

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of lease payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings, and the Certificates are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."*



**\$7,945,000**  
**City of Orinda**  
**2015 Refunding Certificates of Participation**  
**(City Offices Project Refinancing)**

**Dated: Date of Delivery**

**Due: July 1, as shown on inside cover**

**Authority for Execution and Delivery.** The Certificates of Participation captioned above (the "Certificates") are being executed and delivered under a Trust Agreement dated as of July 1, 2015 (the "Trust Agreement") among the City of Orinda (the "City"), the Orinda Facilities Financing Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee"). See "THE CERTIFICATES – Authority for Execution and Delivery."

**Purposes.** The Certificates are being executed and delivered to (i) prepay and defease certain outstanding certificates of participation executed and delivered in 2005 in order to finance the acquisition and construction of the City's City Hall, (ii) pay certain costs of executing and delivering the Certificates and (iii) provide a debt service reserve through the purchase of a reserve fund policy. See "FINANCING PLAN."

**Security for the Certificates.** The Certificates evidence and represent direct, undivided fractional interests in certain payments (the "Lease Payments"), to be made by the City under a Lease Agreement dated as of July 1, 2015 (the "Lease Agreement"), between the City and the Corporation, under which the Corporation will lease certain real property to the City in consideration of the payment by the City of the Lease Payments. The Corporation, for the benefit of the Owners of the Certificates, has assigned, among other things, its right to receive Lease Payments to the Trustee. In addition, a Reserve Fund will be established and available if there are insufficient amounts in the Lease Payment Fund to make payment on the Certificates. See "SECURITY FOR THE CERTIFICATES."

**Terms of the Certificates.** The Certificates will be executed and delivered in denominations of \$5,000 principal amount or integral multiples thereof. Interest with respect to the Certificates accrues from their date of delivery and is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2016. See "THE CERTIFICATES – General Certificate Terms."

**Book-Entry Only.** The Certificates will be executed and delivered as fully registered certificates in book-entry form only, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company ("DTC"), New York, New York. Purchasers will not receive physical certificates representing their interest in the Certificates. The principal and premium (if any) on and interest with respect to the Certificates will be payable by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Certificates. See "THE CERTIFICATES – Book-Entry System."

**Prepayment.** The Certificates are subject to optional prepayment and extraordinary mandatory prepayment from the net proceeds of insurance or condemnation proceedings prior to their scheduled payment dates. See "THE CERTIFICATES – Prepayment of the Certificates."

**This cover page contains information for general reference only, and is not a summary of the security or terms of this issue. Investors must read the entire Official Statement, including the section entitled "RISK FACTORS," for a discussion of special factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Certificates. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth in this Official Statement.**

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**MATURITY SCHEDULE**

**See inside front cover**

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NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS CONSTITUTES A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, OR AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

*The Certificates are offered when, as and if sold, executed, delivered to and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Jones Hall is also serving as Disclosure Counsel to the City. Certain legal matters will be passed upon for the Corporation and the City by the City Attorney, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the Certificates in book-entry form, will be available for delivery to DTC in New York, New York, on or about July 13, 2015.*

**RAYMOND JAMES®**

## MATURITY SCHEDULE

**\$7,945,000 Serial Certificates**

**(Base CUSIP†: 686242)**

<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP†</b>
2016	\$295,000	2.000%	0.440%	101.503%	AW8
2017	300,000	2.000	0.850	102.238	AX6
2018	310,000	2.000	1.260	102.147	AY4
2019	315,000	3.000	1.540	105.596	AZ1
2020	325,000	3.000	1.760	105.872	BA5
2021	335,000	3.000	2.080	105.136	BB3
2022	345,000	3.000	2.260	104.744	BC1
2023	355,000	3.000	2.410	104.252	BD9
2024	370,000	5.000	2.590	119.172	BE7
2025	385,000	3.000	2.750	102.165	BF4
2026	395,000	3.000	3.000	100.000	BG2
2027	405,000	3.000	3.200	98.023	BH0
2028	415,000	3.125	3.400	97.134	BJ6
2029	430,000	3.250	3.520	97.040	BK3
2030	445,000	4.000	3.520	104.004 C	BL1
2031	465,000	4.000	3.630	103.070 C	BM9
2032	480,000	4.000	3.680	102.648 C	BN7
2033	505,000	4.000	3.730	102.229 C	BP2
2034	525,000	4.000	3.780	101.811 C	BQ0
2035	545,000	4.000	3.830	101.396 C	BR8

C Priced to the optional par prepayment date of July 1, 2025.

† Copyright 2015, American Bankers Association. CUSIP data are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

# CITY OF ORINDA, CALIFORNIA

## ***City Council***

Dean Orr, *Mayor*  
Victoria Smith, *Vice Mayor*  
Eve Phillips, *Councilmember*  
Amy R. Worth, *Councilmember*  
Vacant, *Councilmember\**

## ***City Officials***

Janet Keeter, *City Manager*  
Susan Mahoney, *Finance Director*  
Michele Olsen, *City Clerk*

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## ***Special Counsel and Disclosure Counsel***

Jones Hall, A Professional Law Corporation  
San Francisco, California

## ***Trustee and Escrow Agent***

U.S. Bank National Association  
San Francisco, California

\* The current vacancy on the City Council is expected to be filled by appointment made by the other members of the City Council on or before July 27, 2015.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the sale of the Certificates 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 Certificates.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, 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 City or the Underwriter to give any information or to make any representations 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 any of the foregoing. 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 Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**Limited Scope of Information.** The City has obtained certain information set forth herein from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. 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 City or any other parties described in this Official Statement since the date hereof.

All summaries of or references to the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All capitalized terms used herein, unless noted otherwise, have the meanings given them in APPENDIX A.

**Involvement of the 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 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 the information.

**Stabilization of Prices.** In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Certificates 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 Certificates to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

**City Internet Site.** The City maintains a website, but the information presented 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 Certificates.

**NO REGISTRATION.** THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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## OFFICIAL STATEMENT

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**\$7,945,000**  
**City of Orinda**  
**2015 Refunding Certificates of Participation**  
**(City Offices Project Refinancing)**

The purpose of this Official Statement (which includes the cover page and the attached Appendices) is to provide information concerning the execution and delivery of the certificates of participation captioned above (the “**Certificates**”), evidencing and representing direct, undivided fractional interests of the registered owners thereof in certain lease payments (described herein) to be made by the City of Orinda (the “**City**”) to the Orinda Facilities Financing Corporation (the “**Corporation**”).

*Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.*

*Capitalized terms used but not defined in this Official Statement have the meanings set forth in APPENDIX A.*

### INTRODUCTION

**Authority for Execution and Delivery.** The Certificates are being executed and delivered under a Trust Agreement dated as of July 1, 2015 (the “**Trust Agreement**”), among the City, the Corporation and U.S. Bank National Association, as trustee (the “**Trustee**”).

**Purposes.** The Certificates are being executed and delivered to:

- (i) prepay and defease certain outstanding certificates of participation executed and delivered in 2005 in order to finance the acquisition and construction of City Hall,
- (ii) pay certain costs of executing and delivering the Certificates, and
- (iii) provide a debt service reserve through the purchase of a reserve fund policy.

See “FINANCING PLAN.”

**Security for the Certificates.** In order to provide funds to refinance the 2005 Certificates, the Corporation and the City have entered into a Site and Facilities Lease dated as of July 1, 2015 (the “**Site and Facilities Lease**”), whereby the City will lease to the Corporation the land and improvements which constitute the City’s City Hall located at 22 Orinda Way, Orinda, California (the “**Leased Property**”), and the Corporation and the City have entered into a Lease Agreement dated as of July 1, 2015 (the “**Lease Agreement**”), under which the Corporation will lease the Leased Property back to the City in consideration of the payment by

the City of semiannual lease payments (the "**Lease Payments**"). See "THE LEASED PROPERTY."

The Corporation will assign its right to receive the Lease Payments to the Trustee under an Assignment Agreement dated as of July 1, 2015 (the "**Assignment Agreement**"), between the Corporation and the Trustee, in consideration of which the Trustee has agreed to execute and deliver the Certificates. The Certificates evidence and represent direct, undivided fractional interests of the Certificate Owners in the Lease Payments. See "SECURITY FOR THE CERTIFICATES."

**Reserve Fund.** A Reserve Fund will be established as additional security for the Certificates, and will be available if there are insufficient amounts in the Lease Payment Fund to make payment on the Certificates. Upon delivery of the Certificates, the City will deposit the Reserve Policy issued by Build America Mutual Assurance Company (including its successors and assigns, the "**Reserve Insurer**") with the Trustee in satisfaction of its obligation to fund the Reserve Fund. See "SECURITY FOR THE CERTIFICATES – Reserve Fund."

**Prepayment.** The Certificates are subject to optional prepayment and extraordinary mandatory prepayment from the net proceeds of insurance or condemnation proceedings prior to their scheduled payment dates. See "THE CERTIFICATES – Prepayment of the Certificates."

