Annual Debt Service on the Outstanding Bonds.

“Senior Lien Bonds” means the Redevelopment Agency of the City of Oakley Taxable Tax Allocation Bonds, Series 2003 (Oakley Redevelopment Project Area), as described in the Senior Lien Indenture.

“Senior Lien Indenture” means the Indenture of Trust, dated as of November 1, 2003, relating to the issuance of the Senior Lien Bonds.

“State” means the State of California.

“Subordinate Debt” means any loans, advances or indebtedness issued or incurred by the Agency, including administrative expenses of the Agency, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds.

“Tax Regulations” means temporary and permanent regulations promulgated under Section 103 and related provisions of the Code.

“Tax Revenues” means amounts remaining after payment of all amounts required to be paid pursuant to the Senior Lien Indenture from all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date within the Plan Limitations pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plan payable to or retained by the Agency, including (a) all payments, subventions and reimbursements (if any) to the Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations, and (b) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund in any Fiscal Year pursuant to Section 33334.3 of the Law, but only to the extent such amounts are specifically pledged to the payment of principal, interest and premium (if any) with respect to the Bonds and any Parity Bonds, but excluding (i) all amounts of such taxes required to be deposited in the Low and Moderate Income Housing Fund (and not includable as set forth in (b) above), (ii) all amounts of such taxes which are payable to entities other than the Agency pursuant to the Tax Sharing Agreements to the extent such Tax Sharing Agreements create a prior lien on such taxes and such entities other than the Agency have not subordinated their right to receive payments, and (iii) amounts, if any, payable by the State to the Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State, with the resulting

amount reduced by all amounts of such taxes which are payable to entities other than the Agency pursuant to the Tax Sharing Statutes to the extent such Tax Sharing Statutes create a prior lien on such taxes and such entities other than the Agency have not subordinated their right to receive payments.

“Tax Sharing Statutes” means Section 33607.7 of the Law and, to the extent incorporated pursuant to such Section 33607.7, Section 33607.5 of the Law.

“Tax Sharing Agreements” means (i) the agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Oakley Fire Protection District dated as of December 21, 1989, (ii) the agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Contra Costa Mosquito Abatement District dated as of December 21, 1989, (iii) the agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the East Bay Regional Park District dated as of December 21, 1989, (iv) the agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Antioch Unified School District dated as of March 28, 1990, (v) the agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Oakley Union School District dated as of February 14, 1990, (vi) the agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Liberty High School District dated as of February 14, 1990, (vii) the agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Contra Costa County Office of Education dated as of December 21, 1989, and (viii) the Jurisdictional Transfer Agreement by and among the Agency, the Contra Costa County Redevelopment Agency, the County and the City, dated as of December 1, 2000 (copies of which are on file in the office of the Secretary of the Agency).

“Treasurer” means the Treasurer of the Agency appointed pursuant to the Law, or other duly appointed officer of the Agency authorized by the Agency by resolution delivered to the Trustee or by law to perform the functions of the treasurer including, without limitation, the Assistant Treasurer of the Agency, if any.

Transfer and Exchange of Bonds

Any Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Trustee for such purpose, by the person in whose name it is registered in person or by his duly authorized attorney upon surrender of such Bond for cancellation accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee duly executed. No transfers of Bonds shall be required to be made (i) during the period fifteen days prior to the date established by the Trustee for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of authorized denominations and of the same series and maturity. No exchanges of Bonds shall be required to be made (i) during the period

fifteen days prior to the date established by the Trustee for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Bonds Mutilated, Lost, Destroyed or Stolen

If any Bond shall become mutilated the Agency, at the expense of the Owner of said Bond, shall execute and the Trustee shall thereupon deliver a new Bond of like series, tenor and principal amount in exchange and substitution for the Bond so mutilated but only upon surrender to the Trustee of the Bond so mutilated. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Agency and the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the Agency, at the expense of the Owner, shall execute and the Trustee shall thereupon authenticate and deliver a new Bond of like series, tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen.

Establishment and Maintenance of Project Fund

There is established a fund entitled the “Oakley Redevelopment Project Area Project Fund” (the “Project Fund”) which shall be held and administered by the Agency in accordance with the Indenture. All proceeds and all investment earnings thereon shall be disbursed and expended for eligible costs of the Redevelopment Project, including payment of Costs of Issuance. The Project Fund may contain such accounts and subaccounts as are necessary to account for the proceeds of the Bonds under applicable Agency rules and procedures.

Proceedings for Issuance of Parity Bonds

Whenever the Agency shall determine to issue Parity Bonds, the Agency shall authorize the execution of a Parity Bond Indenture specifying the principal amount and prescribing the form of such Parity Bonds and providing the terms, conditions, distinctive designation, denominations, date, maturity date or dates, interest rate or rates (or the manner of determining same), redemption provisions and place or places of payment of principal or of premium (if any) and interest on such Parity Bonds, and any other provisions respecting the Parity Bonds not inconsistent with the terms of the Indenture.

Issuance of Senior Lien Bonds

The Agency covenants not to issue any obligations on parity with the Senior Lien Bonds, or any other obligation with a lien on Tax Revenues senior to the lien of the Bonds.

Pledge of Tax Revenues

The Bonds shall be secured by a pledge (which pledge shall be effected in the manner and to the extent provided in the Indenture) of all of the Tax Revenues (except as otherwise provided in the Indenture), and by a pledge of all of the moneys in the Special Fund, the Interest Account, the Principal Account, the Reserve Account and the Redemption Fund. Tax Revenues shall be initially allocated solely to the payment of the principal and interest, and

redemption premium, if any, of the Bonds and to the Reserve Account; provided that out of the Tax Revenues there may be apportioned such amounts for such other purposes as are expressly permitted. The pledge and allocation of Tax Revenues is for the exclusive benefit of the Bonds and any Parity Bonds and shall be irrevocable until all of the Bonds have been paid and retired or until moneys have been set aside with the Trustee irrevocably for that purpose. In consideration of the acceptance of the Bonds by those who shall own them from time to time, the Indenture shall be deemed to be and shall constitute a contract between the Agency and the Owners from time to time of the Bonds and the covenants and agreements in the Indenture set forth to be performed on behalf of the Agency shall be for the equal and proportionate security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof, of the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

Special Fund; Deposit of Tax Revenues

There is established a special fund to be known as the “Oakley Redevelopment Project Area Special Fund” (the “Special Fund”), which shall be held by the Trustee. The Agency shall immediately upon receipt of Tax Revenue deposit Tax Revenues in the Special Fund, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account, the Sinking Account and the Redemption Account in such Bond Year and for deposit in such Bond Year into the funds and accounts established with respect to Parity Bonds. Any Tax Revenues received by the Agency during any Bond Year in excess of the amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account and the Reserve Account in such Bond Year, shall be released from the pledge and lien under the Indenture and may be used for any lawful purpose of the Agency.

Establishment and Maintenance of Accounts

All moneys in the Special Fund shall be transferred and set aside by the Trustee in the following respective special accounts of the Special Fund (each of which is created by the Indenture to be held in trust by the Trustee) in the following order of priority:

(a) Interest Account. On or before the fifth (5th) Business Day preceding each date on which scheduled interest on the Bonds becomes due and payable, the Trustee shall transfer from the Special Fund and set aside in the Interest Account an amount which, when added to the amount contained in the Interest Account will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Bonds issued under the Indenture and then Outstanding. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable.

(b) Principal Account. On or before the fifth (5th) Business Day preceding each date on which scheduled principal on the Bonds becomes due and payable, the Trustee shall transfer from the Special Fund and set aside in the Principal Account an amount which, when added to the amount contained in the Principal Account will be equal to the principal becoming due and payable on the Bonds on such Principal Payment Date, whether by reason of scheduled maturity or mandatory sinking fund redemption. No deposit need be made into the Principal Account if the amount contained therein is at least equal to the principal to become due. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal on the Bonds as it shall become due and payable, whether by reason of scheduled maturity or mandatory sinking fund redemption.

(c) Reserve Account. The Reserve Account shall initially be funded, and shall continuously be funded, in an amount equal to the Reserve Requirement. The Reserve Account shall initially be funded by the deposit of proceeds of the Bonds. On or before the fifth (5th) Business Day preceding each date on which interest or principal on the Bonds becomes due and payable, and after the deposits required pursuant to the preceding subparagraphs have been made, the Trustee shall withdraw from the Special Fund and deposit in the Reserve Account an amount of money, if any, required to maintain the Reserve Account in the full amount of the Reserve Requirement. No deposit need be made in the Reserve Account so long as there shall be on deposit therein a sum equal to at least the amount required by this paragraph to be on deposit therein. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account and the Principal Account, in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of, or redemption premiums, if any, on the Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all the Bonds then Outstanding, except that so long as the Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the amount required by this paragraph to be on deposit therein on September 2 of each year, except as in the Indenture otherwise provided, shall be transferred to the Interest Account. With the prior written consent of the Insurer, the Reserve Requirement may be satisfied by crediting to the Reserve Account moneys, a letter of credit, a bond insurance policy, any other comparable credit facility or any combination thereof, for which the Agency has received confirmation from any rating agency than rating the Bonds that replacement will not adversely affect the rating on the Bonds and which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Requirement; provided, however, the provider of any such letter of credit, bond insurance policy or other comparable credit facility, must be rated in one of the two highest rating categories by Standard & Poor's at the time of delivery of such letter of credit, bond insurance policy or other comparable credit facility. Upon the deposit with the Trustee of such letter of credit, bond insurance policy or

other comparable credit facility, the Trustee shall transfer moneys then on hand in the Reserve Account to the Agency to be applied for lawful redevelopment purposes. In the event of a downgrade revision in the rating of such letter of credit, bond insurance policy or other comparable credit facility provided after the Closing, the Agency shall promptly transfer all available surplus described in (d) below to the Reserve Account until the earlier of (i) the time when the amount in the Reserve Account equals the Reserve Requirement in which case the Agency shall thereafter terminate the facility or (ii) the time when the Agency secures a substitute letter of credit, bond insurance policy or other credit facility for the Bonds.

(d) Payments to Insurer. To the extent any amounts are due and owing to the Insurer, the Trustee, after making the deposits specified above, shall pay to the Insurer such other amounts not paid to an Owner pursuant to subparagraph (a) or (b) above.

(e) Surplus. Except as may be otherwise provided in any Parity Bond Indenture, the Agency shall not be obligated to transfer to the Trustee for deposit in the Special Fund in any Bond Year an amount of Tax Revenues which, together with other available amounts in the Special Fund, exceeds the accounts required in such Bond Year. In the event that for any reason whatsoever any amounts shall remain on deposit in the Special Fund on any September 2 after making all of the transfers theretofore required to be made pursuant to the preceding clauses (a), (b) and (c) and pursuant to any Parity Bond Indenture, the Trustee shall transfer such amounts to the Agency for use for any lawful purpose.

Punctual Payment

The Agency will punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds in strict conformity with the terms of the Bonds and of the Indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Parity Bond Indentures and of the Bonds. Nothing in the Indenture contained shall prevent the Agency from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

Extension of Time for Payment

In order to prevent any accumulation of claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and will not, directly or indirectly, approve any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded whether or not with the consent of the Agency, such claim for interest so extended or funded shall not be entitled, in case of default under the Indenture to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Against Encumbrances

Except for Parity Bonds, the Agency covenants and agrees that it will not issue any other obligations payable, as to either principal or interest, from the Tax Revenues which have, or purport to have, any lien upon the Tax Revenues superior to or on a parity with the lien of the Bonds; provided, however, that nothing in the Indenture shall prevent the Agency from issuing and selling pursuant to law refunding bonds or other refunding obligations payable from and having a lien on a parity basis with all Outstanding Parity Bonds upon the Tax Revenues if such refunding bonds or other refunding obligations are issued and are sufficient for the purpose of refunding all or a portion of the Bonds then Outstanding, or from issuing obligations which have a lien on Tax Revenues subordinate to the Bonds.

Protection of Security and Rights of Bondowners

The Agency will preserve and protect the security of the Bonds and the rights of the Bondowners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the Agency the Bonds shall be incontestable by the Agency.

Payments of Taxes and Other Charges

The Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Project Area, or upon the revenues therefrom, when the same shall become due. Nothing in the Indenture contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said taxes, assessments or charges. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

Compliance with Law, Completion of Redevelopment Project

The Agency will comply with all applicable provisions of the Law in completing the Redevelopment Project including, without limitation, duly noticing and holding any public hearing required by either Section 33445 or 33679 of the Law prior to application of proceeds of the Bonds to any portion of the Project subject to either Section 33445 or 33679. The Agency will commence, and will continue to completion, with all practicable dispatch, the Redevelopment Project and the Redevelopment Project will be accomplished and completed in a sound and economical manner and in conformity with the Redevelopment Plan and the Law.

Taxation of Leased Property

Whenever any property in the Redevelopment Project has been redeveloped and thereafter is leased by the Agency to any person or persons (other than the City), or whenever the Agency leases real property in the Redevelopment Project to any person or persons (other than the City) for redevelopment, the property shall be assessed and taxed in the same manner as privately owned property, as required by Section 33673 of the Law.

Disposition of Property

The Agency will not participate in the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of the Indenture) so that such disposition shall, when taken together with other such dispositions occurring after the Closing Date, aggregate more than ten percent (10%) of the land area in the Project Area unless such disposition is permitted as provided in the Indenture. If the Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Fiscal Consultant to report on the effect of said proposed disposition. If the Report of the Independent Fiscal Consultant concludes that the security of the Bonds or the rights of the Owners will not be materially adversely impaired by said proposed disposition, the Agency may thereafter make such disposition. If said Report concludes that such security will be materially adversely impaired by said proposed disposition, the Agency shall not approve said proposed disposition.

Tax Revenues

The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State. The Agency will not amend the Redevelopment Plan in a manner that will reduce Tax Revenues in any future Fiscal Year unless the Agency first obtains the report of an Independent Fiscal Consultant stating that the Tax Revenues for the then current Fiscal Year (calculated on the assumption that such reduction of Tax Revenues was in effect throughout such Fiscal Year), are at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service immediately following the effective date of such amendment. The Agency will not enter into any agreement with the County or any other governmental or private entity, which would have the effect of reducing the amount of Tax Revenues otherwise available to the Agency for payment of the Bonds, unless such agreement or amendment constitutes Subordinate Debt, provided, such limitation shall not apply to amendments to the Redevelopment Plan which result in payments pursuant to the Tax Sharing Statutes, where such amendment otherwise complies with this section.

Non-Arbitrage Bonds

The Agency covenants with the Owners of the Bonds at any time Outstanding that it will make no use of the proceeds of the Bonds which will cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 or any successor section of the Code. To that end, so long as any of the Bonds are Outstanding, the Agency, with respect to the proceeds of the Bonds, shall comply with all requirements of said Section 148 or any successor section and all regulations of the United States Department of the Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect.

Private Business Use Limitations

Not in excess of ten percent (10%) of the Net Proceeds (as defined below) of the Bonds will be used for a Private Business Use (as defined below) if, in addition, the payment of more than ten percent (10%) of the principal or ten percent (10%) of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Agency, in respect of property or borrowed money used or to be used for a Private Business Use. In the event that both (i) in excess of five percent (5%) of the Net Proceeds of the Bonds are used for a Private Business Use, and (ii) an amount in excess of five percent (5%) of the principal or five percent (5%) of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Agency, in respect of property or borrowed money used or to be used for a Private Business Use, then said five percent (5%) of Net Proceeds of the Bonds used for a Private Business Use will be used for a Private Business Use related to the governmental use of the Project. "Net Proceeds," when used with reference to the Bonds, means the face amount of the Bonds, plus accrued interest and premium if any, less original issue discount and less proceeds deposited in the Reserve Account. "Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a governmental unit and use by a nongovernmental unit as a member of the general public.

Private Loan Limitation

The Agency is required to assure that not in excess of five percent (5%) of the Net Proceeds of the Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting nonpurpose obligations, as defined in the Code) to persons other than state or local government units.

Compliance with the Code

The Agency covenants to take any and all action and to refrain from taking such action, which is necessary in order to comply with the Code in order to maintain the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of the interest on the Bonds paid by the Agency and received by the owners of the Bonds.

Limit on Indebtedness

The Agency covenants that it shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only the Bonds, any Subordinate Debt, and any Parity Bonds. The Agency shall take no action, including but not limited to the issuance of its bonds, notes or other obligations, which causes or which, with the passage of time would cause,

any of the Plan Limitations to be exceeded or violated. The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limitations in the amounts and at the times required to enable the Agency to pay the principal of and interest and premium (if any) on the Bonds when due. Without limiting the foregoing, the Agency agrees that it shall calculate annually not later than December 31 each year, the aggregate amount of Tax Revenues which it remains entitled to receive under the Plan Limitations for the Project Area. In the event that the aggregate amount of Tax Revenues which the Agency is permitted to receive under the Plan Limitations for the Project Area, plus the amount then held on deposit in any fund or account which is set aside by the Agency to make its debt payments with respect to the Project Area and the earnings which are reasonably expected to accrue thereon, are reasonably estimated at any time to be less than one hundred and five percent (105%) of the aggregate amount of annual debt payments remaining to be made with respect to such Project Area or of the amount required to replenish the Reserve Account for the Bonds and any similar account for any Parity Bonds, the Agency shall immediately notify the Insurer and shall either (a) deposit with the Trustee an amount of Tax Revenues sufficient to redeem Bonds or pay debt service without regard to interest earnings thereon in such aggregate principal amount as shall be required to cause the Agency to meet such requirements, or (b) set aside with the Trustee or into a dedicated fund or account to be held by the Agency an amount of Tax Revenues which, together with earnings to be derived from the investment thereof, will be sufficient to enable the Agency to meet such requirements, or (c) decline to accept Tax Revenues from the County in an amount sufficient to enable the Agency to meet such requirements. Notwithstanding anything in the Indenture to the contrary, the provisions of this Section 6.17 may be modified or waived with the written consent of the Insurer.

Continuing Disclosure

The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Agreement shall not be considered an event of default under the Indenture; however, the Owner or beneficial owner 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 Agency to comply with its obligations.

Amendment of Redevelopment Plan

The Agency shall not amend the Redevelopment Plan, or enter into any agreement with the County or any other governmental unit, which would have the effect of materially reducing the amount of Tax Revenues available to the Agency for payment of debt service on the Bonds. Nothing in the Indenture is intended or shall be construed in any way to prohibit or impose any limitations on the entering into by the Agency of any such agreement, amendment or supplement which by its terms is subordinate to the payment of the debt service on the Bonds and all Parity Bonds.

The Trustee

The Trustee shall only be obligated to perform such duties as are expressly set forth in the Indenture, and no duties or obligations not expressly set forth in the Indenture shall be implied. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. The Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing. The Agency shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Insurer or the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), with the consent of the Insurer, or (ii) if at any time the Trustee shall cease to be eligible, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of written notice of such removal by the Agency to the Trustee and the Insurer, whereupon in the case of the Trustee, the Agency shall appoint a successor Trustee by an instrument in writing. The Trustee may at any time resign by giving written notice of such resignation to the Agency and by giving the Insurer and the Bondowners notice of such resignation by mail at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee, acceptable to the Insurer, by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted such appointment.

The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondowners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee shall not be liable for any error of judgment made in good faith by its officers, agents, directors or employees, unless it shall be proved that it was negligent in ascertaining the pertinent facts. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Insurer or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture. The Trustee shall not be liable for any action taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture. The Trustee shall not be deemed to have knowledge of any Event of Default under the Indenture unless and until it shall have actual knowledge thereof, or shall have received written notice thereof. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, requisition, report, opinion, bonds or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Agency, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith. The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trust imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be in the Indenture specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Agency, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Written Certificate. No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability under the Indenture if repayment of such funds or adequate indemnity is not assured to it. The Trustee shall be entitled to interest on any amounts advanced by it at the maximum rate permitted by law.

Deposit and Investment of Moneys in Fund

Moneys in the Special Fund, the Interest Account, the Principal Account, the Reserve Account, the Project Fund and the Redemption Fund shall be invested by the Trustee and Agency, as applicable, in Permitted Investments as specified by the Treasurer of the Agency, and shall be promptly confirmed in writing by the Agency with the Trustee within at least one (1) Business Day; provided, that investments of amounts in the Reserve Account shall not have a maturity of more than five (5) years, except for Investment Agreements approved by the Insurer unless callable at par for any purpose required by the Indenture. In the absence of any such direction provided by the Treasurer of the Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (5) of the definition thereof which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture. All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture (other than with respect to funds held by the Agency) shall be retained in the respective funds and accounts to be used for the purposes thereof; provided, however, that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account, but only to the extent that the amount remaining in the Reserve Account following such deposit is equal to the Reserve Requirement.

In computing the amount in any fund or account, Permitted Investments shall be valued at market value, exclusive of accrued interest. The Trustee shall perform such valuation (i) as frequently as requested by the Insurer, but in no event less often than each Interest Payment Date or more frequently than monthly, and (ii) upon any draw on the Reserve Account. If amounts on deposit in the Reserve Account shall, at the time of valuation, be less than the Reserve Requirement, the Reserve Account shall be valued monthly until amounts on deposit

therein equal the Reserve Requirement. For purposes of determining the amount on deposit in any fund or account held under the Indenture, all Permitted Investments credited to such fund or account shall be valued by the Trustee, as set forth in the definition of Permitted Investments.

Rebate of Excess Investment Earnings to United States

The Agency shall calculate or cause to be calculated, and shall provide or cause to be provided written notice to the Trustee of, the excess investment earnings (as defined in the Code, "Excess Investment Earnings") at such times and in such manner as may be required pursuant to the Code. The Agency shall inform the Trustee how frequently calculations are to be made, and shall ensure that a copy of all such calculations is given promptly to the Trustee. The Agency agrees to deposit with the Trustee the amount of Excess Investment Earnings so calculated. The Trustee shall deposit all amounts paid to it for such purpose by the Agency in the Rebate Account. The Trustee shall pay to the United States of America from the amounts on deposit in the Rebate Account such amounts as shall be identified pursuant to written notice filed with the Trustee by the Agency for such purpose from time to time.

Amendments Permitted

The Indenture and the rights and obligations of the Agency and of the Owners of the Bonds may be modified or amended at any time by a supplemental Indenture with the prior written consent of the Insurer and pursuant to the affirmative vote at a meeting of Bondowners or with the written consent without a meeting of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (1) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the Agency to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at the time and place and at the rate and in the currency provided therein without the express consent of the Owner of such Bond, or (2) permit the creation by the Agency of any mortgage pledge or lien upon the Tax Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise provided in the Indenture) or reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification or (3) modify any of the rights or obligations of the Trustee without its written assent thereto.

The Indenture and the rights and obligations of the Agency and of the Owners of the Bonds may also be modified or amended at any time by a supplemental Indenture, with the prior written consent of the Insurer but without the consent of any Bondowners, but only to the extent permitted by law and only for any one or more of the following purposes-

- (a) to add to the covenants and agreements of the Agency in the Indenture contained, other covenants and agreements thereafter to be observed or to limit or surrender any right or power in the Indenture reserved to or conferred upon the Agency; or
- (b) to make modifications not adversely affecting any Outstanding Bonds or Parity Bonds of the Agency in any material respect; or

(c) with the written consent of the Trustee to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to questions arising under the Indenture, or in any other manner as the Agency and the Trustee may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially adversely affect the rights of the Owners of the Bonds or Parity Bonds; or

(d) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued.

Procedure for Amendment with Written Consent of Bondowners

The Agency may at any time adopt a supplemental Indenture amending the provisions of the Bonds or of the Indenture or any supplemental Indenture, to the extent that such amendment is permitted. A copy of such supplemental Indenture, together with a request to Bondowners for their consent thereto, shall be mailed by the Agency to each registered Owner of Bonds Outstanding, but failure to mail copies of such supplemental Indenture and request shall not affect the validity of the supplemental Indenture when assented to as in this Section provided. Such supplemental Indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified) and a notice shall have been mailed as provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given.

Events of Default and Acceleration of Maturities

The following events shall constitute Events of Default under the Indenture:

(a) if default shall be made in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond or Parity Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise; provided, that in determining if such Event of Default has occurred, no consideration shall be given to payments made under the Insurance Policy;

(b) if default shall be made by the Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of thirty (30) days following the receipt by the Agency of written notice from the Trustee or any Bondowner of the occurrence of such default; provided, however, that if in the reasonable opinion of the Agency the failure stated in such notice can be corrected, but not within such thirty (30)-day period, the Trustee shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Agency within such thirty (30) day period and diligently pursued until such failure is corrected; or

(c) if the Agency shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property.

If an Event of Default has occurred and is continuing, the Trustee shall give written notice thereof to the Insurer. If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, with the prior written consent of the Insurer and shall, at the direction of the Insurer, exercise any remedies available to the Trustee and the Bondowners in law or at equity. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined in the Indenture, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners under the Indenture.

This provision, however, is subject to the condition that if, at any time after any Event of Default shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency shall correct any default under the Supplemental Resolution or deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at the net effective rate then borne by the Outstanding Bonds, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee, with the prior written consent of the Insurer, by written notice to the Agency, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Application of Funds

Upon an Event of Default, all of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee and thereafter of the Bondowners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, or any Bond over any other Bond, ratably to the aggregate of such principal and interest; and

Third, To the payment of the Insurer of all amounts payable to the Insurer under the Indenture not paid pursuant to First and Second above.

Power of Trustee to Control Proceedings

In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, without the prior written consent of the Insurer and unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Bondowners' and Insurer's Right to Sue

No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers in the Indenture before granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity acceptable to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have refused or omitted to comply with such request for a period of thirty (30) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) such Owners have obtained the prior written consent of the Insurer.

Non-waiver

Nothing in the Indenture or in the Bonds, shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay from the Tax Revenues and other

amounts pledged under the Indenture, the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds on the respective Interest Payment Dates, as in the Indenture provided, or affect or impair the right of action, which is also absolute and unconditional, of the Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds. The Trustee shall not waive any default without the prior written consent of the Insurer. A waiver of any default or breach of duty or contract by the Trustee, the Insurer or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee, the Insurer or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee, the Insurer or the Owners by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Insurer. If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Insurer or the Owners, the Trustee, the Insurer, the Owners and the Agency shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive

No remedy in the Indenture conferred upon or reserved to the Trustee, the Insurer or the Owners of Bonds is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the law or any other law.

Rights of Insurer in the Event of Insolvency

Any reorganization or liquidation plan with respect to the Agency must be acceptable to the Insurer. In the event of any reorganization or liquidation by the Agency, the Insurer shall have the right to vote on behalf of all Owners absent a default by the Insurer under the Insurance Policy.

Rights of Insurer to Control Proceedings

So long as the Insurer is providing the Insurance Policy, and is not in default thereunder, the Insurer shall be deemed to be the sole Owner of the Outstanding Bonds for purposes of exercising any voting right or privilege, or for purposes of giving any consent or directing or taking any action, that the Owners are entitled to.

Effect of Insurance Policy

Notwithstanding any other provision of the Indenture, in determining whether the rights of Bondholders will be adversely affected by any action taken pursuant to the terms and

provisions of the Indenture, the Trustee shall consider the effect on the Bondholders as if there were no Insurance Policy.

Certain Provisions for the Benefit of the Insurer

For so long as the Insurance Policy is outstanding, notwithstanding anything to the contrary set forth in the Indenture, the Agency agrees as follows:

Amendments or Supplements. Any amendment or supplement to the Indenture requiring the consent of the Owners of the Bonds shall also require the consent of the Insurer.

Events of Default. Upon the occurrence of an Event of Default under the Indenture, the Insurer shall be deemed the Owner of all Bonds, and shall have all the rights as the Owner of the Bonds as are specified in the Indenture, provided that the Insurer is not in default under the Insurance Policy.

Insurer as Third Party Beneficiary. The Insurer is a third-party beneficiary under the Indenture and shall have the power to enforce any right, remedy or claim conferred, given or granted under the Indenture

Subrogation. If principal and/or interest due on the Bonds shall be paid by the Insurer, the Bonds shall remain outstanding under the Indenture for all purposes, and shall not be deemed defeased or otherwise satisfied, or paid by the Agency, and the assignment and pledge of the Tax Revenues and other amounts pledged to the payment of Debt Service of the Bonds under the Indenture, and all covenants, agreements and other obligations of the Agency to the Holders of the Bonds shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such Holders.

When Consent of Insurer is Required

Any provision of the Indenture expressly recognizing or granting rights in or to the Insurer may not be amended in any manner which affects the rights of the Insurer under the Indenture without the prior written consent of the Insurer. Unless otherwise provided in this Section, the Insurer's consent shall be required in lieu of Owner consent, when required, for the following purposes: (i) execution and delivery of any supplemental Indenture or any amendment, supplement or change to or modification of the Indenture; (ii) removal of the Trustee and selection and appointment of any successor trustee; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Owner consent. Any reorganization or liquidation plan with respect to the Agency must be acceptable to the Insurer. In the event of any reorganization or liquidation, the Insurer shall have the right to vote on behalf of all Owners who hold the Insurer-insured Bonds absent a default by the Insurer under the Insurance Policy insuring such Bonds..

Benefits of Indenture Limited to Parties

Nothing in the Indenture, expressed or implied, is intended to give to any person other than the Agency, the Trustee, the Insurer and the Owners of the Bonds, any right, remedy, claim under or by reason of the Indenture. Any covenants, stipulations, promises or agreements in the Indenture contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Insurer, the Owners of the Bonds and the Trustee.

Discharge of Indenture

If the Agency shall pay and discharge the entire indebtedness on all of a series of Bonds Outstanding in any one or more of the following ways-

(1) by well and truly paying or causing to be paid the principal of and interest on all such Bonds Outstanding, as and when the same become due and payable;

(2) by irrevocably depositing with the Trustee, in trust, at or before maturity money which, together with the amounts then on deposit in the funds and accounts established pursuant to the Indenture is fully sufficient to pay all such Bonds Outstanding, including all principal, interest and redemption premiums; or

(3) by irrevocably depositing with the Trustee, in trust, Permitted Investments allowed for such purpose in such amount as an Independent Fiscal Consultant shall certify to the Trustee, based upon a certificate of an Independent Certified Public Accountant, will together with the interest to accrue thereon and moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates; and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then notwithstanding that any of such series of Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Agency under the Indenture with respect to all Bonds of such series Outstanding shall cease and terminate, except only the obligation of the Agency to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon, and thereafter Tax Revenues shall not be payable to the Trustee.

If, subject to above conditions, the Agency shall pay or cause to be paid or make provision for the payment to the owners of less than all of the Outstanding Bonds of a series the principal of and premium, if any, and interest on such Bonds which is and shall thereafter become due and payable upon such Bonds in accordance with the provisions of clauses (1), (2) and (3) above, such Bonds, or portions thereof, shall cease to be entitled to any lien, benefit or security under the Indenture. Any funds thereafter held by the Trustee which are not required for said purpose or for any remaining fees or expenses of the Trustee or the Insurer shall be paid over to the Agency. Notwithstanding anything contained in the Indenture to the contrary, in the event that the principal and/or interest due on a series of the Bonds shall be paid by the Insurer pursuant

to the Insurance Policy, the Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Agency, and all covenants, agreements and other obligations of the Agency to the Owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such Owners.

Waiver of Personal Liability

No member, officer, agent or employee of the Agency shall be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing in the Indenture contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Governing Law

The Indenture shall be governed by and construed in accordance with the laws of the State of California.

Unclaimed Moneys

Anything contained in the Indenture to the contrary notwithstanding, but subject to applicable escheat laws, any money held by the Trustee for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two (2) years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be delivered to the Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Agency for the payment of the interest and premium (if any) on and principal of such Bonds.

THE FIRST SUPPLEMENT

Definitions

“Dissolution Act” means Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of the Law.

“DOF” means the State of California Department of Finance.

“Late Payment Rate” means the lesser of: (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2015 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as the 2015 Bond Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to the 2015 Bond Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

“Law” means (i) the Community Redevelopment Law of the State of California (being Part 1 of Division 24 of the Health and Safety Code of the State of California, as amended) (ii) Parts 1.8 and 1.85 of Division 24 of the Health and Safety Code of the State of California, as amended, and (iii) Article 11 of Chapter 3, Part 1 of Division 2 of Title 5 of the Government Code of the State of California, as amended.

“Oversight Board” means the oversight board duly constituted from time to time pursuant to Section 34179 of the Dissolution Act.

“Recognized Obligation Payment Schedule” means a Recognized Obligation Payment Schedule, each prepared and approved from time to time pursuant to subdivision (l) of Section 34177 of the Dissolution Act.

“Redevelopment Obligation Retirement Fund” means the fund by that name established pursuant to Section 34170.5 (b) of the Law and administered by the Agency.

“Redevelopment Property Tax Trust Fund” means the fund by that name established pursuant to Section 34170.5 (a) of the Law and administered by the County auditor-controller.

“2015 Bond Insurer” with respect to the Series 2015 Bonds is Build America Mutual Assurance Company, or any successor thereto or assignee thereof.

“2015 Policy” means the insurance policy issued by the 2015 Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2015 Bonds when due.

“2015 Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by the 2015 Bond Insurer under which claims may be made in order to provide moneys in the Reserve Account established for the Series 2015 Bonds.

Indenture Amendments

The following provisions of the Indenture are amended in the following manner by adding the following provisions:

The definition of “Tax Revenues” is amended by adding the following two sentences at the end of the definition: Tax Revenues additionally includes monies deposited from time to time in the Redevelopment Property Tax Trust Fund, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act. If, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution.

Pursuant to Section 34170.5 (b) of the Law, there is established a special fund to be known as the “Redevelopment Obligation Retirement Fund” which is held by the Agency. The Agency shall promptly deposit all of the Tax Revenues received in any Bond Year in the Redevelopment Obligation Retirement Fund.

The provisions of this Section are subject in all respects to the provisions of the Dissolution Act and other provisions of the Law relating to the deposit and application of the Tax Revenues for the payment of the principal of and interest on the Outstanding Bonds.

The Agency shall transfer amounts on deposit in the Redevelopment Obligation Retirement Fund to the Trustee for deposit in the Special Fund as required by the Dissolution Act.

Compliance with the Dissolution Act.

The Agency covenants that it will comply with all other requirements of the Dissolution Act. Without limiting the generality of the foregoing, the Agency covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Agency with its covenants under the Indenture. Further, the Agency will take all actions required under the Dissolution Act to include scheduled debt service on the Bonds, as well as any amount required under the Indenture to replenish the Reserve Account, in Recognized Obligation Payment Schedules for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency’s Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to pay principal of, and interest on, the Bonds coming due in the

respective six-month period, plus the deposits required, to the extent Tax Revenues are available from the Project Area, to fund the payments due on the Outstanding Bonds on September 1 in the then current Bond Year and any amounts due and owing to the 2015 Bond Insurer in respect to the 2015 Policy and 2015 Reserve Policy. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and the DOF, to the extent necessary, the amounts to be held by the Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest under the Indenture when the next property tax allocation is projected to be insufficient to pay all obligations due under the Indenture for the next payment due in the following six-month period and timely filing a "Notice of Insufficiency with the County Auditor-Controller in the event an insufficiency occurs with respect to enforceable obligations, pass-through payments, and the Agency's administrative costs allowance for the applicable six-month period.

The Agency shall provide the 2015 Bond Insurer with copies of all Recognized Obligation Payment Schedules submitted and any and all correspondence received from the California Department of Finance, upon receipt. In the event that the Agency is a party to a meet and confer with the California Department of Finance, the Agency shall timely notify the 2015 Bond Insurer of such fact and the 2015 Bond Insurer shall have the right to participate in the meet and confer process either by appearance with the Agency at the meeting or through written submission, as the 2015 Bond Insurer determines in its discretion. In the event the Agency receives a denial from the California Department of Finance with respect to any Recognized Obligation Payment Schedules, whether relating to the Bonds or not, and such denial could delay the receipt of tax revenues necessary to pay debt service or policy costs relating to the Series 2015 Bonds, the Agency agrees to cooperate in good faith with the 2015 Bond Insurer and the 2015 Bond Insurer shall receive prompt notice of any such event and shall be permitted to attend any meetings with the Agency and the California Department of Finance and to discuss such matters with the California Department of Finance directly.