**Abatement.** The Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City's use and possession of the Leased Property or any portion thereof. If the Lease Payments are abated under the Lease Agreement, the Certificate Owners would receive less than the full amount of principal of and interest represented by the Certificates. To the extent proceeds of rental interruption insurance are available, Lease Payments (or a portion thereof) may be made from those proceeds during periods of abatement. See "SECURITY FOR THE CERTIFICATES – Abatement" and "RISK FACTORS – Abatement."

**Legal Opinion; Bank Qualified.** Upon delivery of the Certificates, Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel ("**Special Counsel**") will release its final approving legal opinion with respect to the Certificates, regarding the validity and tax-exempt status of the Certificates, in the form attached hereto as Appendix D. In addition, Special Counsel will opine that the Certificates are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, subject to certain limitations as set forth in such opinion.

**Risk Factors.** The Certificates are payable only from Lease Payments made by the City to the Corporation and assigned to the Trustee under the Trust Agreement. For a discussion of some of the risks associated with the purchase of the Certificates, see "RISK FACTORS."

**Limited Obligations.** NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS CONSTITUTES A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, OR AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

## FINANCING PLAN

### Prepayment Plan

In September 2005 the City caused the execution and delivery of certain certificates of participation captioned "City of Orinda 2005 Certificates of Participation (City Offices Project)" in the original principal amount of \$9,800,000 (the "**2005 Certificates**"), the proceeds of which were applied to finance the acquisition and construction of the City's City Hall (which constitutes the Leased Property – See "THE LEASED PROPERTY" below). The 2005 Certificates are secured by and payable from lease payments made by the City under a Lease Agreement dated as of September 1, 2005 (the "**2005 Lease Agreement**"), by and between the City and the Corporation.

The 2005 Certificates are currently outstanding in the aggregate principal amount of \$8,280,000, which includes the principal amount of \$250,000 that will mature and be paid on July 1, 2015, leaving \$8,030,000 principal amount that will be defeased and prepaid, on a current basis, with a portion of the proceeds of the Certificates through the prepayment of all of the lease payments remaining due under the 2005 Lease Agreement. The outstanding 2005 Certificates will be prepaid in full on or about July 10, 2015, at a prepayment price equal to the principal amount thereof, together with interest coming due and payable on the prepayment date, without premium.

In order to accomplish the prepayment plan, a portion of the proceeds of the Certificates will be deposited in an escrow fund (the "**Escrow Fund**") to be established under Irrevocable Refunding Instructions dated as of the Closing Date given by the City and the Corporation to U.S. Bank National Association (the "**2005 Escrow Agent**"), as escrow agent for the 2005 Certificates.

The 2005 Escrow Agent will hold amounts on deposit in the Escrow Fund in cash, uninvested. These funds are sized to be sufficient to prepay the 2005 Certificates in full on or about July 10, 2015.

### Estimated Sources and Uses of Funds

The proceeds to be received from the sale of the Certificates are anticipated to be applied as follows:

#### SOURCES:

Principal Amount of Certificates	\$7,945,000.00
Plus Net Original Issue Premium	223,000.95
TOTAL SOURCES	<u>\$8,168,000.95</u>

#### USES:

Deposit into Escrow Fund [1]	\$8,042,987.72
Costs of Issuance [2]	97,104.30
Underwriter's Discount	27,908.93
TOTAL USES	<u>\$8,168,000.95</u>

[1] To be used to defease and prepay the 2005 Certificates. See "– Prepayment Plan" above.

[2] Includes fees of Special Counsel, Disclosure Counsel, S&P, the Trustee and the 2005 Escrow Agent, title insurance premium, Reserve Policy premium, printing costs, and other costs of executing and delivering the Certificates.

## THE CERTIFICATES

*This section provides summaries of the Certificates and certain provisions of the Trust Agreement. See “APPENDIX A – Summary of Principal Legal Documents” for a more complete summary of the Trust Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.*

### **Authority for Execution and Delivery**

The Certificates are being executed and delivered under the Trust Agreement, a resolution of the City Council adopted on June 2, 2015, and a resolution of the Board of Directors of the Corporation adopted on June 2, 2015. Under these resolutions, the Certificates may be executed and delivered in a maximum principal amount of \$8,515,000.

### **General Certificate Terms**

**Certificate Terms.** The Certificates will be dated as of the date of original delivery, will bear interest at the rates per annum and will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement. The Certificates will be executed and delivered in fully registered form without coupons in denominations of \$5,000 principal amount or any integral multiple of \$5,000, except that no Certificate will represent principal payable in more than one year.

Interest with respect to the Certificates accrues from their date of delivery and is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2016 (each, an “**Interest Payment Date**”).

**Book-Entry Only System.** The Certificates, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“**DTC**”). So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Certificates, all payments with respect to the Certificates will be made directly to DTC, and disbursement of such payments to the DTC Participants (defined below) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined below) will be the responsibility of the DTC Participants, as more fully described hereinafter. See “– Book-Entry System” below.

**Calculation of Interest.** Interest represented by the Certificates will be payable from the Interest Payment Date next preceding the date of execution thereof, unless:

- (a) it is executed following a Record Date and on or before the next succeeding Interest Payment Date, in which event interest represented thereby is payable from such Interest Payment Date,
- (b) it is executed on or before the first Record Date, in which event interest represented thereby is payable from the Closing Date, or
- (c) as of the date of any Certificate, interest represented by such Certificate is in default, in which event interest represented thereby will be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to such Certificate.

Interest represented by the Certificates is payable on each Interest Payment Date to and including the date of maturity or prepayment, whichever is earlier.

Interest represents the portion of Lease Payments designated as interest and coming due on each of the respective Interest Payment Dates. The share of the portion of Lease Payments designated as interest with respect to any Certificate will be computed by multiplying the portion of Lease Payments designated as principal represented by such Certificate by the rate of interest represented by such Certificate (on the basis of a 360-day year consisting of twelve 30-day months).

**Record Date.** The Trust Agreement defines the “Record Date” with respect to the Certificates as the close of business on the 15th calendar day of the month immediately preceding each Interest Payment Date, whether or not such 15th calendar day is a Business Day.

**Payments of Interest and Principal.** Payment of interest represented by any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the close of business on the Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the applicable Interest Payment Date to such Owner, by first class mail postage prepaid, at such Owner’s address as it appears on the Registration Books.

At the written request of the Owner of Certificates in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee prior to the Record Date preceding any Interest Payment Date, the Trustee will pay interest represented by such Certificates coming due and payable on such Interest Payment Date by wire transfer in immediately available funds to such account in the United States as is specified in such written request.

The principal, interest and prepayment premium, if any, represented by any Certificate at maturity or upon prepayment are payable in lawful money of the United States of America upon surrender of such Certificate at the Office of the Trustee.

*Notwithstanding the foregoing, while the Certificates are held in the book-entry only system of DTC, all such payments of principal, premium (if any) of, and interest with respect to, the Certificates will be made to Cede & Co. as the registered owner of the Certificates, for subsequent disbursement to Participant and beneficial owners. See “APPENDIX F – BOOK ENTRY PROVISIONS.”*

### **Prepayment of the Certificates**

**Optional Prepayment.** The Certificates maturing on or before July 1, 2025, are not subject to optional prepayment before their respective stated maturities.

The Certificates maturing on or after July 1, 2026, are subject to prepayment prior to their respective stated maturities, at the option of the City, in whole, or in part among maturities on such basis as designated by the City and by lot within any one maturity, on July 1, 2025, or on any date thereafter, upon payment of a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

**Extraordinary Mandatory Prepayment From Net Proceeds of Insurance or Condemnation.** The Certificates are subject to extraordinary mandatory prepayment, in whole, on any Business Day, or in part on any Interest Payment Date among maturities on a pro rata basis and by lot within a maturity, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments under the Lease Agreement and under the Trust Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

**Selection of Certificates for Prepayment.** Whenever provision is made in the Trust Agreement for the prepayment of Certificates and less than all Outstanding Certificates of any maturity are called for prepayment, the Trustee will select Certificates of such maturity for prepayment by lot. For the purposes of such selection, Certificates will be deemed to be composed of \$5,000 portions, and any such portion may be separately prepaid. The Trustee will promptly notify the City and the Corporation in writing of the Certificates or portions thereof so selected for prepayment.

**Notice of Prepayment.** When optional prepayment or extraordinary mandatory prepayment from the Net Proceeds of insurance or condemnation proceedings is authorized or required under the Trust Agreement, the Trustee will give notice of the prepayment of the Certificates on behalf and at the expense of the City.

The Trustee will mail notice of prepayment by first-class mail with postage prepaid, to the Securities Depositories and to the Municipal Securities Rulemaking Board, and to the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books, at least 30 days but not more than 60 days prior to the prepayment date.

Neither the failure to receive any such notice nor any defect in any notice so mailed will affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

*However, while the Certificates are subject to DTC's book-entry system, the Trustee will be required to give notice of prepayment only to DTC as provided in the letter of representations executed by the City and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such prepayment notice to the beneficial owners of the Certificates to be prepaid. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Certificates to be prepaid, of a notice of prepayment or its content or effect, will not affect the validity of the notice of prepayment, or alter the effect of prepayment set forth in the Trust Agreement.*

**Rescission of Prepayment.** The City has the right to rescind any notice of the optional prepayment of Certificates by written notice to the Trustee on or prior to the date fixed for prepayment. Any notice of optional prepayment will be cancelled 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 Certificates then called for prepayment, and such cancellation will not constitute an Event of Default. The City and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of prepayment.