Unless the limitations in the redevelopment plan on the number of dollars of taxes which may be divided and allocated to the Agency (the "Plan Limits") no longer apply under the redevelopment law, the Agency shall annually review the total amount of tax increment revenues remaining available to be received by the Agency under the Plan Limits, as well as future cumulative annual debt service on the Bonds, all Parity Debt and all other obligations of the Agency payable from the tax increment revenues. If remaining tax increment revenues allocable under the Plan Limits are less than one hundred five percent (105%) of all future debt service on the Bonds, any parity debt and any other obligations of the Agency payable from tax increment revenues, the Issuer shall promptly notify the 2015 Bond Insurer of such fact in writing and all tax increment revenues not needed to pay current or any past due debt service on any Agency obligations or to replenish the Reserve Fund to the Reserve Requirement (including reimbursing all amounts due and payable to the Reserve Insurer) shall be (i) deposited into a Trustee-held escrow account (the "Escrow Account") and invested in Defeasance Obligations or (ii) used to redeem, in accordance with the mandatory redemption provisions of the Indenture, the amount of outstanding Bonds or parity debt necessary in such Fiscal Year and in each year thereafter so that

the Plan Limit would no longer reached or exceeded. Moneys in the Escrow Account must be used only to pay debt service pro rata on the Bonds and any Parity Debt.

The Agency shall segregate all amounts distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund in a separate Agency account in the name of the Successor Agency to be used solely to pay debt service on the Bonds and all other parity obligations. In the event the rating on general fund obligations of the City falls below A- from Standard & Poor's, or, if there is no rating, if the rating on the City's certificates of participation falls below BBB+ from Standard & Poor's, the City will maintain the Redevelopment Obligation Retirement Fund as a separate account with a bank or with the Trustee.

In the event the Agency fails to timely file any Recognized Obligation Payment Schedules relating to the Bonds for any period, the Agency designates the 2015 Bond Insurer as its attorney in fact with the power to file a Recognized Obligation Payment Schedule with respect to the Bonds.

Continuing Disclosure

The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed by the Agency in connection with the issuance of the Series 2015 Bonds (the "Continuing Disclosure Agreement"). Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the Indenture; *provided, however*, that the Trustee at the written direction of any underwriter or the Owners of at least 25% aggregate principal amount of Series 2015 Bonds, shall (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys), or any Owner or beneficial owner of the Series 2015 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Provisions relating to the 2015 Policy

The investments in any defeasance escrow for the Series 2015 Bonds shall be limited to noncallable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or otherwise be approved by The 2015 Bond Insurer.

At least five Business Days prior to any defeasance, the Agency shall deliver to the 2015 Bond Insurer copies of an escrow agreement, opinions regarding the validity and enforceability of the escrow agreement, a verification report (a "Verification Report") of a nationally recognized independent financial analyst or firm of certified public accountants regarding sufficiency of the escrow and a defeasance legal opinion. Such opinions and

Verification Report shall be addressed to the 2015 Bond Insurer and shall be in form and substance satisfactory to the 2015 Bond Insurer. In addition, the escrow agreement shall provide that:

- (a) Any substitution of securities shall require the delivery of a Verification Report, an opinion of Bond Counsel that such substitution will not adversely affect the exclusion (if interest on the Series 2015 Bonds is excludable) from gross income of the holders of the Series 2015 Bonds of the interest on the Series 2015 Bonds for federal income tax purposes and the prior written consent of the 2015 Bond Insurer.
- (b) The Agency will not exercise any prior optional redemption of Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to the 2015 Bond Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.
- (c) The Agency shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the 2015 Bond Insurer.

The 2015 Bond Insurer's prior written consent is required for all amendments and supplements to the Indenture, with the exceptions noted below. The Successor Agency shall send copies of any such amendments or supplements to The 2015 Bond Insurer and the rating agencies which have assigned a rating to the Series 2015 Bonds.

- (a) *Consent of the 2015 Bond Insurer.* Any amendments or supplements to the Indenture shall require the prior written consent of the 2015 Bond Insurer with the exception of amendments or supplements:
 - (i) to cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the Indenture or in any supplement hereto, or
 - (ii) to grant or confer upon the Bondholders any additional rights, remedies, powers authority or security that may lawfully be granted to or conferred upon the Bondholders, or
 - (iii) to add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of the transaction documents

other conditions, limitations and restrictions thereafter to be observed or

(iv) to add to the covenants and agreements of the Agency in the Indenture other covenants and agreements thereafter to be observed by the Agency or to surrender any right or power therein reserved to or conferred upon the Agency.

- (b) *Consent of the 2015 Bond Insurer in Addition to Bondholder Consent.* Any amendment, supplement, modification to, or waiver of, the Indenture that requires the consent of holders of the Series 2015 Bonds or adversely affects the rights or interests of the 2015 Bond Insurer shall be subject to the prior written consent of the 2015 Bond Insurer.
- (c) *Consent of the 2015 Bond Insurer in the Event of Insolvency.* Any reorganization or liquidation plan with respect to the Successor Agency must be acceptable to the 2015 Bond Insurer in writing. In the event of any reorganization or liquidation of the Successor Agency, the 2015 Bond Insurer shall have the right to vote on behalf of all holders of the Series 2015 Bonds absent a continuing failure by The 2015 Bond Insurer to make a payment under the 2015 Policy.
- (d) *Consent of the 2015 Bond Insurer Upon Default.* Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, the 2015 Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Series 2015 Bonds or the Trustee for the benefit of the holders of the Series 2015 Bonds under the Indenture. The Trustee may not waive any default or event of default without the 2015 Bond Insurer's written consent.
- (e) *Bond Insurer as Owner.* Upon the occurrence and continuance of a default or an event of default, the 2015 Bond Insurer shall be deemed to be the sole owner of the Series 2015 Bonds for all purposes under the Indenture, including, without limitations, for purposes of exercising remedies and approving amendments.
- (f) *Consent of the 2015 Bond Insurer for Acceleration.* The 2015 Bond Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration.
- (g) *Grace Period for Payment Defaults.* No grace period shall be permitted for payment defaults on the Series 2015 Bonds.

- (h) *Special Provisions for Insurer Default.* If an Insurer Default shall occur and be continuing, then, notwithstanding anything in (a)-(e) above to the contrary, (1) if at any time prior to or following an Insurer Default, the 2015 Bond Insurer has made payment under the 2015 Policy, to the extent of such payment the 2015 Bond Insurer shall be treated like any other holder of the Series 2015 Bonds for all purposes, including giving of consents, and (2) if the 2015 Bond Insurer has not made any payment under the 2015 Policy, the 2015 Bond Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the 2015 Bond Insurer makes a payment under the 2015 Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph (h), “Insurer Default” means: (A) the 2015 Bond Insurer has failed to make any payment under the 2015 Policy when due and owing in accordance with its terms; or (B) the 2015 Bond Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the 2015 Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the 2015 Bond Insurer (including without limitation under the New York Insurance Law).

The 2015 Bond Insurer is recognized as and shall be deemed to be a third party beneficiary of the Indenture and may enforce the provisions of the Indenture as if it were a party thereto.

In the event that principal and/or interest due on the Series 2015 Bonds shall be paid by the 2015 Bond Insurer pursuant to the 2015 Policy, the Series 2015 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Agency to the registered owners shall continue to exist and shall run to the benefit of the 2015 Bond Insurer, and the 2015 Bond Insurer shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Series 2015 Bonds.

In the event that on the second Business Day prior to any payment date on the Series 2015 Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Series 2015 Bonds due on such payment date, the Trustee shall immediately notify

the 2015 Bond Insurer or its designee on the same Business Day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the 2015 Bond Insurer or its designee. In addition, if the Trustee has notice that any holder of the Series 2015 Bonds has been required to disgorge payments of principal or interest on the Series 2015 Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify the 2015 Bond Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the 2015 Bond Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Series 2015 Bonds as follows:

- (a) If there is a deficiency in amounts required to pay interest and/or principal on the Series 2015 Bonds, the Trustee shall (i) execute and deliver to the 2015 Bond Insurer, in form satisfactory to the 2015 Bond Insurer, an instrument appointing the 2015 Bond Insurer as agent and attorney-in-fact for such holders of the Series 2015 Bonds in any legal proceeding related to the payment and assignment to the 2015 Bond Insurer of the claims for interest on the Series 2015 Bonds, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the 2015 Policy payment from the 2015 Bond Insurer with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and
- (b) If there is a deficiency in amounts required to pay principal of the Series 2015 Bonds, the Trustee shall (i) execute and deliver to the 2015 Bond Insurer, in form satisfactory to the 2015 Bond Insurer, an instrument appointing the 2015 Bond Insurer as agent and attorney-in-fact for such holder of the Series 2015 Bonds in any legal proceeding related to the payment of such principal and an assignment to the 2015 Bond Insurer of the Series 2015 Bonds surrendered to the 2015 Bond Insurer, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the 2015 Policy payment therefore from the 2015 Bond Insurer, and (iii) disburse the same to such holders. The Trustee shall designate any portion of payment of principal on Bonds paid by the 2015 Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the 2015 Bond Insurer, registered in the name directed by the 2015 Bond Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall

have no effect on the amount of principal or interest payable by the Successor Agency on any Bond or the subrogation or assignment rights of the 2015 Bond Insurer.

Payments with respect to claims for interest on and principal of Bonds disbursed by the Trustee from proceeds of the 2015 Policy shall not be considered to discharge the obligation of the Agency with respect to such Bonds, and the 2015 Bond Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

Irrespective of whether any such assignment is executed and delivered, the Agency and the Trustee agree for the benefit of the 2015 Bond Insurer that:

- (a) They recognize that to the extent the 2015 Bond Insurer makes payments directly or indirectly (*e.g.*, by paying through the Trustee), on account of principal of or interest on the Series 2015 Bonds, the 2015 Bond Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Agency, with interest thereon, as provided and solely from the sources stated in the transaction documents and the Series 2015 Bonds; and
- (b) They will accordingly pay to the 2015 Bond Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Series 2015 Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Series 2015 Bonds to holders, and will otherwise treat The 2015 Bond Insurer as the owner of such rights to the amount of such principal and interest.

The Agency agrees unconditionally that it will pay or reimburse the 2015 Bond Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the 2015 Bond Insurer may pay or incur, including, but not limited to, fees and expenses of the 2015 Bond Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Indenture ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the 2015 Bond Insurer spent in connection with the actions described in the preceding sentence. The Agency agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the 2015 Bond Insurer until the date the 2015 Bond Insurer is paid in full. Notwithstanding anything in the Indenture to the contrary, the Agency agrees to pay to the 2015 Bond Insurer (i) a sum equal to the total of all amounts paid by the 2015 Bond Insurer under the 2015 Policy ("The 2015 Bond Insurer Policy Payment"); and (ii) interest on such the 2015 Bond Insurer Policy Payments from the date paid

by the 2015 Bond Insurer until payment thereof in full by the Agency, payable to the 2015 Bond Insurer at the Late Payment Rate per annum (collectively, “the 2015 Bond Insurer Reimbursement Amounts”) compounded semi-annually. The Agency covenants and agrees that the 2015 Bond Insurer Reimbursement Amounts are secured by a lien on and pledge of the Tax Revenues and payable from such Tax Revenues on a parity with debt service due on the Series 2015 Bonds.

The rights granted to the 2015 Bond Insurer under the Indenture to request, consent to or direct any action are rights granted to the 2015 Bond Insurer in consideration of its issuance of the 2015 Policy. Any exercise by the 2015 Bond Insurer of such rights is merely an exercise of the 2015 Bond Insurer’s contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Series 2015 Bonds and such action does not evidence any position of the 2015 Bond Insurer, affirmative or negative, as to whether the consent of the holders of the Series 2015 Bonds or any other person is required in addition to the consent of the 2015 Bond Insurer.

The 2015 Bond Insurer shall be entitled to pay principal or interest on the Series 2015 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Successor Agency (as such terms are defined in the 2015 Policy) and any amounts due on the Series 2015 Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the 2015 Bond Insurer has received a claim upon the 2015 Policy.

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APPENDIX B

CITY OF OAKLEY INFORMATION STATEMENT

The following information regarding the City and the surrounding area is presented as general background data. The Bonds are payable solely from the sources described herein (see "SECURITY FOR THE BONDS"). The taxing power of the City of Oakley, the County of Contra Costa, the State of California or any political subdivision thereof is not pledged to the payment of the Bonds. See the information under the caption "THE BONDS."

The City and the County

The City. One of California's newest cities, the City of Oakley incorporated in July 1999 in order to manage growth and improve law enforcement services through its own city police force. The City is situated in the eastern portion of the County, along the shore of the Sacramento-San Joaquin Delta, near the cities of Pittsburg, Antioch, and Brentwood. Close to the junction of Highways 4 and 160, with access to San Francisco, the Silicon Valley, and the state capital at Sacramento, Oakley is equidistant from San Francisco and Sacramento, at approximately 55 miles. The City also enjoys close proximity to major regional recreation areas, including Mt. Diablo State Park approximately 25 miles to the west, the Sierra Nevada Mountains 90 miles to the east and the Sacramento Delta waterway to the north.

The County. Situated northeast of San Francisco, Contra Costa County (the "County") is bounded by San Francisco and San Pablo Bays, the Sacramento River Delta, and by Alameda County on the south. Ranges of hills effectively divide the County into three distinct regions. The western portion, with its access to water, contains much of the County's heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part is also undergoing substantial change, from a rural, agricultural area, to a suburban region. The County has extensive and varied transportation facilities-ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco.

Municipal Government

The City was incorporated in 1999 as a general law city. The City's Council/Manager form of government is a system founded on the balance between the policy-setting functions of the City Council and the management expertise of an appointed City Manager. City Council members are each elected by popular vote of City residents to serve for four-year terms. A new mayor is selected each year on a rotating basis from its members. Numerous commissions, committees, and task forces operate in concert with the Council to address issues identified by staff and the community.

Population

The following chart indicates historic population estimates of the City, the County and the State of California, for the last five calendar years for which data is available.

HISTORICAL CITY, COUNTY AND STATE POPULATION DATA

<u>Year</u>	<u>City of Oakley</u>	<u>Contra Costa County</u>	<u>State of California</u>
2010	35,351	1,047,948	37,223,900
2011	35,998	1,056,306	37,427,946
2012	36,573	1,066,597	37,668,804
2013	37,308	1,076,429	37,984,138
2014	38,075	1,087,008	38,340,074

Source: California State Department of Finance, Demographic Research Unit, as of January 1.

Commercial Activity

Total taxable sales during calendar year 2012 in the City were reported to be \$132,691,000, a .56% increase over the total taxable sales of \$131,946,000 reported during calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City is presented in the following table.

CITY OF OAKLEY Taxable Retail Sales Number of Permits and Valuation of Taxable Transactions (Dollars in Thousands)

<u>Year</u>	<u>Retail Stores & Food Services</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2009	278	\$ 86,700	394	\$ 115,462
2010	290	92,756	407	124,283
2011	269	97,365	397	131,946
2012	278	98,355	410	132,691
2013 ⁽¹⁾	274	80,007	403	96,830

Source: California State Board of Equalization.

(1) Includes first three quarters of 2013. Data for the fourth quarter of 2013 and 2014 is not yet available.

Total taxable sales during calendar year 2012 in the County were reported to be \$13,997,249,000, an 8.5% increase over the total taxable sales of \$12,799,857,000 reported during calendar year 2011. The number of establishments selling merchandise subject to sales' tax and the valuation of taxable transactions in the County is presented in the following table:

CONTRA COSTA COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

Year	Retail Stores & Food Services		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	14,045	\$ 8,473,578	21,395	\$ 11,883,049
2010	14,423	8,716,393	21,784	11,953,846
2011	13,930	9,300,418	21,153	12,799,857
2012	14,343	10,062,437	21,504	13,997,249
2013 ⁽¹⁾	14,511	7,764,410	21,449	10,526,208

Source: California State Board of Equalization.

(1) Includes first three quarters of 2013. Data for the fourth quarter of 2013 and 2014 is not yet available.

Industry and Employment

As of November 2014, the County’s employment was approximately 518,600; unemployment was approximately 31,100 for a total civilian labor force of approximately 549,700. The unemployment rate was 5.7%. As of November 2014, the City’s employment was approximately 14,000; unemployment was approximately 600 for a total civilian labor force of approximately 14,600. The unemployment rate was 4.0%.

County Labor Force. Since 2009, the county’s labor force gained 13,800, to total 538,900 in 2013. After peaking at 11.1% in 2010, the unemployment rate declined to 7.4% in 2013. The County’s unemployment rate has been consistently lower than the rate for California in recent years.

County Employment by Industry. The County’s employment by industry numbers are not yet available for 2014. Contra Costa industry employment added 9,500 jobs from 2009 through 2013, a growth of 2.83%. Three industries contributed a total of 15,700 new jobs during the period 2009–2013: Professional and Business Services; Educational and Health Services; and Leisure and Hospitality. Within Leisure and Hospitality, Accommodation and Food Services recorded almost all of the growth (3,800 jobs). Employment gains in Professional and Business Services were distributed among three major sectors: Professional, Scientific and Technical Services (2,700); Management of Companies and Enterprises (700); and Administrative and Support and Waste Services (2,100). Educational and Health Services gained 5,800, growth of 9.9 percent. During this same period, job loss was recorded in several industries: Manufacturing; Information; Financial Activities; and Government.

The civilian labor force, employment and unemployment and industry employment for the County of Contra Costa is outlined in the following table for the past five years from 2009 through 2013.

COUNTY OF CONTRA COSTA

**Civilian Labor Force, Employment and Unemployment & Employment by Industry
(Annual Averages)⁽¹⁾**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Civilian Labor Force:</u> ⁽²⁾	525,100	524,200	529,200	535,700	538,900
Employment	471,700	465,900	474,300	487,800	499,100
Unemployment	53,400	58,300	54,800	48,000	39,800
Unemployment Rate	10.2%	11.1%	10.4%	9.0%	7.4%
<u>Employment by Industry:</u> ⁽³⁾					
Total, All Industries	326,600	317,200	318,100	326,600	336,100
Total Farm	800	700	800	800	1,000
Total Non-Farm	325,900	316,500	317,300	325,800	335,100
Good Producing	39,900	36,600	35,200	37,100	37,400
Mining, Logging and Construction	21,200	18,300	17,800	19,700	21,600
Manufacturing	18,700	18,300	17,400	17,400	15,800
Service Providing	286,000	279,900	282,000	288,700	297,800
Trade, Transportation & Utilities	57,300	55,900	56,500	57,400	58,100
Information	10,400	9,600	9,000	8,400	8,500
Financial Activities	25,700	25,300	24,800	25,300	25,300
Professional & Business Services	45,900	43,800	45,900	48,000	51,300
Educational & Health Services	52,900	53,000	53,500	55,700	58,700
Leisure and Hospitality	31,200	31,300	32,300	33,500	35,700
Other Services	11,700	11,800	12,400	12,400	12,100
Government	51,300	49,200	47,800	47,900	48,100

Source: State of California Employment Development Department.

- (1) Data is not seasonally adjusted. Data may not add due to rounding.
- (2) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
- (3) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Construction

The following tables show a five- year summary of the valuation of building permits issued in the City and a five-year summary in the County.

CITY OF OAKLEY Total Building Permit Valuations (valuations in thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u> ⁽¹⁾
Residential					
Single Family	\$ 43,185,767	\$ 20,530,394	\$ 36,596,124	\$ 58,062,968	\$ 24,451,787
Multi-Family Dwelling	3,309,595	0	1,630,441	3,939,866	0
Alterations/Additions	<u>1,105,005</u>	<u>1,021,430</u>	<u>742,012</u>	<u>902,361</u>	<u>809,265</u>
Total Residential:	\$ 47,600,367	\$ 21,551,824	\$ 38,968,577	\$ 62,905,195	\$25,261,052
Non-Residential					
New Commercial	\$ 0	\$ 0	\$ 1,957,114	\$ 0	\$ 1,555,647
New Industrial	0	0	15,000	40,000	0
New Other	966,166	577,614	1,312,542	1,314,204	961,980
Alterations/Additions	<u>795,691</u>	<u>424,500</u>	<u>93,900</u>	<u>1,799,965</u>	<u>949,364</u>
Total Non-Residential:	\$ 1,761,857	\$1,002,114	\$ 3,378,556	\$ 3,154,169	\$ 3,466,991
Total Building Permit Valuation:	\$ 49,362,224	\$22,553,938	\$42,347,133	\$ 66,059,364	\$ 28,728,043
New Dwelling Units					
Single Family	166	77	146	206	77
Multi-Family	<u>44</u>	<u>0</u>	<u>44</u>	<u>30</u>	<u>0</u>
Total:	210	77	190	236	77

Source: Construction Industry Research Board, *Building Permit Summary*.

(1) 2014 numbers are through November 2014.

COUNTY OF CONTRA COSTA
Total Building Permit Valuations
(valuations in thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014⁽¹⁾</u>
Residential					
Single Family	\$ 237,457,990	\$ 211,417,860	\$ 340,255,658	\$ 469,376,459	\$ 381,648,398
Multi-Family Dwelling	106,555,397	47,304,215	54,884,765	62,799,697	75,550,326
Alterations/Additions	<u>209,044,439</u>	<u>197,218,990</u>	<u>179,471,670</u>	<u>195,787,426</u>	<u>237,315,118</u>
Total Residential:	\$ 553,057,826	\$ 455,941,065	\$ 574,612,093	\$ 727,963,582	\$ 694,513,842
Non-Residential					
New Commercial	\$ 38,093,540	\$ 12,389,015	\$ 41,233,596	\$ 27,946,785	\$ 134,242,721
New Industrial	29,619,448	7,187,991	7,000,791	8,927,774	20,836,514
New Other	47,510,661	55,825,499	42,220,483	76,946,019	51,527,362
Alterations/Additions	<u>170,193,776</u>	<u>214,521,008</u>	<u>124,147,158</u>	<u>220,737,032</u>	<u>173,130,318</u>
Total Non-Residential:	\$ 285,417,425	\$ 289,923,513	\$ 214,602,028	\$ 334,557,610	\$ 379,736,915
Total Building Permit Valuations:	\$ 838,475,251	\$ 745,864,578	\$ 789,214,121	\$1,062,521,192	\$ 1,074,250,757
New Dwelling Units					
Single Family	890	718	1,188	1,585	1,349
Multi-Family	<u>890</u>	<u>355</u>	<u>534</u>	<u>370</u>	<u>525</u>
Total:	1,699	1,073	1,722	1,955	1,874

Source: Construction Industry Research Board, *Building Permit Summary*.

(1) 2014 numbers are through November 2014.

Assessed Valuation

The following table shows a ten-year history of assessed valuations in the City:

CITY OF OAKLEY ASSESSED VALUATIONS Fiscal Years 2005-06 through 2014-15

<u>Fiscal Year</u>	<u>Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2005-06	\$ 1,398,339,162	\$ 712,644	\$ 71,050,542	\$ 1,470,102,348
2006-07	1,733,961,994	1,184,044	80,743,551	1,815,889,589
2007-08	1,927,903,868	872,467	87,191,974	2,015,968,309
2008-09	1,785,673,983	403,948	94,770,275	1,880,848,206
2009-10	1,603,872,653	151,584	97,960,445	1,701,984,682
2010-11	1,526,172,355	151,584	92,926,737	1,619,250,676
2011-12	1,507,516,383	151,584	57,995,143	1,565,663,110
2012-13	1,475,641,653	57,878	56,667,283	1,532,366,814
2013-14	1,514,792,956	57,878	55,369,790	1,570,220,624
2014-15	1,706,057,369	57,878	56,338,414	1,762,453,661

Source: California Municipal Statistics, Inc.

Utilities

Gas and electric service in the City is provided by Pacific Gas & Electric. Telephone service is provided by AT&T. Water is supplied by City wells and the Diablo Valley Water District through the City water lines and filtration plant. Sewer service is supplied by Iron Horse Sanitary District. Oakley Disposal Service provides residential and commercial garbage recycling and green waste collection and recycling service to the City of Oakley.

Education

The City is part of the Oakley and Liberty Union School Districts which provide K-12 public education needs. There is one high school and one continuation high school, two middle schools and five elementary schools located in the City.

Near the City are four colleges: Los Medanos Community College in Pittsburg, Diablo Valley College in Concord and San Joaquin Delta Community College and Contra Costa College in San Pablo.

Transportation

The City, located near the cities of Antioch and Brentwood, is in close proximity to a highly developed transportation network. State Highway 4 runs in an east/west direction near the City, intersecting Interstate 680 near Martinez and Interstate 80 in Hercules. To the east, Highway 4 leads to Stockton where it intersects with Interstate 5. The highways provide the City with access to major regional workplace and recreation areas. The City is close to both regional and international airports - Concord Airport, Stockton Airport and Oakland International Airport. The City is also served by bus lines and railroads. Tri-Delta Transit is a local bus service provider for Oakley residents and Eastern Contra Costa residents. Bay Area Rapid Transit ("BART") provides a bus service from Antioch connecting to the existing Concord and Pittsburg BART stations. BART continues to expand into the east County area with construction of a new BART extension to Antioch currently underway and a future extension planned to Brentwood.

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APPENDIX C
CITY AUDITED FINANCIAL STATEMENTS

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**CITY OF OAKLEY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

**PREPARED BY THE
FINANCE DEPARTMENT**

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CITY OF OAKLEY, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

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3231 Main Street
Oakley, CA 94561
925 625 7000 tel
925 625 9859 fax
www.ci.oakley.ca.us

December 13, 2014

To the Citizens of the City of Oakley,
and Honorable Members of the City Council

MAYOR

Randy Pope

VICE MAYOR

Doug Hardcastle

COUNCILMEMBERS

Diane Burgis
Kevin Romick
Carol Rios

We are pleased to submit to you the City of Oakley's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This report is published in accordance with State law that requires financial statements be presented in conformity with accounting principles generally accepted in the United States of America, and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. It is also prepared to meet reporting standards set forth by the Governmental Finance Officers Association.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and the changes in financial position of the governmental activities and the various funds of the City; and includes all disclosure necessary to enable the reader to gain an understanding of the City's financial affairs.

CITY PROFILE

The City of Oakley is a community of approximately 38,075 located in the eastern portion of Contra Costa County in the San Francisco Bay Area. The City entity is a California corporate municipality incorporated on July 1, 1999, and operated under a Council-City Manager structure of government. The City Council is comprised of five members elected by the Voters city-wide, serving in staggered 4 year terms. The Council hires a City Manager to run the City's day to day operations.

The City provides the following services: Legislative; Administrative; Building and Safety; Planning; Engineering; Streets, Parks and Landscaping Maintenance; Recreation; and Police Protection. Sewer, Water, Transit, Irrigation, Mosquito Abatement, Flood Control, Schools, and Fire Protection Services are all provided by local special districts with their own governing boards. The City contracts for sanitation service with a local firm under a long-term franchise agreement.

FINANCIAL INFORMATION

Discussion and analysis of the City's finances can be found in the MD&A section of the attached report. The information below includes a summary of what is recorded in the General Fund and certain Other Financial Information of ongoing interest but not included in the MD&A.

The Financial Statements presented in this CAFR include the City and its component unit, the Oakley Public Financing Authority. They are blended in the report since they are governed by the City Council sitting in a separate capacity or provide services exclusively to the City. The Oakley Redevelopment Agency was dissolved on January 31, 2012, and its assets and liabilities were transferred to the City, as Housing Successor, and to a Successor Agency. The Successor Agency is reported as a Private Purpose Trust Fund, since it is legally a separate Entity and its decisions and governance subject to the approval of parties other than the City Council.

Each year, the City Council holds a strategic planning discussion and adopts a budget to direct the allocation of City resources in accordance with its strategic planning priorities. The process typically begins in January with internal budget reviews, followed by a strategic planning session in March, a budget workshop in May to discuss a Proposed Budget, and adoption of a final Recommended Budget in June. The City operates on a fiscal year that begins each July 1 and ends on June 30. The adopted Budget includes the annual update of the City's Comprehensive Statement of Financial Policies, which serves as a framework for its financial practices, an update to its 10 Year Plan, and budgets for each of the funds under the City's control. Budgetary control is established at the Fund level.

The City's General Fund is its primary operating fund, and is used to account for Legislative, Administrative Services, Community Development, Recreation, Police and Public Works operations, and is where the City accounts for all its general purpose revenues. It is distinguished from the City's other governmental funds that are used to account for special purpose revenues, capital projects, debt service activities, and monies held for the benefit of others.

Debt Management

The City generally does not incur debt, except in instances where there will be long-term benefits or where no other method of acquiring an asset is possible. Equipment purchases are generally funded through the City's Equipment Replacement Fund or with current revenues.

Reserves

The City has sufficient reserves to meet its current and immediate future obligations. The Statement of Financial Policies contains reserve policies and the City's Adopted Budget

includes a 10 Year Plan which highlights the impact of near term decisions on fund balances and reserves during the 10 year period. Furthermore, in order to maintain the 10 Year Plan's relevance, twice each year (at budget adoption and again at mid-year), the City reviews and updates the assumptions used in the Plan.

2013-2014 Financial Statement Impacts/Redevelopment Agency Dissolution

The State passed legislation in June 2011 that resulted in the dissolution of redevelopment agencies throughout the State effective January 31, 2012. The legislation was further amended and revised in June of 2012. Collectively, the legislation is referred to as the Dissolution Act. The process of implementing the Act resulted in uncertainties and litigation relating to the process. The City, Successor Agency, and State Department of Finance settled the litigation in July 2014, removing these uncertainties and allowing the Agency to resume moving forward in the process of winding down the Agency's affairs. The effects of the settlement are discussed in greater detail in the Financial Statement footnotes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the budget for fiscal year 2014-2015, management considered the following significant factors likely to affect the financial condition of the City:

- Housing prices have strengthened and building activity has begun to increase. Property tax growth was estimated at 8%, reflecting the newfound market strength, offset by conservative estimates of what the County Assessor might or might not reflect in his assessed values. In addition, the City projected developers will complete 180 new homes in fiscal year 2014-2015, similar to the increased levels seen in fiscal year 2013-2014 compared to prior years.
- The City received news from the County that police services costs would be increasing by nearly 10% vs. fiscal year 2013-2014. This meant that public safety budgeting would remain focused on maintaining existing levels of service, as increases have, for the moment, become too expensive. The Council instructed Staff to continue studying the possibility of a more cost effective long-term approach to providing police services.
- The City had accumulated reserves well in excess of its adopted policy level of 20% of anticipated General Fund expenditures. With all of the news supporting an expectation that the recession was finally over, the Council has once again begun the appropriation of the excess to fund one-time additional infrastructure and economic development investments.

While the budget news was generally good, the City Council continues to support a budget process that uses recurring revenues for recurring expenditures and allocates one-time funds for one-time purposes, reflecting their commitment to conservative budgeting, controlling costs, and using the City's revenues wisely.

THE LOCAL AND REGIONAL ECONOMIES

Oakley's local commercial economy was affected by the larger downturn being experienced across the country and seemingly everywhere, and while commercial activity in the region has improved, commercial vacancies in nearby cities remain a viable and competing alternative to new ground-up construction in Oakley. While new development and City initiatives bring infrastructure improvements and attractive new neighborhoods, these investments also support the City's efforts to attract new businesses and expand existing local employment opportunities. Thus, while near-term growth in the local economy may remain slower, the City is taking the steps necessary to realize its potential, and its long-term prospects remain favorable.

Like most small cities in metropolitan areas, Oakley's economy is influenced strongly by the regional economy. It rises as the region expands, and falls as the region contracts.

The greater San Francisco Bay Area economy has improved remarkably this last year and employment for the City's residents has improved yet again. City unemployment as of August 2014 was 4.3%, down from 5.3% in August 2013.

INDEPENDENT AUDITORS

State statutes require an annual audit by independent certified public accountants. The accounting firm of Maze & Associates has been engaged by the City to conduct this year's audit. The auditor's report on the basic financial statements and combining individual fund statements and schedules is included in the financial section of the report.

AWARDS FOR EXCELLENCE IN FINANCIAL REPORTING

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 Oakley for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the fourteenth consecutive year that the government has achieved the award. To receive the award, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

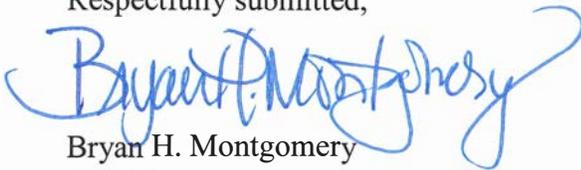
AVAILABILITY TO THE PUBLIC

Once accepted by the Council, the report will be made available to the Public at the City Offices, on the City's website (www.oakleyinfo.com), at State repositories, and by providing copies to the City's bond disclosure dissemination agent.

CONCLUSION

We are proud to deliver to you the City's Comprehensive Annual Financial Report for the year ended June 30, 2014. The preparation of this report on a timely basis could not be accomplished without the dedicated services of Finance Department staff and the assistance of many others in the City organization. We would like to express our appreciation to everyone who contributed to its preparation and thank you for your continued support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Bryan H. Montgomery
City Manager



Paul Abelson
Finance Director



CITIZENS OF OAKLEY

CITY COUNCIL

CITY ATTORNEY

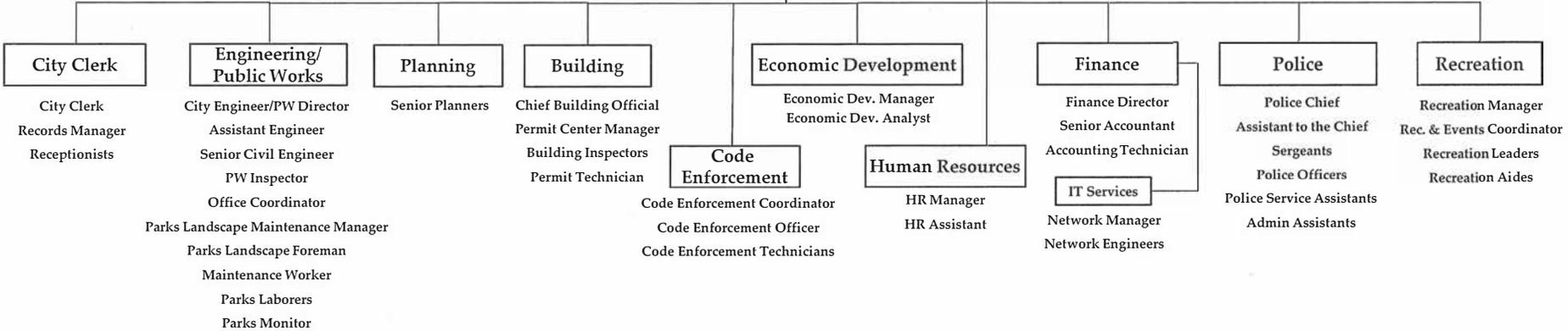
City Attorney
Special Counsel
Paralegal

CITY MANAGER

Assistant to the City Manager

Maintenance Custodian

You, Me, We = Oakley
Program Coordinator



X

CITY OF OAKLEY
ELECTED OFFICIALS AND
ADMINISTRATIVE PERSONNEL

JUNE 30, 2014

ELECTED OFFICIALS

Mayor	Randy Pope
Vice-Mayor	Doug Hardcastle
Council Member	Diane Burgis
Council Member	Carol Rios
Council Member	Kevin Romick

ADMINISTRATIVE PERSONNEL

City Manager
City Attorney
Finance Director
Chief of Police
City Clerk
City Engineer
Building Official

Bryan H. Montgomery
Derek Cole
Paul Abelson
Dan Gomez
Libby Vreonis
Kevin Rohani
Doug Simms



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Oakley
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Oakley, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Oakley as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund of the City as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 15, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Oakley Redevelopment Agency has been dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012. Certain transactions undertaken by the Oakley Redevelopment Agency prior to the date of dissolution may be subject to review by the State as discussed in Note 15, but the effect of that review cannot be determined as of June 30, 2014.

The City's position on these matters is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the accompanying financial statements.

AB1484 requires the Successor Agency to complete two Due Diligence Reviews (DDR) to determine the amount of the remaining assets that should be transferred by the City to the Successor Agency or by the Successor Agency to the County for distribution to the affected taxing entities. In August 2013, the State Department of Finance (DOF) completed its review of the DDR of the Low and Moderate Housing Fund's cash balance available for allocation to the affected taxing entities. The DDR indicated assets totaling \$1,956 were to be returned, but that amount was adjusted by the DOF to \$537,576. The Successor Agency complied with a portion the DOF's determination by transmitting a payment of \$71,556 to the County Auditor-Controller in August 2013, but the City disputed the remaining balance due of \$466,020. In October 2013, the DOF completed its review of the DDR of all other funds of the former Redevelopment Agency. The DDR indicated there were no assets available for allocation to the affected taxing entities, but that amount was adjusted by the DOF to \$952,264. The City disputed the adjustments.