The Trustee will mail notice of such rescission of prepayment to the respective Owners of the Certificates designated for prepayment at their respective addresses appearing on the

Registration Books, and to the Securities Depositories and the Municipal Securities Rulemaking Board.

***Effect of Notice of Prepayment.*** If moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates have been set aside in the Lease Payment Fund, the Certificates will become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Office of the Trustee, those Certificates will be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus interest accrued and unpaid to the date of prepayment.

If, on the date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest represented thereby to the date of prepayment, are held by the Trustee so as to be available therefor on such date of prepayment, then, from and after the date of prepayment, interest represented by the Certificates will cease to accrue and become payable. All moneys held by the Trustee for the prepayment of Certificates will be held in trust for the account of the Owners of the Certificates so to be prepaid, and will be held by the Trustee in cash uninvested.

***Purchase of Certificates in Lieu of Prepayment.*** In lieu of prepayment of Certificates as provided in the Trust Agreement, amounts held by the Trustee for such prepayment may, at the written request of the City Representative received by the Trustee at least 75 days prior to the selection of Certificates for prepayment, be applied by the Trustee to the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the City may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificates were prepaid.

### **Book-Entry System**

DTC will act as securities depository for the Certificates. The Certificates will be executed and delivered as fully-registered Certificates registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Certificate will be executed and delivered for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX F- BOOK ENTRY PROVISIONS".

*The City and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.*

## Registration, Transfer and Exchange

*The provisions of the Trust Agreement regarding the registration, exchange and transfer of the Certificates apply only during any period in which the Certificates are not subject to DTC's book-entry system. While the Certificates are subject to DTC's book-entry system, their registration, exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See APPENDIX F.*

**Registration.** The Trustee will keep or cause to be kept sufficient records for the registration and registration of transfer of the Certificates, which will at all reasonable times be open to inspection by the City and the Corporation upon prior notice, during regular business hours; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Certificates as provided in the Trust Agreement.

**Transfer of Certificates.** The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by duly authorized attorney, upon surrender of such Certificate for cancellation at the Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, manually executed. Whenever any Certificate or Certificates is surrendered for registration of transfer, the Trustee will execute and deliver a new Certificate or Certificates representing the same maturity, interest rate and aggregate principal amount, in any authorized denominations. The City will pay all costs of the Trustee incurred in connection with any such transfer, except that the Trustee may require the payment by the Certificate Owner of any tax or other governmental charge required to be paid with respect to such transfer.

**Exchange of Certificates.** Certificates may be exchanged at the Office of the Trustee, for a like aggregate principal amount of Certificates representing other authorized denominations of the same interest rate and maturity. The City will pay all costs of the Trustee incurred in connection with any such exchange, except that the Trustee will require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

**Limitations on Transfer or Exchange.** The Trustee may refuse to transfer or exchange either (i) any Certificate during the period established by the Trustee for the selection of Certificates for prepayment, or (ii) any Certificate which the Trustee has selected for prepayment in whole or in part under the Trust Agreement.

## SCHEDULE OF LEASE PAYMENTS

The table below shows the annual Lease Payments, which correspond to the payments of principal and interest with respect to the Certificates.

Rental Period Ending	Principal	Interest	Total Debt Service
1/1/2016	\$ 0	\$125,040.42	\$125,040.42
7/1/2016	295,000	133,971.88	428,971.88
1/1/2017	0	131,021.88	131,021.88
7/1/2017	300,000	131,021.88	431,021.88
1/1/2018	0	128,021.88	128,021.88
7/1/2018	310,000	128,021.88	438,021.88
1/1/2019	0	124,921.88	124,921.88
7/1/2019	315,000	124,921.88	439,921.88
1/1/2020	0	120,196.88	120,196.88
7/1/2020	325,000	120,196.88	445,196.88
1/1/2021	0	115,321.88	115,321.88
7/1/2021	335,000	115,321.88	450,321.88
1/1/2022	0	110,296.88	110,296.88
7/1/2022	345,000	110,296.88	455,296.88
1/1/2023	0	105,121.88	105,121.88
7/1/2023	355,000	105,121.88	460,121.88
1/1/2024	0	99,796.88	99,796.88
7/1/2024	370,000	99,796.88	469,796.88
1/1/2025	0	90,546.88	90,546.88
7/1/2025	385,000	90,546.88	475,546.88
1/1/2026	0	84,771.88	84,771.88
7/1/2026	395,000	84,771.88	479,771.88
1/1/2027	0	78,846.88	78,846.88
7/1/2027	405,000	78,846.88	483,846.88
1/1/2028	0	72,771.88	72,771.88
7/1/2028	415,000	72,771.88	487,771.88
1/1/2029	0	66,287.50	66,287.50
7/1/2029	430,000	66,287.50	496,287.50
1/1/2030	0	59,300.00	59,300.00
7/1/2030	445,000	59,300.00	504,300.00
1/1/2031	0	50,400.00	50,400.00
7/1/2031	465,000	50,400.00	515,400.00
1/1/2032	0	41,100.00	41,100.00
7/1/2032	480,000	41,100.00	521,100.00
1/1/2033	0	31,500.00	31,500.00
7/1/2033	505,000	31,500.00	536,500.00
1/1/2034	0	21,400.00	21,400.00
7/1/2034	525,000	21,400.00	546,400.00
1/1/2035	0	10,900.00	10,900.00
7/1/2035	545,000	10,900.00	555,900.00
	<b>\$7,945,000</b>	<b>\$3,344,062.42</b>	<b>\$11,289,062.42</b>

## **THE LEASED PROPERTY**

### **General**

Lease Payments will be made by the City under the Lease Agreement for the use and occupancy of the Leased Property, which consists of the City's existing City Hall located at 22 Orinda Way in the City.

The City Hall houses the City's administration, engineering, public works, planning and police departments, as well as the Emergency Operations Center. Because of the inclusion of the City's police department and Emergency Operations Center, the offices are considered essential facilities.

Together, the building encompasses approximately 13,090 square feet of useable space, of which approximately 900 square feet are used for administration, approximately 1,400 square feet are used for police services, approximately 2,200 square feet are used for meeting rooms and common areas, and approximately 3,600 square feet provide space for the City's engineering, planning, and public works services.

Pursuant to an agreement entered into between the City and First Church of Christ, Scientist, the owner of an adjacent parcel located at 24 Orinda Way in the City, church visitors are allowed use of the City's parking spaces located at 22 Orinda Way. This agreement is terminable at will by either party on 180 days' notice.

The City, including City Hall, like much of California, may be subject to unpredictable seismic activity, including earthquakes. City Hall was designed according to the 1997 Uniform Building Code. The foundation is partially spread footing and partially cast-in-place concrete friction piers, founded in "moderately hard" bedrock.

The total capital cost incurred to construct the City Hall was approximately \$11.8 million.

### **Modification of Leased Property**

Under the Lease Agreement, the City has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of the Lease Agreement.

Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto under the Lease Agreement, must be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements.

The City will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City under the Lease Agreement; provided that if any such lien is established and the City first notifies the Corporation of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so

contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and will provide the Corporation with full security against any loss or forfeiture that might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the City.

### **Substitution of Property**

Under the Lease Agreement, the City has, and is granted, the option at any time and from time to time to substitute other real property (the “**Substitute Property**”) for the Leased Property or any portion thereof (the “**Former Property**”), provided that the City must satisfy all of the requirements set forth in the Lease Agreement that are conditions precedent to such substitution, and which include (among others) the following:

(a) The City must file with the Corporation and the Trustee, and cause to be recorded in the office of the Contra Costa County Recorder sufficient memorialization of, an amendment of the Lease Agreement that adds to Appendix A thereto a description of such Substitute Property and deletes therefrom the description of such Former Property, and appropriate amendments to the Site and Facilities Lease and Assignment Agreement that adds thereto a description of such Substitute Property and deletes therefrom the description of such Former Property.

(b) The City must certify in writing to the Corporation and the Trustee that such Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the City and to serve an essential governmental function of the City.

(c) The City must file with the Corporation and the Trustee an appraisal or other written documentation which establishes that the fair market value and the fair rental value of the Substitute Property and any other property that will be subject to the Lease Agreement and the Site and Facilities Lease are at least equal to the outstanding principal amount of the Certificates, and that the useful life of the Substitute Property at least equals the lesser of (i) the useful life of the Former Property, or (ii) the final Lease Payment Date of the Lease Payments allocable thereto.

Upon the satisfaction of all conditions precedent to substitution under the Lease Agreement, the Term of the Lease Agreement will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property.

The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution.

The Corporation and the City will execute, deliver and cause to be recorded all documents required to discharge the Lease Agreement, the Site and Facilities Lease and the Assignment Agreement against the Former Property, and to cause the Substitute Property to become subject to all of the terms and conditions of the Lease Agreement, Site and Facilities Lease and the Assignment Agreement.

See APPENDIX A for additional conditions to the substitution of property under the Lease Agreement.