Also as discussed in Note 15, prior to the Redevelopment Agency dissolution, the City, acting under a Cooperation Agreement with the Agency, approved a loan agreement which obligated certain Redevelopment funds. The loan agreement was rejected by the Department of Finance (Department). The City and Department have met and conferred to settle the matter and the Department determined that it is not an enforceable obligation of the Successor Agency at this time. Management continued to believe this transaction was valid and filed a lawsuit against the Department related to this matter and the DDR adjustments.

The City entered into a settlement agreement in July 2014 with the State Department of Finance and the Contra Costa County Auditor-Controller to resolve the disputes discussed above. With the execution of the settlement agreement, the litigation was dismissed on July 23, 2014. Under the terms of the settlement agreement, the City agrees to transfer \$1,450,500 to the Successor Agency that represents the value of the Development and Disposition Agreement related to the Manuel's Five Star Restaurant, Inc., less \$124,500 for the administrative allowance and bond administration expenses previously withheld by the Department of Finance. With the transfer of funds, the City will acquire all rights and interest in the DDA and the associated loan receivable from Manuel's Five Star Restaurant, Inc. will be transferred from the Successor Agency to the City.

After the transfer of funds from the City to the Successor Agency, the Successor Agency is to remit \$1,418,284 to the County Auditor-Controller that represents the total of the amounts remaining in the Low and Moderate Housing Fund DDR (\$466,020) and the DDR of all other funds (\$952,264). The Successor Agency remitted the payments on August 14, 2014, and the Department of Finance issue the Successor Agency a Finding of Completion on August 15, 2014.

In addition, the City agreed that it will not pursue the repayment from the Successor Agency of the housing related advance to the former Redevelopment Agency discussed in Note 15A, and will not seek payment from the Successor Agency for City administration of certain housing programs.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Pleasant Hill, California
December 15, 2014

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MANAGEMENT’S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Oakley’s financial performance for the fiscal year ended June 30, 2014, provides an overview of year ending results based on the government-wide statements, an analysis on the City’s overall financial position and results of operations to assist users in evaluating the City’s financial position, and discussions of both significant changes that occurred in funds and significant budget variances. In addition, it describes the activities during the year for capital assets and long-term debt. It concludes with a description of currently known facts, decisions, and conditions that are expected to have a significant effect on the financial position or results of operations. Please read this MD&A in conjunction with the City’s financial statements.

FINANCIAL HIGHLIGHTS

- Government-wide net position decreased by \$1.0 million, or 0.5 percent this year.
- Government-wide program expenditures exceeded program revenues by \$9.9 million.
- General Fund revenues were \$311,000 more than budgeted; expenditures were \$1,274,000 less than budgeted.
- The General Fund balance at the end of the year was \$12.4 million, of which \$7.8 million was available/unassigned.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities (on pages 16 and 17) provide information about the activities of the City as a whole and present a long-term view of the City’s finances. Fund financial statements start on page 20. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds and other funds. The remaining fiduciary fund statement provides financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities:

Our analysis of the City as a whole begins on page 7. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities to answer this question. These statements include all assets, deferred outflows/inflows of resources and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and *changes in net position*. Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, which is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position is an indication of whether its *financial health* is improving or deteriorating. To put the City's financial health in perspective, you will likely need to consider certain non-financial factors, such as changes in the economy, that impact consumer spending or property values. In the statement of Net Position and the Statement of Activities, we include City Activities from two categories:

Governmental activities – Most of the City's basic services are reported in this category, and include: general government (city manager, city clerk, finance, etc.), community development (planning, building and public works), police protection, and recreation. Property taxes, sales tax, transient occupancy tax, user fees, interest income, franchise fees, state and federal grants, contributions from other agencies, and other revenues finance these activities.

Component unit activities – The City includes one additional legal entity in its report – the Oakley Public Financing Authority. Although legally separate, the City is financially accountable for this "component unit".

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds (called "major" funds) and other funds (called "non-major" funds) – not the City as a whole. Some funds are required by State law and/or by bond covenants; however, management has established other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for the use of certain taxes, grants, and other resources. The City's funds are classified as Governmental Funds, Proprietary Funds or Fiduciary Funds.

Governmental Funds

Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary Funds - Internal Service Activities

The City has established Equipment Replacement and Capital Facilities Maintenance and Replacement Internal Services Funds. Internal Service Funds are operated in a manner similar to a private business enterprise. In the case of the Equipment Replacement Fund, it charges the other City funds to accumulate amounts sufficient to replace the equipment at the end of its useful life. The Capital Facilities Maintenance and Replacement Fund charges the other City Funds to accumulate amounts sufficient pay for major repairs and building systems replacements when they may occur. These Funds are reported using the *accrual basis of accounting*.

Trust and Agency Funds - Reporting the City's Fiduciary Responsibilities

The City is the trustee, or *fiduciary*, for certain funds held on behalf of bondholders and other governmental agencies. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the City's other financial statements because the City doesn't own these assets and cannot use them to finance its operations. The City is the Successor Agency to the Oakley Redevelopment Agency; and the Successor Agency's assets and liabilities are accounted for in a private purpose trust fund reported with the City's other fiduciary funds.

THE CITY AS A WHOLE

For fiscal year 2013-2014 the City's combined net position decreased \$1.0 million from \$190.3 million to \$189.3 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental activities.

Table 1
 Net Position
 As of June 30, 2014 and 2013
 (In Millions)

Governmental Activities	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current and restricted assets	\$ 46.2	\$ 47.7
Capital assets	<u>154.3</u>	<u>154.9</u>
Total Assets	<u>200.5</u>	<u>202.6</u>
<u>Liabilities</u>		
Long-term liabilities outstanding	7.0	7.2
Other liabilities	<u>4.2</u>	<u>5.1</u>
Total Liabilities	<u>11.2</u>	<u>12.3</u>
<u>Net Position</u>		
Net Investment in Capital Assets	147.9	148.3
Restricted	27.1	29.0
Unrestricted	<u>14.3</u>	<u>13.0</u>
Total Net Position	<u>\$189.3</u>	<u>\$190.3</u>

The City's Net Position is made-up of three components: Net Investment in Capital Assets; Restricted Net Position; and Unrestricted Net Position. Net Investment in Capital Assets, the part of net position representing capital assets, and principally infrastructure assets, accounts for the majority of the City's governmental activities net position.

The decrease in Net Investment in Capital Assets resulted primarily from depreciation on the City's infrastructure.

The decrease in Restricted Net Position is primarily due to a reduction in the funds restricted for capital projects.

The increase in Unrestricted Net Position is primarily attributed to strong performance in the City's General Fund.

Table 2
 Changes in Net Position
 As of June 30, 2014 and 2013
 (In Millions)

Governmental Activities	<u>2014</u>	<u>2013</u>
REVENUES		
<u>Program revenues:</u>		
Charges for Services	\$ 8.2	\$ 8.2
Operating Grants and Contributions	1.5	1.4
Capital Grants and Contributions	2.6	3.4
<u>General revenues:</u>		
Property tax	4.5	4.4
Sales tax	1.5	1.6
Other taxes	1.5	1.4
Use of money and property	0.4	0.4
Miscellaneous	<u>1.0</u>	<u>1.0</u>
Total Revenues	<u>21.2</u>	<u>21.8</u>
EXPENSES		
Legislative	0.4	0.5
Administrative Services	1.3	1.0
Law Enforcement	7.7	7.4
Community Development	1.8	1.8
Public Works	10.2	9.6
Recreation	0.5	0.4
Interest on long-term debt	<u>0.3</u>	<u>0.3</u>
Total Expenses	<u>22.2</u>	<u>21.0</u>
Change in Net Position	(1.0)	0.8
Net Position – Beginning	<u>190.3</u>	<u>189.5</u>
Net Position – Ending	<u>\$189.3</u>	<u>\$190.3</u>

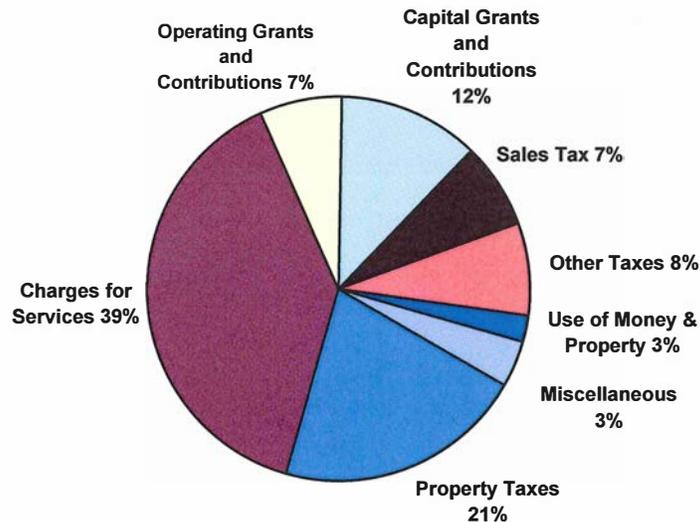
Governmental Activities

Total revenue was \$21.2 million. The largest component this year was Charges for Services, which was unchanged from 2013. Most other categories also experienced no or little change. Capital Grants and Contributions was the exception; it decreased by \$0.8 million. In 2013, capital grants and contributions were higher due to the inclusion of a one-time receipt of project funds from the Highway 4 Bypass Authority.

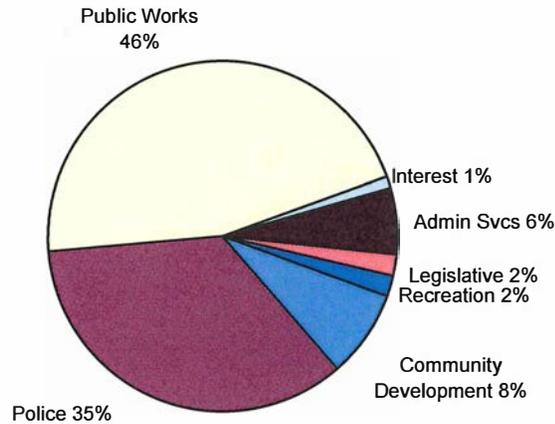
Total expenses were \$22.2 million. Public Works, with \$10.2 million of expenses, represented the largest component of total governmental expenses. The \$0.6 million increase in Public Works expenses resulted from increased seasonal staff; lighting zone costs, remedial maintenance work and depreciation expense. Administrative Services increased \$0.3 due in large part to its inclusion of \$81 thousand in downtown signage and outdoor furnishings and the accrual of \$135 thousand for the future repayment to the State Board of Equalization for corrections to a prior allocation of sales tax. Law Enforcement expenses increased by \$0.3 million, reflecting increased County charges for police officers provided to the City under the City's police services contract.

Fiscal Year 2014 Government Activities

Sources of Revenues



Functional Expenses



THE CITY'S FUNDS

On page 20, the governmental funds balance sheet is shown. The combined fund balance was \$29.8 million, a decrease of \$0.2 million. The largest contributors to the change in fund balance were a decrease in the Traffic Impact Fee Fund (\$1.7 million), resulting from increased capital investment, offset in large part from an increase from General Fund operations (\$1.4 million). The combined fund balance includes the General Fund balance of \$12.4 million.

The General Fund balance increased by \$1.4 million from the prior year. This was a smaller increase than in 2013, when fund balances increased \$2.2 million. Revenues declined \$0.3 million due primarily to decreases in one time revenues; and expenditures increased \$0.3 million due primarily to increases in Administrative Services, for signage and other furnishings in the Downtown, and Public Works, reflecting an increase in General Fund activities. General Fund Unassigned fund balances increased by \$1.7 million.

General Fund revenues were \$1.7 million more than expenditures before transfers.

Other major funds and non-major fund balance changes are noted below:

- The Lighting and Landscaping Fund balance increased \$0.5 million to \$6.4 million, as operating revenues exceeded operating expenditures for the year.
- The Traffic Impact Fee Fund balance decreased by \$1.7 million to \$5.0 million due primarily to increased Capital Outlay.

- The non-major Gas Tax Fund balance decreased \$0.5 million primarily due to increased capital outlay.
- The non-major Park Impact Fees Fund balance increased by \$0.5 million with the receipt of State reimbursement grant funds related to a completed creek restoration project in a City park.
- The non-major Childcare Impact Fees Fund balance decreased \$0.4 million, resulting from the City's first of three payments to a grant recipient for development of a childcare facility.

General Fund Budgetary Highlights

For the City's General Fund, actual revenues of \$9.8 million were \$311,000 more than the final budgeted revenues of \$9.4 million. Property, sales and other tax revenues exceeded budget by \$245,000, and licenses and permit revenues exceeded budget by \$137,000. Original budgeted General Fund revenues were increased by approximately \$96,000 during the year, reflecting improving views on the state of the economic recovery, offset largely by an action by the State to deny funding a portion of an annual Successor Agency administrative fee.

Actual General Fund expenditures were \$8.0 million, \$1.27 million less than final budget of \$9.3 million. Savings were primarily in law enforcement, where expenditures were \$893,000 less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the City had \$154.3 million invested in a broad range of capital assets including land, streets, bridges, drainage systems, traffic lights, parks, buildings, vehicles and equipment. (See Table 3).

Table 3
Capital Assets
As of June 30, 2014 and 2013
(In Millions)

Governmental Activities	<u>2014</u>	<u>2013</u>
Non Depreciable		
- Land	\$9.3	\$ 9.3
- Construction in progress	4.1	8.3
Depreciable, net of accumulated depreciation:		
- Machinery, equipment and vehicles	0.7	0.8
- Buildings and improvements	7.2	7.2
- Park improvements	7.9	7.0
- Infrastructure	<u>125.1</u>	<u>122.3</u>
Total Capital Assets	<u>\$154.3</u>	<u>\$154.9</u>

Capital assets decreased by \$0.6 million during fiscal year 2013-2014 as depreciation exceeded new asset additions.

The City's fiscal year 2014-2015 capital improvement budget calls for it to spend \$5.8 million for new capital projects, the majority being the construction of roadways, drainage, and landscaping improvements. The work projects will be financed primarily with Traffic Impact fees, General Fund allocations, and grant funds. Additional information about the capital assets can be found in Note 7 of the financial statements.

Debt

At year-end, the City's governmental activities had \$7.0 million as shown in Table 4. The decrease of \$0.2 from a year ago is due to payment of scheduled debt service. No new debt was issued in the current year. Additional information about the City's debt can be found in Note 8 of the financial statements.

Table 4
Outstanding Debt at Year-End
(In Millions)

Governmental Activities	<u>2014</u>	<u>2013</u>
2006 Certificates of Participation	<u>7.0</u>	<u>7.2</u>
Total Debt	<u>\$ 7.0</u>	<u>\$ 7.2</u>

During the year, the City made all of its current year debt service payments in a timely manner.

CONTACTING THE CITY FOR FINANCIAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department at the City offices at 3231 Main Street, Oakley, California, by calling (925) 625-7010, or forwarding your inquiry via the "contact us" page on the City's website (www.oakleyinfo.com). This CAFR, as well as other financial documents, is posted in the Finance Department section of the City's website.

CITY OF OAKLEY

**STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and deferred outflows of resources and all its liabilities and deferred inflows of resources, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the City's Net Position, by subtracting total liabilities from total assets.

The Statement of Net Position summarizes the financial position of all of the City's Governmental Activities in a single column. The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds.

The Statement of Activities reports increases and decreases in the City's Net Position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental program. The City's general revenues are then listed in the Governmental Activities and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City and the Oakley Public Financing Authority, which is legally separate but are component units of the City because it is controlled by the City, which is financially accountable for the activities of the entity.

CITY OF OAKLEY
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
ASSETS	
Cash and investments available for operations (Note 3)	\$29,955,038
Cash and investments with fiscal agent (Note 3)	574,685
Accounts receivable, net of allowance for doubtful accounts (Note 1F)	1,558,282
Interest receivable	13,341
Prepays and deposits	22,832
Loans receivable (Note 5)	11,847,641
Land held for resale (Note 6)	2,222,235
Capital assets (Note 7):	
Land and construction in progress	13,322,982
Depreciable, net	140,931,286
Total Assets	200,448,322
LIABILITIES	
Accounts payable	1,723,124
Accrued liabilities	193,270
Deposits payable	1,009,893
Unearned revenue	872,222
Interest payable	49,439
Claims payable - due in one year (Note 13)	25,000
Compensated absences (Note 1H):	
Due within one year	184,927
Due in more than one year	181,512
Long-term debt (Note 8):	
Due within one year	265,000
Due in more than one year	6,690,000
Total Liabilities	11,194,387
NET POSITION (Note 10)	
Net investment in capital assets	147,873,953
Restricted for:	
Capital projects	17,657,686
Debt service	93
Low and moderate income housing	9,383,859
Total Restricted Net Position	27,041,638
Unrestricted net position	14,338,344
Total Net Position	\$189,253,935

See accompanying notes to financial statements

CITY OF OAKLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Legislative	\$445,731				(\$445,731)
Administrative Services	1,301,361	\$265,859	\$130,000		(905,502)
Community Development	1,818,749	1,154,157	24,397	\$513,805	(126,390)
Public Works	10,176,857	3,498,824	1,105,043	2,111,050	(3,461,940)
Housing Programs	8,279				(8,279)
Law Enforcement	7,694,485	3,232,109	171,752		(4,290,624)
Recreation	478,070	69,168	72,031		(336,871)
Interest and fiscal charges	316,972				(316,972)
Total Governmental Activities	\$22,240,504	\$8,220,117	\$1,503,223	\$2,624,855	(9,892,309)
General revenues:					
Taxes:					
Property taxes					4,499,522
Sales taxes					1,520,884
Other taxes					1,536,193
Intergovernmental, unrestricted:					
Motor vehicle in lieu					15,804
Use of money and property					435,725
Miscellaneous					871,215
Total General Revenues					8,879,343
Change in Net Position					(1,012,966)
Net Position-Beginning					190,266,901
Net Position-Ending					\$189,253,935

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2014. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues deposited in the General Fund include property tax, sales tax, franchise fees, business licenses, fines and forfeitures and fees for services. This fund is used to finance most of the City's basic services including Legislative, General Administration, Law Enforcement, Public Works and Community Development.

LIGHTING AND LANDSCAPING DISTRICTS SPECIAL REVENUE FUND

This fund accounts for assessments made upon parcels of land within the Lighting and Landscaping Zones #1, #2 and #3 and their use in accordance with the provisions of the State of California Streets and Highway Code.

PUBLIC PROTECTION SPECIAL REVENUE FUND

This fund accounts for dedicated Police Services Special Taxes and State COPS program funds.

LOW AND MODERATE INCOME HOUSING ASSET SPECIAL REVENUE FUND

This fund accounts for the housing assets of the former Oakley Redevelopment Agency and loan repayments restricted to low and moderate income housing projects.

TRAFFIC IMPACT FEES CAPITAL PROJECTS FUND

This fund accounts for fees assessed on new development to provide street and road improvements.

CITY OF OAKLEY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General	Lighting and Landscaping Districts	Public Protection	Low and Moderate Income Housing Asset	Traffic Impact Fees
ASSETS					
Cash and investments available for operations (Note 3)	\$9,030,853	\$6,795,910	\$213,152	\$56,618	\$4,955,037
Cash and investments with fiscal agent (Note 3)					
Accounts receivable, net of allowance for doubtful accounts (Note 1F)	922,043	13,135	8,828		
Interest receivable	4,691	2,953	(25)		2,271
Due from other funds (Note 4C)	8,279				
Prepays and deposits	22,832				
Loans receivable (Note 5)	1,161,299			10,686,342	
Advances to other funds (Note 4B)	247,715				682,679
Land held for resale (Note 6)	2,222,235				
Total Assets	\$13,619,947	\$6,811,998	\$221,955	\$10,742,960	\$5,639,987
LIABILITIES					
Accounts payable	\$683,049	\$254,265			\$389,697
Accrued liabilities	57,710				
Due to other funds (Note 4C)				\$8,279	
Deposits payable	782				
Unearned revenue	301,183		\$221,955		114,042
Advances from other funds (Note 4B)		97,715		1,350,822	
Total Liabilities	1,042,724	351,980	221,955	1,359,101	503,739
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - accounts receivable	195,262	13,135			
Unavailable revenue - loans receivable				10,686,342	
Unavailable revenue - interest on advances to other funds					96,503
Total Deferred Inflows of Resources	195,262	13,135		10,686,342	96,503
FUND BALANCES					
Fund balance (Note 10):					
Nonspendable	3,654,081				
Restricted	559,498	6,446,883			5,039,745
Assigned	331,289				
Unassigned	7,837,093			(1,302,483)	
TOTAL FUND BALANCES (DEFICITS)	12,381,961	6,446,883		(1,302,483)	5,039,745
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$13,619,947	\$6,811,998	\$221,955	\$10,742,960	\$5,639,987

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$7,248,830	\$28,300,400
574,685	574,685
614,276	1,558,282
2,720	12,610
	8,279
	22,832
	11,847,641
668,143	1,598,537
	2,222,235
<u>\$9,108,654</u>	<u>\$46,145,501</u>
\$370,273	\$1,697,284
683	58,393
	8,279
1,009,111	1,009,893
235,042	872,222
150,000	1,598,537
<u>1,765,109</u>	<u>5,244,608</u>
	208,397
	10,686,342
94,447	190,950
<u>94,447</u>	<u>11,085,689</u>
	3,654,081
6,745,836	18,791,962
668,457	999,746
(165,195)	6,369,415
<u>7,249,098</u>	<u>29,815,204</u>
<u>\$9,108,654</u>	<u>\$46,145,501</u>

CITY OF OAKLEY
 Reconciliation of the
 GOVERNMENTAL FUNDS - BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances reported on the governmental funds balance sheet: \$29,815,204

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Government Funds. 154,254,268

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance, to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the Statement of Net Position. 1,629,529

NON-CURRENT REVENUES

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 11,085,689

LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Long-term debt	(6,955,000)
Accrued liabilities	(134,877)
Interest payable	(49,439)
Compensated absences	(366,439)
Claims Payable	(25,000)
	\$189,253,935

NET POSITION OF GOVERNMENTAL ACTIVITIES

See accompanying notes to financial statements

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CITY OF OAKLEY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	General	Lighting and Landscaping Districts	Public Protection	Low and Moderate Income Housing Asset	Traffic Impact Fees
REVENUES					
Property taxes	\$4,014,795				
Sales tax	1,520,884				
Other taxes	1,425,552				
Licenses and permits	1,344,949				
Charges for services	75,691				
Fines and forfeits	158,778				
Intergovernmental:					
Motor vehicle in lieu	15,804				
Other	245,806		\$116,752		
Developer fees					\$1,415,372
Special assessments		\$3,182,615	3,058,332		
Loan repayments				\$1,217	
Use of money and property	146,097	8,637	99	41,297	21,718
Miscellaneous	804,405	39,840			
Total Revenues	9,752,761	3,231,092	3,175,183	42,514	1,437,090
EXPENDITURES					
Current:					
Legislative	433,151				
Administrative Services	1,110,343				
Community Development	1,225,658				
Public Works	609,450	2,874,684			47,989
Housing programs				8,279	
Law Enforcement	4,282,445		3,175,183		
Recreation	371,742				
Capital outlay		24,991			3,105,925
Debt service:					
Principal					
Interest and fiscal charges		110		3,267	
Total Expenditures	8,032,789	2,899,785	3,175,183	11,546	3,153,914
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,719,972	331,307		30,968	(1,716,824)
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 4A)	807	155,745			
Transfers (out) (Note 4A)	(341,212)				
Total Other Financing Sources (Uses)	(340,405)	155,745			
NET CHANGE IN FUND BALANCES	1,379,567	487,052		30,968	(1,716,824)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	11,002,394	5,959,831		(1,333,451)	6,756,569
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$12,381,961</u>	<u>\$6,446,883</u>		<u>(\$1,302,483)</u>	<u>\$5,039,745</u>

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$484,727	\$4,499,522
	1,520,884
	1,425,552
	1,344,949
	75,691
	158,778
	15,804
2,092,888	2,455,446
919,219	2,334,591
288,486	6,529,433
	1,217
13,541	231,389
126,226	970,471
<u>3,925,087</u>	<u>21,563,727</u>
	433,151
	1,110,343
561,103	1,786,761
1,075,693	4,607,816
	8,279
	7,457,628
99,140	470,882
2,122,027	5,252,943
255,000	255,000
315,295	318,672
<u>4,428,258</u>	<u>21,701,475</u>
<u>(503,171)</u>	<u>(137,748)</u>
910,891	1,067,443
<u>(726,231)</u>	<u>(1,067,443)</u>
184,660	
<u>(318,511)</u>	<u>(137,748)</u>
<u>7,567,609</u>	<u>29,952,952</u>
<u>\$7,249,098</u>	<u>\$29,815,204</u>

CITY OF OAKLEY
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$137,748)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay and certain departmental expenditures are added back to fund balance	5,317,031
Retirements are deducted from fund balance	(2,279)
Depreciation expense is deducted from fund balance	
(Depreciation expense is net of internal service fund depreciation of \$506,477 which has already been allocated to serviced funds.)	(5,663,846)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	255,000
-----------------------------------------------------------	---------

NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Non-current portion of compensated absences	(88,361)
Accrued liabilities	(134,877)
Interest payable	1,700
Unavailable revenue	(340,912)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition and maintenance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Assets - Internal Service Fund	<u>(218,674)</u>
----------------------------------------------	------------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (\$1,012,966)

See accompanying notes to financial statements

CITY OF OAKLEY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property taxes	\$3,813,000	\$3,887,000	\$4,014,795	\$127,795
Sales taxes	1,450,000	1,450,000	1,520,884	70,884
Other taxes	1,379,000	1,379,000	1,425,552	46,552
Licenses and permits	1,009,000	1,208,310	1,344,949	136,639
Charges for services	38,500	45,500	75,691	30,191
Fines and forfeits	163,500	148,500	158,778	10,278
Intergovernmental:				
Motor vehicle in lieu		15,804	15,804	
Other	264,000	358,777	245,806	(112,971)
Use of money and property	50,000	112,500	146,097	33,597
Miscellaneous	1,178,097	836,200	804,405	(31,795)
Total Revenues	9,345,097	9,441,591	9,752,761	311,170
EXPENDITURES				
Current:				
Legislative	356,870	472,061	433,151	38,910
Administrative Services	1,252,512	1,261,842	1,110,343	151,499
Community Development	1,322,789	1,321,650	1,225,658	95,992
Public Works	471,736	672,100	609,450	62,650
Law Enforcement	5,173,499	5,175,373	4,282,445	892,928
Recreation	383,391	388,778	371,742	17,036
Capital outlay	76,300	15,280		15,280
Total Expenditures	9,037,097	9,307,084	8,032,789	1,274,295
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	308,000	134,507	1,719,972	1,585,465
OTHER FINANCING SOURCES (USES)				
Transfers in			807	807
Transfers (out)	(69,000)	(341,212)	(341,212)	
Total Other Financing Sources (Uses)	(69,000)	(341,212)	(340,405)	807
NET CHANGE IN FUND BALANCES	\$239,000	(\$206,705)	1,379,567	\$1,586,272
Fund balance at beginning of year			11,002,394	
Fund balance at end of year			\$12,381,961	

See accompanying notes to financial statements

CITY OF OAKLEY
 LIGHTING AND LANDSCAPING DISTRICTS SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Special assessments	\$3,131,795	\$3,130,295	\$3,182,615	\$52,320
Use of money and property	8,025	7,025	8,637	1,612
Miscellaneous		13,914	39,840	25,926
Total Revenues	3,139,820	3,151,234	3,231,092	79,858
EXPENDITURES				
Current:				
Public Works	2,879,963	3,158,566	2,874,684	283,882
Capital outlay		108,752	24,991	83,761
Debt service:				
Interest and fiscal charges			110	(110)
Total Expenditures	2,879,963	3,267,318	2,899,785	367,533
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	259,857	(116,084)	331,307	447,391
OTHER FINANCING SOURCES (USES)				
Transfers in	201,000	246,800	155,745	(91,055)
Transfers (out)	(68,000)	(68,000)		68,000
Total Other Financing Sources (Uses)	133,000	178,800	155,745	(23,055)
NET CHANGE IN FUND BALANCES	\$392,857	\$62,716	487,052	\$424,336
Fund balance at beginning of year			5,959,831	
Fund balance at end of year			\$6,446,883	

See accompanying notes to financial statements

CITY OF OAKLEY
PUBLIC PROTECTION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental:				
Other	\$100,000	\$116,750	\$116,752	\$2
Special assessments	3,031,000	3,058,000	3,058,332	332
Use of money and property	500	500	99	(401)
Total Revenues	<u>3,131,500</u>	<u>3,175,250</u>	<u>3,175,183</u>	<u>(67)</u>
EXPENDITURES				
Current:				
Law Enforcement	<u>3,131,500</u>	<u>3,175,250</u>	<u>3,175,183</u>	<u>67</u>
Total Expenditures	<u>3,131,500</u>	<u>3,175,250</u>	<u>3,175,183</u>	<u>67</u>
NET CHANGE IN FUND BALANCES	<u> </u>	<u> </u>		<u> </u>
Fund balance at beginning of year			<u> </u>	
Fund balance at end of year			<u> </u>	

See accompanying notes to financial statements

CITY OF OAKLEY
 LOW AND MODERATE INCOME HOUSING ASSET SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Loan repayment	\$2,400	\$2,400	\$1,217	(\$1,183)
Use of money and property	12,000	12,000	41,297	29,297
Total Revenues	<u>14,400</u>	<u>14,400</u>	<u>42,514</u>	<u>28,114</u>
EXPENDITURES				
Current:				
Housing programs	14,400	14,400	8,279	6,121
Debt service:				
Interest			3,267	(3,267)
Total Expenditures	<u>14,400</u>	<u>14,400</u>	<u>11,546</u>	<u>2,854</u>
NET CHANGE IN FUND BALANCES			<u>30,968</u>	<u>\$25,260</u>
Fund balance (deficit) at beginning of year			<u>(1,333,451)</u>	
Fund balance (deficit) at end of year			<u><u>(\$1,302,483)</u></u>	

See accompanying notes to financial statements

PROPRIETARY FUNDS

INTERNAL SERVICE FUNDS

Internal service funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services to other City funds be financed through user fees to those funds

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues or expenses of the internal service fund is eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

CITY OF OAKLEY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2014

	<u>Governmental Activities - Internal Service Funds</u>
ASSETS	
Current:	
Cash and investments available for operations (Note 3)	\$1,654,638
Receivables:	
Interest	<u>731</u>
Total Current Assets	<u>1,655,369</u>
Noncurrent:	
Capital assets (net of accumulated depreciation)	<u>7,590,250</u>
Total Assets	<u>9,245,619</u>
LIABILITIES	
Accounts payable	<u>25,840</u>
Total Assets	<u>25,840</u>
NET POSITION (Note 10)	
Net investment in capital assets	7,590,250
Unrestricted	<u>1,629,529</u>
Total Net Position	<u><u>\$9,219,779</u></u>

See accompanying notes to financial statements

CITY OF OAKLEY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Governmental Activities - Internal Service Funds</u>
OPERATING REVENUES	
Charges for services	<u>\$249,000</u>
Total Operating Revenues	<u>249,000</u>
OPERATING EXPENSES	
Supplies	71,966
Depreciation	<u>506,477</u>
Total Operating Expenses	<u>578,443</u>
Operating Income (Loss)	<u>(329,443)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	4,723
Loss on disposition of property	<u>(29,975)</u>
Total Nonoperating Revenues	<u>(25,252)</u>
Income (Loss) Before Contributions	(354,695)
Contributions	<u>136,021</u>
Change in net position	(218,674)
BEGINNING NET POSITION	<u>9,438,453</u>
ENDING NET POSITION	<u><u>\$9,219,779</u></u>

See accompanying notes to financial statements

CITY OF OAKLEY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Governmental Activities - Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$249,000
Payments to suppliers	<u>(46,126)</u>
Cash Flows from Operating Activities	<u>202,874</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of capital assets	(76,643)
Proceeds from sale of capital assets	<u>4,065</u>
Cash Flows from Capital Financing Activities	<u>(72,578)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>4,693</u>
Net Cash Flows	134,989
Cash and investments at beginning of period	<u>1,519,649</u>
Cash and investments at end of period	<u><u>\$1,654,638</u></u>
NONCASH TRANSACTIONS	
Contribution of capital assets	<u>\$136,021</u>
Retirement of capital assets	<u><u>\$34,040</u></u>
Reconciliation of Operating Income (Loss) to Cash Flows	
from Operating Activities:	
Operating income (loss)	(\$329,443)
Adjustments to reconcile operating income (loss) to cash flows	
from operating activities:	
Depreciation	506,477
Net change in liabilities:	
Accounts payable	<u>25,840</u>
Cash Flows from Operating Activities	<u><u>\$202,874</u></u>

See accompanying notes to financial statements

FIDUCIARY FUNDS

FIDUCIARY FUNDS

These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements. Fiduciary assets are held for others, therefore they are reported in aggregate without indicating whether they are restricted or unrestricted.

Successor Agency to the Redevelopment Agency Private Purpose Trust Fund is used to account for the activities of the Successor Agency to the former Redevelopment Agency of the City of Oakley.

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments.

CITY OF OAKLEY
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2014

	Successor Agency to the Redevelopment Agency Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and investments (Note 3)	\$1,659,461	\$2,007,518
Cash and investments with fiscal agent (Note 3)	2,675,204	2,011,984
Accounts receivable	169,511	
Interest receivable		535
Loans receivable (Note 15B)	2,385,869	
Land held for redevelopment (Note 15C)	3,863,352	
Capital assets (Note 15D):		
Land and construction in progress	4,907,806	
Depreciable, net	16,412,935	
Total Assets	32,074,138	\$4,020,037
LIABILITIES		
Accounts payable	471,834	
Due to other agencies		\$435,330
Due to bondholders		3,584,707
Long-term debt (Note 15E):		
Due within one year	660,000	
Due in more than one year	30,200,000	
Total Liabilities	31,331,834	\$4,020,037
NET POSITION		
Held in Trust for the Successor Agency and Other Governments	\$742,304	

See accompanying notes to financial statements

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CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Oakley was incorporated as a general law city on July 1, 1999. Oakley is a community of approximately 38,000 residents situated in Contra Costa County on the east side of San Francisco Bay. Oakley is located approximately 50 miles east of the City of San Francisco. The City operates under the Council-Manager form of government and provides the following services: law enforcement, highways and streets, public improvements, planning and zoning, recreation, and general administration services.

The financial statements and accounting policies of the City conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

A. *Reporting Entity*

The City is governed by a five member council elected by City residents. The City is legally separate and fiscally independent which means it can issue debt, set and modify budgets and fees and sue or be sued. The accompanying basic financial statements include only the financial activities of the City and the Oakley Public Financing Authority, which is a component unit controlled by and dependent on the City. The Authority is included (“blended”) with funds of the City since it is governed by the City Council sitting in a separate capacity.

The Oakley Public Financing Authority is a separate governmental entity whose purpose is to assist in the financing and refinancing of certain redevelopment activities of the former Redevelopment Agency and certain programs and projects of the City. The Authority’s activities to date consist only of the purchase and resale of City or Redevelopment Agency debt issues, and the issuance of the 2004-1 Limited Obligation Bonds, the 2006-1 Infrastructure Revenue Bonds, the 2006 Certificates of Participation and the Refunding Revenue Bonds, Series 2012. Separate financial statements are not issued for the Oakley Public Financing Authority.

B. *Basis of Presentation*

The City’s Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including blended component units. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

C. Major Funds

Major governmental funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues deposited in the General Fund include property tax, sales tax, franchise fees, business licenses, fines and forfeitures and fees for services. This fund is used to account for most of the City's basic services including Legislative, General Administration, Law Enforcement, Recreation and Community Development.

Lighting and Landscaping Districts Special Revenue Fund – This fund accounts for assessments made upon parcels of land within the Lighting and Landscaping Zones #1, #2 and #3 and their use in accordance with the provisions of the State of California Streets and Highway Code.

Public Protection Special Revenue Fund – This fund accounts for dedicated Police Services Special Taxes and State COPS program funds.

Low and Moderate Income Housing Asset Special Revenue Fund – This fund accounts for the housing assets of the former Oakley Redevelopment Agency and loan repayments restricted to low and moderate income housing projects.