### **Release of Property**

Under the Lease Agreement, City has the option at any time and from time to time to release any portion of the Leased Property from the Lease Agreement and the Site and Facilities Lease (the “**Released Property**”) provided that the City has satisfied all of the requirements of the Lease Agreement that are conditions precedent to such release, and which include (among others) the following:

- (a) The City must file with the Corporation and the Trustee, and cause to be recorded in the office of the Contra Costa County Recorder sufficient memorialization of, an amendment of the Lease Agreement that removes the Released Property therefrom, and appropriate amendments to the Site and Facilities Lease and Assignment Agreement that removes therefrom the description of the Released Property.
- (b) The City must certify in writing to the Corporation and the Trustee that the fair market value of the property that remains subject to the Lease Agreement and the Site and Facilities Lease following such removal is at least equal to the outstanding principal amount of the Certificates, and the fair rental value of the property that remains subject to the Lease Agreement and the Site and Facilities Lease following such removal is at least equal to the Lease Payments thereafter coming due and payable under the Lease Agreement.

Upon the satisfaction of all conditions precedent to release under the Lease Agreement, the Term of the Lease Agreement will thereupon end as to the Released Property.

The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release.

The Corporation and the City will execute, deliver and cause to be recorded all documents required to discharge the Lease Agreement, the Site and Facilities Lease and the Assignment Agreement of record against the Released Property.

See APPENDIX A for additional conditions to the release of property from the Lease Agreement and the Site and Facilities Lease.

## SECURITY FOR THE CERTIFICATES

*This section provides summaries of the security and sources of payment for the Certificates and certain provisions of the Trust Agreement and Lease Agreement. See APPENDIX A for a more complete summary of the Trust Agreement and Lease Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.*

### General

**Lease Payments.** Each Certificate evidences and represents a direct, undivided fractional interest of the Owner thereof in the Lease Payments to be made by the City under the Lease Agreement.

**Assignment to Trustee.** Under the Assignment Agreement, the Corporation will transfer, assign and set over to the Trustee, for the benefit of the Owners of all Outstanding Certificates, substantially all of the Corporation's rights under the Lease Agreement and the Site and Facilities Lease, including without limitation:

(a) the right to receive and collect all of the Lease Payments from the City under the Lease Agreement,

(b) the right to receive and collect any proceeds of any insurance maintained under the Lease Agreement with respect to the Leased Property, or any eminent domain award (or proceeds of sale under threat of eminent domain) paid with respect to the Leased Property, and

(c) the right to exercise such rights and remedies conferred on the Corporation under the Lease Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments and any other amounts required to be deposited in the Lease Payment Fund or the Insurance and Condemnation Fund established under the Trust Agreement, or (ii) otherwise to protect the interests of the Owners in the event of a default by the City under the Lease Agreement.

This assignment will be absolute and irrevocable, and will be without recourse to the Corporation.

Under the Lease Agreement, the City acknowledges that all Lease Payments have been assigned by the Corporation to the Trustee in trust under the Assignment Agreement, for the benefit of the Owners of the Certificates, and the City consents to such assignment. The Corporation directs the City, and the City agrees to pay to the Trustee at its Office, all Lease Payments (including prepayments thereof).

### Lease Payments

**Obligation to Make Lease Payments.** Under the Lease Agreement (subject to the provisions of the Lease Agreement regarding abatement and prepayment), the City will pay to the Corporation, its successors and assigns, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in the Lease Agreement, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates, and to be deposited by the City with the Trustee on each of the Lease Payment Dates.

The Lease Payments payable in any Rental Period are for the use of the Leased Property during such Rental Period.

**Credits and Offsets.** Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole, and other than amounts required for payment of past due principal or interest represented by any Certificates not presented for payment) will be credited towards the Lease Payment then required to be paid.

No Lease Payment need be deposited with the Trustee on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be deposited with the Trustee.

**Effect of Prepayment.** If the City prepays all Lease Payments in full under the Lease Agreement, and if the City has paid all Additional Payments then due and payable, the City's obligations to make Lease Payments under the Lease Agreement will thereupon cease and terminate.

If the City prepays the Lease Payments in part but not in whole under the Lease Agreement, the principal components of the remaining Lease Payments will be reduced in integral multiples of \$5,000 among Lease Payment Dates on a basis that corresponds to the principal maturities of the Certificates that are prepaid; and the interest component of each remaining Lease Payment will be reduced by the aggregate corresponding amount of interest that would otherwise be payable with respect to the Certificates thereby prepaid under the Trust Agreement.

**Rate on Overdue Payments.** If the City fails to make any of the Lease Payments, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest represented by any Outstanding Certificate.

**Fair Rental Value.** The Lease Payments and Additional Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and the City will pay the Lease Payments and Additional Payments in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period.

The Corporation and the City have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property as of the Closing Date, other obligations of the City and the Corporation under this Lease, the uses and purposes that may be served by the Leased Property, and the benefits therefrom that will accrue to the City and the general public.

## **Source of Payments; Budget and Appropriation**

The Lease Payments are payable from any source of legally available funds of the City, subject to the provisions of the Lease Agreement regarding abatement and prepayment.

The City covenants in the Lease Agreement to take such action as may be necessary to include all estimated Lease Payments and all estimated Additional Payments due under the Lease Agreement in each of its final approved budgets. The City further covenants to make all necessary appropriations (including any supplemental appropriations) from any source of legally available funds of the City for all the actual amount of Lease Payments and Additional Payments that come due and payable during the period covered by each such budget.

These covenants on the part of the City are duties imposed by law and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the City.

## **Limited Obligation**

THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, OR AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

## **Additional Payments**

In addition to the Lease Payments, under the Lease Agreement, the City agrees to pay when due, as additional rental for the Leased Property thereunder, all costs and expenses incurred by the City thereunder or under the Trust Agreement, or incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation (a) all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), (b) annual compensation due to the Trustee and all of its reasonable costs and expenses (including amounts payable to the Trustee by virtue of indemnification) payable as a result of the performance of and compliance with its duties under the Trust Agreement, (c) the costs and expenses payable by the City to the Reserve Insurer under the Reserve Policy for draws made by the City thereunder, all in accordance with the terms and conditions of the Reserve Policy and the Trust Agreement and (d) all reasonable costs and expenses of attorneys, auditors, engineers and accountants engaged by the Corporation or the Trustee in connection with the Leased Property or the performance of their duties under the Lease Agreement or the Trust Agreement.

## **Reserve Fund**

Under the Trust Agreement, a Reserve Fund will be established for the benefit of the City and the Owners of the Certificates. The Trustee will hold the Reserve Fund in trust as a reserve for the payment of the principal of, interest, and premium, if any, on the Certificates.

The Reserve Requirement for the Certificates will be satisfied by the delivery of the Reserve Policy by the Reserve Insurer to the Trustee on the Closing Date. The "Reserve Requirement" is defined in the Trust Agreement as \$562,943.76.

The amounts available under the Reserve Policy will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Lease Payment Account in the event of any deficiency at any time in such account.

The Trustee will comply with all documentation relating to the Reserve Policy as required to maintain the Reserve Policy in full force and effect and as required to receive payments thereunder if and to the extent required to make any payment when and as required under the Trust Agreement.

The City will have no obligation to replace the Reserve Policy or to fund the Reserve Fund with cash or any other security if, at any time that the Certificate are Outstanding, amounts are not available under the Reserve Policy.

Pursuant to the Trust Agreement, the City and the Trustee will agree to comply with certain provisions regarding the repayment of any draws under the Reserve Policy and the payment of all related reasonable expenses incurred by the Reserve Insurer.

See APPENDIX A for a further description of the Reserve Fund and the Reserve Policy.

## **Abatement**

***Termination or Abatement Due to Eminent Domain.*** If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement will cease with respect thereto as of the day possession is so taken.

If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain,

- (a) the Lease Agreement will continue in full force and effect with respect thereto and will not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and
- (b) there will be a partial abatement of Lease Payments allocated thereto, in an amount to be determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

**Abatement Due to Damage or Destruction.** The amount of Lease Payments will be abated during any period in which by reason of damage or destruction (other than by eminent domain as described above) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof.

The amount of such abatement will be determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property that are available for use and occupancy.

Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. If any such damage or destruction occurs, the Lease Agreement will continue in full force and effect and the City waives any right to terminate the Lease Agreement by virtue of any such damage and destruction.

Notwithstanding the foregoing, there will be no abatement of Lease Payments to the extent that the proceeds of hazard insurance or rental interruption insurance are available to pay Lease Payments that would otherwise be abated, it being declared that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

#### **Application of Net Proceeds of Insurance and Condemnation**

**Application of Net Proceeds of Insurance Award.** Under the Trust Agreement, any Net Proceeds of insurance collected by the City in the event of accident to or destruction of any component of the Leased Property will be paid to the Trustee under the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the “**Insurance and Condemnation Fund**” which the Trustee will thereupon establish.

If the City determines and notifies the Trustee in writing of its determination, within 45 days following the date of such deposit, that the replacement, repair, restoration, modification or improvement of the Leased Property is not economically feasible or in the best interests of the City, then such Net Proceeds will be promptly transferred by the Trustee to the Lease Payment Fund and applied to the prepayment of Lease Payments under the Lease Agreement and the corresponding prepayment of Certificates under the Trust Agreement. This prepayment will be made on the first Interest Payment Date for which notice of prepayment can be timely given.

Notwithstanding the foregoing, the determination of the City to apply Net Proceeds to the prepayment of Certificates is subject to the following:

- (a) if the Leased Property is damaged or destroyed in full, such Net Proceeds may be transferred to the Lease Payment Fund to be used to prepay Outstanding Certificates only if such Net Proceeds, together with other available moneys, are sufficient to cause the corresponding prepayment of all Lease Payments allocable to the Leased Property; and
- (b) if the Leased Property is damaged or destroyed in part but not in whole, such Net Proceeds may be transferred to the Lease Payment Fund to be used to prepay Outstanding Certificates only if the Lease Payments that result after the corresponding abatement thereof under the Lease Agreement are sufficient to pay the full amount of principal and interest

represented by the Certificates that remain Outstanding after such prepayment.

All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Lease Payment Fund will be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City.

***Application of Net Proceeds of Eminent Domain Award.*** Under the Trust Agreement, if all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom will be deposited with the Trustee in the Insurance and Condemnation Fund and will be applied and disbursed by the Trustee as follows:

- (a) If the City gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the City in the Leased Property or the ability of the City to meet any of its financial obligations under the Lease Agreement, and (ii) that such proceeds are not needed for repair, replacement or rehabilitation of the Leased Property, the Trustee will transfer such proceeds to the Lease Payment Fund to be credited towards the payment of the Lease Payments as they become due and payable.
- (b) If the City gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the City in the Leased Property or the ability of the City to meet any of its financial obligations under the Lease Agreement, and (ii) such proceeds are needed for repair, replacement or rehabilitation of the Leased Property, the Trustee will pay to the City, or to its order, from said proceeds such amounts as the City may expend for the repair or rehabilitation of the Leased Property.
- (c) If (i) less than all of the Leased Property is taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the City gives written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the interest of the City in the Leased Property or the ability of the City to meet any of its financial obligations under the Lease Agreement, or (ii) all of the Leased Property is taken in such eminent domain proceedings, then the Trustee will transfer such proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments under the Lease Agreement and applied to the corresponding prepayment of Certificates under the Trust Agreement. This prepayment will be made on the first prepayment date for which notice of prepayment can be timely given.

In making any such determination whether to repair, replace or rehabilitate the Leased Property under the Trust Agreement, the City may obtain, but is not required to obtain, at its expense, the report of an independent engineer or other independent professional consultant, a copy of which must be filed with the Trustee. Additionally, any such determination must be made within 45 days of the date the funds are deposited with the Trustee. Any such determination by the City is final.

## **Covenants to Maintain Insurance**

**Public Liability and Property Damage Insurance.** Under the Lease Agreement, the City will maintain or cause to be maintained, throughout the Term of the Lease Agreement, comprehensive general insurance in protection of the Corporation, the City and their respective members, officers, agents, employees and assigns. Such insurance must provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such insurance must provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of a program of self-insurance by the City, or in the form of the participation by the City in a joint powers authority or other program providing pooled insurance.

The City will apply the proceeds of such insurance toward extinguishment or satisfaction of the liability with respect to which the net proceeds are paid.

**Casualty Insurance.** Under the Lease Agreement, the City will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of the Lease Agreement, casualty insurance against loss or damage to the insured buildings, facilities and other improvements constituting any part of the Leased Property, in an amount at least equal to the greater of (a) the replacement value of such buildings, facilities and improvements, or (b) the aggregate principal amount of the Outstanding Certificates.

Such insurance will, as nearly as practicable, cover loss or damage by fire, explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and must include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the City, whose determination is final and conclusive. Such insurance may be subject to such deductibles as the City deems prudent.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The City shall apply the Net Proceeds of such insurance as provided in the Lease Agreement.

**Rental Interruption Insurance.** Under the Lease Agreement, the City will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the buildings, facilities and other improvements constituting any part of the Leased Property, as a result of any of the hazards covered in the casualty insurance required by the Lease Agreement and described above, in an amount at least equal to the maximum Lease Payments coming due and payable during any two consecutive fiscal years during the remaining Term of the Lease Agreement.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance.

The Net Proceeds of such insurance, if any, will be paid to the Trustee and deposited in the Lease Payment Fund, and will be credited towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

### **Additional Rental**

The City may amend the Lease Agreement, without the consent of the Trustee or any of the Certificate Owners, to obligate the City to pay additional amounts of rental thereunder for the use and occupancy of the Leased Property or any portion thereof, but only if (A) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied to finance public improvements of the City, and (B) the City has filed with the Trustee written evidence that the amendments made under the Lease Agreement will not of themselves cause a reduction or withdrawal of any rating then assigned to the Certificates.

## THE CITY AND THE CORPORATION

### The City

**General.** The City is located in southwest Contra Costa County (the “**County**”), approximately 17 miles east of San Francisco and 9.2 miles northeast of Oakland. The City covers approximately 12.8 square miles and, according to the California Department of Finance, had a population of approximately 18,000 residents as of January 1, 2015.

The City is a family-oriented community in a rural suburban setting surrounded by hills and nearby cities such as Berkeley, Oakland and San Francisco. The City’s schools rank among the highest in the State of California.

The City has three community parks, a historical community center and theater, and a public library, as well as a number of nearby trails, private swim clubs, and private tennis clubs. The City is the first stop on the BART (Bay Area Rapid Transit) system after traveling through the Caldecott Tunnel.

For additional demographic information regarding the City and the County, see APPENDIX B.

**City Government.** The City is a general law city that was incorporated on July 1, 1985. The City operates under the council-manager form of government, in which authority is concentrated in the elected city council, which appoints a professional manager (the “**City Manager**”) to implement its policies. The City Council selects the Mayor from among its members for a one-year term. The City Manager oversees the City’s annual operating budget and personnel matters, and serves as the City Council’s chief policy advisor.

The City Council consists of five members elected to serve staggered four-year terms. There is currently one vacancy on the City Council, which is expected to be filled on or before July 27, 2015, by appointment made by the other members of the City Council. Current City Council members and their terms are set forth below:

CITY OF ORINDA CITY COUNCIL		
Name	Position	Term Expires
Dean Orr	Mayor	December 2018
Victoria Smith	Vice Mayor	December 2016
Eve Phillips	Councilmember	December 2018
Amy R. Worth	Councilmember	December 2018
Vacant	Councilmember	December 2016

**City Manager.** Janet Keeter serves as the City Manager. Ms. Keeter assumed duties as City Manager on August 1, 2005. With a total of 20 years of city management experience, Ms. Keeter most recently served as Deputy City Manager for the City of Lodi, California. Prior to her role as Deputy City Manager, she served as Economic Development Coordinator for the City of Lodi, and prior to that as a key staffer in the County of San Joaquin Office of Emergency Services.

**Finance Director.** Susan Mahoney serves as the City's Finance Director. Ms. Mahoney assumed duties as Finance Director on July 16, 2012. With a total of 29 years' experience as a finance director, Ms. Mahoney has served in the cities of Jurupa Valley, Petaluma, Indio, Citrus Heights, Lincoln, and the Arcade Water District.

### **The Corporation**

The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State. The Corporation is governed by a board of directors made up *ex officio* of the members of the City Council of the City.

## CITY FINANCIAL INFORMATION

### City Budget Process

The City prepares a biennial budget for City government operations that begins with a July 1 fiscal year. In developing the biennial budget, City departments analyze existing service levels and potential services in light of the strategic priorities and financial constraints and modify their proposed budgets accordingly. The City's operating budget summarizes planned expenditures and revenues for all City departments and programs. The detail is structured to summarize each department's costs by type, division and funding sources.

The biennial budget process sets forth planned expenditures and revenues for two consecutive fiscal years. Year 1 and 2 expenditure and revenue plans are presented to the City Council in a single document. At the conclusion of the biennial budget review and deliberation process, Year 1 of the biennial budget is approved and appropriated by the City Council, which sets the level of authorized funding for the fiscal year.

The Year 2 budget is also approved but is subject to mid-cycle review and appropriation action in the following year. Funds not expended in Year 1 do not automatically roll into Year 2. During the mid-cycle review, City staff may propose changes to the budget. At that time, the City Council will consider the proposed changes and recommendations. At the conclusion of the deliberations, the City Council will approve and appropriate funds for Year 2 of the budget. In addition to the annual budget process, the City Council reviews expenditures and revenues at the mid-year and makes changes as needed.

The budget process begins with a strategic planning workshop. The goals and objectives for the past budget are reviewed and changes are made to reflect what the City Council feels is important for the next budget cycle. Through several workshops and meetings, the City Council reviews the budget, including both operating and capital revenue and expenditures. In addition, the budget is reviewed and recommendations are made from the City's Finance Advisory Committee. All budget discussions are made during open, publicly noticed meetings that conform to the Brown Act.

The City supplements the budgeting process with a five-year financial forecast.

The City Council adopted its two-year budget for Fiscal Years 2015-16 and 2016-2017 on June 2, 2015.