Traffic Impact Fees Capital Projects Fund – This fund accounts for fees assessed on new development to provide street and road improvements.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City also reports the following fund types:

Internal Service Funds – The funds account for equipment replacement and capital facilities maintenance and replacement; all of which are provided to City departments on a cost reimbursement basis.

Fiduciary Funds – These funds account for assets held by the City as an agent for various functions. The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. Agency funds are used to account for assets held by the City as an agent for the Assessment Districts 2004-1 and 2006-1 and the County for regional mitigation fees. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

D. Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are sales tax, transfer tax, fines, interest revenue and gross receipts taxes. Charges for services, and licenses and permits are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, special purpose revenues and general purpose revenues. While both restricted and unrestricted Net Position may be available to finance program expenditures the City's policy is to first apply restricted purpose revenues to such programs, followed by general purpose revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: accounts receivable, interest on interfund advances and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

F. *Accounts Receivable*

Receivables at June 30, 2014 were comprised of the following:

Governmental Activities:	Taxes	Accounts	Inter- Governmental	Total Receivables
General Fund	\$262,001	\$295,192	\$364,850	\$922,043
Lighting and Landscaping Districts Fund	13,135			13,135
Public Protection Fund	8,828			8,828
Non-Major Governmental Funds		105,605	508,671	614,276
Total Accounts Receivable, net of allowance for doubtful accounts	<u>\$283,964</u>	<u>\$400,797</u>	<u>\$873,521</u>	<u>\$1,558,282</u>

G. *Property Taxes and Special Assessment Revenue*

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Contra Costa levies, bills and collects property taxes and special assessments for the City; under the County's "Teeter Plan" the County remits the entire amount levied for secured taxes and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1 and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the personal property being taxed. Secured and unsecured property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. *Compensated Absences*

Compensated absences comprise unpaid vacation and certain compensated time off, which are accrued as earned. For all governmental funds amounts expected to be paid out for permanent liquidation are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Position. The liability for compensated absences is determined annually. The changes in the compensated absences were as follows:

	Governmental Activities
Beginning Balance	\$278,078
Additions	273,288
Payments	(184,927)
Ending Balance	\$366,439
Current Portion	\$184,927

The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

I. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. *Closed Fund*

The Cypress Grove Capital Projects Fund was closed as of June 30, 2014.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. *Budget Policy*

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Work sessions are conducted to obtain citizen's comments.
3. The budget is legally enacted by City Council resolution.
4. All appropriations transfers between funds must be approved by the City Council by resolution during the fiscal year. The City Manager is authorized to transfer unencumbered appropriations within a fund. In addition, amendments that are made to authorize spending of increased or new special purpose revenues may be approved by the City Manager. The legally adopted budget requires that expenditures not exceed total appropriations at the fund level.
5. Budgets are adopted for all Governmental Funds except the Cypress Grove Project Capital Projects Fund, which is governed by bond covenants.
6. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
8. Budgeted amounts appearing in the budgetary comparison statements are as originally adopted or as amended by the City Council or the City Manager, as authorized.

B. *Encumbrances*

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Unexpended operating appropriations lapse at year end and must be reappropriated in the following year. Unexpended capital projects appropriations are automatically reappropriated in the following year. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities.

C. *Expenditures in Excess of Appropriations*

The Public Facilities Impact Fees Capital Projects Fund incurred expenditures in excess of appropriations in the amount \$181. The fund had sufficient revenues to finance these expenditures.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 3 – CASH AND INVESTMENTS

The City pools cash from all sources and all funds, except cash of the Successor Agency and cash with fiscal agents, so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

A. Policies

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the City’s fiscal agents as required under its debt issues. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City’s cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City’s name and places the City ahead of general creditors of the institution.

The City’s investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Classification

Cash and investments are classified in the financial statements as shown below:

City cash and investments:	
Cash and investments available for operations	\$29,955,038
Cash and investments with fiscal agent	574,685
Total City Cash and Investments	30,529,723
Cash and investments in Fiduciary Funds (Separate Statement):	
Successor Agency to the Redevelopment	
Agency Private Purpose Trust Fund:	
Cash available for operations	1,659,461
Cash and investments with fiscal agent	2,675,204
Agency Funds:	
Cash and investments available for operations	2,007,518
Cash and investments with fiscal agent	2,011,984
Total Cash and Investments	\$38,883,890

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City's Investment Policy:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Government Securities	5 years		No Limit	No Limit
U.S. Government Agency Securities: Federal Home Loan Bank Federal National Mortgage Association Federal Farm Credit Bank Federal Home Loan Mortgage Corporation Student Loan Marketing Association Government National Mortgage Association	5 years		No Limit	No Limit
State of California Warrants, Treasury Notes or Bonds	5 years		No Limit	No Limit
California Local Agency Investment Fund	N/A		N/A	\$50 million per account
Certificates of Deposit	5 years	A1/P1	30%	No Limit
Bankers Acceptances	180 days	A1/P1	40%	30%
Medium Term Corporate Notes	5 years	AAA	30%	No Limit
Money Market Funds	N/A	Top rating category	20%	No Limit
Investment Trust of California (CaTRUST)	N/A		N/A	No Limit
Repurchase Agreements	1 year		No Limit	No Limit

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The City and Successor Agency must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Government Securities	N/A	Aaa/AAA
U.S. Government Agency Securities	N/A	N/A
Local Agency Investment Fund	N/A	\$50 million per account
Bankers Acceptances	360 days	A1/A1+/P1
Commercial Paper	270 days	A-1+/P-1
Money Market Funds	N/A	A/AAA _m /AAA _m
Municipal Obligations	N/A	Aaa/AAA
Pre-refunded Municipal Obligations	N/A	Highest
General Obligations	N/A	A2/A
Investment Agreements/Contracts	N/A	A
Repurchase Agreements	N/A	N/A
Investments fully insured by the FDIC	N/A	N/A
Tax-exempt Obligations	N/A	Highest Rating
Short term Certificates of Deposit	360 days	A1/A1+/P1
Certificates of Deposit	N/A	A
California Asset Management Program	N/A	N/A
Shares in a California Common Law Trust	N/A	N/A

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City generally manages its interest rate risk by holding investments to maturity.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the distribution of the City's investments by maturity. At June 30, 2014, all of the City's investments mature in 12 months or less, except the Certificates of Deposit held by fiscal agents, which mature on May 16, 2017 (\$500,000) and May 18, 2017 (\$250,000):

Investment Type	
<i>Cash and Investments in City Treasury:</i>	
Money Market Funds	\$1,772,413
Local Agency Investment Fund	19,382,655
CalTRUST	9,003,132
<i>Held by Fiscal Agents:</i>	
California Asset Management Program	2,000,344
Money Market Funds	2,511,529
Certificates of Deposit	750,000
Total Investments	35,420,073
<i>Cash deposits in banks and petty cash</i>	3,463,817
Total Cash and Investments	\$38,883,890

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2014 these investments matured in an average of 232 days.

The City is a participant in the Short-Term Fund of the Investment Trust of California (CalTrust), a joint powers authority and public agency established by its members under the provisions of Section 6509.7 of the California Government Code. Members and participants are limited to California public agencies. CalTrust is governed by a Board of Trustees of seven Trustees, at least seventy-five percent of whom are from the participating agencies. The City reports its investment in CalTrust at the fair value amount provided by CalTrust, which is the same as the value of the pool shares. The balance is available for withdrawal on demand, and is based on the accounting records maintained by CalTrust. Included in CalTrust's investment portfolio are: United States Treasury Notes, Bills, Bonds or Certificates of Indebtedness; registered state warrants or treasury notes or bonds; California local agency bonds, notes, warrants or other indebtedness; federal agency or United States government-sponsored enterprise obligations; bankers acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; medium-term notes; money market mutual funds; notes, bonds or other obligation secured by a first priority security interest in securities authorized under Government Code Section 53651; and mortgage passthrough securities, collateralized mortgage obligations, and other asset – backed securities. CalTrust's Short-Term Fund has a target portfolio duration of 0 to 2 years. At June 30, 2014, these investments matured in an average of 500 days.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

The Successor Agency is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the “Act”) for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Pool’s investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The Agency reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2014, the fair value approximated is the Agency’s cost. At June 30, 2014, these investments have an average maturity of 41 days.

Money market funds are available for withdrawal on demand and at June 30, 2014 matured in an average of 38 days.

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings as of June 30, 2014 for CalTRUST is AAF, California Asset Management Program is rated AAAM, and all the City’s Money Market Funds are AAAM as provided by Standard and Poor’s investment ratings service. The Local Agency Investment Fund external investment pool and the certificates of deposit were not rated as of June 30, 2014.

G. Concentration of Credit Risk

Investments in any one issuer, other than money market mutual funds, Local Agency Investment Fund, CalTRUST and California Asset Management Program, that represent 5% or more of total investments at the Entity-wide level or in individual funds were as follows at June 30, 2014:

Issuer	Investment Type	Amount
<i>Agency Funds:</i>		
GE Capital	Certificate of Deposit	\$250,000
Discover Bank	Certificate of Deposit	250,000
Goldman Sachs	Certificate of Deposit	250,000

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 4 - INTERFUND TRANSACTIONS

A. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

Transfers between Funds during the fiscal year ended June 30, 2014 were as follows:

Fund Receiving Transfer	Fund Making Transfers	Transfer Amount
General Fund	Non-Major Governmental Funds	\$807 (A)
Lighting and Landscaping Districts Special Revenue Fund	Non-Major Governmental Funds	155,745 (A)
Non-Major Governmental Funds	General Fund	341,212 (B)
Non-Major Governmental Funds	Non-Major Governmental Funds	569,679 (B), (C)
	Total Interfund Transfers	\$1,067,443

(A) To fund operations.

(B) To fund capital projects.

(C) To fund debt service.

B. Long-Term Interfund Advances

At June 30, 2014 the funds below had made advances which were not expected to be repaid within the next year. The balances in the funds with the advance to other funds are offset by deferred revenue or nonspendable fund balance.

Advances to Other Funds	Advances from Other Funds	Advanced Amount
General Fund	Lighting and Landscaping Districts Special Revenue Fund	\$97,715
General Fund	Non-Major Funds	150,000
Traffic Impact Fees	Low and Moderate Income Housing Asset Special Revenue Fund	682,679
Non-Major Funds	Low and Moderate Income Housing Asset Special Revenue Fund	668,143
	Total Interfund Advances	\$1,598,537

Since the City's formation in 1999, the General Fund has, on occasion, made advances to the Lighting and Landscaping Districts Special Revenue Fund to cure operating deficits in two of the Landscaping Districts. The advances bear interest at the City's investment pool rate. The balance of these advances totaled \$97,715 at June 30, 2014.

The General Fund agreed to advance \$150,000 to the Public Facilities Impact Fee Capital Projects Fund to fund a debt service shortfall. The advance bears interest at the City's investment pool rate. The balance of the advance totaled \$150,000 at June 30, 2014.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

The Traffic Impact Fees Capital Projects Fund, Park Impact Fees Capital Projects Fund, and Public Facilities Impact Fees Capital Projects Fund agreed to accept deferred payment of impact fees by the former Redevelopment Agency to assist with the Courtyards at Cypress Grove affordable housing project. Although no cash was advanced, these obligations were recorded as advances to the former Redevelopment Agency. The City's Low and Moderate Income Housing Asset Special Revenue Fund, as Housing Successor to the former Redevelopment Agency's housing activities, assumed the obligation to repay the advances, which will be repaid from future loan collections. The advances bear interest at the City's annual pooled investment rate which was of 0.24% for fiscal year 2014. The balance outstanding at June 30, 2014 was \$1,350,822.

C. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2014, the Low and Moderate Income Housing Asset Special Revenue Fund owed the General Fund \$8,279.

NOTE 5 - LOANS RECEIVABLE

A. Low and Moderate Income Housing and City Loans Receivable

The former Redevelopment Agency engaged in programs designed to encourage construction of or improvement in low-to-moderate income housing. Under these programs, grants or loans were provided under favorable terms to homeowners or developers who agreed to expend these funds in accordance with the Agency's terms. With the dissolution of the Redevelopment Agency as discussed in Note 15, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the Low and Moderate Income Housing Asset Fund assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund. In addition, the City has made loans to certain employees and to local businesses for economic development. Although these loans and notes are expected to be repaid in full, their balance has been offset by unavailable revenue or nonspendable fund balance. The balances of the loans receivable, including accrued interest, at June 30, 2014 are set forth below:

Golden Oak Manor	\$1,219,448
Silver Oak Apartments	608,145
Oakley Senior Housing	847,394
Oakley Cypress Associates	3,143,750
Carol Lane	4,709,372
First Time Homebuyer	158,233
Employee Home Loans	556,868
East Cypress	48,126
Manuel's Five Star Restaurant, Inc.	156,305
Rogelstad-Thorpe, LLC	400,000
	<hr/>
Total	<u><u>\$11,847,641</u></u>

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 5 – LOANS RECEIVABLE (Continued)

B. *Golden Oak Manor*

Under the terms of a Loan Agreement dated December 19, 1994 between the Redevelopment Agency and the Developer, Golden Oak Manor, L.P., the Agency loaned the amount of \$780,000 to construct 50 senior residential rental units, with 24 of the units being restricted to very low income households. The loan is secured by a deed of trust on the property, is due in 2054 and bears simple annual interest of 3 percent. Interest and principal are deferred for 60 years or upon transfer of the property to an unqualified entity. Any unpaid amounts are considered deferred; all deferred principal and interest is due when the note matures.

C. *Silver Oak Apartments*

Under the terms of a Loan Agreement dated May 1, 1998 between the Redevelopment Agency and the Developer, Ecumenical Association for Housing, the Agency loaned \$374,220 along with an additional \$99,206 in January 1999, for a total loan amount of \$473,426, to fund the construction of 24 affordable housing units. The loan is secured by a deed of trust on the property, is due in 2058 and bears simple annual interest of 3 percent with principal and interest due annually to the extent there is “residual receipts” as defined in the agreement. Any unpaid amounts are considered deferred; all deferred principal and interest is due when the note matures.

D. *Oakley Senior Housing*

Under the terms of a Loan Agreement dated February 8, 2000 between the Redevelopment Agency and the Developer, Oakley Senior Associates, L.P., the Agency loaned the amount of \$1,800,000 to fund the acquisition and development costs to construct eighty units of affordable housing for low and moderate income seniors. The loan is secured by a deed of trust on the property, is due in 55 years from the issuance of the certificate of completion, but not later than 2058, and bears simple annual interest of 3 percent, with principal and interest due annually to the extent there is “residual receipts” as defined in the agreement. Any unpaid amounts are considered deferred; all deferred principal and interest is due when the note matures. The Agency received a payment of \$547,000 from the developer during fiscal year 2002. A portion of the loan had been funded by the Redevelopment Agency Projects Fund, and with the dissolution of the Agency effective February 1, 2012, the assets of the Redevelopment Agency Projects Fund, including a portion of the Oakley Senior Housing loan in the amount of \$623,082, were assumed by a Successor Agency as discussed in Note 15.

E. *Oakley Cypress Associates*

Under the terms of the Loan Agreement dated December 1, 2005, the Redevelopment Agency loaned \$2.5 million to Oakley Cypress Associates to assist in the development of 96 affordable housing units. The loan is secured by a deed of trust on the property and bears simple interest of 3 percent annually. Principal and interest payments are due annually to the extent that Oakley Cypress Associates has “residual receipts” as defined in the agreement. The remaining balance of unpaid principal and accrued interest is due fifty-five years after the issuance of the certificate of completion, but no later than December 1, 2063.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 5 – LOANS RECEIVABLE (Continued)

F. Carol Lane

Under the terms of a Loan Agreement dated February 23, 2007 between the Redevelopment Agency and the Developer, 59 Carol Lane, L.P., the Agency loaned the amount of \$3,858,753 to fund the acquisition and development costs to construct two hundred and eight units of senior and family affordable housing for low and very-low income households. The loan is secured by a deed of trust on the property, is due in 55 years from the issuance of the certificate of completion, but not later than 2062, and bears simple interest of 3 percent annually, with principal and interest due annually to the extent there are “residual receipts” as defined in the agreement. Any unpaid amounts are considered deferred; all deferred principal and interest is due when the note matures.

G. First-Time Homebuyer Program

The Redevelopment Agency administered a First-Time Homebuyers Program funded by Bond proceeds in the amount of \$512,392 in 1994, under which low and moderate income individuals may qualify for first-time home buyer deferred second mortgages to purchase homes in the Oakley area. The individual loans are 30-year fixed rate deferred loans, bearing interest at a rate equal to two percent below the Lender’s rate and do not exceed \$50,000. These loans are due thirty years from the date of issuance, but principal and accrued interest will be forgiven at maturity if the unit was owner occupied for the full thirty years. Under the terms of the Program, loans must be repaid in full if the property is sold to a nonqualified buyer.

H. Employee Home Loans

On December 1, 2005, the City loaned \$550,000 and \$70,000 to a City employee for the purpose of purchasing a home. The loan of \$550,000 is secured by a deed of trust, has a term of 30 years and bears interest of 2.5%. The \$70,000 loan was repaid in January 2006. In March 2009 the City amended the employment agreement to extend the final payment of the housing assistance loan by one year to December 2036. In June 2010 the City again amended the employment agreement to extend the final payment from December 2036 to December 2037. Each extension reflected a one-year deferral of mortgage payments and included no forgiveness of principal. The loan is being repaid timely and at June 30, 2014 had a remaining balance of \$466,699.

On December 15, 2007, the City loaned \$100,000 to a second City employee for the purpose of purchasing a home. The loan of \$100,000 is secured by a deed of trust, has a term of 15 years and bears interest of 2.5%. This employee left the City during fiscal year 2009 and the City entered into a supplemental agreement with the employee that does not require the employee to immediately repay the loan. The City retains an interest in the home and will receive repayment depending on the sales price. However, the City has agreed to forgive its loan if the sales proceeds are less than the outstanding balance on the first deed of trust on the home. The home has not been sold as of June 30, 2014, and at June 30, 2014 the loan has a remaining balance of \$90,169.

As of June 30, 2014, the combined balances of these loans are \$556,868.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 5 – LOANS RECEIVABLE (Continued)

I. East Cypress

Under the terms of a settlement agreement with the Greenbelt Alliance regarding the agricultural impacts of the planned development of 828 acres of farmland in the East Cypress area, the property owners in the area are required to make up front per acre and per-lot and pre-recording contributions to the San Francisco Foundation. The Foundation will then distribute the funding to organizations committed to agricultural land preservation in the Delta area. The City participates in the calculation, collection and distribution of payments to the Foundation. During fiscal year 2011, the City made the following two loans to property owners in the East Cypress area to assist with their share of the litigation expenses:

On June 16, 2011, the City loaned \$16,242 to a property owner. The loan was secured by a deed of trust and if not paid in full by the maturity date, bore interest of 6% annually on the unpaid balance. The loan was repayable within 90 days of receipt of any payments the property owner received from a proposed developer of the property. In the event the owner did not obtain a developer to develop the property, the loan was payable as follows: \$4,000 no later than June 16, 2015, and the remaining balance no later than June 16, 2019. The outstanding balance was repaid in full on October 30, 2013.

On June 30, 2011, the City also loaned \$45,189 to another property owner. The loan is secured only by a promissory note and was due June 30, 2012, however the loan agreement was amended in May 2012 to extend the term of the loan to May 22, 2013. The loan was not repaid on that date, but the City remained in contact with the borrower to ensure collection. Because the note was not paid in full by the maturity dates, the unpaid balance accrued interest at 6% annually from May 22, 2013. The amount outstanding was paid in full on August 21, 2014.

As of June 30, 2014, the balance of the loan, including accrued interest, was \$48,126.

J. Rogelstad-Thorpe, LLC

On August 28, 2013, the City loaned \$400,000 to Rogelstad-Thorpe, LLC, for the purpose of posting the collateral required by a commercial lender for the purchase of real property and the completion of various improvements to and expansion of the Oakley Plaza shopping center. The loan is secured by a promissory note and deed of trust, and bears simple interest of 5 percent annually. The principal and all accrued interest were due on August 1, 2014, but the agreement was amended on May 9, 2014 to extend the due date to December 15, 2014.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 5 – LOANS RECEIVABLE (Continued)

K. Manuel's Five Star Restaurant, Inc.

As discussed in Note 15B, the City entered into an agreement with Manuel's Five Star Restaurant, Inc., in August 2011 to provide loans of the former Redevelopment Agency's funds. The City entered into a second amendment to the agreement in April 2013 to provide an additional loan of \$160,000 for construction costs incurred by the developer that were in excess of amounts anticipated under the original agreement. Due to restrictions applicable under the Dissolution Act, the General Fund made this additional construction loan of \$160,000. The loan bears interest of 5% on outstanding principal, is secured by a deed of trust and is payable in monthly installments. The loan is subject to the same terms of the original agreement and is due upon the sale of the property.

The outstanding balance of the loan was \$156,305 at June 30, 2014.

NOTE 6 – LAND HELD FOR RESALE

The City has purchased parcels that are expected to be resold in the near future. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

The balance of land held for resale in the General Fund at June 30, 2014 was \$2,222,235.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 7 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the half-year convention method which is like the straight-line method in that the cost of the asset is divided by its expected useful life in years, but the asset is depreciated over 6 months instead over one year in its first year. The result is charged to expense each year until the asset is fully depreciated. The capitalization threshold for equipment with a cost of \$5,000 or more and a useful life of more than two years, and for all buildings, improvements and infrastructure with a cost of \$50,000 or more and a useful life of more than two years. The City has assigned the useful lives listed below to capital assets:

Buildings	40 years
Improvements	5-15 years
Machinery and Equipment	5 years
Vehicles	5 years
Roadways:	
Streets (includes pavement, sidewalk, curb & gutters, trees & signs)	40 years
Traffic Signals	25 years
Street Lights	40 years
Bridges	100 years
Parks and Recreation:	
General Improvement	25 years
Specialty Features	10 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 7 - CAPITAL ASSETS (Continued)

A. Capital Assets Additions and Retirements

Capital asset balances comprise the following:

	Balance as of June 30, 2013	Additions	Retirements	Transfers	Balance as of June 30, 2014
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$9,266,464				\$9,266,464
Construction in Progress	8,287,592	\$5,235,418	(\$2,279)	(\$9,464,213)	4,056,518
Total capital assets not being depreciated	<u>17,554,056</u>	<u>5,235,418</u>	<u>(2,279)</u>	<u>(9,464,213)</u>	<u>13,322,982</u>
Capital assets being depreciated:					
Buildings and Improvements	9,480,504			272,017	9,752,521
Machinery and Equipment	2,076,395	54,299			2,130,694
Vehicles	1,356,390	158,365	(175,308)		1,339,447
Roadways:					
Pavement	148,507,835			7,823,977	156,331,812
Sidewalks	9,797,203				9,797,203
Curbs and Gutters	9,585,634			92,879	9,678,513
Traffic Signals	2,938,083			8,406	2,946,489
Regulatory Signs and Street Trees	1,216,410			73,392	1,289,802
Street Lights	3,239,203				3,239,203
Bridges	4,422,722				4,422,722
Parks and Recreation Structures	9,936,136	81,613		1,193,542	11,211,291
Total capital assets being depreciated	<u>202,556,515</u>	<u>294,277</u>	<u>(175,308)</u>	<u>9,464,213</u>	<u>212,139,697</u>
Less accumulated depreciation for:					
Buildings and Improvements	(2,260,334)	(257,469)			(2,517,803)
Machinery and Equipment	(1,763,416)	(113,853)			(1,877,269)
Vehicles	(899,051)	(151,841)	141,268		(909,624)
Roadways:					
Pavements	(48,984,539)	(4,600,364)			(53,584,903)
Sidewalks	(2,538,016)	(130,603)			(2,668,619)
Curbs and Gutters	(2,473,848)	(128,422)			(2,602,270)
Traffic Signals	(983,520)	(117,690)			(1,101,210)
Regulatory Signs and Street Trees	(662,291)	(127,904)			(790,195)
Street Lights	(832,041)	(80,980)			(913,021)
Bridges	(892,794)	(44,226)			(937,020)
Parks and Recreation Structures	(2,889,506)	(416,971)			(3,306,477)
Total accumulated depreciation	<u>(65,179,356)</u>	<u>(6,170,323)</u>	<u>141,268</u>		<u>(71,208,411)</u>
Net capital assets being depreciated	<u>137,377,159</u>	<u>(5,876,046)</u>	<u>(34,040)</u>	<u>9,464,213</u>	<u>140,931,286</u>
Governmental activity capital assets, net	<u><u>\$154,931,215</u></u>	<u><u>(\$640,628)</u></u>	<u><u>(\$36,319)</u></u>		<u><u>\$154,254,268</u></u>

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 7 - CAPITAL ASSETS (Continued)

B. Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

C. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities

Administrative Services	\$16,686
Public Works	5,647,160
Internal Service Funds	<u>506,477</u>
Total Governmental Activities	<u><u>\$6,170,323</u></u>

NOTE 8 – LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The City's long-term debt is recorded only in the government-wide financial statements.

In governmental fund types, debt discounts and issuance costs are recognized in the current period.

A. Current Year Transactions and Balances

The City's debt issue and transaction is shown below and discussed in detail thereafter.

	Original Issue Amount	Balance June 30, 2013	Retirements	Balance June 30, 2014	Current Portion
2006 Certificates of Participation					
4.00-4.50%, due 5/1/2032	<u>\$8,500,000</u>	<u>\$7,210,000</u>	<u>(\$255,000)</u>	<u>\$6,955,000</u>	<u>\$265,000</u>

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 8 – LONG-TERM DEBT (Continued)

B. 2006 Certificates of Participation

On December 5, 2006, the City issued the 2006 Certificates of Participation (COPs) in the principal amount of \$8,500,000 to finance the acquisition of property and construction of improvements to the City’s Civic Center. The COPs are collateralized by revenue from the Civic Center lease agreement. The City intends to use public facilities impact fees to make the lease payments, however the lease payments are payable from any legally available funds. Principal is payable annually and the interest is payable semi-annually through 2032.

C. Debt Service Requirements

Annual debt service requirements are shown below for the City’s long-term debt:

<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$265,000	\$296,635
2016	275,000	286,035
2017	285,000	275,035
2018	300,000	263,635
2019	310,000	251,635
2020 - 2024	1,755,000	1,059,945
2025 - 2029	2,190,000	653,160
2030 - 2032	1,575,000	144,000
	<u>\$6,955,000</u>	<u>\$3,230,080</u>

NOTE 9 – ASSESSMENT DEBT WITH NO CITY COMMITMENT

On August 3, 2004, and July 19, 2006, the Oakley Public Financing Authority issued \$17,150,000 principal amount of Revenue Bonds and \$11,460,000 principal amount of Infrastructure Revenue Bonds to finance the construction and acquisition of certain public improvements within the City’s Special District Nos. 2004-1 and 2006-1, respectively. On March 3, 2012, the 2004 Bonds were refunded by the Refunding Revenue bonds, Series 2012 in the principal amount of \$14,775,000. The Bonds are secured only by revenues received as payment of assessments levied against property within Special District Nos. 2004-1 and 2006-1. Neither the faith and credit nor the general taxing power of the City of Oakley have been pledged to the payment of the Bonds. Therefore, the Bonds have been excluded from the accompanying financial statements. The outstanding balances of the Bonds were \$14,120,000 and \$9,680,000 respectively at June 30, 2014.

On October 15, 2014, the Oakley Public Financing Authority issued Refunding Revenue Bonds, Series 2014, in the principal amount of \$9,070,000 to refund the 2006 Bonds.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 10 – NET POSITION AND FUND BALANCES

Net Position is measured on the full accrual basis, while Fund Balance is measured on the modified accrual basis.

A. *Net Position*

Net Position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes the portion of Net Position which is not restricted to use.

B. *Fund Balances*

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash, receivables and deferred outflows of resources, less its liabilities and deferred inflows of resources.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose.

Committed fund balances have constraints imposed by formal action of the City Council, such as by Resolution or Ordinance, which are equally binding, and may be altered only by the same formal action of the City Council.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee under the Appropriations Control Policy, the City Manager. This category includes encumbrances that are not to be liquidated by restricted or committed resources; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose; and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds, which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City's Fund Balances, as of June 30, 2014, are below:

Fund Balance Classifications	Major Special Revenue Funds				Major Capital	Other Governmental Funds	Total
	General Fund	Lighting and Landscaping District	Public Protection	Low and Mod	Projects Fund		
				Income Housing Asset	Traffic Impact Fees		
Nonspendables:							
Items not in spendable form:							
Prepays and Deposits	\$22,832						\$22,832
Loans Receivable	1,161,299						1,161,299
Land Held for resale	2,222,235						2,222,235
Advances	247,715						247,715
Total Nonspendable Fund Balances	3,654,081						3,654,081
Restricted for:							
Dutch Slough	559,498						559,498
Lighting and landscaping services		\$6,446,883					6,446,883
Traffic impact projects					\$5,039,745		5,039,745
Fire impact projects						\$81,741	81,741
Street maintenance and improvement						2,281,610	2,281,610
NPDES projects						1,233,930	1,233,930
Community Facilities District #1						1,499,773	1,499,773
Agricultural Conservation						1,725	1,725
Childcare facilities projects						591,812	591,812
Debt Service						574,778	574,778
Park Impact Fees						480,467	480,467
Total Restricted Fund Balances	559,498	6,446,883			5,039,745	6,745,836	18,791,962
Assigned to:							
Termination Payments	117,500						117,500
Uninsured Claims Payable	25,000						25,000
Sales Tax Apportionment Corrections	134,877						134,877
Tenant Improvements	24,337						24,337
Main Street Projects	29,575					668,457	698,032
Total Assigned Fund Balances	331,289					668,457	999,746
Unassigned:							
General fund	7,837,093						7,837,093
Other fund deficits				(\$1,302,483)		(165,195)	(1,467,678)
Total Unassigned Fund Balances	7,837,093			(1,302,483)		(165,195)	6,369,415
Total Fund Balances	\$12,381,961	\$6,446,883		(\$1,302,483)	\$5,039,745	\$7,249,098	\$29,815,204

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

C. *Minimum Fund Balance Policies*

The City's Budget Policies require the City to strive to maintain the following fund balances:

- 1) 20% of the annual operating expenditures in the General Fund's Unassigned Fund Balance for emergencies and unforeseen operating or capital needs. The primary purpose of this reserve is to protect the City's essential service programs and funding requirements during periods of economic downturn (defined as a recession lasting two or more years) or other unforeseen catastrophic costs not covered by the annually budgeted Contingency Reserve.
- 2) Budget a Contingency Reserve each year for non-recurring unanticipated expenditures or to set aside funds to cover known contingencies with unknown costs. The level of the Contingency Reserve will be established as needed but shall not be less than 2% of General Fund operating expenditures.
- 3) Establish an account to accumulate funds to be used for payment of accrued employee benefits for terminated employees. The accumulated amount in the reserve will equal the projected payout of accumulated benefits requiring conversion to pay on retirement for employees then eligible for retirement so there are funds to pay out accumulated benefits requiring conversion to pay on termination.
- 5) Claims Reserves will be budgeted at a level which, together with purchased insurance, adequately protects the City. The City will maintain a reserve of two times its deductibles for those claims covered by the insurance pool of which the City is a member (currently the Municipal Pooling Authority of Northern California). In addition, the City will perform an annual analysis of past claims not covered by the pool, and reserve an appropriate amount to pay for uncovered claims.
- 6) The City will establish a Vehicle and Equipment Replacement Reserve Fund for the accumulation of funds for the replacement of worn and obsolete vehicles and other capital equipment. The accumulated amount in the reserve will equal at least 50% of the accumulated depreciation on the City's books for these assets, plus any amounts necessary to ensure the City's ability to replace them when they reach the end of their useful lives. Network and Computer replacement will be gauged using a 3 year lifecycle.
- 7) The City will seek to build and maintain a Facilities Maintenance Capital Asset Reserve Fund for capital costs associated with the maintenance of all City building facilities. The reserve will be maintained at a level at least equal to projected five year facilities maintenance capital costs. Park operating funds shall budget annual capital replacement costs and use them to fund reserves for future equipment replacement and resurfacing needs.
- 8) The City will seek to build and maintain a Storm Drain Depreciation Reserve for costs associated with the major maintenance and capital improvement costs included in the Storm Drain (NPDES) program budget. The minimum reserve level will be 50% of the costs projected over the next five years.
- 9) The City will establish a Reserve for Qualifying Expenditures and will transfer into it from current revenues all amounts necessary to ensure compliance with Gann Limit provisions. These funds will be used solely to pay for Gann Limit excludable capital expenditures. To qualify, they must be for assets having a value greater than \$100,000 and having a useful life of at least 10 years. The City was in compliance with the Gann Limit provisions as of June 30, 2014, and therefore was not required to establish a Reserve for Qualifying Expenditures as of June 30, 2014.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

D. Fund Balance Deficit

The Low and Moderate Income Housing Asset Special Revenue Fund had a fund balance deficit of \$1,302,483 at June 30, 2014. The deficit is expected to be eliminated from future loan repayment revenues. In addition, the Public Facilities Impact Fees Fund had a fund balance deficit of \$8,993 at June 30, 2014. The deficit is expected to be eliminated from future impact fee collections.

NOTE 11 - PENSION PLAN

CALPERS Miscellaneous Employee Plan

Substantially all of the City’s regular, probationary and part-time employees meet the qualifications to participate in pension plans offered by California Public Employees Retirement System (CALPERS), a cost-sharing agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The employees participate in the Miscellaneous Employee Plan. Benefit provisions under the Plan are established by State statute and City resolution. Benefits are based on years of credited service, with one year of credited service earned for each one year of full time employment. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. In August 2010, the City Council authorized an amendment to the contract between the City and the California Public Employees’ Retirement System in order to establish a Tier 2 retirement benefits structure. The Tier 2 changed the retirement benefit plan from 2.5%@55 to 2%@60 for new miscellaneous employees hired on or after October 18, 2010. A Tier 3 structure was established to implement the provisions of the Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, and is applicable to employees new to CALPERS, and hired after December 31, 2012, and not subject to grandfathering into the previously existing Tier 2 Plan. The Plans’ provisions and benefits in effect at June 30, 2014, are summarized as follows:

	Miscellaneous Tier 1 (2.5% @ 55)	Miscellaneous Tier 2 (2% @ 60)	Miscellaneous Tier 3 (2% @ 62)
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Minimum / Normal Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of annual	2.0% - 2.5%	1.092% - 2.418%	1.0% - 2.5%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	16.687%	8.486%	6.25%

These benefit provisions and all other requirements are established by state statute and City Resolution. Contributions necessary to fund CALPERS on an actuarial basis are determined by CALPERS and its Board of Administration. In May of 2013, the City Council, through a Resolution, directed that in lieu of salary increases, beginning July 1, 2014 and until revised, City employees under Tier 1 and Tier 2 will no longer pay the 2% of their employee contributions they had been paying. The City now pays both the employees’ contribution as well as the employer contribution.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 11 - PENSION PLAN (Continued)

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all actuarially required contributions required by CALPERS, for the last three years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$291,501	100%	\$0
June 30, 2013	315,372	100%	0
June 30, 2014	366,245	100%	0

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation rate at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

As required by State law effective July 1, 2005, the City's Miscellaneous Plan was terminated, and the employees in the plan were required by CALPERS to join a State-wide pool. One of the conditions of entry to the pool was that the City true-up any unfunded liabilities in the former Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The City satisfied its Miscellaneous Plan's unfunded liability by agreeing to contribute to the Side Fund through an addition to its normal contribution rates. The balance of the Side Fund was \$169,248 at June 30, 2014, which will be repaid over the next 6 years.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 11 - PENSION PLAN (Continued)

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. CALPERS' latest actuarial value (which differs from market value) and funding progress for the State-wide pools are shown below:

Actuarial

Miscellaneous Tier 1

Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2010	\$1,972,910,641	\$1,603,482,152	\$369,428,489	81.3%	\$352,637,380	104.8%
2011	2,135,350,204	1,724,200,585	411,149,619	80.7%	350,121,750	117.4%
2012	2,254,622,362	1,837,489,422	417,132,940	81.5%	339,228,272	123.0%

Miscellaneous Tier 2

Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2010	\$624,423,437	\$594,492,164	\$29,931,273	95.2%	\$186,777,830	16.0%
2011	682,375,804	639,237,247	43,138,557	93.7%	193,877,169	22.3%
2012	736,231,913	701,224,211	35,007,702	95.2%	208,517,122	16.8%

The City's Miscellaneous Tier 1 Plan represents approximately 0.3875%, 0.4150% and 0.4867% of the State-wide pool for the years ended June 30, 2012, 2011, and 2010, respectively, based on covered payroll of \$1,314,528, \$1,452,922 and \$1,716,330 for those years. The City joined the Miscellaneous Tier 2 Plan in August 2010 and the City's Miscellaneous Tier 2 Plan represents approximately 0.1642% and 0.0900% of the State-wide pool for the years ended June 30, 2012 and 2011, respectively, based on covered payroll of \$342,409 and \$174,577 for those years. Actuarial information for the Miscellaneous Tier 3 Plan is not yet available.