### General Fund Revenues

**Fund Balances and Reserve Policy.** The "General Fund" is the City's primary operating fund.

As of June 30, 2014, the fund balance was \$7,709,599, as compared to \$7,511,111 as of June 30, 2013. The fund balance is made up of the following amounts:

Restricted funds for senior housing	\$119,037
Measure L Sales Tax unassigned funds	1,137,362
General Fund unassigned funds	6,453,200
Total	<u>\$7,709,599</u>

The City Council has set a General Fund reserve policy that requires an operating reserve of \$5,000,000 plus 20% of the amount of budgeted General Fund revenues in excess of \$10,000,000 not including Measure L revenue (add-on sales tax). The reserve amount is included in the General Fund unassigned funds and was fully funded at June 30, 2014.

**Summary of Revenue Sources.** Property taxes and sales taxes are the two largest sources of General Fund revenues, as summarized below:

	2013-14 Revenues	Percent of Total
Property Taxes	\$3,677,835	44.5%
Property Tax in Lieu of VLF	1,514,791	18.3
Sales Tax	2,071,438	25.0
Franchise Tax	1,009,114	12.2
Total	\$8,273,178	

### Property Taxes

This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property tax payers in the City. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” and “RISK FACTORS – Property Taxes” for a description of risks associated with the levy and collection of property tax revenues.

**General.** Property taxes represent the largest source of tax revenue to the City.

Property taxes have historically been the primary revenue source affected by voter initiatives and legislative actions. With approval of Proposition 13, increases in assessed property valuation are limited to 2% annual increases or the CPI, whichever is less.

**ERAF Shift.** Certain property taxes have been shifted from local government agencies to schools by the State Legislature for deposit in the Education Revenue Augmentation Fund (“ERAF”), a shift that periodically has resulted in diversion of City property taxes since Fiscal Year 1992-93. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.”

**Levy and Collection.** Property taxes are levied for each fiscal year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as “**secured**” or “**unsecured**” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a

period of five years or more, the property is deeded to the State and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a 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.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

**Teeter Plan.** The County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds, known as the "**Teeter Plan**", which applies to taxes levied for the City. Under the Teeter Plan, the County guarantees that the City will receive 100% of the taxes levied for it. Any delinquencies are borne by the County, which in return collects and retains all penalties and interest which accrue on the delinquent taxes. Consequently, the City's tax receipts do not reflect any delinquencies.

**Assessed Valuation.** All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

**Assessed Valuation History.** The summary below presents a 10-year history of the assessed value of property within the City.

**TABLE 1  
Assessed Valuation History**

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2005-06	\$3,761,280,589	--	\$31,867,433	\$3,793,148,022	-
2006-07	4,072,187,872	--	32,683,392	4,104,871,264	8.22%
2007-08	4,321,548,584	--	37,017,097	4,358,565,681	6.18
2008-09	4,528,868,045	--	39,621,386	4,568,489,431	4.82
2009-10	4,775,376,797	--	39,438,966	4,814,815,763	5.39
2010-11	4,762,300,926	--	35,436,710	4,797,737,636	(0.35)
2011-12	4,615,128,899	--	35,118,363	4,650,247,262	(3.07)
2012-13	4,656,504,710	--	42,479,036	4,698,983,746	1.05
2013-14	4,941,720,895	--	35,692,146	4,977,413,041	5.93
2014-15	5,355,621,110	--	31,430,055	5,387,051,165	8.23

Source: California Municipal Statistics, Inc.

**Major Property Taxpayers.** The following table shows the major secured property taxpayers in the City for Fiscal Year 2014-15.

**TABLE 2  
Major Local Secured Taxpayers  
Fiscal Year 2014-15**

	Property Owner	Land Use	2014-15 Assessed Valuation	% of Total (1)
1.	OG Property Owner LLC (2)	Residential Development	\$134,316,797	2.51%
2.	Pulte Home Corporation	Residential Properties	39,748,279	0.74
3.	GLL BVK Properties LP	Commercial	27,172,000	0.51
4.	Pine Grove LLC	Office Building	22,881,100	0.43
5.	Orinda Country Club	Country Club	10,274,467	0.19
6.	Name Omitted (3)	Residential	7,154,572	0.13
7.	Name Omitted (3)	Residential	6,856,130	0.13
8.	Stein Way Development Group	Residential Properties	6,493,746	0.12
9.	Name Omitted (3)	Residential	6,483,465	0.12
10.	Name Omitted (3)	Residential	6,330,285	0.12

(1) 2014-15 Local Secured Assessed Valuation: \$5,355,621,110.

(2) Wilder Ranch development, consisting of 245 units on 1,572 acres.

(3) The names of individual taxpayers are not provided to respect homeowner confidentiality.

Source: California Municipal Statistics, Inc.

## Sales Taxes

This section describes the current system for levying, collecting and distributing sales and use tax revenues in the State.

**State Sales Tax Law.** The City receives an allocation of taxes levied on taxable sales in the City (minus certain administrative costs imposed by the State Board of Equalization) pursuant to the Bradley-Burns Uniform Local Sales and Use Tax (the “**Sales Tax Law**”).

As part of the State’s 2003-04 Budget, the State Legislature authorized, and the voters of the State approved, the redirection to the State from local jurisdictions (including the City) of revenues in the amount of 0.25% of the 1.0% local sales tax rate, starting July 1, 2004. Under the California Economic Recovery Act, which includes legislation commonly referred to as the “**Triple Flip**”, the State redirected certain property taxes in the Education Augmentation Revenue Fund (“**ERAF**”) to local governments, including the City, to compensate for this redirection of sales taxes on a “dollar for dollar” basis. Under this legislation, along with the guarantees provided by the passage of Proposition 1A in November 2004, the City has not experienced, and does not expect to experience, any significant fiscal impacts on the City resulting from the Triple Flip. The redirection of taxes through the Triple Flip expires at the end of Fiscal Year 2014-15.

**Sales Tax Collection Procedures.** Collection of the sales and use tax is administered by the California State Board of Equalization. According to the State Board of Equalization, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

The State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization’s quarterly projection. During the last month of each quarter, the State Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

The Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City’s sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

**Sales Tax Rates.** The State presently levies a 9.25% sales tax (which includes the 0.50% add-on approved by Measure L, as described below) on taxable sales within the City, 1.50% of which is allocated to the City.

Sales tax revenue increased approximately 102.8% during the Fiscal Year 2013-14. Of this amount, 4.5% (\$42,424) is from the increase in revenues derived from the 1.00% local sales and use tax imposed on all taxable sales in the County, and the balance resulted from the implementation of the 0.50% add-on approved by Measure L, as described below.

Sales Tax revenues allocated to the City include the Measure L add-on sales tax (“**Measure L**”), which is a 0.50% add-on sales tax approved by City voters in November 2012. Measure L taxes increased to \$1,080,304 in Fiscal Year 2013-14 from \$72,564 in Fiscal Year 2012-13. The tax went into effect on April 1, 2013 and the increase reflects twelve months of income in Fiscal Year 2013-14 versus only three months of income in Fiscal Year 2012-13.

Pursuant to annual budget appropriations, Measure L revenues are dedicated to road and drainage repairs. The Measure L tax sunsets in 2023.

Because the City has a relatively small retail base, the impact of fluctuations in sales tax, both positive and negative, is less severe than in other cities that rely more heavily on big box, mall or auto retailers for their sales tax revenue.

See APPENDIX B for a recent history of taxable transactions in the City.

## Labor Relations

The City's staff includes a combination of full-time, part-time, temporary employees and contract staff. All positions are approved by the City Council. Temporary employees are used mainly in the spring and summer months to assist with the City's various recreation programs and on an interim basis for special projects. The City occasionally hires contract staff on an as-needed basis to fill in for vacant positions that are in the recruitment process. The City contracts with the County for police and animal control services. The contract provides for one lieutenant (police chief), two sergeants and eleven officers. As of June 30, 2014, the City employed approximately 37.6 regular employees, 12 temporary/project employees and 14 police contract employees.

The table below summarizes the City's employee associations, the number of employees and the respective contract expiration dates. The City Manager has a separate contract that expires July 31, 2017.

### Employee Associations

<u>Bargaining Unit</u>	<u>Union Representing Unit</u>	<u>Number of Represented Employees</u>	<u>Contract Expiration Date</u>
General Employees' Unit	Teamsters Union Local 856	24	06/30/2015
Mid-Management Group	Unrepresented Employees Manual	5	06/30/2015
Management Group	Unrepresented Employees Manual	6	06/30/2015

Source: City of Orinda.

The City's memorandum of understanding with its represented employees expires on June 30, 2015, but the City is actively engaged in negotiations. Additionally, the City is discussing terms and conditions with its unrepresented employees.

## Retirement Programs

The City does not participate in the California Public Employees' Retirement System.

**Defined Contribution Plans (Internal Revenue Code Section 401(a) Plans).** The City's employees accumulate retirement benefits through three defined contribution plans with the ICMA Retirement Corporation. All contributions are by the City and are based on a percentage of base salary (7.5%-10.0%), with vesting over a three-year period in accordance with the most current memorandum of understanding between the City and the General Employees bargaining unit. The plans are administered and held in trust for the exclusive benefit of participants and are not assets of the City. The following table summarizes transactions in the plan for the year ended June 30, 2014.