Audited annual financial statements and ten-year trend information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

NOTE 12 - DEFERRED COMPENSATION PLANS

City employees may also defer a portion of their compensation under City sponsored Deferred Compensation Plans. The City offers the opportunity to participate in one of two plans, one created in accordance with Internal Revenue Code Section 457, and one created in accordance with Internal Revenue Code 401a. Under the 457 plan, participants are not taxed on the deferred portion of their compensation until distributed to them; under the 401a plan different rules apply and amounts contributed may be either pre-tax or after-tax depending on applicable plan rules. Under both plans, distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 13 - RISK MANAGEMENT

A. *Municipal Pooling Authority of Northern California (MPA)*

The City is a member of the Municipal Pooling Authority of Northern California. The Authority provides coverage against various types of loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies. The City participates in the coverage programs as follows:

<u>Types of Coverage (Deductible)</u>	<u>Coverage Limits</u>
Liability (\$25,000)	\$29,000,000
Vehicle - Physical Damage (\$3,000 for police vehicles, \$2,000 for all others)	250,000
Worker's Compensation (no deductible)	Statutory Limit
Property:	
All Risk and Copper Claims (\$25,000), Water Claims (\$150,000)	1,000,000,000
Flood*	25,000,000
Pollution Liability (\$100,000)	1,000,000
Boiler and Machinery (\$5,000)	100,000,000
Cyber Liability (\$50,000)	2,000,000
Government Crime (\$10,000)	1,000,000
Employment Liability (\$50,000)	1,000,000

* \$100,000 minimum deductible per occurrence, except Zones A and V, which are subject to a \$250,000 deductible per occurrence

The Authority is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements for the Authority are available from MPA, 1911 San Miguel Drive, Suite 200, Walnut Creek, CA 94596.

B. *Liability for Uninsured Claims*

Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed, above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims. Settlements have not exceeded insurance coverage for the past three fiscal years.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 13 - RISK MANAGEMENT (Continued)

The City's liability for uninsured liability claims at June 30 was estimated by management based on claims experience during the fiscal year and was computed as follows:

	June 30	
	2014	2013
Balance at beginning of year	\$25,000	\$25,000
Liability for current fiscal year claims		26,921
Change in liability for prior fiscal year claims and claims incurred but not reported (IBNR)	16,141	47,283
Claims paid	(16,141)	(74,204)
Balance at end of year	\$25,000	\$25,000

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. Construction and Other Commitments

The City has the following outstanding construction commitments as of June 30, 2014 which are included in the balance of encumbrances in Note 14E:

Citywide Street Name Sign Replacement	\$63,483
Laurel and Rose Signalization	79,263
Laurel Road Widening - O'Hara to Laurel Ballfields	1,395,602
Civic Center Park Improvement Project	229,390

In addition to the commitments above, the City agreed to grant up to \$925,000 of Childcare Development Fees to a developer for the construction of a childcare facility. The City disbursed \$350,000 during the year, and as of June 30, 2014 the undisbursed amount is \$575,000.

B. Litigation

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney, other than as disclosed in Note 15F(3), there is no presently filed litigation which is likely to have a material adverse effect on the financial position of the City.

C. Tax Apportionment Errors

One of the City's largest previous sales and use tax generators closed its warehouse during the recession, but failed to update its quarterly sales tax reporting. As a result, the City continued to receive sales and use tax associated with the site. Contact with the business failed to correct the problem, and so the City filed a notice with the State Board of Equalization (SBE) requesting verification, and if appropriate, an update to the SBE records and an adjustment to the City's allocations to correct prior allocation errors. During fiscal year 2014, the SBE began processing the correction as a reduction to the City's allocations pursuant to an agreement that the corrections will be made over four quarters. The City estimates the remaining outstanding corrections total approximately \$134,877 as of June 30, 2014, which has been reported as an accrued liability in the Statement of Net Position, and included in assigned fund balance in the General Fund.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

D. Federal and State Grant Programs

The City participates in several federal and State grant programs. These programs are subject to audit by the City's independent accountants in accordance with the provisions of the federal Single Audit Act as amended and applicable State requirements. No cost disallowances have been proposed as a result of audits completed to date; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

E. Encumbrances

Encumbrances outstanding as of June 30, 2014 by fund were as follows:

Major Governmental Fund:	
General Fund	\$29,575
Traffic Impact Fees	1,483,986
Lighting and Landscaping Districts	26,931
Non-Major Governmental Funds	936,153
Total Encumbrances	\$2,476,645

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. REDEVELOPMENT DISSOLUTION

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012 (collectively referred to as the Dissolution Act), which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

In addition, the Dissolution Act directs the State Controller to review the activities of all redevelopment agencies and successor agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller's Office completed its asset transfer review, but the results of the review have not yet been provided to the Successor Agency.

Effective January 31, 2012, the Redevelopment Agency was dissolved. In accordance with the Dissolution Act, certain assets of the Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor; and all remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

Under the provisions of ABx1 26, the City was eligible to elect to become the Housing Successor and retain the housing assets and elected to do so. On February 1, 2012, the Agency's housing assets were transferred to the City's Low and Moderate Income Housing Asset Special Revenue Fund. The activities of the Housing Successor are reported in the Low and Moderate Income Housing Assets Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on April 17, 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board and the Department of Finance. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

On January 19, 2011 the Redevelopment Agency entered into a Cooperation Agreement with the City to perform and administer the redevelopment programs and activities within the Project Area, including its low and moderate income housing programs. The Cooperation Agreement identifies thirty-seven Agency projects that cannot be completed without the assistance of the City, but those projects may be amended. In exchange for the City's agreement to accept these responsibilities and participate in these projects, as appropriate, the Agency made various findings in accordance with the Health and Safety Code within the Cooperation Agreement, including §33220, and the Agency agreed to the following provisions:

- To transfer and convey all of its existing assets to the City prior to June 30, 2011, including its rights to receive funds associated with the Agency's existing agreements with third parties as a contribution toward carrying out the obligations specified in the Agreement.
- To pay the City 3% of all property taxes it receives to the City for administration and oversight activities.
- To repay the principal and interest of the interagency advances discussed in Note 4 B above over a term of six years.

For accountability, the City had established two new funds to account for activities undertaken pursuant to this Agreement.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

The Cooperation Agreement was to terminate in fiscal year 2039, however under the provisions of Health and Safety Code Section 34171(d)(2) established by ABx1 26, agreements between the City and the Agency that were executed after December 31, 2010 are no longer enforceable obligations and Health and Safety Code Section 34167.5 requires that if the City is not contractually committed to a third party for the expenditure or encumbrance of those funds that they be returned to the Successor Agency. Although the City contends that the Cooperation Agreement was lawfully executed, the City agreed to comply with the requirements of the Code and the assets as of January 31, 2012 in the City Redevelopment Housing Fund were transferred to the Low and Moderate Income Housing Asset Fund which accounts for the Housing Successor activities, and the assets and liabilities of the City Redevelopment Capital Projects Fund were transferred to the Successor Agency to the Redevelopment Agency Private Purpose Trust Fund. As Housing Successor, the City is only required to assume the assets of the former Redevelopment Agency’s housing activities, however, the State Department of Finance has indicated that the Cooperation Agreement is not an enforceable obligation of the Successor Agency and that the advance to the former Redevelopment Agency for a housing project should not be repaid by property taxes. Until the matter was resolved, the City, as housing successor, had assumed the advance liability as discussed in Note 4B.

The entire dispute between the State Department of Finance and the City and Agency regarding the Cooperation Agreement and housing-related advances was litigated, and ultimately resolved, through the settlement discussed in Note 15F(3).

Cash and investments of the Successor Agency as of June 30, 2014 includes the following:

Cash available for operations:	
Cash available for operations	\$213,660
Cash held for September 2, 2014 debt service payment	1,445,801
Cash and investments with fiscal agent	2,675,204
Total Cash and Investments	\$4,334,665

Details regarding cash and investments are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2014.

B. LOANS RECEIVABLE

The Successor Agency assumed the non-housing loans receivable of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans were provided under favorable terms to homeowners or developers who agreed to expend these funds in accordance with the Agency’s terms. The balance of the portion of the Oakley Senior Housing loan assumed by the Successor Agency as discussed in Note 5D above, including accrued interest was \$609,936 as of June 30, 2014.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

Manuel’s Five Star Restaurant, Inc.

Under the terms of its Cooperation Agreement with the Redevelopment Agency and following existing law at the time, on August 9, 2011 the City entered into an agreement with Manuel’s Five Star Restaurant, Inc., to provide loans of Agency funds to develop a restaurant and associated improvements. The loans consist of a construction loan of up to \$1,200,000 to construct the restaurant and an enhancement loan of up to \$600,000 to enhance the exterior of the restaurant building and on-site amenities. The construction loan bears interest of 5% on outstanding principal and unpaid interest beginning three months after the start of operations of the restaurant, is secured by a first deed of trust, and is payable in monthly installments also beginning after the start of operations of the restaurant. The construction loan becomes due upon sale of the property. The enhancement loan does not bear interest and will be forgiven if the borrower operates the restaurant for ten consecutive years. The borrower had drawn down \$39,800 of the loans as of January 31, 2012. With the dissolution of the Agency effective February 1, 2012, the outstanding loan as of that date in the amount of \$39,800 was assumed by the Successor Agency.

The State Department of Finance determined that the loans are not enforceable obligations of the Successor Agency, and the Department and the Agency representatives have gone through a meet and confer process in an attempt to resolve their differences. Notwithstanding this effort, the Department continued to deny the loans, relying on legislation later validated by the State Supreme Court ending redevelopment that included, amongst other things, language that retroactively invalidates virtually all agreements between agencies and their sponsoring entities. The Department contended that as a result of this provision, the loans are a City obligation and not an obligation of the Successor Agency. They did, however, provide that because the enhancement loan was funded with proceeds of Redevelopment Agency bonds, then once the Agency obtains a “Finding of Completion” by complying with provisions of a new law passed in June 2012, the enhancement loan would be allowed.

The borrower had drawn down \$1,200,000 of the construction loan and \$599,304 of the enhancement loan as of June 30, 2014. Loan repayments began in fiscal 2013 and the outstanding balance of the loans was \$1,775,933 at June 30, 2014.

This dispute between the State Department of Finance and the City and Agency regarding the Cooperation Agreement was litigated, and ultimately resolved through the settlement discussed in Note 15F(3).

C. LAND HELD FOR REDEVELOPMENT

The Successor Agency assumed the land held for redevelopment of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency had purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Project Area. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

The Successor Agency sold one parcel to a developer subsequent to June 30, 2014.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

D. CAPITAL ASSETS

The Successor Agency assumed the capital assets of the Redevelopment Agency as of February 1, 2012.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of capital assets.

Depreciation is provided using the half-year convention method which is like the straight-line method in that the cost of the asset is divided by its expected useful life in years, but the asset is depreciated over 6 months instead over one year in its first year. The result is charged to expense each year until the asset is fully depreciated. The capitalization threshold for equipment with a cost of \$5,000 or more and a useful life of more than two years, and for all buildings, improvements and infrastructure with a cost of \$50,000 or more and a useful life of more than two years. The Successor Agency has assigned the useful lives listed below to capital assets:

	<u>Useful lives</u>
Buildings	40 years
Improvements	5-15 years
Machinery and Equipment	5 years
Vehicles	5 years
Roadways:	
Streets (includes pavement, sidewalk, curb & gutters, trees & signs)	40 years
Traffic Signals	25 years
Parks and Recreation:	
General Improvements	25 years
Specialty Features	10 years

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets recorded at June 30 comprise:

	Balance June 30, 2013	Additions	Retirements	Transfers	Balance June 30, 2014
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$4,331,395				\$4,331,395
Construction in Progress	9,163,318	\$905,509	(\$9,441)	(\$9,482,975)	576,411
Total capital assets not being depreciated	13,494,713	905,509	(9,441)	(9,482,975)	4,907,806
Capital assets being depreciated:					
Buildings and improvements	3,906,700			2,010,090	5,916,790
Machinery and equipment	65,957				65,957
Roadways:					
Pavement	3,889,591			7,447,885	11,337,476
Traffic Signals	400,859				400,859
Street Trees				25,000	25,000
Parks and Recreation	818,890				818,890
Total capital assets being depreciated	9,081,997			9,482,975	18,564,972
Less accumulated depreciation for:					
Buildings and improvements	(815,475)	(177,090)			(992,565)
Machinery and equipment	(65,957)				(65,957)
Roadways:					
Pavement	(590,530)	(209,812)			(800,342)
Traffic Signals	(95,152)	(16,034)			(111,186)
Street Trees		(313)			(313)
Parks and Recreation	(140,729)	(40,945)			(181,674)
Total accumulated depreciation	(1,707,843)	(444,194)			(2,152,037)
Net capital assets being depreciated	7,374,154	(444,194)		9,482,975	16,412,935
Capital assets, net	\$20,868,867	\$461,315	(\$9,441)		\$21,320,741

Included in the balances above are certain assets that are designated for public purposes and the City anticipates that the assets will ultimately be conveyed to the City.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

E. LONG-TERM DEBT

The Successor Agency assumed the long-term debt of the Redevelopment Agency as of February 1, 2012.

1. Current Year Transaction and Balances

All of the long-term debt of the Successor Agency is comprised of Tax Allocation Bonds issued by the Redevelopment Agency. The Bonds are special obligations of the Agency and are secured only by the Agency’s tax increment revenues. Tax Allocation Bond transactions were as follows:

	Original Issue Amount	Balance June 30, 2013	Retirements	Balance June 30, 2014	Current Portion
2003 Tax Allocation Bonds					
3.97-6.32%, due 9/01/2028	\$8,500,000	\$6,685,000	(\$260,000)	\$6,425,000	\$275,000
2008 Subordinate Tax Allocation Bonds					
4.00-5.00%, due 9/1/2038	25,095,000	<u>24,785,000</u>	<u>(350,000)</u>	<u>24,435,000</u>	<u>385,000</u>
Total		<u>\$31,470,000</u>	<u>(\$610,000)</u>	<u>\$30,860,000</u>	<u>\$660,000</u>

2. Redevelopment Agency 2003 Tax Allocation Bonds and 2008 Subordinate Tax Allocation Bonds

On December 4, 2003, the Agency issued Tax Allocation Bonds to refund and defease outstanding 1999 Tax Allocation Revenue Bonds issued by the County prior to the transfer of the Oakley Project to the Oakley Redevelopment Agency when formed in 2001, and to provide financing for various redevelopment projects. The Bonds are secured by the Agency’s tax increment revenue. Principal is payable annually and the interest is payable semi-annually through 2029. A portion of the proceeds from the 2003 Bonds was placed in an irrevocable trust to provide all the future debt service payments of the defeased 1999 Bonds, and the 1999 Bonds were called in August 2009.

On May 10, 2008, the Agency issued Subordinate Tax Allocation Bonds, Series 2008A, to provide financing for various redevelopment projects. The bonds are secured by the Agency’s tax increment, however, the 2008A Bonds are subordinated to the 2003 Bonds. Principal is payable annually and the interest is payable semi-annually through 2039.

As discussed above, the Agency has pledged all future tax increment revenues, less amounts required to be set aside in the Redevelopment Agency Low and Moderate Income Housing Capital Projects Fund and certain tax increment pass through payments, for the repayment of both the 2003 and 2008A Tax Allocation Bonds (non-housing revenues). The Agency has also pledged tax increment revenues required to be set aside in the Redevelopment Agency Low and Moderate Income Housing Capital Projects Fund (housing revenue) for the repayment of a portion of the 2003 Tax Allocation Bonds. The pledge of all future tax increment revenues ends upon repayment of the \$53,527,314 remaining debt service on the Bonds above, which is scheduled to occur in 2039. With the issuance of the 2008 Bonds, projected non-housing tax increment revenues are expected to provide coverage over debt service of 217% over the life of the two Bonds.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. Beginning in fiscal year 2012, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. Total property taxes available for distribution to the Successor Agency and other taxing entities for fiscal year 2014 calculated by the County Auditor-Controller was \$2,707,978 and the total received by the Successor Agency for fiscal year 2014 debt service was \$2,180,805, which represented of 99% of the \$2,195,609 of debt service. The lesser tax distribution was deemed sufficient, because the Agency had other revenues/resources available to direct towards debt service.

3. Debt Service Requirements

Annual debt service requirements for the Bonds are shown below:

For the Year Ending June 30	Principal	Interest
2015	\$660,000	\$1,555,803
2016	715,000	1,522,964
2017	775,000	1,487,494
2018	835,000	1,449,293
2019	900,000	1,407,984
2020 - 2024	5,110,000	6,304,296
2025 - 2029	6,445,000	4,775,983
2030 - 2034	6,775,000	3,041,125
2035 - 2039	8,645,000	1,122,372
	\$30,860,000	\$22,667,314

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

F. COMMITMENTS AND CONTINGENCIES

1. State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance in the future cannot be determined at this time.

2. State Asset Transfer Review

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller's Office conducted a review of the propriety of asset transfers between the former Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011, but the results of that review have not been issued, and therefore the amount, if any, of assets that may be required to be returned to the Successor Agency cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

3. Litigation and Settlement

AB1484 requires the Successor Agency to complete two Due Diligence Reviews (DDR) to determine the amount of the remaining assets that should be transferred by the City to the Successor Agency or by the Successor Agency to the County for distribution to the affected taxing entities.

In August 2013, the State Department of Finance (DOF) completed its review of the DDR of the Low and Moderate Housing Fund's cash balance available for allocation to the affected taxing entities. The DDR indicated assets totaling \$1,956 were to be returned, but that amount was adjusted by the DOF to \$537,576. The Successor Agency complied with a portion the DOF's determination by transmitting a payment of \$71,556 to the County Auditor-Controller in August 2013, but the City disputed the remaining balance due of \$466,020.

In October 2013, the DOF completed its review of the DDR of all other funds of the former Redevelopment Agency. The DDR indicated there were no assets available for allocation to the affected taxing entities, but that amount was adjusted by the DOF to \$952,264. The City disputed the adjustments.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

All of the DOF adjustments were for disallowed expenditures and obligations. The City filed suit against the DOF, claiming amongst other things, the transactions undertaken pursuant to the Cooperation Agreement between the City and the Redevelopment Agency prior to the elimination of AB1x27 that was originally passed as a companion bill with AB1x26, that allowed continued operations of the Redevelopment Agency subject to certain conditions that the subject expenditures and obligations were enforceable obligations of the Successor Agency, and that the DOF exceeded its authority in disallowing them. The State and the County, as an interested party in the matter, filed responses to the City's complaint.

In July 2014, the City entered into a settlement agreement with the State Department of Finance and the Contra Costa County Auditor-Controller to resolve the dispute discussed above. With the full execution of the settlement agreement, the litigation was formally dismissed on July 23, 2014. Under the terms of the settlement agreement, the City agreed to transfer \$1,450,500 to the Successor Agency that represents the value of the Development and Disposition Agreement related to the Manuel's Five Star Restaurant, Inc., less \$124,500 for administrative allowance and bond administration expenses previously withheld by the Department of Finance. With the transfer of funds, the City acquired all rights and interest in the DDA, and the associated loan receivable from Manuel's Five Star Restaurant, Inc.

After the transfer of funds from the City to the Successor Agency, the Successor Agency was required to remit \$1,418,284 to the County Auditor-Controller, representing the total of the amounts remaining in the Low and Moderate Housing Fund DDR (\$466,020) and the DDR of all other funds (\$952,264). The Successor Agency remitted the payments on August 14, 2014, and the Department of Finance issued the Successor Agency a Finding of Completion on August 15, 2014.

In addition, the City agreed that it will not pursue the repayment of the advance to the former Redevelopment Agency for a housing project from the Successor Agency discussed in Note 15A above; and will not seek payment from the Successor Agency for City administration of certain housing programs.

**MAJOR GOVERNMENTAL FUNDS, OTHER THAN
GENERAL FUND AND SPECIAL REVENUE FUNDS**

TRAFFIC IMPACT FEES CAPITAL PROJECTS FUND

This fund accounts for fees assessed on new development to provide street and road improvements.

CITY OF OAKLEY
MAJOR GOVERNMENTAL FUNDS OTHER THAN THE
GENERAL FUND AND SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>TRAFFIC IMPACT FEES</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Developer fees	\$1,500,000	\$1,415,372	(\$84,628)
Use of money and property	5,000	21,718	16,718
Total Revenues	<u>1,505,000</u>	<u>1,437,090</u>	<u>(67,910)</u>
EXPENDITURES			
Current:			
Public Works	48,308	47,989	319
Capital outlay	<u>6,632,758</u>	<u>3,105,925</u>	<u>3,526,833</u>
Total Expenditures	<u>6,681,066</u>	<u>3,153,914</u>	<u>3,527,152</u>
NET CHANGE IN FUND BALANCES	<u>(\$5,176,066)</u>	(1,716,824)	<u>\$3,459,242</u>
Fund balance at beginning of year		<u>6,756,569</u>	
Fund balance at end of year		<u>\$5,039,745</u>	

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS**GAS TAX**

This fund accounts for revenues and expenditures received from the State of California under Street and Highways Code Sections 2105, 2106, 2107 and 2107.5. The allocations must be spent for street maintenance and construction.

NPDES

This fund accounts for storm water utility fees assessed on properties city-wide and used to pay for the “National Pollution Discharge Elimination System” to prevent further polluting of our streams and bays as mandated by the Federal government.

DEVELOPER DEPOSITS

This fund accounts for deposits received from contractors and property owners to offset the cost of providing certain Community Development services including processing applications and reviewing grading plans of applicant projects.

YOUTH DEVELOPMENT

This fund accounts for youth development grant programs.

COMMUNITY FACILITIES DISTRICT #1

This fund accounts for maintenance and operations related to drainage and flood control at the Cypress Grove development.

OAKLEY WELCOMING

This fund accounts for the activities associated with the grant-funded Oakley Welcoming program under the You Me We Oakley! brand.

AG CONSERVATION

This fund accounts for the activities associated with establishing and carrying out the City’s agricultural conservation program.

CAPITAL PROJECTS FUNDS**MEASURE J**

This fund accounts for the City’s portion of the half-cent County-wide sales tax levied to fund transportation improvements to local streets.

PARK IMPACT FEES

This fund accounts for fees assessed on new development to provide for park acquisition and development.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

CHILDCARE IMPACT FEES

This fund accounts for fees assessed on new developments to provide for childcare facilities.

PUBLIC FACILITIES IMPACT FEE

This fund accounts for fees assessed on new development to provide for public facilities.

MAIN STREET

This fund accounts for Main Street related projects funded by the General Fund.

CYPRESS GROVE CAPITAL PROJECT

This fund accounts for funds from the 2004-1 Limited Obligation Bonds used to purchase infrastructure assets built by developers in the 2004-1 Assessment District area.

GENERAL CAPITAL PROJECTS

This fund accounts for revenues and expenditures related to General Fund contributions, grants and other funding sources for capital projects not accounted for in other capital projects funds. It accounts for the total expenditures for each project charged to this fund.

FIRE IMPACT FEES

This fund accounts for fees assessed on new developments to provide for fire protection capital facilities.

DEBT SERVICE FUNDS

2006 CERTIFICATES OF PARTICIPATION

This fund accounts for principal and interest payments on the City's 2006 Certificates of Participation.

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CITY OF OAKLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	SPECIAL REVENUE FUNDS				
	Gas Tax	NPDES	Developer Deposits	Youth Development	Community Facilities District #1
ASSETS					
Cash and investments available for operations	\$857,013	\$1,291,595	\$934,993	\$77,937	\$1,501,700
Cash with fiscal agent					
Accounts receivable, net	27,225		78,380		
Interest receivable	526	558		31	651
Prepays and deposits					
Advances to other funds					
Total Assets	\$884,764	\$1,292,153	\$1,013,373	\$77,968	\$1,502,351
LIABILITIES					
Accounts payable	\$83,879	\$58,223	\$4,262	\$2,122	\$2,578
Accrued liabilities					
Deposits payable			1,009,111		
Unearned revenue				75,846	
Advances from other funds					
Total Liabilities	83,879	58,223	1,013,373	77,968	2,578
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - interest on advances to other funds					
Total Deferred Inflows of Resources					
FUND BALANCES					
Nonspendable					
Restricted	800,885	1,233,930			1,499,773
Assigned					
Unassigned					
Total Fund Balance	800,885	1,233,930			1,499,773
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$884,764	\$1,292,153	\$1,013,373	\$77,968	\$1,502,351

SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS				
Oakley Welcoming	Ag Conservation	Measure J	Park Impact Fees	Childcare Impact Fees	Public Facilities Impact Fee	Main Street
\$108,372	\$1,724	\$416,017	\$45,896	\$591,544	\$1,954	\$719,987
48	1	508,671 284	(21)	268	(51)	
			506,138		162,005	
<u>\$108,420</u>	<u>\$1,725</u>	<u>\$924,972</u>	<u>\$552,013</u>	<u>\$591,812</u>	<u>\$163,908</u>	<u>\$719,987</u>
\$6,107 683		\$9,744				\$51,530
101,630					\$150,000	
<u>108,420</u>		<u>9,744</u>			<u>150,000</u>	<u>51,530</u>
			\$71,546		22,901	
			71,546		22,901	
	\$1,725	915,228	480,467	\$591,812		668,457
					(8,993)	
	<u>1,725</u>	<u>915,228</u>	<u>480,467</u>	<u>591,812</u>	<u>(8,993)</u>	<u>668,457</u>
<u>\$108,420</u>	<u>\$1,725</u>	<u>\$924,972</u>	<u>\$552,013</u>	<u>\$591,812</u>	<u>\$163,908</u>	<u>\$719,987</u>

(Continued)

CITY OF OAKLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	CAPITAL PROJECTS FUNDS			DEBT SERVICE FUND	Total Nonmajor Governmental Funds
	Cypress Grove Capital Project	General Capital Projects	Fire Impact Fees	2006 Certificates of Participation	
ASSETS					
Cash and investments available for operations		\$618,394	\$81,704		\$7,248,830
Cash with fiscal agent				\$574,685	574,685
Accounts receivable, net					614,276
Interest receivable		295	37	93	2,720
Prepays and deposits					
Advances to other funds					668,143
Total Assets		\$618,689	\$81,741	\$574,778	\$9,108,654
LIABILITIES					
Accounts payable		\$151,828			\$370,273
Accrued liabilities					683
Deposits payable					1,009,111
Unearned revenue		57,566			235,042
Advances from other funds					150,000
Total Liabilities		209,394			1,765,109
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - interest on advances to other funds					94,447
Total Deferred Inflows of Resources					94,447
FUND BALANCES					
Nonspendable					
Restricted		\$565,497	\$81,741	\$574,778	6,745,836
Assigned					668,457
Unassigned		(156,202)			(165,195)
Total Fund Balance		409,295	81,741	574,778	7,249,098
Total Liabilities, Deferred Inflows of Resources		\$618,689	\$81,741	\$574,778	\$9,108,654

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CITY OF OAKLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

SPECIAL REVENUE FUNDS

	Gas Tax	NPDES	Developer Deposits	Youth Development	Community Facilities District #1
REVENUES					
Property taxes		\$484,727			
Intergovernmental:					
Other	\$1,050,803				
Developer fees			\$193,050		
Special assessments					\$288,486
Use of money and property	1,744	3,953		\$86	4,540
Miscellaneous	27,225	90		26,880	
Total Revenues	1,079,772	488,770	193,050	26,966	293,026
EXPENDITURES					
Current:					
Community Development			193,050		
Public Works	424,787	403,951			71,790
Recreation				26,966	
Capital outlay	992,425				2,705
Debt Service:					
Principal					
Interest and fiscal charges					
Total Expenditures	1,417,212	403,951	193,050	26,966	74,495
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(337,440)	84,819			218,531
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers (out)	(155,745)				
Total Other Financing Sources (Uses)	(155,745)				
NET CHANGE IN FUND BALANCES	(493,185)	84,819			218,531
Fund balance (deficit) at beginning of year	1,294,070	1,149,111			1,281,242
Fund balances (deficit) at end of year	<u>\$800,885</u>	<u>\$1,233,930</u>			<u>\$1,499,773</u>

SPECIAL REVENUE FUNDS

CAPITAL PROJECTS FUNDS

Oakley Welcoming	Ag Conservation	Measure J	Park Impact Fees	Childcare Impact Fees	Public Facilities Impact Fee	Main Street
		\$508,671	\$533,414		\$513,805	
\$143 72,031	\$7	989		\$847	(198)	
72,174	7	509,660	533,414	847	513,607	
				350,090	16,859	\$2,438
72,174	3,700	76,318	3,253			
		467,537	15,275	9,558		52,031
					182	
72,174	3,700	543,855	18,528	359,648	17,041	54,469
	(3,693)	(34,195)	514,886	(358,801)	496,566	(54,469)
						25,000
					(569,679)	
					(569,679)	25,000
	(3,693)	(34,195)	514,886	(358,801)	(73,113)	(29,469)
	5,418	949,423	(34,419)	950,613	64,120	697,926
	\$1,725	\$915,228	\$480,467	\$591,812	(\$8,993)	\$668,457

(Continued)

CITY OF OAKLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	CAPITAL PROJECTS FUNDS			DEBT SERVICE FUND	Total Nonmajor Governmental Funds
	Cypress Grove Capital Project	General Capital Projects	Fire Impact Fees	2006 Certificates of Participation	
REVENUES					
Property taxes					\$484,727
Intergovernmental:					
Other					2,092,888
Developer fees		\$212,364			919,219
Special assessments					288,486
Use of money and property	\$98	790	\$108	\$434	13,541
Miscellaneous					126,226
Total Revenues	98	213,154	108	434	3,925,087
EXPENDITURES					
Current:					
Community Development			1,104		561,103
Public Works	89,456				1,075,693
Recreation					99,140
Capital outlay		582,496			2,122,027
Debt Service:					
Principal				255,000	255,000
Interest and fiscal charges				315,113	315,295
Total Expenditures	89,456	582,496	1,104	570,113	4,428,258
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(89,358)	(369,342)	(996)	(569,679)	(503,171)
OTHER FINANCING SOURCES (USES)					
Transfers in		316,212		569,679	910,891
Transfers (out)		(807)			(726,231)
Total Other Financing Sources (Uses)		315,405		569,679	184,660
NET CHANGE IN FUND BALANCES	(89,358)	(53,937)	(996)		(318,511)
Fund balance (deficit) at beginning of year	89,358	463,232	82,737	574,778	7,567,609
Fund balances (deficit) at end of year	<u> </u>	<u>\$409,295</u>	<u>\$81,741</u>	<u>\$574,778</u>	<u>\$7,249,098</u>

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CITY OF OAKLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

SPECIAL REVENUE FUNDS

	GAS TAX			N.P.D.E.S.		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes				\$460,000	\$484,727	\$24,727
Intergovernmental:						
Other	\$1,032,500	\$1,050,803	\$18,303			
Developer fees						
Special assessments						
Use of money and property	500	1,744	1,244	1,500	3,953	2,453
Miscellaneous		27,225	27,225		90	90
Total Revenues	<u>1,033,000</u>	<u>1,079,772</u>	<u>46,772</u>	<u>461,500</u>	<u>488,770</u>	<u>27,270</u>
EXPENDITURES						
Current:						
Community Development						
Public Works	408,726	424,787	(16,061)	456,525	403,951	52,574
Recreation						
Capital Outlay	1,734,798	992,425	742,373			
Debt Service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>2,143,524</u>	<u>1,417,212</u>	<u>726,312</u>	<u>456,525</u>	<u>403,951</u>	<u>52,574</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,110,524)</u>	<u>(337,440)</u>	<u>773,084</u>	<u>4,975</u>	<u>84,819</u>	<u>79,844</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	<u>(178,546)</u>	<u>(155,745)</u>	<u>22,801</u>			
Total Other Financing Sources (Uses)	<u>(178,546)</u>	<u>(155,745)</u>	<u>22,801</u>			
NET CHANGE IN FUND BALANCES	<u>(\$1,289,070)</u>	<u>(493,185)</u>	<u>\$795,885</u>	<u>\$4,975</u>	<u>84,819</u>	<u>\$79,844</u>
Fund balances (deficit) at beginning of year		<u>1,294,070</u>			<u>1,149,111</u>	
Fund balances (deficit) at end of year		<u>\$800,885</u>			<u>\$1,233,930</u>	

CITY OF OAKLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

SPECIAL REVENUE FUNDS

	OAKLEY WELCOMING			AG CONSERVATION		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Intergovernmental:						
Other						
Developer fees						
Special assessments						
Use of money and property		\$143	\$143		\$7	\$7
Miscellaneous	\$83,816	72,031	(11,785)			
Total Revenues	83,816	72,174	(11,642)		7	7
EXPENDITURES						
Current:						
Community Development						
Public Works				\$3,700	3,700	
Recreation	96,815	72,174	24,641			
Capital Outlay						
Debt Service:						
Principal						
Interest and fiscal charges						
Total Expenditures	96,815	72,174	24,641	3,700	3,700	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,999)		12,999	(3,700)	(3,693)	7
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$12,999)</u>		<u>\$12,999</u>	<u>(\$3,700)</u>	<u>(3,693)</u>	<u>\$7</u>
Fund balances (deficit) at beginning of year					5,418	
Fund balances (deficit) at end of year					<u>\$1,725</u>	

CAPITAL PROJECTS FUNDS

MEASURE J			PARK IMPACT FEES			CHILDCARE IMPACT FEES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$480,059	\$508,671	\$28,612	\$557,000	\$533,414	(\$23,586)			
1,500	989	(511)					\$847	\$847
481,559	509,660	28,101	557,000	533,414	(23,586)		847	847
148,761	76,318	72,443	5,000	3,253	1,747	\$925,090	350,090	575,000
1,156,866	467,537	689,329	80,474	15,275	65,199	9,560	9,558	2
1,305,627	543,855	761,772	85,474	18,528	66,946	934,650	359,648	575,002
(824,068)	(34,195)	789,873	471,526	514,886	43,360	(934,650)	(358,801)	575,849
<u>(\$824,068)</u>	(34,195)	<u>\$789,873</u>	<u>\$471,526</u>	514,886	<u>\$43,360</u>	<u>(\$934,650)</u>	(358,801)	<u>\$575,849</u>
	949,423			(34,419)			950,613	
	<u>\$915,228</u>			<u>\$480,467</u>			<u>\$591,812</u>	

(Continued)

CITY OF OAKLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

CAPITAL PROJECTS FUNDS

	PUBLIC FACILITIES IMPACT FEE			MAIN STREET		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Intergovernmental:						
Other						
Developer fees	\$674,750	\$513,805	(\$160,945)			
Special assessments						
Use of money and property	250	(198)	(448)			
Miscellaneous						
Total Revenues	<u>675,000</u>	<u>513,607</u>	<u>(161,393)</u>			
EXPENDITURES						
Current:						
Community Development	16,860	16,859	1			
Public Works				\$2,438	\$2,438	
Recreation						
Capital Outlay				694,336	52,031	\$642,305
Debt Service:						
Principal						
Interest and fiscal charges		182	(182)			
Total Expenditures	<u>16,860</u>	<u>17,041</u>	<u>(181)</u>	<u>696,774</u>	<u>54,469</u>	<u>642,305</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>658,140</u>	<u>496,566</u>	<u>(161,574)</u>	<u>(696,774)</u>	<u>(54,469)</u>	<u>642,305</u>
OTHER FINANCING SOURCES (USES)						
Transfers in					25,000	25,000
Transfers (out)	<u>(571,835)</u>	<u>(569,679)</u>	<u>2,156</u>			
Total Other Financing Sources (Uses)	<u>(571,835)</u>	<u>(569,679)</u>	<u>2,156</u>		<u>25,000</u>	<u>25,000</u>
NET CHANGE IN FUND BALANCES	<u>\$86,305</u>	<u>(73,113)</u>	<u>(\$159,418)</u>	<u>(\$696,774)</u>	<u>(29,469)</u>	<u>\$667,305</u>
Fund balances (deficit) at beginning of year		<u>64,120</u>			<u>697,926</u>	
Fund balances (deficit) at end of year		<u>(\$8,993)</u>			<u>\$668,457</u>	

CAPITAL PROJECTS FUNDS						DEBT SERVICE FUND		
GENERAL CAPITAL PROJECTS			FIRE IMPACT FEE			2006 CERTIFICATES OF PARTICIPATION		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$257,500		(\$257,500)						
192,566	\$212,364	19,798						
	790	790	\$100	\$108	\$8		\$434	\$434
450,066	213,154	(236,912)	100	108	8		434	434
			2,000	1,104	896			
1,400,912	582,496	818,416				\$255,000	255,000	
						316,835	315,113	1,722
1,400,912	582,496	818,416	2,000	1,104	896	571,835	570,113	1,722
(950,846)	(369,342)	581,504	(1,900)	(996)	904	(571,835)	(569,679)	2,156
316,212	316,212					571,864	569,679	(2,185)
	(807)	(807)						
316,212	315,405	(807)				571,864	569,679	(2,185)
(\$634,634)	(53,937)	\$580,697	(\$1,900)	(996)	\$904	\$29		(\$29)
	463,232			82,737			574,778	
	\$409,295			\$81,741			\$574,778	

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

EQUIPMENT REPLACEMENT

This fund is used to finance and account for the replacement of equipment used by City departments.