**Defined Contribution Retirement Plan  
Fiscal Year 2013-14**

Balance June 30, 2013	\$4,756,620
Contributions	495,348
Disbursements, Net	(288,974)
Earnings	814,587
Balance June 30, 2014	\$5,777,581

Source: City of Orinda, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014.

**Deferred Compensation Plan (Internal Revenue Code Section 457).** For the fiscal year ended June 30, 2014, employees had an option of participating in a deferred compensation plan where contributions are from employee earnings at a maximum of 25% of earnings with the City matching up to 3% and with the total contributions not to exceed the IRS limit. The plan provides for the deferral of a portion of the employee's compensation until retirement, termination or certain other events. Under Internal Revenue Code Section 457, the amounts deferred under a deferred compensation plan maintained by a state or local government must be held in a trust (or custodial account or annuity contract) for the exclusive benefit of plan participants and their beneficiaries. The assets are not considered assets of the City. The following table summarizes transactions in the plan for the year ended June 30, 2014.

**Deferred compensation plan  
Fiscal Year 2013-14**

Balance June 30, 2013	\$3,653,436
Contributions	529,449
Disbursements, Net	(320,059)
Earnings	572,774
Balance June 30, 2014	\$4,435,600

Source: City of Orinda, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014.

**OPEB Costs.** The City has no post-employment benefit costs.

**Statement of General Fund Revenues and Expenditures and Adopted Budgets**

Table 3 below summarizes the City's actual general fund revenues, expenditures and changes in fund balances for Fiscal Years 2010-11 through 2013-14.

Table 4 below summarizes the City's adjusted general fund budget for Fiscal Year 2014-15 and the City's adopted general fund budget for Fiscal Years 2015-16 and 2016-17. Certain adjustments may be made throughout the year based on actual City experience with revenues and tax collections

*The City cannot make any predictions regarding the disposition of any State budget legislation or its effect on the City. The City's budget is a planning tool, and does not represent a prediction as to the actual achievement of any budgeted revenues or fund balances.*

See also the City's most recent audited financial statements attached as APPENDIX C.

**TABLE 3**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**FISCAL YEARS 2010-11 THROUGH 2013-14**

	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Actual
<b>REVENUES</b>				
<b>Taxes</b>				
Property Tax and Assessments	\$3,639,951	\$3,551,640	\$3,404,459	\$3,677,835
Property Tax in Lieu of VLF	1,249,247	1,249,247	1,430,056	1,514,791
Sales Tax	924,853	890,759	1,021,274	2,071,438(1)
Franchise Tax	1,052,335	976,030	986,349	1,009,114
Property Transfer Tax	132,811	124,746	200,663	235,119
Rent and Interest	139,315	178,606	159,079	132,627
Realized Gain on Investments	150,305	-	-	-
Unrealized Gain on Investments	(193,078)	(73,402)	(10,766)	(10,345)
<b>Recreation Fees</b>				
Recreation Class Fees	1,029,574	1,087,682	1,032,271	1,094,004
OYA Sports Fees	314,432	239,398	208,094	288,340
Sports field rentals	-	-	-	258,137
Wagner Ranch Sports	84,227	77,458	79,806	50,407
Other	161,408	147,659	436,777	91,506
<b>Service Fees</b>				
Vehicle and Parking Fines	204,260	175,048	166,041	111,785
Building Inspection	263,041	274,826	513,367	494,302
Planning	285,778	237,284	329,278	485,700
Public Works and Engineering	165,137	462,907	337,487	130,804
Police	20,795	25,126	28,112	24,462
<b>Other Agencies</b>				
State and local	13,449	\$8,989	-	-
Homeowners Tax	37,880	36,251	\$35,179	\$34,729
<b>Reimbursement</b>				
Vehicle Licenses Fees	81,738	8,839	9,158	7,605
Vehicle Abatement	-	-	8,226	7,699
Miscellaneous	46,390	47,777	178,085	127,840
<b>Total Revenues</b>	<u>9,803,848</u>	<u>9,726,870</u>	<u>10,552,995</u>	<u>11,837,899</u>

**EXPENDITURES**

City Management/Policy and Legal	\$980,484	\$937,881	\$958,754	\$1,172,386
Finance/Administrative Services	547,002	640,212	699,570	684,341
Police Services Department	3,665,621	3,585,650	3,892,706	3,783,388
Public Works / Engineering	1,058,168	1,309,715	1,361,059	1,402,895
Parks and Recreational Department	2,081,022	2,041,796	2,120,747	2,149,519
Planning Department	844,418	765,488	681,600	795,674
Library Operations	5,936	2,744	-	-
Principal Payments on Bonds	215,000	225,000	235,000	240,000
<b>Total Expenditures</b>	<u>9,397,651</u>	<u>9,508,486</u>	<u>9,949,436</u>	<u>10,228,203</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	406,197	218,384	603,599	1,609,696
Other Financing Sources (Uses)				
Operating Transfers – In	-	161,361	17,880	184,000
Operating Transfers – Out (2)	<u>(730,586)</u>	<u>(542,019)</u>	<u>(1,948,395)</u>	<u>(1,595,208)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(730,586)</u>	<u>(380,658)</u>	<u>(1,930,515)</u>	<u>(1,411,208)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	(324,389)	(162,274)	(1,326,956)	198,488
<b>Fund Equity – Beginning of Year</b>	9,324,730	9,000,341	8,838,067	7,511,111
<b>Fund Equity – End of Year</b>	\$9,000,341	\$8,838,067	\$7,511,111	\$7,709,599(3)

(1) Measure L add-on sales tax went into effect on April 1, 2013.

(2) Operating transfers out increased in Fiscal Years 2012-13 and 2013-14 for emergency roads repair.

(3) End of year fund equity amount decreased due to operating transfers out for emergency roads repair, slope stabilization costs and transfers to the City's General Plan Fund for anticipated General Plan costs.

Source: City of Orinda, Comprehensive Annual Financial Reports.

**TABLE 4  
GENERAL FUND BUDGET SUMMARY  
FISCAL YEARS 2014-15 and 2015-16 and 2016-17**

	2014-15 Adjusted Budget	2015-16 Adopted Budget	2016-17 Adopted Budget
<b>REVENUES</b>			
Taxes (1)	\$ 7,896,904	\$ 8,233,988	\$ 8,391,913
Lease & Interest	125,970	81,000	82,500
Recreation Fees	2,075,605	2,334,000	2,380,280
Planning Fees	1,027,500	995,000	1,014,200
Engineering Fees	134,500	132,000	134,440
Public safety Fees	392,063	364,753	367,600
<b>Total Revenues</b>	11,652,542	12,140,741	12,370,933
<b>EXPENDITURES</b>			
Council	12,625	10,150	12,304
City Manager	760,779	705,438	722,309
City Attorney	450,000	450,000	450,000
City Clerk	229,223	230,445	250,707
Finance	600,060	648,567	658,099
Parks & Recreation	2,264,192	2,510,992	2,578,666
Planning	1,047,562	1,051,880	1,075,006
Engineering	1,555,362	1,590,683	1,625,360
Public Safety	4,472,871	4,544,132	4,723,583
Lighting & Landscape	51,523	48,182	49,076
<b>Total Expenses</b>	11,444,197	11,790,468	12,145,110
<b>Excess Revenue (deficit) Over Expenses</b>	208,345	350,273	225,823
<b>TRANSFERS</b>			
Drainage	--	100,000	--
Transfer to General Plan	100,000	50,000	--
Transfer to Slope Stabilization	500,000	150,000	--
<b>Total Capital and Transfers</b>	600,000	300,000	--
Net Increase/decrease to Fund Balance	(391,655)	50,273	225,823
<b>FUND BALANCE</b>			
Beginning Balance	6,572,238	6,180,583	6,230,856
Ending Balance	6,180,583	6,230,856	6,456,679
<b>Restricted</b>	5,330,508	5,428,148	5,474,187
<b>Unrestricted</b>	850,075	802,708	982,492

(1) Excludes Measure L sales tax revenues which are dedicated to road and drainage improvements pursuant to City Council policy.  
Source: City of Orinda.

## Debt Structure

**Certificates of Participation.** In September 2005, the 2005 Certificates were executed and delivered in an original principal amount of \$9,800,000 to finance certain capital improvements, including the construction of the Leased Property. The 2005 Certificates will be prepaid in full with the proceeds of the Certificates. See “FINANCING PLAN.”

**General Obligation Bonds.** In March 2015 the City issued its General Obligation Bonds, Election of 2014, Series A (Measure J – Road and Storm Drain Repair Project), in the original principal amount of \$10,000,000 (the “**2015 General Obligation Bonds**”). The 2015 General Obligation Bonds mature on September 1, 2035.

The 2015 General Obligation Bonds are payable solely from ad valorem property taxes levied by the City pursuant to the authorization by the voters at the November 2014 election; they are not an obligation of the General Fund.