CAPITAL FACILITIES MAINTENANCE AND REPLACEMENT

This fund is used to account for the maintenance and replacement of the City's capital facilities used by City departments.

CITY OF OAKLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

	Equipment Replacement	Capital Facilities Maintenance and Replacement	Total
ASSETS			
Current:			
Cash and investments available for operations	\$1,419,123	\$235,515	\$1,654,638
Receivables:			
Interest	621	110	731
Total Current Assets	1,419,744	235,625	1,655,369
Noncurrent:			
Capital assets (net of accumulated depreciation)	683,248	6,907,002	7,590,250
Total Assets	2,102,992	7,142,627	9,245,619
LIABILITIES			
Accounts payable	23,640	2,200	25,840
Total Assets	23,640	2,200	25,840
NET POSITION			
Net investment in capital assets	683,248	6,907,002	7,590,250
Unrestricted	1,396,104	233,425	1,629,529
Total Net Position	\$2,079,352	\$7,140,427	\$9,219,779

CITY OF OAKLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Equipment Replacement	Capital Facilities Maintenance and Replacement	Total
OPERATING REVENUES			
Charges for services	\$249,000		\$249,000
Total Operating Revenues	249,000		249,000
OPERATING EXPENSES			
Supplies	33,429	\$38,537	71,966
Depreciation	265,694	240,783	506,477
Total Operating Expenses	299,123	279,320	578,443
Operating Income (Loss)	(50,123)	(279,320)	(329,443)
NONOPERATING REVENUES (EXPENSES)			
Interest income	4,382	341	4,723
Loss on disposition of property	(29,975)		(29,975)
Total Nonoperating Revenues	(25,593)	341	(25,252)
Income (Loss) Before Contributions	(75,716)	(278,979)	(354,695)
Contributions	136,021		136,021
Change in net position	60,305	(278,979)	(218,674)
BEGINNING NET POSITION	2,019,047	7,419,406	9,438,453
ENDING NET POSITION	\$2,079,352	\$7,140,427	\$9,219,779

CITY OF OAKLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Equipment Replacement	Capital Facilities Maintenance and Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$249,000		\$249,000
Payments to suppliers	(9,789)	(\$36,337)	(46,126)
Cash Flows from Operating Activities	239,211	(36,337)	202,874
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition of capital assets	(76,643)		(76,643)
Proceeds from sale of capital assets	4,065		4,065
Cash Flows from Noncapital Financing Activities	(72,578)		(72,578)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	4,337	356	4,693
Net Cash Flows	170,970	(35,981)	134,989
Cash and investments at beginning of period	1,248,153	271,496	1,519,649
Cash and investments at end of period	<u>\$1,419,123</u>	<u>\$235,515</u>	<u>\$1,654,638</u>
NONCASH TRANSACTIONS			
Contribution of capital assets	<u>\$136,021</u>		<u>\$136,021</u>
Retirement of capital assets	<u>\$34,040</u>		<u>\$34,040</u>
Reconciliation of Operating Income (Loss) to Cash Flows			
from Operating Activities:			
Operating income (loss)	(\$50,123)	(\$279,320)	(\$329,443)
Adjustments to reconcile operating income (loss) to cash flows			
from operating activities:			
Depreciation	265,694	240,783	506,477
Net change in liabilities:			
Accounts payable	23,640	2,200	25,840
Cash Flows from Operating Activities	<u>\$239,211</u>	<u>(36,337)</u>	<u>\$202,874</u>

AGENCY FUNDS

Agency Funds account for assets held by the City as an agent for individuals, governmental entities and non-public organizations.

ASSESSMENT DISTRICT 2004-1

This fund accounts for Assessment District 2004-1 special assessment collections and debt service payments.

REGIONAL MITIGATION FEES

This fund accounts for fees established by the County to fund future County capital facilities from development. The fees are collected via building permits and submitted to the County.

ASSESSMENT DISTRICT 2006-1

This fund accounts for Assessment District 2006-1 special assessment collections and debt service payments.

CITY OF OAKLEY
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
<u>Assessment District 2004-1</u>				
Assets				
Cash and investments	\$969,181	\$1,143,717	\$1,072,747	\$1,040,151
Cash with fiscal agent	1,203,964	62,157		1,266,121
Interest receivable	324	371	324	371
Total Assets	<u>\$2,173,469</u>	<u>\$1,206,245</u>	<u>\$1,073,071</u>	<u>\$2,306,643</u>
Liabilities				
Due to bondholders	<u>\$2,173,469</u>	<u>\$1,206,245</u>	<u>\$1,073,071</u>	<u>\$2,306,643</u>
Total Liabilities	<u>\$2,173,469</u>	<u>\$1,206,245</u>	<u>\$1,073,071</u>	<u>\$2,306,643</u>
<u>Regional Mitigation Fees Fund</u>				
Assets				
Cash and investments	<u>\$457,990</u>	<u>\$4,507,485</u>	<u>\$4,530,145</u>	<u>\$435,330</u>
Liabilities				
Due to other agencies	<u>\$457,990</u>	<u>\$4,507,485</u>	<u>\$4,530,145</u>	<u>\$435,330</u>
Total Liabilities	<u>\$457,990</u>	<u>\$4,507,485</u>	<u>\$4,530,145</u>	<u>\$435,330</u>
<u>Assessment District 2006-1</u>				
Assets				
Cash and investments	\$515,910	\$759,997	\$743,870	\$532,037
Cash with fiscal agent	745,819	44		745,863
Interest receivable	159	164	159	164
Total Assets	<u>\$1,261,888</u>	<u>\$760,205</u>	<u>\$744,029</u>	<u>\$1,278,064</u>
Liabilities				
Due to bondholders	<u>\$1,261,888</u>	<u>\$760,205</u>	<u>\$744,029</u>	<u>\$1,278,064</u>
Total Liabilities	<u>\$1,261,888</u>	<u>\$760,205</u>	<u>\$744,029</u>	<u>\$1,278,064</u>
<u>Totals - All Agency Funds</u>				
Assets				
Cash and investments	\$1,943,081	\$6,411,199	\$6,346,762	\$2,007,518
Cash with fiscal agent	1,949,783	62,201		2,011,984
Interest receivable	483	535	483	535
Total Assets	<u>\$3,893,347</u>	<u>\$6,473,935</u>	<u>\$6,347,245</u>	<u>\$4,020,037</u>
Liabilities				
Due to other agencies	\$457,990	\$4,507,485	\$4,530,145	\$435,330
Due to bondholders	3,435,357	1,966,450	1,817,100	3,584,707
Total Liabilities	<u>\$3,893,347</u>	<u>\$6,473,935</u>	<u>\$6,347,245</u>	<u>\$4,020,037</u>

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Tax Payers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Bonded Debt Pledged Revenue Coverage, Former Redevelopment Agency Tax Allocation Bonds

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

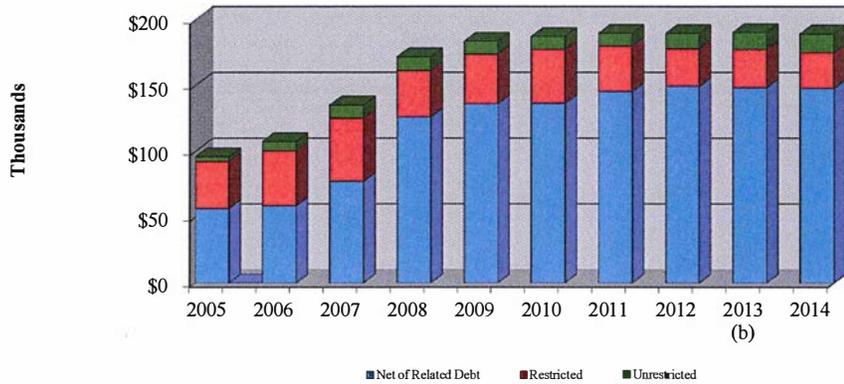
1. Budgeted Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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CITY OF OAKLEY
Net Position by Component (000's)
Last Ten Fiscal Years
(accrual basis of accounting)



	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013 (b)	2014
<i>Primary government</i>										
<i>Governmental activities</i>										
Net investment in capital assets	\$56,504 (a)	\$58,624	\$76,945	\$126,106	\$136,077	\$136,320	\$145,396	\$149,394	\$148,296	\$147,874
Restricted	35,699	41,703	48,240	35,170	37,745	40,968	34,572	28,647	28,996	27,042
Unrestricted	3,659	7,072	9,894	10,473	9,727	9,979	9,713	11,462	12,975	14,338
Total governmental activities net position	<u>\$95,862</u>	<u>\$107,399</u>	<u>\$135,079</u>	<u>\$171,749</u>	<u>\$183,549</u>	<u>\$187,267</u>	<u>\$189,681</u>	<u>\$189,503</u>	<u>\$190,267</u>	<u>\$189,254</u>

NOTES:

(a) The City recorded historical infrastructure balances in fiscal year 2005.

(b) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."

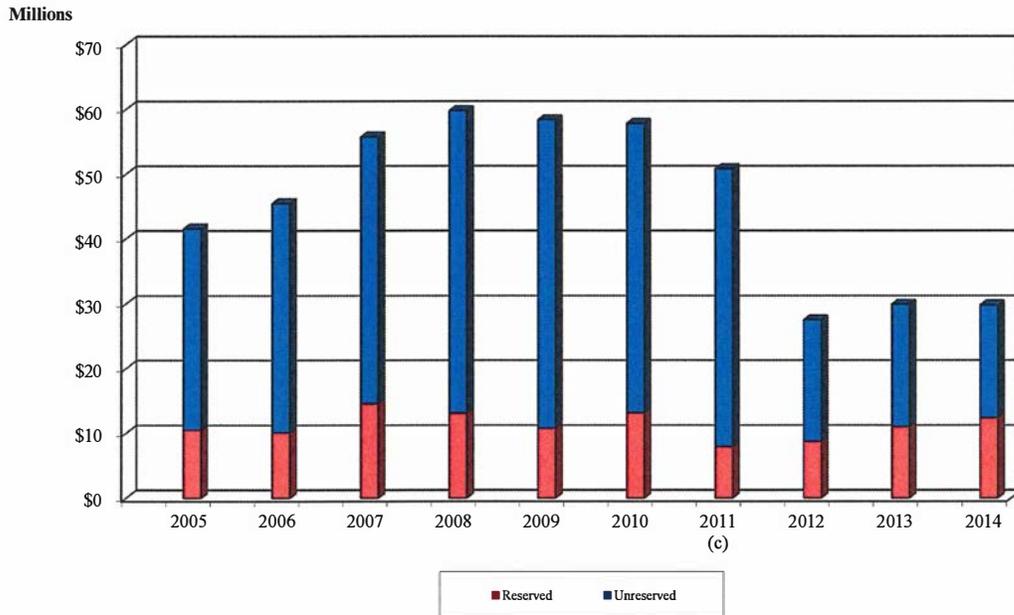
CITY OF OAKLEY
Changes in Net Position (000's)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013 (e)	2014
Expenses										
Governmental Activities:										
Legislative	\$642	\$409	\$370	\$574	\$835	\$492	\$500	\$466	\$492	\$446
Administrative Services	1,246	1,225	957	1,043	986	872	913	769	973	1,301
Community Development	12,360	14,592	11,308	7,914 (a)	7,258	2,572 (b)	1,830	1,711	1,802	1,819
Public Works				3,074 (a)	3,994	8,687 (b)	9,181	12,507 (c)	9,631	10,177
Redevelopment and Economic Development	1,897	1,625	3,147	2,511	2,052	3,610	2,023	932 (d)		
Housing Programs									9	8
Law Enforcement	4,270	5,039	5,530	6,703	7,228	7,280	7,259	7,462	7,338	7,694
Recreation	489	682	543	313	464	352	273	360	420	478
Interest and fiscal charges	515	495	890	2,383	2,012	2,030	2,000	606 (d)	324	317
Total Governmental Activities Expenses	21,419	24,067	22,745	24,515	24,829	25,895	23,979	24,813	20,989	22,240
Total Primary Government Expenses	\$21,419	\$24,067	\$22,745	\$24,515	\$24,829	\$25,895	\$23,979	\$24,813	\$20,989	\$22,240
Program Revenues										
Governmental Activities:										
Charges for Services:										
Administrative Services	\$310	\$556	\$689	\$271	\$164	\$239	\$156	\$154	\$235	\$266
Community Development	6,527	9,846	8,190	3,606	2,010	1,954	1,341	1,186	1,461	1,154
Public Works				2,780	3,062	3,307	3,209	3,266	3,391	3,499
Law Enforcement	681	915	1,654	2,070	2,231	2,328	2,426	2,718	3,038	3,232
Recreation	36	39	37	31	41	47	42	74	54	69
Operating Grants and Contributions	1,649	1,061	1,153	799	1,196	1,225	1,116	1,630	1,371	1,503
Capital Grants and Contributions	19,658	9,260	20,977	27,856	12,839	8,671	5,940	8,433	3,360	2,625
Total Government Activities Program Revenues	28,861	21,677	32,700	37,413	21,543	17,771	14,230	17,461	12,910	12,348
Total Primary Government Program Revenues	\$28,861	\$21,677	\$32,700	\$37,413	\$21,543	\$17,771	\$14,230	\$17,461	\$12,910	\$12,348
Net (Expense)/Revenue										
Governmental Activities	\$7,442	(\$2,390)	\$9,955	\$12,898	(\$3,286)	(\$8,124)	(\$9,749)	(\$7,352)	(\$8,079)	(\$9,892)
Total Primary Government Net Expense	\$7,442	(\$2,390)	\$9,955	\$12,898	(\$3,286)	(\$8,124)	(\$9,749)	(\$7,352)	(\$8,079)	(\$9,892)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$5,964	\$7,423	\$9,579	\$10,096	\$9,652	\$7,370	\$7,050	\$5,561 (d)	\$4,359	\$4,499
Sales Taxes	1,081	1,194	1,268	1,617	1,466	1,343	1,413	1,590	1,618	1,521
Motor Vehicle In-Lieu	876	625	167	150	121	109	159	18	18	16
Transient Occupancy Tax	184	208	220	217	164	128	118	165	196	195
Nonregulatory Franchise and Business	472	462	558	584	634	726	1,062	1,136	1,222	1,341
Interest Earnings	1,722	1,676	3,412	2,774	1,915	995	883	653	371	436
Other	471	1,468	2,522	1,072	1,134	1,171	1,477	873	1,058	871
Extraordinary item								(2,820) (d)		
Total Government Activities	10,770	13,056	17,726	16,510	15,086	11,842	12,162	7,176	8,842	8,879
Total Primary Government	\$10,770	\$13,056	\$17,726	\$16,510	\$15,086	\$11,842	\$12,162	\$7,176	\$8,842	\$8,879
Change in Net Position										
Governmental Activities	\$18,212	\$10,666	\$27,681	\$29,408	\$11,800	\$3,718	\$2,413	(\$176)	\$763	(\$1,013)
Total Primary Government	\$18,212	\$10,666	\$27,681	\$29,408	\$11,800	\$3,718	\$2,413	(\$176)	\$763	(\$1,013)

NOTES:

- (a) The City established Public Works in fiscal year 2008. Some of the activities in this department were previously reported in Community Development and Recreation.
- (b) Capital assets previously constructed by or dedicated to Community Development were reassigned to Public Works in fiscal year 2010. As a result, depreciation expense associated with those capital assets is now reflected in Public Works.
- (c) The City conveyed a completed fire station project totaling \$3.3 million to the East Contra Costa County Fire Protection District which was recorded as an expenditure in the Statement of Activities.
- (d) The Redevelopment Agency was dissolved effective January 31, 2012 and its non-housing assets and liabilities were assumed by a Successor Agency
- (e) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."

CITY OF OAKLEY
Fund Balances of Governmental Funds (000's)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011 (c)	2012	2013	2014
General Fund										
Reserved	\$2,970	\$2,657	\$2,210	\$2,074	\$1,834	\$1,593				
Unreserved	3,968	5,248	7,493	5,656	4,748	5,353				
Nonspendable							\$2,847	\$2,843	\$3,301	\$3,654
Restricted							559	559	559	560
Assigned							155	100	991	331
Unassigned							4,347	5,255	6,151	7,837
Total General Fund	<u>\$6,938</u> (a)	<u>\$7,905</u>	<u>\$9,703</u>	<u>\$7,730</u>	<u>\$6,582</u>	<u>\$6,946</u>	<u>\$7,908</u>	<u>\$8,757</u>	<u>\$11,002</u>	<u>\$12,382</u> (b)
All Other Governmental Funds										
Reserved	\$7,556	\$7,411	\$12,353	\$11,049	\$8,939	\$11,565				
Unreserved, reported in:										
Special revenue funds	9,939	2,311	3,178	5,109	6,204	7,526				
Capital project funds	17,149	27,852	30,518	35,903	36,634	31,761				
Nonspendable							\$497			
Restricted							42,404	\$19,210	\$19,898	\$18,233
Assigned							1,344	884	698	668
Unassigned							(1,339)	(1,320)	(1,645)	(1,467)
Total all other governmental funds	<u>\$34,644</u> (a)	<u>\$37,574</u>	<u>\$46,049</u>	<u>\$52,061</u>	<u>\$51,777</u>	<u>\$50,852</u>	<u>\$42,906</u>	<u>\$18,774</u> (d)	<u>\$18,951</u>	<u>\$17,434</u> (b)

NOTES:

- (a) During fiscal year 2005 the City reviewed historical revenues and expenditures in the General Fund and made a number of restatements and recategorizations, primarily related to the presentation of its Impact Fee Funds.
- (b) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.
- (c) The City implemented the provisions of GASB Statement 54 in fiscal year 2011, and years prior to 2011 have not been restated to conform with the new presentation.
- (d) The Redevelopment Agency was dissolved effective January 31, 2012 and its assets and liabilities were assumed by a Successor Agency on February 1, 2012, which is reported as a Fiduciary Fund. As a result, governmental fund balances are lower beginning in 2012.

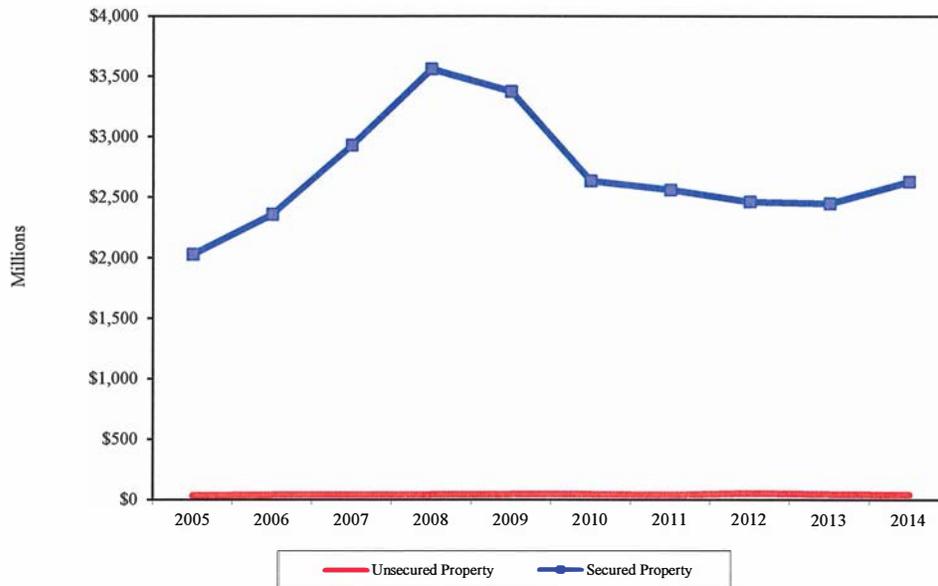
CITY OF OAKLEY
Changes in Fund Balance of Governmental Funds (000's)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012 (c)	2013	2014
Revenues										
Taxes	\$7,680	\$9,197	\$11,514	\$12,403	\$11,799	\$9,017	\$9,526	\$8,344	\$7,729	\$7,446
Licenses, permits and fees	2,041	3,739	3,652	1,909	1,252	1,392	950	990	1,178	1,345
Fines and forfeitures	111	99	198	134	140	177	149	136	181	159
Use of money and property	828	1,656	3,210	2,313	1,629	673	578	418	121	231
Intergovernmental revenues	2,369	2,693	2,401	2,319	1,715	4,210	2,538	2,164	3,306	2,471
Charges for services	9,629	15,506	14,334	13,166	8,152	10,323	7,378	8,293	8,648	8,941
Other	15,479	1,648	11,522	1,071	1,133	1,171	1,384	932	1,123	971
Total Revenues	38,137	34,538	46,831	33,315	25,820	26,963	22,503	21,277	22,286	21,564
Expenditures										
Current:										
Legislative	642	419	377	567	809	462	483	452	481	433
Administrative services	1,041	1,049	893	955	878	785	783	766	918	1,110
Community development	8,721	11,753	8,895	4,014 (a)	2,575	2,338	1,788	1,677	1,771	1,787
Public works				3,074 (a)	4,627	3,877	3,682	3,641	4,015	4,608
Redevelopment and economic development	1,118	3,415	6,094	659	642	489	455	276		
Housing programs									9	8
Law enforcement	4,147	5,130	5,599	6,633	6,952	6,955	7,002	7,437	7,186	7,458
Recreation	488	689	549	308 (a)	464	329	264	353	414	471
Pass through to County and other agencies	671	604	809	824	799	615	579	642		
SERAF payment						1,516	312			
Estimated reduction in value of property held for resale						274				
Capital outlay	8,712	6,820	21,359	40,822 (b)	6,962	7,123	10,644	5,946	4,502	5,253
Debt service:										
Principal repayment	692	673	365	610	680	720	742	465	240	255
Interest and fiscal charges	517	497	833	2,137	1,864	2,043	2,011	1,159	329	318
Total Expenditures	26,749	31,049	45,773	60,603	27,252	27,526	28,745	22,814	19,865	21,701
Excess (deficiency) of revenues over (under) expenditures	11,388	3,489	1,058	(27,288)	(1,432)	(563)	(6,242)	(1,537)	2,421	(137)
Other Financing Sources (Uses)										
Transfers in	3,531	1,507	2,925	5,530	3,560	2,110	3,214	2,100	925	1,067
Transfers (out)	(3,531)	(1,507)	(2,925)	(5,530)	(3,560)	(2,110)	(3,952)	(2,100)	(925)	(1,067)
Proceeds (loss) from sale of property		296	714	6,233				(14)		
Tax allocation bonds issued				25,095						
Certificates of participation issued			8,500							
Contribution from County										
Payments to refunded bond escrow										
Other	28									
Total other financing sources (uses)	28	296	9,214	31,328			(738)	(14)		
Special item		113								
Extraordinary item								(21,734)		
Net Change in fund balances	\$11,416	\$3,898	\$10,272	\$4,040	(\$1,432)	(\$563)	(\$6,980)	(\$23,285)	\$2,421	(\$137)
Debt service as a percentage of noncapital expenditures										
	7.2%	5.1%	5.2%	10.3%	12.9%	13.5%	15.0%	9.5%	3.7%	3.5%

NOTES:

- (a) The City established Public Works in fiscal year 2008. Some of the activities in this department were previously reported in Community Development and Recreation.
- (b) Includes the use of funds from the 2004-1 and 2006-1 Assessment Districts to acquire infrastructure assets. The Assessment District Bonds are not debt of the City, and therefore proceeds from the bonds are not included in Other Financing Sources. The Districts contributed the project funds to the City to acquire the infrastructure assets which is reflected in other revenues in 2005 and 2007.
- (c) The Redevelopment Agency was dissolved effective January 31, 2012 and its assets and liabilities were assumed by a Successor Agency on February 1, 2012, therefore, activities in various areas were lower in the current year, including property taxes, community development and debt service.

**CITY OF OAKLEY
 ASSESSED AND ESTIMATED ACTUAL
 VALUE OF TAXABLE PROPERTY (MILLIONS)
 LAST TEN FISCAL YEARS**



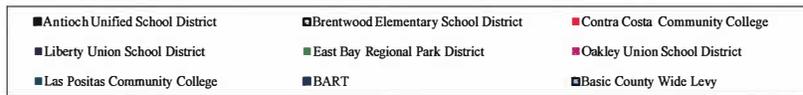
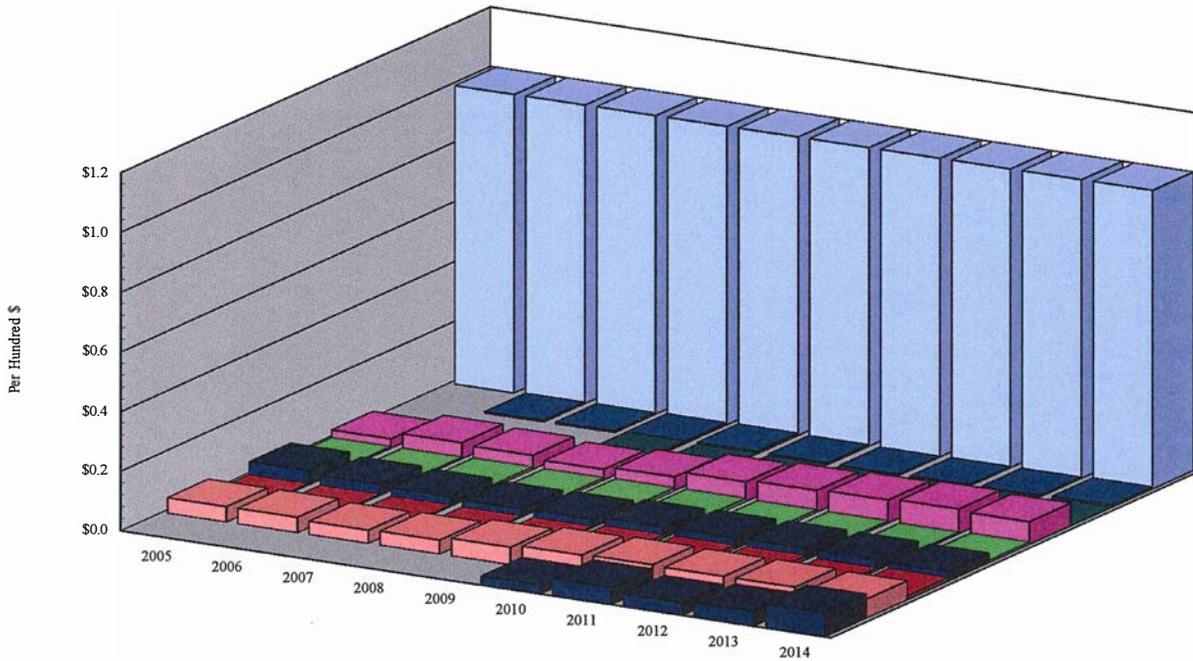
Fiscal Year	Real Property				Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other					
2005	\$1,718	\$76	\$21	\$178	\$1,993	\$37	\$2,030	\$2,030	1%
2006	1,952	85	27	255	2,319	41	2,360	2,360	1%
2007	2,514	96	28	250	2,888	41	2,929	2,929	1%
2008	3,096	108	31	282	3,517	45	3,562	3,562	1%
2009	2,903	113	33	280	3,329	46	3,375	3,375	1%
2010	2,240	139	33	177	2,589	47	2,636	2,636	1%
2011	2,213	110	16	182	2,521	40	2,561	2,561	1%
2012	2,132	107	11	159	2,409	53	2,462	2,462	1%
2013	2,125	102	11	162	2,400	47	2,447	2,447	1%
2014	2,350	103	11	124	2,588	41	2,629	2,629	1%

Source: Contra Costa County Auditor Controller Office Certificate of Assessed Valuations

Notes:

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus the value of any new construction, plus an increment of no more than two percent annually. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Oakley includes 44 tax rate areas.

**CITY OF OAKLEY
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**



Fiscal Year	Basic County Wide Levy	East Bay Regional Park District	Oakley Union School District	Liberty Union School District	Brentwood Elementary School District	Contra Costa Community College	BART	Contra Costa Water Land Levy	Chabot Las Positas Community College	Antioch Unified School District	Total
2005	\$1.0000	\$0.0057	\$0.0314	\$0.0489	\$0.0517	\$0.0042		\$0.0057			\$1.1476
2006	1.0000	0.0057	0.0542	0.0379	0.0519	0.0047	\$0.0048	0.0050			1.1642
2007	1.0000	0.0085	0.0472	0.0331	0.0444	0.0043	0.0050	0.0043			1.1468
2008	1.0000	0.0080	0.0357	0.0276	0.0470	0.0038	0.0076	0.0039	\$0.0070		1.1406
2009	1.0000	0.0100	0.0460	0.0289	0.0587	0.0040	0.0090	0.0041	0.0026		1.1633
2010	1.0000	0.0108	0.0659	0.0376	0.0682	0.0126	0.0057	0.0048	0.0000	\$0.0306	1.2362
2011	1.0000	0.0084	0.0725	0.0390	0.0715	0.0133	0.0031	0.0049	0.0000	0.0578	1.2705
2012	1.0000	0.0071	0.0767	0.0386	0.0688	0.0144	0.0041	0.0051	0.0000	0.0417	1.2565
2013	1.0000	0.0051	0.0823	0.0364	0.0685	0.0087	0.0043	0.0045	0.0000	0.0495	1.2593
2014	1.0000	0.0078	0.0757	0.0328	0.0639	0.0133	0.0075	0.0042	0.0000	0.0809	1.2861

Source: Contra Costa County Auditor-Controller

CITY OF OAKLEY
Principal Property Tax Payers
Current Year and Nine Years Ago (000's)

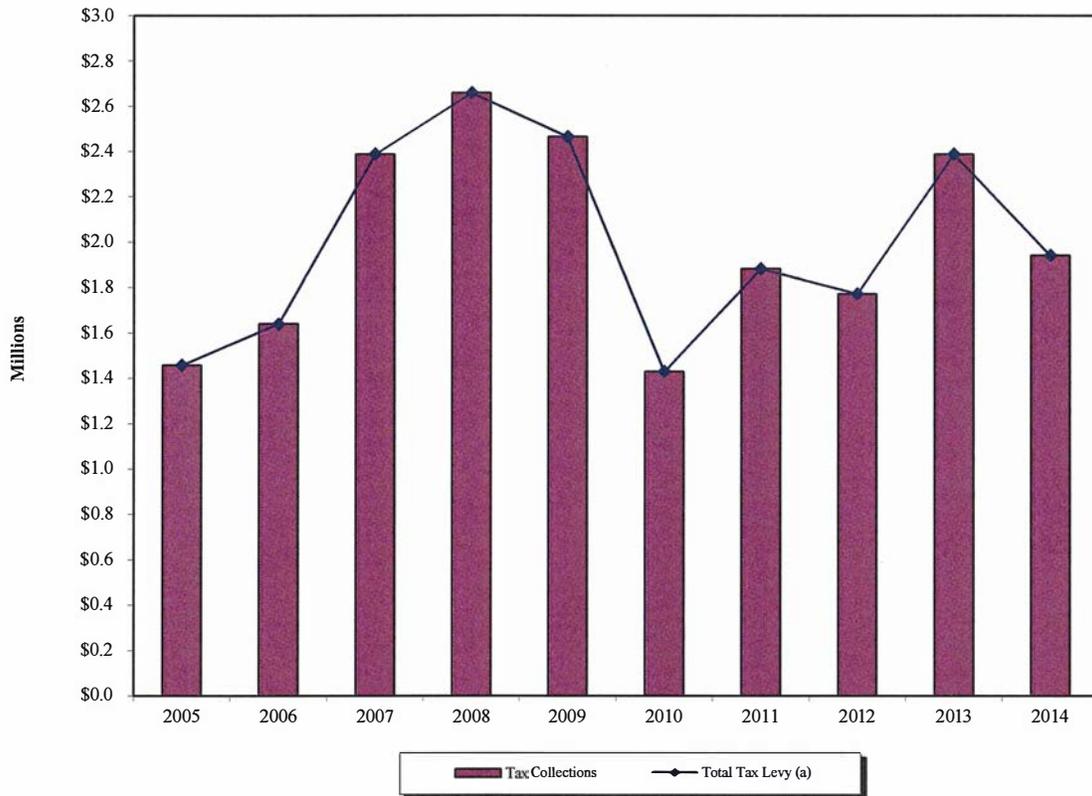
<u>Taxpayer</u>	<u>2013-14</u>			<u>2004-05</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Cypress Square S&R Associates	\$18,019,319	1	0.69%	\$15,606,659	1	0.77%
Neroly Sports Club Investors	11,269,958	2	0.43%			
Shea Homes LP	10,094,014	3	0.38%			
Lucky No California Investor LLC	8,386,863	4	0.32%			
Shurgard Storage Center	7,909,118	5	0.30%	6,358,721	3	0.31%
Brookfield Emerson Land, LLC	6,400,000	6	0.24%			
BMS Investments 3 LLC	6,309,969	7	0.24%	5,622,707	4	0.28%
Simon-Oakley Town Center	6,119,300	8	0.23%			
HPH Properties LP	5,823,891	9	0.22%	4,358,106	8	0.21%
WEC 98D-30 LLC	5,557,605	10	0.21%	4,813,488	5	0.24%
Lucky Stores Inc.				6,392,579	2	0.31%
John E. Pessin				4,788,723	6	0.24%
Conco Land Company				4,625,603	7	0.23%
Foundation Constructors Inc.				4,070,322	9	0.20%
Emerson Dairy Inc.				3,942,207	10	0.19%
Subtotal	<u>\$85,890,037</u>		<u>3.27%</u>	<u>\$60,579,115</u>		<u>2.98%</u>

Total Net Assessed Valuation (000's):

Fiscal Year 2013-2014	\$2,629,000,000
Fiscal Year 2004-2005	\$2,030,000,000

Source: HdL Companies (Contra Costa County Assessor 2013/2014 and 2004/2005 Combined Tax Rolls)

CITY OF OAKLEY
PROPERTY TAX LEVIES AND COLLECTIONS (THOUSANDS)
LAST TEN FISCAL YEARS



<u>Fiscal Year</u>	<u>Total Tax Levy (a)</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
2005	\$1,458 (b)	\$1,458	100.0%	(a)	\$1,458	100.0%
2006	1,640 (b)	1,640	100.0%	(a)	1,640	100.0%
2007	2,388	2,388	100.0%	(a)	2,388	100.0%
2008	2,659	2,659	100.0%	(a)	2,659	100.0%
2009	2,465	2,465	100.0%	(a)	2,465	100.0%
2010	1,430 (c)	1,430	100.0%	(a)	1,430	100.0%
2011	1,882	1,882	100.0%	(a)	1,882	100.0%
2012	1,773	1,773	100.0%	(a)	1,773	100.0%
2013	2,388 (c)	2,388	100.0%	(a)	2,388	100.0%
2014	1,941	1,941	100.0%	(a)	1,941	100.0%

Source: City of Oakley Records

NOTES: Amounts reported above include only the 1% basic property taxes allocated to the City. They do not include special taxes, assessments, or property taxes received in lieu of vehicle license fees.

- (a) The County apportions taxes under the alternative method of apportionment authorized under Revenue & Taxation Code sections 4701 et seq, under which the County provides the City with 100% of its tax levy. The County retains any penalty and delinquency charges collected.
- (b) Tax levies and collections for 2005 and 2006 have been reduced by a mandatory tax reallocation imposed by the State of California not reflected in other years.
- (c) \$443 thousand of the decline in the 2010 tax levy was caused by the State's borrowing of property tax revenue under the provisions of Proposition 1A; and the increase in 2013 included the repayment of the loan.

CITY OF OAKLEY
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities (in thousands)						Percentage of Personal Income (a)	Per Capita (a)
	Tax Allocation Bonds	Repayment Agreement with County	Jurisdictional Transfer Agreement Pass - Throughs	Note Payable	Certificates of Participation	Total		
2005	\$8,375	\$284	\$1,397	\$84	\$0	\$10,140	1.53%	\$359
2006	8,195	0	1,272	0	0	9,467	1.33%	326
2007	8,005	0	1,097	0	8,500	17,602	2.27%	552
2008	32,905 (b)	0	872	0	8,310	42,087	4.79%	1,267
2009	32,700	0	597	0	8,110	41,407	4.46%	1,201
2010	32,490	0	297	0	7,900	40,687	4.36%	1,179
2011	32,265	0	0	0	7,680	39,945	5.01%	1,121
2012	0 (c)	0	0	0	7,450	7,450	0.82%	204
2013	0	0	0	0	7,210	7,210	0.76%	194
2014	0	0	0	0	6,955	6,955	0.72%	183

Notes : Debt amounts exclude any premiums, discounts, or other amortization amounts.

Sources: City of Oakley

(a) See the Demographic Statistics schedule for personal income and population data.

(b) The Redevelopment Agency issued its 2008 Subordinate Tax Allocation Bonds during fiscal year 2008.

(c) Upon the dissolution of the Redevelopment Agency effective January 31, 2012, a Successor Agency assumed the liabilities of the former Redevelopment Agency, including the Tax Allocation Bonds.

CITY OF OAKLEY
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2014

2013-14 Assessed Valuation, Excluding the Redevelopment Agency \$2,360,785,389

	Net Debt Outstanding	Percentage Applicable To City of Oakley	Amount Applicable To City of Oakley
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Contra Costa County Pension Obligations	\$258,500,000	1.786%	\$4,617,871
CCC Lease Revenue Bonds	289,802,050	1.786%	5,177,056
Bay Area Rapid Transit District Bond	218,127,299	1.786%	3,896,649
East Bay Regional Park District Bond	88,692,412	1.786%	1,584,411
Liberty Union High School District Bonds	94,467,658	18.365%	17,348,910
Brentwood Union School District Bonds	68,589,704	0.032%	21,887
Oakley Union School District Bonds	26,825,000	85.475%	22,928,620
Antioch Unified School District School Facilities Improvement District No. 1	64,662,391	5.601%	3,621,958
Contra Costa Community College District Bonds	495,035,000	1.794%	8,878,623
 TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT	 \$1,604,701,514		 \$68,075,985
<u>DIRECT DEBT:</u>			
City of Oakley Certificates of Participation	\$6,955,000	100.000%	\$6,955,000
 TOTAL DIRECT AND OVERLAPPING DEBT			 \$75,030,985 (1)

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

RATIOS TO 2013-14 ASSESSED VALUATION:

Direct Debt	0.29%
Overlapping Debt	2.88%
Total Debt	3.18%

Source: HdL Coren & Cone

NOTE: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

**CITY OF OAKLEY
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2014**

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	<u><u>\$2,629,000,000</u></u>
-----------------------------------------------------------------	-------------------------------

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	<u>\$98,587,500</u>
-------------------------------------------------	---------------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$0
-------------------	-----

Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	<u>0</u>
-------------------------------------------------------------------------------------------------------------	----------

Amount of debt subject to limit	<u>0</u>
---------------------------------	----------

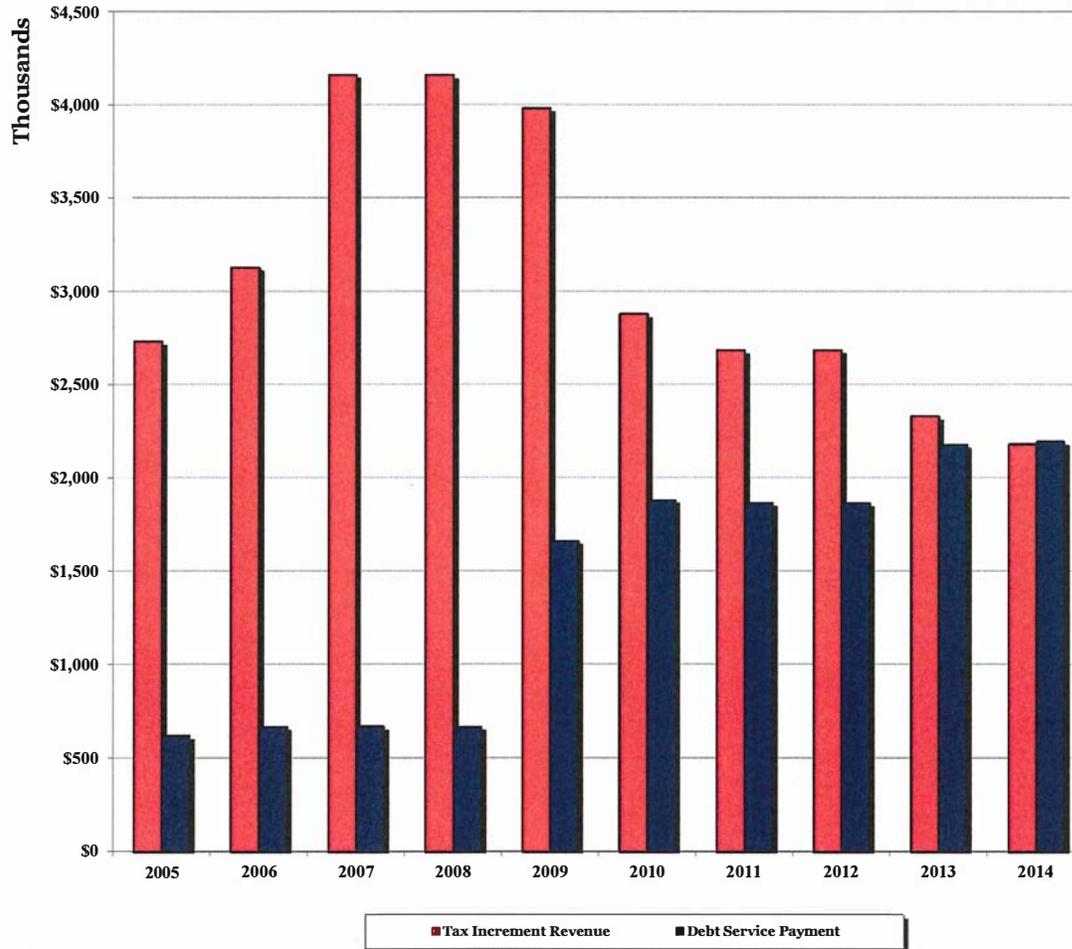
LEGAL BONDED DEBT MARGIN	<u><u>\$98,587,500</u></u>
--------------------------	----------------------------

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2005	\$76,120,907	0	\$76,120,907	0.00%
2006	88,509,713	0	88,509,713	0.00%
2007	109,848,863	0	109,848,863	0.00%
2008	133,576,266	0	133,576,266	0.00%
2009	126,616,212	0	126,616,212	0.00%
2010	97,087,500	0	97,087,500	0.00%
2011	96,075,000	0	96,075,000	0.00%
2012	92,325,000	0	92,325,000	0.00%
2013	91,762,500	0	91,762,500	0.00%
2014	98,587,500	0	98,587,500	0.00%

NOTES:

- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

**CITY OF OAKLEY
BONDED DEBT PLEDGED REVENUE COVERAGE
FORMER REDEVELOPMENT AGENCY TAX ALLOCATION BONDS
LAST TEN FISCAL YEARS**

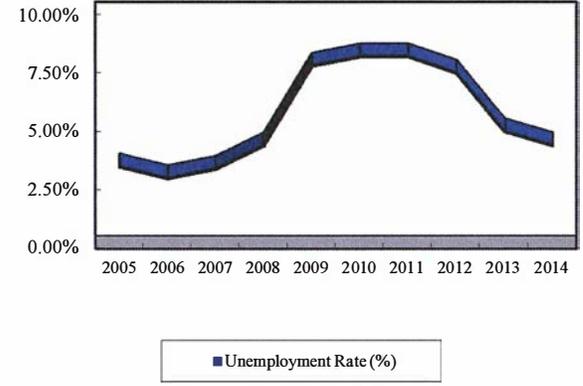
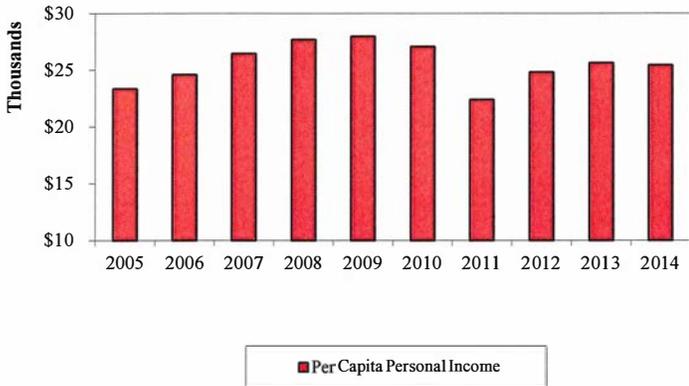
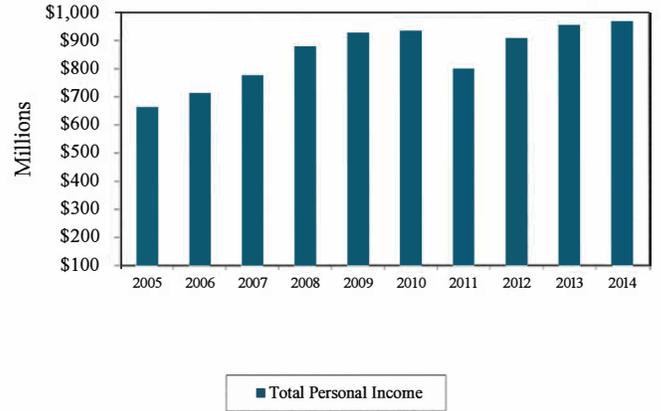
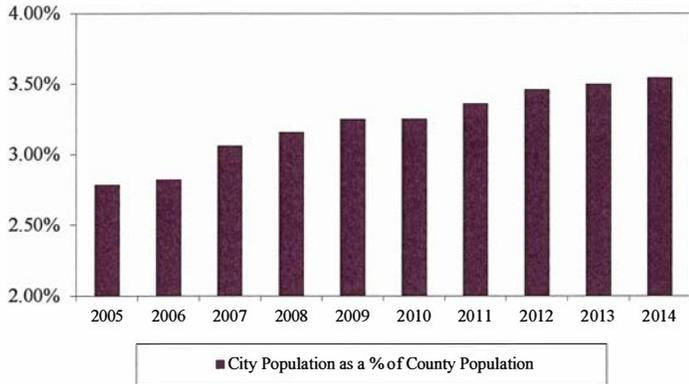


Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2005	\$2,732,541	\$125,000	\$493,994	\$618,994	\$4.41
2006	3,128,294	180,000	487,940	667,940	4.68
2007	4,161,415	190,000	480,595	670,595	6.21
2008	4,160,358	195,000	472,953	667,953	6.23
2009	3,982,760	205,000	1,458,624	1,663,624	2.39
2010	2,880,794	210,000	1,673,080	1,883,080	1.53
2011	2,685,494	225,000	1,644,221	1,869,221	1.44
2012	2,686,625 (a) (b)	235,000 (a)	1,631,824 (a)	1,866,824	1.44
2013	2,332,827 (b)	560,000 (c)	1,619,876 (c)	2,179,876	1.07
2014	2,180,805 (b)	610,000 (c)	1,585,609 (c)	2,195,609	0.99

- (a) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency. Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.
- (b) Beginning in fiscal year 2012, tax increment reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations.
- (c) Debt service is paid by the Successor Agency.

Source: City of Oakley Annual Financial Statements

**CITY OF OAKLEY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



Fiscal Year	City Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate (%) (a)	Contra Costa County Population	City Population % of County
2005	28,228	\$662,843,000	\$23,364	3.5%	1,013,280	2.79%
2006	29,074	712,613,000	24,605	3.0%	1,030,732	2.82%
2007	31,906	776,037,000	26,449	3.4%	1,042,341	3.06%
2008	33,210	878,436,000	27,674	4.4%	1,051,674	3.16%
2009	34,468	927,881,000	27,958	7.8%	1,060,435	3.25%
2010	34,500	933,926,000	27,070	8.2%	1,060,435	3.25%
2011	35,646	798,043,000	22,388	8.2%	1,060,435	3.36%
2012	36,532	906,688,000	24,819	7.5%	1,056,064	3.46%
2013	37,252	954,583,000	25,625	5.0%	1,065,117	3.50%
2014	38,075	968,323,000	25,432	4.4%	1,074,702	3.54%

(a) Data reported is for the prior calendar year.

Sources: HdL Coren & Cone

U.S. Department of Commerce, California State Department of Finance, Employment Development Department

CITY OF OAKLEY
Principal Employers
Current Year

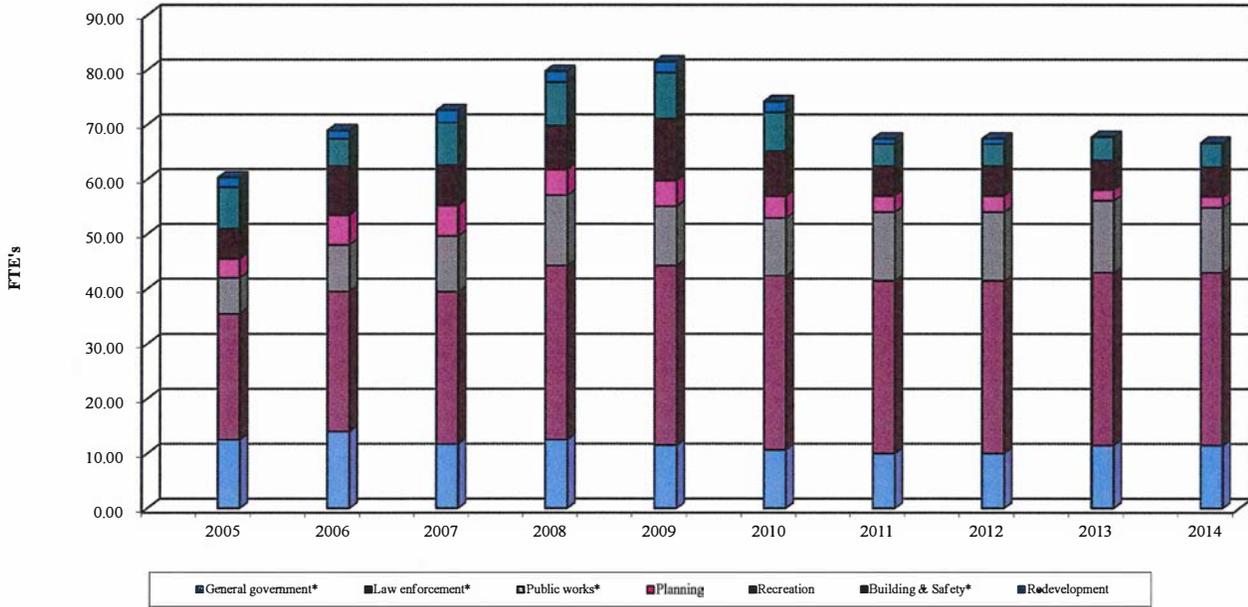
<u>Employer</u>	<u>2013-14</u>			<u>2004-2005</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Oakley Union Elementary School District	420	1	23.0%			
Diamond Hills Sports Club and Spa	55	2	3.0%			
Lucky's	54	3	3.0%			
Continente Nut LLC	49	4	2.7%	(A)	(A)	(A)
Raley's	48	5	2.6%	(A)	(A)	(A)
McDonalds	38	6	2.1%	(A)	(A)	(A)
Foundation Constructors	32	7	1.7%			
Round Table Pizza	29	8	1.6%			
Delta Black Bear Diner	27	9	1.5%			
Burger King	26	10	1.4%	(A)	(A)	(A)
BMS Investments, LLC DBA Comfort Suites	26	10	1.4%	(A)	(A)	(A)
Templers Auto Body & Towing, Inc.	26	10	1.4%			
Albertsons				(A)	(A)	(A)
Jack in the Box				(A)	(A)	(A)
Luxury Linens				(A)	(A)	(A)
Rain for Rent				(A)	(A)	(A)
Rite Aid				(A)	(A)	(A)
Taco Bell				(A)	(A)	(A)
Value Plumbing				(A)	(A)	(A)
Subtotal	<u>804</u>		<u>44.0%</u>			
Total City Day Population (C)	<u>1,829</u>			<u>(B)</u>		

Source: City of Oakley Finance Department - Business Licenses

Notes:

- (A) Number of Employees and Rank data for fiscal year 2004-05 was not available.
- (B) Not available for 2004/2005
- (C) Total City Day Population is the number of employees reported on business license applications by businesses located in Oakley.

CITY OF OAKLEY
Budgeted Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years



Adopted for Fiscal Year Ended June 30,

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function										
General government*	12.50	14.00	11.75	12.50	11.50	10.65	10.00	10.00	11.45	11.46
Community development:										
Public works*	6.50	8.50	10.20	12.80	10.80	10.50	12.50	12.50	13.13	11.88
Planning	3.50	5.40	5.60	4.70	4.70	4.00	3.00	3.00	2.00	2.00
Building & Safety*	7.55	5.00	7.80	8.00	8.50	7.10	4.05	4.05	4.30	4.45
Redevelopment	1.75	1.50	2.25	2.00	2.00	2.00	1.00	1.00	0.00	0.00
Law enforcement*	23.00	25.50	27.70	31.75	32.75	31.75	31.48	31.48	31.48	31.48
Recreation	5.50	9.00	7.25	8.00	11.25	8.20	5.37	5.37	5.37	5.37
Total	60.30	68.90	72.55	79.75	81.50	74.20	67.40	67.40	67.73	66.64

Notes:

Amounts reported are Full Time Equivalent (FTEs).
n/a means not available.

* The City Contracts for the following services:

- City Attorney and IT services are contracted with an outside firm and included in the General Government total.
- Police Services are contracted with the County Sheriff and include contracting for a specific number of officers.
- Building Inspection and Engineering Services were contracted with an outside firm until October 2013.

Source: City of Oakley Operating Budgets

CITY OF OAKLEY
Operating Indicators by Function/Program
Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
Function/Program				
Law enforcement:				
Police (a) (b):				
Violent crimes	71	72	95	117
Property crimes	904	686	763	738
Public Works:				
Street resurfacing (miles)	7.2	4.1	0 (c)	10.8 (c)
Leisure Services:				
Recreation:				
Recreation activities participants	3,900	7,000	8,050	9,940

Source: City of Oakley

Notes:

Data prior to July 1, 2004 is not available.

(a) Prior calendar year

(b) Data from FBI Uniformed Crime Reports (UCR)

(c) The 2007 and 2008 projects were combined into a single project constructed in 2008.

Fiscal Year					
2009	2010	2011	2012	2013	2014
77	49	80	79	85	54
693	483	531	526	477	468
10	10	8	5.4	0.72	1.54
9,700	9,700	11,500	13,300	16,486	22,663

CITY OF OAKLEY
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2005	2006	2007	2008
Law enforcement:				
Police stations	1	1	1	1
Police patrol vehicles	24	25	27	27
Public works:				
Miles of streets	92	100	102	116
Street lights	1,491	1,708	1,782	1,915
Traffic Signals	n/a	5	5	11
Recreation:				
Community services:				
City parks	13	16	16	29
City parks acreage	56	77	77	90
Community centers	1	1	1	1
Baseball/softball diamonds	1	1	1	1
Soccer/football fields	1	1	1	1
Skate features	0	0	0	0
BMX dirt track	0	0	0	0

Source: City of Oakley

Notes:

n/a means not available.

Fiscal Year					
2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
27	27	27	26	29	25
116.5	116.5	119.5	127.7	129.12	131.00
2,047	2,047	2,347	2,794	3,032	3,050
17	17	17	32	33	33
29	29	29	29	29	30
90	90	90	96	98	101.5
1	1	2	2	2	2
8	8	8	8	8	8
7	7	7	7	7	7
3	3	3	3	3	3
1	1	1	1	1	1

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Successor Agency to the Oakley Redevelopment Agency (the “Issuer”) in connection with the issuance of its (Oakley Redevelopment Project Area) Tax Allocation Refunding Bonds, Series 2015A and Taxable Tax Allocation Refunding Bonds, Series 2015B (the “Bonds”), in the aggregate principal amount of \$2,595,000 and \$3,115,000, respectively.

The Bonds will be issued under a Trust Indenture, dated as of May 1, 2008, between the Oakley Redevelopment Agency and Wells Fargo Bank, National Association (the “Trustee”), as supplemented by a First Supplemental Trust Indenture dated as of May 1, 2015 (as supplemented, the “Indenture”) by and between the Issuer and the Trustee. The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

“*Annual Report*” means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means March 31 in each year, beginning March 31, 2016.

“*Dissemination Agent*” means NBS, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) or 5(b).

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“*Official Statement*” means the Official Statement dated May 6, 2015 relating to the Bonds.

“*Participating Underwriter*” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Project Area*” means the Oakley Redevelopment Project Area.

“*Rule*” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2016 with the report for the 2014/15 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of

Section 4. Not later than 5 days prior to the Annual Report Date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). 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; provided that the audited financial statements of the Issuer for the applicable Fiscal Year 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 Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Dissemination Agent (if other than the Issuer) shall have no duty or obligation to review such Annual Report.

(b) If the Issuer does not provide (or cause the Dissemination Agent to provide) an

Annual Report by the Annual Report Date, the Issuer shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice of its failure to provide the Annual Report as required under this Disclosure Certificate.

(c) With respect to each 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 Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

(d) The Issuer shall also electronically file a copy of the Annual Report with the Insurer.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements 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. If the Issuer'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 filed in the same manner as the Annual Report when they become available. The audited Financial Statements of the Issuer may be reported and included as a fiduciary fund (agency trust fund) of the City of Oakley's Comprehensive Annual Financial Report if no separate Financial Statement is prepared for the Issuer.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Issuer for the prior fiscal year of the type included in the Official Statement, in the following categories (to the extent not included in the Issuer's audited financial statements):

(i) secured and unsecured assessed valuation of taxable properties in the Project Area during the most recent completed fiscal year;

(ii) Tax Revenues collected compared to deposits to the Redevelopment Property Tax Trust Fund for the most recent completed fiscal year;

- (iii) total amount of Tax Revenues derived from the Project Area during the most recent completed fiscal year;
- (iv) the total amount by which pledged Tax Revenues derived from the Project Area during the most recent completed fiscal year provided coverage for annual debt service on the Bonds and all obligations issued on a parity with the Bonds;
- (v) 10 largest taxpayers in the Project Area during the most recent completed fiscal year, and the total assessed valuation represented thereby and the percent of the total taxable assessed value of all properties in the Project Area.

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 Issuer or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The Successor Agency shall, or shall cause the Dissemination (if not the Successor Agency) to, give notice of the occurrence of any of the following events with respect to the Bonds:

- (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) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Non-payment related defaults.

- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) 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.
- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall, or shall cause the Dissemination Agent (if not the Issuer) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above 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 under the Indenture.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be NBS. The Dissemination Agent may resign by providing thirty days prior written notice to the Issuer.

Section 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the Successor Agency may amend this Disclosure Agreement, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of such party, and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Issuer to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer 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 Issuer 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 Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Participating Underwriter or any holder or beneficial owner 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 Issuer 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 Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent (if other than the Issuer), its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Issuer from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent may conclusively rely upon the Annual Report provided to it by the Issuer as constituting the Annual Report required of the Issuer in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the Issuer in a timely manner in a form suitable for filing with the MSRB. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the Holders or Beneficial Owners of the Certificates, the Issuer, the Participating Underwriters or any other party or person. No provision of this Disclosure Certificate shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

Section 13. Beneficiaries. This Disclosure Certificate inures solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and creates no rights in any other person or entity.

Date: May 20, 2015

**SUCCESSOR AGENCY TO THE OAKLEY
REDEVELOPMENT AGENCY**

By: _____
Executive Director

APPENDIX E
PROPOSED FORM OF BOND COUNSEL OPINIONS
SERIES A BONDS

[Closing Date]

[Addresses]

**Re: \$2,595,000 Successor Agency to the Oakley Redevelopment Agency (Oakley
Redevelopment Project Area) Tax Allocation Refunding Bonds, Series 2015A**

Ladies and Gentlemen:

We have acted as Bond Counsel to the Successor Agency to the Oakley Redevelopment Agency (the "Agency") in connection with the sale, execution and delivery of \$2,595,000 Successor Agency to the Oakley Redevelopment Agency (Oakley Redevelopment Project Area) Tax Allocation Refunding Bonds, Series 2015A (the "Bonds"). The Bonds are being issued pursuant to the Constitution and laws of the State of California (the "State"), including the provisions of Section 34177.5 of the California Community Law (Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code) (together with California Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") and Assembly Bill No. 1484 (Chapter 26, Statutes 2012) ("AB 1484"), the "Law") and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (collectively, the "Refunding Bond Law"), and a Trust Indenture, dated as of May 1, 2008, between the Oakley Redevelopment Agency (the "Former Agency") and Wells Fargo Bank, National Association (the "Trustee"), as supplemented by a First Supplemental Trust Indenture, dated as of May 1, 2015 (as supplemented, the "Indenture"), by and between the Agency and the Trustee. The proceeds of the Bonds are being used to refinance certain obligations of the Former Agency. The Agency is obligated under the Indenture to pay principal of and interest on the Bonds solely from Tax Revenues (as defined in the Indenture). All capitalized terms not otherwise defined herein shall have the meaning given in the Indenture.

As Bond Counsel we have examined copies certified to us as being true and complete copies of the proceedings of the Agency and in connection with the authorization and sale of the Bonds. In this connection, we have also examined such other documents, opinions and instruments as we have deemed necessary in order to render the opinions expressed herein. In such examination, we have assumed the genuineness of all signatures on original documents (other than signatures of the Agency) and the conformity to the original documents of all copies submitted to us. We have also assumed the due execution and delivery of all documents (other than with respect to the Agency) which we have examined where due execution and delivery are a prerequisite to the effectiveness thereof. As to the various questions of fact material to our opinion, we have relied upon statements or certificates of officers and representatives of the Agency, public officials and others.

On the basis of the foregoing examination and assumptions and in reliance thereon and on all such other matters of fact as we deemed relevant under the circumstances, and upon consideration of the applicable law, we are of the opinion that:

1. The Indenture has been duly adopted by the Agency and constitutes the valid and binding obligation of the Agency enforceable against the Agency in accordance with its terms. The Indenture creates a valid lien on and pledge of the Tax Revenues and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture, on a parity with all additional parity obligations issued pursuant to the Indenture.

2. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency, payable solely from the sources provided therefor in the Indenture.

3. The obligation of the Agency to make payments on the Bonds does not constitute a debt of the Agency, or of the State of California or of any political subdivision thereof, within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the Agency is obligated to levy or pledge any form of taxation or for which the Agency has levied or pledged any form of taxation.

4. Interest received by the owners of the Bonds is excludable under existing statutes, regulations, rulings and court decisions, from gross income for Federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that the interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Interest received by the owners of the Bonds is exempt from personal income taxes of the State of California under present law.

In rendering the opinions expressed in paragraph 4 above, we are relying upon representations and covenants of the Agency in the Indenture and in the Tax Certificate of the Agency, dated as of the date hereof, concerning the use of the facilities refinanced with Bond proceeds, the investment and use of Bond proceeds and the rebate, if any, to the federal government of certain earnings thereon. In addition, we have assumed that all such representations are true and correct and that the Agency will comply with such covenants. We express no opinion with respect to the exclusion of the interest from gross income under Section 103(a) of the Code in the event that any such representations are untrue or the Agency fails to comply with such covenants. Except as stated above, we express no opinion as to any federal tax consequences of the receipt of interest on, or the ownership or disposition of, the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate and other relevant documents may be changed, and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any payment of interest on the Bonds if any such change occurs or action is taken or omitted to be taken upon the advice or approval of counsel other than ourselves.

Further, we note that the rights of the owners of the Bonds and the enforceability of the Bonds or the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws 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 governmental entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility herein for the accuracy, completeness or fairness of disclosures made by the Agency to the purchaser of the Bonds, and express no opinion with respect thereto.

Respectfully submitted,

SERIES B BONDS

[Closing Date]

[Addresses]

Re: \$3,115,000 Successor Agency to the Oakley Redevelopment Agency (Oakley Redevelopment Project Area) Taxable Tax Allocation Refunding Bonds, Series 2015B

Ladies and Gentlemen:

We have acted as Bond Counsel to the Successor Agency to the Oakley Redevelopment Agency (the "Agency") in connection with the sale, execution and delivery of \$3,115,000 Successor Agency to the Oakley Redevelopment Agency (Oakley Redevelopment Project Area) Taxable Tax Allocation Refunding Bonds, Series 2015B (the "Bonds"). The Bonds are being issued pursuant to the Constitution and laws of the State of California (the "State"), including the provisions of under the provisions of Section 34177.5 of the California Community Law (Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code) (together with California Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") and Assembly Bill No. 1484 (Chapter 26, Statutes 2012) ("AB 1484), the "Law") and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (collectively, the "Refunding Bond Law"), and a Trust Indenture, dated as of May 1, 2008, between the Oakley Redevelopment Agency (the "Former Agency") and Wells Fargo Bank, National Association (the "Trustee"), as supplemented by a First Supplemental Trust Indenture, dated as of May 1, 2015 (as supplemented, the "Indenture"), by and between the Agency and the Trustee. The proceeds of the Bonds are being used to refinance certain obligations of the Former Agency. The Agency is obligated under the Indenture to pay principal of and interest on the Bonds solely from Tax Revenues (as defined in the Indenture). All capitalized terms not otherwise defined herein shall have the meaning given in the Indenture.

As Bond Counsel we have examined copies certified to us as being true and complete copies of the proceedings of the Agency and in connection with the authorization and sale of the Bonds. In this connection, we have also examined such other documents, opinions and instruments as we have deemed necessary in order to render the opinions expressed herein. In such examination, we have assumed the genuineness of all signatures on original documents (other than signatures of the Agency) and the conformity to the original documents of all copies submitted to us. We have also assumed the due execution and delivery of all documents (other than with respect to the Agency) which we have examined where due execution and delivery are a prerequisite to the effectiveness thereof. As to the various questions of fact material to our opinion, we have relied upon statements or certificates of officers and representatives of the Agency, public officials and others.

On the basis of the foregoing examination and assumptions and in reliance thereon and on all such other matters of fact as we deemed relevant under the circumstances, and upon consideration of the applicable law, we are of the opinion that:

1. The Indenture has been duly adopted by the Agency and constitutes the valid and binding obligation of the Agency enforceable against the Agency in accordance with its terms. The

Indenture creates a valid lien on and pledge of the Tax Revenues and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture, on a parity with all additional parity obligations issued pursuant to the Indenture.

2. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency, payable solely from the sources provided therefor in the Indenture.

3. The obligation of the Agency to make payments on the Bonds does not constitute a debt of the Agency, or of the State of California or of any political subdivision thereof, within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the Agency is obligated to levy or pledge any form of taxation or for which the Agency has levied or pledged any form of taxation.

4. Interest received by the owners of the Bonds is exempt from personal income taxes of the State of California under present law.

In rendering the opinions expressed in paragraph 4 above, we are relying upon representations and covenants of the Agency in the Indenture. In addition, we have assumed that all such representations are true and correct and that the Agency will comply with such covenants. We express no opinion with respect to the exclusion of the interest from gross income under Section 103(a) of the Code. Except as stated above, we express no opinion as to any federal tax consequences of the receipt of interest on, or the ownership or disposition of, the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed, and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any payment of interest on the Bonds if any such change occurs or action is taken or omitted to be taken upon the advice or approval of counsel other than ourselves.

Further, we note that the rights of the owners of the Bonds and the enforceability of the Bonds or the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws 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 governmental entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility herein for the accuracy, completeness or fairness of disclosures made by the Agency to the purchaser of the Bonds, and express no opinion with respect thereto.

Respectfully submitted,

APPENDIX F

THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC 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 DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. 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 contained on such Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or 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, Agent, or

Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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APPENDIX G
SPECIMEN BOND MUNICIPAL INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

APPENDIX H
FISCAL CONSULTANT REPORT

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Redevelopment and Financial Consulting

225 Holmfirth Court
Roseville CA 95661

Phone: (916) 791-8958
FAX: (916) 791-9234

FISCAL CONSULTANT REPORT

*Successor Agency to the
Oakley Redevelopment Agency*

Oakley Redevelopment Project

April 2015

Section A - Introduction

The Successor Agency to the Oakley Redevelopment Agency (Agency or Successor Agency) is considering the issuance of Tax Allocation Refunding Bonds, Series 2015 (2015 Bonds). The Agency intends to pledge a portion of the tax increment revenues generated from the Oakley Redevelopment Project Area (Project Area) to repayment of the 2015 Bonds. The 2015 Bonds will have a parity lien on the revenue stream with the Oakley Redevelopment Agency's outstanding Series 2008 Bonds (together the Bonds).

The purpose of this Fiscal Consultant Report (Report) is to provide in depth information about the tax increment revenues to be used to support repayment of the Bonds. The Report includes the following sections that address various aspects of the revenue stream:

- A. **Introduction:** This section provides an overview of the Report and its purpose.
- B. **Redevelopment Dissolution Act:** Includes a discussion of the Redevelopment Dissolution Act bills that are contained in AB 26 and AB 1484 (jointly the Dissolution Act).
- C. **General Information:** Provides information on the Project Area, including a general description of the Redevelopment Plan and the financial and time limits of the Project Area. A brief description of the systems and procedures used by Contra Costa County for the allocation of tax increment is also included in this section.
- D. **Taxable Values and Historical Revenues:** Information in this section includes a description of the categories of taxable values, the historical trends in values and revenues and the Top Ten Assesseees of the Project Area.
- E. **Assessment Appeals:** The findings from a review of the records of the Contra Costa County Assessor's Office are included in this section.
- F. **Estimate of Current and Future Revenues:** This part of the report includes the tax increment projections for the Project Area.
- G. **Adjustments and Liens on Revenue:** This section provides information on and the estimated impact of adjustments and liens on the revenue stream.

The value and revenue estimates contained in this Report are based upon information and data which we believe to be reasonable and accurate. The assessment practices and county allocation procedures discussed in this Report are based on information provided by representatives of Contra Costa County. Assessment practices and allocation procedures are set, in part, administratively and can be changed. Nothing came to our attention during this review to indicate changes are imminent. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore we do not represent them as results that will actually be achieved. However, they have been conscientiously prepared on the basis of our experience in the field of financial analysis for redevelopment agencies.

Section B – Redevelopment Dissolution Act

In December 2011, the California Supreme Court issued its opinion in the case of *California Redevelopment Association, et al., v. Matosantos, et al.* The Court upheld the right of the state to dissolve redevelopment agencies pursuant to AB 26, which along with subsequent amendments pursuant to AB 1484 and other legislation, is referred to herein as the Dissolution Act. Based on modified time lines approved by the Court, all redevelopment agencies, including the Oakley Redevelopment Agency (Original Agency), were dissolved effective February 1, 2012. The City of Oakley has assumed the role of Successor Agency and is charged with winding down the affairs of the Original Agency and to make payments due on enforceable obligations, as defined in the Dissolution Act.

Under the Dissolution Act, tax increment is no longer deemed to flow to the Successor Agency. Rather, all funds are considered property taxes. The requirement to deposit a portion of the tax increment into a low and moderate income housing fund is no longer required. The Dissolution Act allows the Agency to issue refunding bonds so long as the refunding results in debt service savings. The Agency is authorized to pledge the property tax revenues that were formerly tax increment revenues to secure repayment of the refunded bonds.

The County Auditor-Controller is required to determine the amount of property taxes that would have been allocated to each redevelopment agency had the agency not been dissolved. All former tax increment monies go into a Redevelopment Property Tax Trust Fund (RPTTF or Trust Fund) which is controlled by the County Auditor-Controller. References in this report to tax increment mean property taxes that are deposited to the RPTTF.

The money in the Trust Fund is used as follows:

1. Allocate to the County property tax administrative fees and other costs needed to implement the Dissolution Act.
2. Pay all pass-through payments to the taxing entities. The former Project Area has an obligation to make payments required pursuant to former Section 33676, negotiated agreements pursuant to former Section 33401 of the Community Redevelopment Law (CRL) and also statutory payments per Section 33607.5 and 33607.7 of the CRL. The negotiated and statutory pass-through payments are subordinate to debt service on the Bonds, but the Dissolution Act has reordered this obligation so that it gets paid first. The Dissolution Act does provide that if there are insufficient funds to meet bond debt service payments, then the subordinate pass through payments may be used to close any shortfalls. The Agency has used this provision of the Dissolution Act in order to meet debt service payments on its outstanding Bonds beginning in 2011-12.
3. Pay obligations required per the Recognized Obligation Payment Schedule (ROPS), including debt service on the Bonds.

4. Pay the administrative allowance, which goes to the Successor Agency to be used to wind down the affairs of the Original Agency.
5. Distribute the balance to the taxing entities pursuant to Section 34183 and 34188 of the Dissolution Act.

The allocations from the Trust Fund take place in two six month installments in January and June of each year. The Successor Agency prepares a forward looking ROPS to cover the subsequent six month period. Once approved by the Oversight Board and DOF, the County Auditor-Controller releases the Trust Fund revenues to pay for the obligations on the ROPS. By way of illustration, funds released in January 2015 generally reflect property taxes that were collected through December 2014. The approved ROPS will cover costs that are paid during the period from January through June 2015. Any excess Trust Fund revenue not needed to meet the various obligations shown in items one through four above would be reallocated to the taxing entities. The six month allocation system in the Dissolution Act can cause a problem in meeting debt service payments, since semi-annual debt service payment on the Bonds are uneven. Interest payments are due in March of each year and principal and interest payments are due in September. This problem has been resolved by including a reserve for bond payments on the spring ROPS so that those funds can be carried over and applied to the fall debt service payments.

As stated above, beginning in 2011-12, the Agency triggered the subordination provisions in the negotiated and statutory pass-through payments. Beginning in 2014-15, the tax increment revenues of the Project Area began to increase to the point where subordination was no longer needed, and the County repaid approximately \$242,000 of the amount that had been subordinated. A total of approximately \$1 million remains to be repaid on the subordinate pass through amount.

Section C - General Information

The Project Area

The Redevelopment Plan for the Project Area was originally adopted by the Contra Costa County Board of Supervisors on December 27, 1989 pursuant to Ordinance No.89-89 (Original Area). After incorporation of the City of Oakley, the Project Area was transferred from the County to the City on July 1, 1999, and the City Council subsequently adopted Ordinance No. 02-00 which approved the Redevelopment Plan on March 27, 2000. The Redevelopment Plan has been amended three times, including various changes to the financial and time limits of the Project Area. The third and final amendment created a Restated and Amended Redevelopment Plan which was adopted by the City Council pursuant to Ordinance No. 17-01 on October 22, 2001. As part of the adoption of the Amended Redevelopment Plan, new territory was added (Amendment Area). The current financial time limits for the Project Area are shown below.

Limit	Original	Amendment	Combined
Debt Establishment	Deleted	10/22/ 2021	
Plan Effectiveness	12/21/2029	10/22/2031	
Debt Repayment	12/21/2039	10/22/2046	
Bond Debt Limit			\$450 million
Cumulative Tax Increment			\$550 million

As shown above, the Redevelopment Plan contains a cumulative limit on the amount of tax increment the Agency can be allocated from the Project Area of \$550 million. It is unclear whether, under the Dissolution Act, the tax increment limit is still in existence. Section 34182 (c) (1) of the Dissolution Act states that the amount of revenue previously received by redevelopment agencies prior to dissolution are deemed property tax revenues, which would support the idea that tax increment limits no longer exist, since there is no longer any tax increment being distributed to agencies. It is also unclear, if the limit is still in effect, what counts towards the limit, whether all former tax increment or only that portion which is received by the Agency to pay for enforceable obligations. If it is assumed that all tax increment continues to be subject to the limit, then the Agency has received approximately \$49 million in tax increment under the cumulative tax increment limit through 2013-14. If only the amount the Successor Agency receives is subject to the limit, then the total cumulative tax increment received through 2013-14 is approximately \$48.4 million. If the cumulative limit is based on total tax increment, then based on the projections of tax increment shown in this Report in Table 6, which are based on a 2 percent trend in real property values, the cumulative tax increment limit will not be reached before the Bonds mature. If assessed value growth averages 13 percent per year the tax increment limit will be reached in 2037-38. As part of the Governor's proposed budget for 2015-16, the DOF has indicated that legislation will be proposed which clarifies that statutorily required tax increment limits, and financial time limits, no longer apply to successor agencies for purposes of repaying bonded debt obligations.

The Original Area contains 916 acres and the Amendment Area contains 621 acres. The Project Area includes a mix of commercial, residential and industrial uses, including the City's central business district. The table below shows the land uses in the Project Area based on the 2014-15 property tax roll.

LAND USE CATEGORY SUMMARY 2014-15			
	Parcels	Taxable Value	% of Total
Residential	1,474	\$259,360,702	60.84%
Commercial	73	72,110,250	16.92%
Industrial	33	40,825,046	9.58%
Vacant Land	88	13,458,407	3.16%
Other	94	11,271,028	2.64%
Total Secured	1,762	397,025,433	93.14%
Unsecured / State Assessed		29,240,064	6.86%
Grand Total		426,265,497	100.00%

Property Tax Allocation Procedures

The method by which a county allocates property taxes and tax increment revenues can have a significant impact on the receipt of such revenues. Incorrectly allocated revenues can result in a redevelopment project area receiving erroneous amounts of revenue. In addition, the method a county uses to allocate delinquent taxes, roll corrections and property tax refunds will impact the amount of tax increment received. For these reasons, Contra Costa County’s procedures for the allocation of property taxes and tax increment were evaluated.

Contra Costa County calculates tax increment to redevelopment project areas by applying the one percent rate to the secured and unsecured incremental taxable values. The County also allocates unitary revenue on the basis of the total unitary revenue in a project area, without reductions for base year revenues. The allocation of unitary revenue is based on revenues received in 1987-88, adjusted by the actual growth or decline in unitary revenues on a countywide basis.

Tax increment is allocated based on 100 percent of the County calculated levy. The method is often referred to as the Teeter Plan. Under the Teeter Plan, taxing entities and redevelopment projects are shielded from the impact of delinquent property taxes. The County also does not adjust tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments.

As provided for in the Dissolution Act, the County also calculates and allocates all tax sharing payments to the taxing entities. Section F and G of this Report includes a discussion of the impact of the County’s allocation practices on the Project Area’s tax increment revenues.

Section D – Taxable Values and Historical Revenues

Taxable Values

Property is valued as of January 1 of each year. Property that is subject to taxation is valued at 100 percent of its full cash value. Locally assessed property is appraised by the county assessor’s office. The State Board of Equalization (SBE) values state assessed property.

Real property consists of land and improvements and can either appear on the secured or the unsecured roll. The secured roll includes property on which the property tax levied becomes a lien on the property to secure payment of taxes. Unsecured property does not become a lien on such property, but may become a lien on other property of the taxpayer.

Locally assessed real property is subject to the provisions of Article XIII A of the California Constitution, commonly referred to as Proposition 13. Under Proposition 13, property is valued based either on its value in 1975-76 or if newly constructed or sold after this date, then on the full cash value of the property at that time. Property values may only increase annually by an inflation factor of up to 2 percent annually. The Proposition 13 value of property is sometimes referred to as the factored base year value. Pursuant to Section 51 (b) of the Revenue and Taxation Code, which was added pursuant to Proposition 8, assessors must enroll the lesser of the market value or the factored base year value of property.

Personal property values can be classified as either secured or unsecured property. Personal property is not subject to the provisions of Proposition 13. Personal property is appraised annually at the full cash value of the property. Absent new acquisitions, the full cash value of personal property tends to decline over time as a result of depreciation. Fixtures, while categorized as real property and subject to the restrictions of Proposition 13, are also subject to declining values through depreciation.

State-assessed property is also not subject to the provisions of Proposition 13. Such property is valued by the SBE based on the full cash value of the property. State-assessed property is typically included on the secured tax roll and is either unitary or non-unitary property. Since 1987-88, unitary property has been reported on a countywide basis, with unitary revenues allocated to taxing entities and redevelopment projects pursuant to a formula contained in AB 454 (Chapter 921, Statutes of 1986). Starting in 2007-08, unitary railroad value has been reported on a county-wide basis with the resulting revenues allocated under a formula contained in state law. State-assessed non unitary values are reported at the local tax rate area level.

Project Area Value Trends

Table 1 shows the historical taxable values for the Project Area over the past ten years. Taxable values have increased from \$397.4 million in 2005-06 to \$426.3 million in 2014-

15. The total percentage change was 7.26 percent over the period. The average annual percentage change in values was 0.78 percent.

Secured values dropped between 2008-09 and 2009-10 by almost \$100 million. The decline in values was largely due to residential Proposition 8 reductions (see Section E for a discussion of Proposition 8). The County made across the board reductions pursuant to Proposition 8 to residential property that reduced value by approximately \$72 million. In addition, three parcels owned by one property owner became tax exempt and reduced value by approximately \$32 million.

Secured values continued to decline in the fiscal years between 2009-10 and 2012-13 by an additional \$42 million. Much of this was caused by the sale of property, which reduced value by \$48 million. Many of the properties that were sold had been in the Proposition 8 pool, while others were added during this period. By 2012-13, the values reductions attributed to Proposition 8 had fallen to \$51.8 million. Increases from other sales and the normal inflation adjustment offset part of this reduction.

Between 2012-13 and 2014-15, secured values increased by \$68 million. A portion of the residential Proposition 8 reductions were reversed and added \$46.7 million. Residential sales added \$9.6 million, and sales and new development in the non residential sector added \$10.5 million.

Historical Tax Increment Revenues

Tables 2 and 3 provide information on the historical receipt of tax increment revenues in the Project Area. The initial County levy is compared to the actual receipt of tax increment (exclusive of supplemental revenues) to determine collection trends on Table 2. The levy and receipts analysis shown on Table 2 reflects total tax increment prior to reductions for senior liens. Actual receipts of tax increment have averaged 99.95 percent of the levy for the Project Area. Supplemental taxes are a function of new construction or changes of ownership since the last property tax lien date and typically increase the amount of tax increment in a project area, but can sometimes result in negative revenue during declining market periods. This is in fact what happened in the Project Area over the past five years, with supplemental revenue negative in three of the five years. Table 3 shows the tax increment revenues of the Project Area net of all senior liens on the revenue stream.

Top Ten Assesseees

The Top Ten Assesseees in the Project Area are summarized on Table 4. Total taxable value for the Top Ten Assesseees represents 16.69 percent of the total value of the Project Area and 21.97 percent of the incremental value.

Section E – Assessment Appeals

Taxpayers may appeal their property tax assessments. The value of locally assessed property is appealed to the local county assessor, while the value of state assessed property is appealed to the SBE. Both real and personal property assessments can be appealed. Personal property appeals are filed based on disputes over the full cash value of the property.

Under California law, there are two types of appeals for the value of real property. A base year appeal involves the Proposition 13 value of property. If an assessee is successful with a base year appeal, the value of the property is permanently reduced. In the future, the value can only be increased by an inflation factor of up to 2 percent annually. Appeals can also be filed pursuant to Section 51 (b) of the Revenue and Taxation Code. Under this section of the code, also referred to as Proposition 8 appeals, the value of property can be reduced due to damage, destruction, removal of property or other factors that cause a decline in value. When the circumstance that caused the decline is reversed the value of the property can be increased up to the factored base year value of the property. Values can be reduced under Proposition 8 either based on a formal appeal or they can be set by the county assessor.

Due to the impact that assessment appeals can have on the taxable values and tax increment revenues of a project area, a review of recently resolved and open appeals was conducted. The review revealed there is only one appeal that remains open for Lucky No Cal Investor LLC, which has requested a reduction in assessed value of \$3.9 million. For purposes of the tax increment projections discussed in Section F, we have reduced taxable value for the impact of the open appeal for the 2015-16 fiscal year.

Proposition 8 Reductions and Reversals

A number of counties in California, including Contra Costa County, had processed temporary assessed value reductions for certain properties (Proposition 8 reductions) where the assessed values exceeded the current market value of properties as of the January 1 lien date without prompting from individual taxpayers. Typically, the properties to be reviewed by the various counties for these “automatic” reductions were single family homes and condominiums which transferred ownership between 2003 and December 31, 2010. These Proposition 8 reductions were triggered because residential property values had decreased in many areas of the state through the 2012-13 fiscal year. Since that fiscal year, property values have been increasing and many of the Proposition 8 reductions have been partially or completely reversed.

We have reviewed information on all Proposition 8 residential value changes between fiscal years 2008-09 and 2014-15 to determine how many parcels went down in value in the Project Area during that period, and also how many have received partial or complete reversals. Please note that the value decline for the period between 2008-09 and 2012-13 are lower than the decline that occurred between 2008-09 and 2009-10, which showed

total Proposition 8 reductions of \$72 million. Many of the Proposition 8 reductions that were included in 2009-10 subsequently sold and were removed from the Proposition 8 pool. The results of our analysis are shown below.

Proposition 8 Residential Impacts	
<i>Declines - 2008-09 to 2012-13</i>	
Number of Residential Parcel Declines	858
Average % Value Reduction	-33%
Total Value Decline	(\$51,804,931)
<i>Increases - 2012-13 to 2014-15</i>	
Number of Residential Parcel Increases	822
Average % Value Increase	37%
Total Value Increase	\$46,723,206

As shown on the table above, 858 residential parcels (inclusive of both single and multifamily parcels) had been reduced as of fiscal year 2012-13 tax roll, with a value reduction of almost \$52 million. Proposition 8 value reductions are temporary, and once the market value of property goes back up, the value for the parcels under Proposition 8 status can increase up to their Proposition 13 base, including the compounded 2 percent inflation adjustment. Beginning in 2013-14, and continuing through 2014-15, the County has partially or fully reversed 822 of the prior Proposition 8 reductions and increased value by \$46.7 million.

In terms of future residential Proposition 8 reductions, recent sales data indicates that property is selling for more than the value recorded on the current tax roll. The table below shows the recent trends for calendar years 2013 and 2014 (through October).

2013 Sales:	
Total Sales	68
Aggregate Sales Price	\$15,938,500
Aggregate Tax Roll Value	\$10,685,595
Percent Increase Between Sales Price and Tax Roll Value	49%
2014 Sales:	
Total Sales	45
Aggregate Sales Price	\$11,857,000
Aggregate Tax Roll Value	\$8,483,701
Percent Increase Between Sales Price and Tax Roll Value	40%

The table shows that sales values were 49 percent higher than tax roll values in 2013, and that 2014 sales values have been 40 percent higher. Given that sales prices are exceeding tax roll values by a substantial margin, and the County has begun to reverse the prior residential Proposition 8 reductions, we have assumed that there would be no further Proposition 8 reductions in fiscal year 2015-16 or future fiscal years for purposes of the tax increment projections shown in Section F.

Section F - Estimate of Current and Future Tax Increment Revenue

County auditor-controllers are required to calculate the funds that flow to the RPTTF as if the redevelopment agency still existed. Given this, the RPTTF, or tax increment revenues, continue to be calculated by first subtracting the base year value of a project area from the current year taxable value in order to determine the incremental taxable value of the project area. The 1 percent tax rate is then applied to the incremental taxable value in order to determine tax increment revenues. The Dissolution Act includes a provision that tax rates in excess of 1 percent that were levied to repay bonds issued for the acquisition or improvement of real property are no longer allocated to successor agencies.

Unitary revenues are allocated to the Project Area based on a formula contained in AB 454. Generally, the Agency receives unitary revenues on the basis of amounts that were received in the prior fiscal year. The prior year allocations are adjusted annually based on changes in unitary revenue on a countywide basis.

The Agency also receives supplemental property taxes for the Project Area on an annual basis. Due to the difficulty of estimating supplemental revenues, we have not included such revenues in the projections. Supplemental property taxes typically increase the receipt of tax increment.

Current Year Revenues

An estimate of current year (2014-15) tax increment revenues are shown on Table 5. The values utilized are based on actual taxable values from information provided by Contra Costa County. Tax increment generated from the application of the 1 percent tax rate to incremental taxable value for 2014-15 is estimated at \$3.2 million. Unitary revenues are estimated to equal \$14,893 based on the actual unitary revenues allocated in 2013-14.

Projected Revenues

Table 6 and 6.1 provide a projection of tax increment revenues. Real property shown on the table consists of locally reported secured and unsecured land and improvement values. The other property category includes personal property and state assessed values.

The future level of real and other property values has been estimated based on actual values reported by the County for 2014-15 (see “Current Year Revenues” above). On December 5, 2014 the SBE announced that the inflation factor which Assessors should

use to prepare the 2015-16 tax roll is 1.998 percent. Given that the actual inflation factor is just under the 2 percent level for 2015-16, we have used a 2 percent inflation factor to increase real property values on Table 6. The 2 percent factor is the maximum inflation factor that county assessors can use to increase real property values. However, in certain fiscal years, the inflation factor has been less than 2 percent overall. Should inflation not reach 2 percent in the future, tax increment could be lower than that shown on Tables 6. Real property taxable values have been reduced in 2015-16 for the potential impact of open appeals. The other property category of value has been held constant in the projections. Table 6.1 shows a projection based on a 0 percent growth scenario, except for the impact of open appeals.

Section G – Adjustments and Liens on Tax Increment

The tax increment revenues of the Project Area are subject to certain adjustments and liens, as described in this section.

Adjustments to Revenue

There are two adjustments to the tax increment revenues shown on Table 6 and 6.1 for property tax administrative fees and Section 33676 allocations.

State law allows counties to charge taxing entities, including redevelopment agencies, for the cost of administering the property tax collection system. In addition, the Dissolution Act allows counties to recover their costs in implementing the redevelopment Dissolution Act. Both portions of the fees have been estimated and included based on the percentage that such fees represented from the January and June 2014 RPTTF distribution.

For project areas adopted prior to January 1994, taxing entities could elect to receive additional property taxes above the base year revenue amount. Such amounts are calculated by increasing the real property portion of base year values by an inflation factor of up to 2 percent annually. Taxing entities can receive a proportionate share of such revenues if they elected to do so prior to adoption of the redevelopment plan. In the case of *Santa Ana Unified School District v. Orange County Development Agency*, the Court ruled that even though the District had not filed the resolution prior to adoption of the redevelopment plan, they were eligible to receive the allocations beginning on the date that they did file the resolution. Pursuant to either the resolutions that were adopted prior to adoption of the Plan, or due to the case, the County is allocating such revenues to the following taxing entities:

- Contra Costa County Resource Agency
- Bay Area Rapid Transit District
- East Bay Regional Park District
- Brentwood Elementary School District
- Byron Elementary School District
- Knightson Elementary School District

At the time of adoption of the Redevelopment Plan, the County had adopted a resolution to receive Section 33676 allocations. When the City of Oakley assumed responsibility for the Project Area, the County transferred the Section 33676 allocations to the City.

Former Housing Set-Aside

Prior to the Dissolution Act, the Original Agency was required to deposit not less than 20 percent of the tax increment generated in the Project Area into a special fund to be used for qualified low and moderate income housing programs. The Dissolution Act no longer requires such a deposit, and so we have not included any reduction for the former housing set-aside deposit. There are no obligations payable from the former housing set-aside.

Senior Negotiated Tax Sharing Payments

Pursuant to former Section 33401 of the CRL, the County had entered into a tax sharing agreement with Contra Costa County Office of Education in the Original Project Area that is senior to bond debt service. This agreement became the responsibility of the City's Original Agency once it assumed responsibility for the Project Area. The agreement requires payments equal to Office of Educations share of tax increment, which equals 2.3 percent.

Subordinate Statutory Payments

Both the Original and Amendment Areas are subject to the statutory payments. The Original Area became subject to them when the City Council approved Ordinance No. 16-03 in December 2003, which deleted the debt incurrence date from the Redevelopment Plan. Payments in the Original Area are only due from increases in assessed value above levels in 2009-10 (referred to as the AB 1290 AV Base), when the debt incurrence limit would have been reached. Only those taxing entities that have not entered into negotiated pass-through agreements are eligible to receive the statutory payments from the Original Area. All tax increment is subject to the statutory payments in the Amendment Area, and all taxing entities receive them. The payments are based on the formula shown below.

Tier	Payment Required
Tier 1	<p><u>Original Area:</u> 25% of the gross tax increment, net of the housing set-aside, attributable to increases above the AB 1290 AV Base assessed values during the remaining term the Agency receives tax increment.</p> <p><u>Amendment Area:</u> 25% of the gross tax</p>

	increment net of the housing set-aside.
Tier 2	<p><u>Original Area:</u> Beginning in the 11th year after establishment of the AB 1290 AV Base, an additional payment equal to 21% of the gross tax increment, net of the housing set-aside, attributable to growth above a second adjusted base year value. This tier would occur in 2020-21.</p> <p><u>Amendment Area:</u> Beginning in 2014-15 (the 11th year after the Amendment Area first received tax increment), an additional payment equal to 16.8% of the gross tax increment, net of the housing set-aside, attributable to growth above the adjusted base year value in 2013-14.</p>
Tier 3	<p><u>Original Area:</u> The Original Area will no longer receive tax increment when this tier is triggered.</p> <p><u>Amendment Area:</u> Beginning in the 31st year after the Amendment Area first received tax increment, an additional payment equal to 14% of the gross tax increment, net of the housing set-aside, attributable to growth above the adjusted base year value in 2033-34.</p>

As required under the CRL, the Agency has requested that the taxing entities approve the subordination of the statutory payments to debt service on the 2015 Bonds.

Subordinate Negotiated Tax Sharing Payments

There are also the following agreements that are subordinate to debt service on the Bonds.

East Contra Costa Fire Protection District / Contra Costa County Mosquito Abatement District: These agreements require payments equal to each District's share of tax increment. The Fire District's share equals approximately 5 percent of tax increment and the Mosquito Abatement District's share equals 1.4 percent.

Oakley Elementary School District / Liberty High School / Antioch Unified School District: Each of the districts are to receive payments that equal 100 percent of its share of the Section 33676 amounts. In addition, each district is to receive 25 percent of its share of tax increment net of the Section 33676 amounts. Combined the district's share equal approximately 34.8 percent, their payments equal 12.2 percent of tax increment.

Pursuant to the provisions of the agreements, the Agency has requested that the taxing entities subordinate their pass-through payments to debt service on the 2015 Bonds.

Table 1
Oakley Successor Agency
Oakley Project Area

HISTORICAL TAXABLE VALUE (1)

Fiscal Year	Locally-Assessed Secured Value	Unsecured Value	State-Assessed Value	Total Taxable Value	Percentage Change	Total Incremental Value (1)
2014-15	\$397,025,433	\$24,097,964	\$5,142,100	\$426,265,497	14.98%	\$323,968,263
2013-14	343,303,603	25,617,663	1,802,100	370,723,366	3.67%	268,426,132
2012-13	328,552,135	27,467,841	1,582,100	357,602,076	-2.64%	255,304,842
2011-12	337,085,917	30,138,485	62,100	367,286,502	-2.01%	264,989,268
2010-11	351,076,379	22,883,862	846,225	374,806,466	-5.74%	272,509,232
2009-10	371,005,290	26,615,904	0	397,621,194	-19.92%	295,323,960
2008-09	470,719,017	25,798,418	0	496,517,435	-1.25%	394,220,201
2007-08	476,777,548	26,036,140	0	502,813,688	7.84%	400,516,454
2006-07	440,420,028	24,789,593	1,061,481	466,271,102	17.33%	363,973,868
2005-06	373,094,980	23,202,158	1,101,743	397,398,881	N/A	295,101,647
Total Percentage Change					7.26%	
Average Percentage Change					0.78%	

(1) Taxable Value above base year value of \$106,422,877.

Table 2
Oakley Successor Agency
Oakley Project Area

HISTORICAL TAX INCREMENT LEVY AND RECEIPTS

	Levy per County (1)	Tax Increment Receipts Less Supplementals (2)	% of Levy Received	Supplementals	Total Tax Increment Receipts	% of Levy Received
2013-14	2,698,816	2,700,812	100.07%	(669)	2,700,143	100.05%
2012-13	2,657,313	2,658,516	100.05%	(18,707)	2,639,809	99.34%
2011-12	2,782,537	2,771,007	99.59%	1,563	2,772,570	99.64%
2010-11	2,783,374	2,784,586	100.04%	774	2,785,360	100.07%
2009-10	3,022,085	3,022,820	100.02%	(38,917)	2,983,903	98.74%
Average Receipts to Levy (4)			99.95%			99.55%

(1) Intial levy reported by Contra Costa County.

(2) Receipts per Agency records, inclusive of property tax administrative fees and pass through payments.

Table 3
Oakley Successor Agency
Oakley Project Area

HISTORICAL ANALYSIS OF TAX REVENUES

Category	2009-10	2010-11	2011-12	2012-13	2013-14
Tax Increment	\$3,022,820	\$2,784,586	\$2,771,007	\$2,658,516	\$2,700,812
Supplemental Taxes	(38,917)	774	1,563	(18,707)	(669)
Total Tax Increment (1)	2,983,903	2,785,360	2,772,570	2,639,809	2,700,143
<i>Senior Liens on Tax Increment:</i>					
Property Tax Administration Fees	31,412	28,272	25,981	48,965	35,749
Section 33676 Allocations	71,549	71,009	72,721	90,864	81,981
Housing Set-Aside (2)	596,781	557,072	0	0	0
Negotiated Tax Sharing Payments (3)	64,529	59,916	58,844	56,090	59,104
Tax Revenue	\$2,219,632	\$2,069,091	\$2,615,024	\$2,443,890	\$2,523,309
Subordinate Obligations (4)					
Negotiated Tax Sharing Payments	526,610	499,291	492,766	468,857	510,181
Statutory Tax Sharing Payments	23,916	20,785	15,888	18,111	18,433
Net Tax Revenue	\$1,669,106	\$1,549,015	\$2,106,370	\$1,956,922	\$1,994,695

(1) Reflects actual receipts based on the records of the Agency. Negative supplement amounts reflect refunds.

(2) The housing set-aside is no longer required under the Dissolution Act.

(3) Payments per negotiated tax sharing agreements that are senior to debt service.

(4) Payments per negotiated and statutory tax sharing agreements that are subordinate to debt service. Amount shown is the obligation amount and not the amount that was actually paid, since subordination was triggered in 2012-13.

Table 4
Oakley Successor Agency
Oakley Project Area

TEN MAJOR PROPERTY TAX ASSESSEES

Assessee	Number of Parcels	Area	Type of Use	2014-15			%of Value (2)	%of Inc Value (2)
				Secured	Unsecured	Total Value		
1) Cypress Square - S and R Associates	1	Original	Shopping Center	\$18,101,126	\$0	\$18,101,126	4.25%	5.59%
2) Lucky No Cal Investor LLC (3)	1	Original	Shopping Center	8,385,446	0	8,385,446	1.97%	2.59%
3) Shurgard Storage Centers Inc	2	Original	Self-Storage	7,400,000	11,923	7,411,923	1.74%	2.29%
4) Simon-Oakley Town Center LLC	4	Original	Shopping Center	6,119,300	0	6,119,300	1.44%	1.89%
5) Corporation for Better Housing	3	Original	Apartment	5,853,680	0	5,853,680	1.37%	1.81%
6) HPH Properties LP	1	Original	Industrial	5,842,829	0	5,842,829	1.37%	1.80%
7) WEC 98D-30 LLC	1	Original	Shopping Center	5,582,836	0	5,582,836	1.31%	1.72%
8) Oakley Generating Station	1	Amendment	Utility	5,080,000	0	5,080,000	1.19%	1.57%
9) Western Oilfields Supply Company	2	Original	Industrial	1,270,861	3,126,045	4,396,906	1.03%	1.36%
10) Hayworth-Fabian LLC	1	Original	Commercial	4,363,097	25,525	4,388,622	1.03%	1.35%
Total Valuation				67,999,175	3,163,493	71,162,668	16.69%	21.97%

- (1) Based on ownership of locally-assessed secured property.
- (2) Based on total 2014-15 Project Area taxable value of \$426,265,497 and incremental value of \$323,968,263.
- (3) This owner has an outstanding assessment appeal and has requested a reduction of value of \$3.9 million.

Source: Contra Costa County property tax records.

Table 5
Oakley Successor Agency
Oakley Project Area

ESTIMATE OF TAX INCREMENT REVENUE - FISCAL YEAR 2014-15 (1)

	<u>Total</u>
<u>Local Secured</u>	
Land	\$166,845,048
Improvements	288,712,586
Personal Property	3,492,643
Gross Local Secured	<u>459,050,277</u>
Exempt	62,024,844
Net Local Secured	<u>397,025,433</u>
State Assessed	5,142,100
<u>Unsecured</u>	
Land	544,355
Improvements	5,754,445
Personal Property	17,958,931
Total Unsecured	<u>24,257,731</u>
Exempt	159,767
Net Unsecured	<u>24,097,964</u>
Total Value	426,265,497
Base Year Taxable Value	102,297,234
Incremental Taxable Value	<u>323,968,263</u>
Tax Increment	3,239,683
Unitary Tax Increment (2)	14,893
Total Tax Increment Revenue	3,254,576
<u>Senior Liens on Tax Increment</u>	
Property Tax Administration Fees (3)	42,752
Section 33676 Allocations (4)	83,069
Negotiated Tax Sharing Payments (5)	71,306
Tax Revenue	\$3,057,448
<u>Subordinate Obligations</u>	
Negotiated Tax Sharing Payments	591,488
Statutory Tax Sharing Payments (6)	57,471
Net Tax Revenue	2,408,489

- (1) Based on actual taxable values per Contra Costa County Auditor-Controller.
(2) Estimate per Contra Costa County Auditor-Controller.
(3) Calculated at 1.32 percent of total tax increment.
(4) Allocations per former Section 33676 of the CRL.
(5) Payments per negotiated tax sharing agreement with the County Office of
Educations that is senior to debt service.
(6) Required per Section 33607.5 and 33607.7 of the CRL.

Table 6
Oakley Successor Agency
Oakley Project Area

PROJECTION OF INCREMENTAL TAX REVENUE
(000's Omitted)

Fiscal Year	Real (1) Property	New (2) Development	Other (3) Property	Total Value	Value Over Base Of 102,297	Total Tax (4) Increment	Property Tax (5) Admin Fees	(6) Section 33676	Subordinate Obligations				
									(7) Senior Negotiated Tax Sharing	Tax Revenue	(8) Negotiated Tax Sharing	Statutory Tax Sharing (9) Payment	Net Tax Revenues
2014 - 2015	\$399,832	N/A	26,434	426,265	323,968	3,255	43	\$83	\$71	\$3,057	\$591	\$57	\$2,408
2015 - 2016	403,800	0	26,434	430,234	327,937	3,294	43	88	72	3,091	636	63	2,392
2016 - 2017	411,876	0	26,434	438,310	336,013	3,375	44	93	74	3,164	654	73	2,437
2017 - 2018	420,114	0	26,434	446,548	344,250	3,457	45	98	76	3,239	673	83	2,483
2018 - 2019	428,516	0	26,434	454,950	352,653	3,541	47	103	77	3,315	692	93	2,530
2019 - 2020	437,086	0	26,434	463,520	361,223	3,627	48	108	79	3,392	711	104	2,577
2020 - 2021	445,828	0	26,434	472,262	369,965	3,715	49	113	81	3,471	731	122	2,618
2021 - 2022	454,745	0	26,434	481,179	378,881	3,804	50	119	83	3,552	751	141	2,660
2022 - 2023	463,840	0	26,434	490,274	387,976	3,895	51	124	85	3,634	771	160	2,703
2023 - 2024	473,116	0	26,434	499,550	397,253	3,987	52	130	87	3,718	792	179	2,747
2024 - 2025	482,579	0	26,434	509,013	406,715	4,082	54	136	89	3,804	813	199	2,791
2025 - 2026	492,230	0	26,434	518,664	416,367	4,179	55	141	91	3,891	835	219	2,837
2026 - 2027	502,075	0	26,434	528,509	426,212	4,277	56	147	93	3,980	857	240	2,883
2027 - 2028	512,116	0	26,434	538,550	436,253	4,377	58	153	96	4,071	880	261	2,930
2028 - 2029	522,359	0	26,434	548,793	446,495	4,480	59	160	98	4,163	903	282	2,979
2029 - 2030	532,806	0	26,434	559,240	456,943	4,584	60	166	100	4,258	926	304	3,028
2030 - 2031	543,462	0	26,434	569,896	467,599	4,691	62	172	102	4,354	950	326	3,078
2031 - 2032	554,331	0	26,434	580,765	478,468	4,800	63	179	105	4,453	975	349	3,129
2032 - 2033	565,418	0	26,434	591,852	489,555	4,910	65	186	107	4,553	1,000	372	3,181
2033 - 2034	576,726	0	26,434	603,160	500,863	5,024	66	192	110	4,655	1,025	396	3,234
2034 - 2035	588,261	0	26,434	614,695	512,397	5,139	68	199	112	4,760	1,051	421	3,288
2035 - 2036	600,026	0	26,434	626,460	524,163	5,257	69	207	115	4,866	1,078	446	3,343
2036 - 2037	612,027	0	26,434	638,460	536,163	5,377	71	214	117	4,975	1,105	471	3,399
2037 - 2038	624,267	0	26,434	650,701	548,404	5,499	72	221	120	5,085	1,132	498	3,455

- (1) Prior Year Real Property increased by 2 percent per year.
The value for 2015-16 has been reduced by the estimated impact of appeals.
- (2) No New Development included in projections.
- (3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
- (4) Based on the application of 1% tax rate to incremental taxable value plus unitary revenue.
- (5) Per SB 2557, reflects Project Area share of County's property tax administrative costs.
Also includes estimate of County costs for the implementation of the Dissolution Act.
- (6) Allocations made per former Section 33676 of the CRL.
- (7) Payments required per negotiated agreements in the Original Area that are subordinate to debt service.
- (8) Negotiated payments that are subordinate to debt service.
- (9) Required per the provisions of Section 33607.5 and 33607.7 of the CRL.

Table 6.1
Oakley Successor Agency
Oakley Project Area

PROJECTION OF INCREMENTAL TAX REVENUE
(000's Omitted)

Fiscal Year	Real (1) Property	New (2) Development	Other (3) Property	Total Value	Value Over Base Of 102,297	Total Tax (4) Increment	Property Tax (5) Admin Fees	(6) Section 33676	(7) Senior Negotiated Tax Sharing	Subordinate Obligations (8)			Net Tax Revenues
										Tax Revenue	Subordinate Negotiated Tax Sharing	Statutory Tax Sharing (9) Payment	
2014 - 2015	\$399,832	N/A	26,434	426,265	323,968	3,255	43	\$83	\$71	\$3,057	\$591	\$57	\$2,408
2015 - 2016	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2016 - 2017	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2017 - 2018	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2018 - 2019	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2019 - 2020	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2020 - 2021	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2021 - 2022	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2022 - 2023	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2023 - 2024	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2024 - 2025	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2025 - 2026	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2026 - 2027	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2027 - 2028	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2028 - 2029	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2029 - 2030	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2030 - 2031	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2031 - 2032	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2032 - 2033	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2033 - 2034	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2034 - 2035	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2035 - 2036	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2036 - 2037	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365
2037 - 2038	395,883	0	26,434	422,317	320,019	3,200	43	83	70	3,004	582	57	2,365

- (1) Prior Year Real Property held constant.
The value for 2015-16 has been reduced by the estimated impact of appeals.
- (2) No New Development included in projections.
- (3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
- (4) Based on the application of 1% tax rate to incremental taxable value plus unitary revenue.
- (5) Per SB 2557, reflects Project Area share of County's property tax administrative costs.
Also includes estimate of County costs for the implementation of the Dissolution Act.
- (6) Allocations made per former Section 33676 of the CRL.
- (7) Payments required per negotiated agreements in the Original Area that are senior to debt service.
- (8) Negotiated payments that are subordinate to debt service.
- (9) Required per the provisions of Section 33607.5 and 33607.7 of the CRL.