## Capital Improvement Plan

The City Council adopted the City’s Capital Improvement Plan for the fiscal years ended June 30, 2014 through 2018 (the “**CIP**”) on June 17, 2014. Pursuant to City Council policy, the CIP is updated annually. The CIP outlines the City’s infrastructure needs and provides the City with a finance strategy.

Capital projects costs are grouped into the following categories: (1) infrastructure management projects, including roads, drainage, bridges, bikeways/walkways and traffic signal improvements; (2) general community improvements, and (3) parks improvements.

Total five-year funding for the CIP is approximately \$44,818,610, with total funding projected to be approximately \$4,945,319 for Fiscal Year 2013-2014 and total funding budgeted to be approximately \$14,571,899 for Fiscal Year 2014-15. Approximately \$19,600,000 of the total five-year funding amount are expected to come from proceeds of the 2015 General Obligation Bonds and a second series of general obligation bonds anticipated to be issued in 2016.

For Fiscal Year 2014-15, the City has budgeted approximately \$11,456,461 for road projects, approximately \$1,873,938 for drainage projects, approximately \$195,000 for bridge projects, approximately \$426,500 for bike/walkway projects, approximately \$20,000 for traffic signal improvement projects, approximately \$250,000 for general community improvements, and approximately \$350,000 for park improvement projects.

## Investment Policy

*Section 53600 et seq.* of the Government Code of the State directs the City to present an annual investment policy (the “**Investment Policy**”) for confirmation by the City Council. The City Council adopted an Investment Policy for Fiscal Year 2014-15 on May 6, 2014. The City Council generally updates the Investment Policy annually and reviews results quarterly. The City is authorized to invest in the following:

	Maximum Limit of Pool
1. Securities of the U.S. Government, or its agencies	100%
2. Certificates of Deposit (of Time Deposits) placed with commercial banks and/or savings and loan companies not to exceed the maximum allowed by FDIC per institution	100
3. Local Agency Investment Fund (State Pool) Demand Deposits	100
4. Passbook Savings Account Demand Deposits not to exceed the maximum allowed by FDIC per institution	100
5. Shares of beneficial interest issued by Diversified Management Companies (mutual funds). No more than 10% in any one mutual fund.	20
6. Money Market Demand Accounts	100
7. Banker Acceptances, maximum of 180 days (maximum of 30% of pool with 1 agency)	40
8. Commercial Paper, maximum 270 days of Prime Quality (not more than 10% of outstanding paper of an issuing corporation)	25
9. Medium-term corporate notes	30

The Government Code also allows investments in the following media:

	Maximum Limit of Pool
1. Repurchase Agreements and Reverse Repurchase Agreements	10%
2. Negotiable Certificates of Deposit	10
3. Bonds issued by local agencies	10
4. State warrants, treasury notes and bonds	10
5. Mortgage securities	5

See “APPENDIX G – CITY OF ORINDA STATEMENT OF INVESTMENT POLICY” for a complete copy of the City’s current Investment Policy, dated May 6, 2014.

## Insurance, Risk Pooling and Joint Powers Arrangements

**Insurance Coverage.** The City purchases its insurance through the Municipal Pooling Authority (“MPA”) of Northern California of which the City is a member. The following table summarizes insurance coverage as of June 30, 2014:

**TABLE 5  
INSURANCE COVERAGE AS OF JUNE 30, 2014**

	Participating Cities’ Total Coverage <sup>(1)</sup>	Deductible (City Portion)
All Risk Fire and Property	\$1,000,000,000	\$25,000
Cyber Liability	2,000,000	50,000
Boiler and Machinery	100,000,000	5,000
Public Entity Pollution Liability	25,000,000	100,000
Liability	29,000,000	5,000
Employment Liability	2,000,000	50,000
Auto-Physical Damage (Police Department)	250,000	3,000
Auto-Physical Damage (Other)	250,000	2,000
Worker’s Compensation	Statutory	-

(1) Includes the City’s deductible, the portion underwritten by MPA and the portion underwritten by other insurance companies.

Source: City of Orinda, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014.

The City believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years. The City’s Risk Management Fund (the “**Risk Management Fund**”) was established to mitigate the effect of unfunded claims and litigation losses that would otherwise be paid from the City’s General Fund, with \$512,000 as the desired fund reserve to be maintained. The Municipal Pooling Authority, a joint powers authority that provides insurance for City operations, does not cover all aspects of the risk and settlements can potentially be high per occurrence. The City Council transfers from the General Fund to the Risk Management Fund as needed. The total fund balance for Fiscal Year 2013-14 was \$623,311 and \$724,926 for Fiscal Year 2012-13.

## Accounting Practices

Cropper Accountancy Corporation, Walnut Creek, California, served as independent auditor to the City (the “**Auditor**”) for the City’s fiscal year ended June 30, 2014. The City’s audited financial statements for the fiscal year ended June 30, 2014, are attached hereto as APPENDIX C. Maze & Associates, Pleasant Hill, California, will serve as independent auditor to the City for the City’s fiscal year ended June 30, 2015

The audited financial statements should be read in their entirety. *The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City or the General Fund. In addition, the Auditor has not reviewed this Official Statement.*

## CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

### Article XIII A of the California Constitution

On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIII A to the State Constitution ("**Article XIII A**"). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-third of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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 damage, destruction or other factors, 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 minor or technical ways.

**Litigation Regarding 2% Limitation.** In a Minute Order issued on November 2, 2001, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, Case No. 00CC03385, the Orange County Superior Court held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the two percent inflation adjustment provision of Article XIII A when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties use a similar methodology in raising the taxable values of property beyond 2% in a single year. On December 27, 2001, the Orange County Superior Court issued an order declaring the practice of "recapturing" to be unconstitutional. That order only applied to one property in Seal Beach. The court entered a Final Judgment on April 18, 2003.

In 2002 two local courts (Los Angeles and San Diego) ruled differently on the "recapture" issue. Orange County, the Orange County Tax Collector and the Orange County Assessor appealed the Superior Court ruling to the Court of Appeal of the State of California, Fourth Appellate District. The Appellate Court held a hearing on the matter on January 7, 2004, and issued its ruling on March 26, 2004, reversing the trial court. The Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment, and ruled that that the 2% annual inflation adjustment provision permits a maximum 2% annual increase calculated against the original acquisition cost base, rather than calculated against any reduced base resulting from any intervening downward reassessment in the wake of a decline in property values, such as what might happen with a general deflation or a disaster. On May 6, 2004, the case was appealed to the California Supreme Court (as Case No. S124682), which denied review on July 21, 2004, thereby

affirming the Court of Appeal's decision, which currently represents the applicable law that is binding on county assessors statewide.

**Legislation Implementing Article XIII A.** Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989. Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

### **Appropriation Limitation - Article XIII B**

On November 6, 1979, the voters of the State approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the State Constitution. On June 5, 1990, the voters approved Proposition 111, which amended Article XIII B in certain respects.

Under Article XIII B, as amended, state and local government entities each have an annual "appropriations limit" which limits the ability to spend certain monies which are called "appropriations subject to limitation" (consisting of most tax revenues and certain state subventions, together called "proceeds of taxes," and certain other funds) in an amount higher than the "appropriations limit." Article XIII B does not affect the appropriation of monies which are excluded from the definition of "appropriations limit," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by two thirds of the voters.

The "appropriations limit" is adjusted annually for changes in the cost of living and in population, for transfers in the financial responsibility for providing services, and in the case of certain declared emergencies.

If an entity receives any proceeds of taxes in excess of its appropriations limit, it may, by resolution of the entity's governing board, increase its appropriations limit to equal that amount (provided that the State has excess appropriations limit of its own in that fiscal year).

### **Voter Initiatives**

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, the most recent of which was approved as Proposition 218 in the general election held on November 5, 1996.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies. Subject to overriding federal constitutional principles, such collection may be

materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Lease Payments.

Proposition 218 (Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges - Initiative Constitutional Amendment) added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

### **Unitary Property**

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("**Unitary Property**"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

### **Proposition 62**

On November 4, 1986, California voters adopted Proposition 62, which requires that (i) any local tax for general governmental purposes (a "**general tax**") must be approved by a majority vote of the electorate; (ii) any local tax for specific purposes (a "**special tax**") must be approved by a two-thirds vote of the electorate; (iii) any general tax must be proposed for a vote by two-thirds of the legislative body; and (iv) proceeds of any tax imposed in violation of the vote requirements must be deducted from the local agency's property tax allocation.

Most of the provisions of Proposition 62 were affirmed by the 1995 California Supreme Court decision in *Santa Clara County Local Transportation Authority v. Guardino*, which invalidated a special sales tax for transportation purposes because fewer than two-thirds of the voters voting on the measure had approved the tax.

The City does not believe any of the taxes constituting City revenues are levied in violation of Proposition 62.

### **Proposition 1A**

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources.

Under Proposition 1A, the State can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are

shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding.

### **Future Initiatives**

Article XIII A, Article XIII B, Proposition 62 and Proposition 218 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time, other initiative measures could be adopted, further affecting the City or its revenues or the ability of the City to expend revenues.

## RISK FACTORS

*The following describes certain special considerations and risk factors affecting the payment of and security for the Certificates. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Certificates and does not necessarily reflect the relative importance of the various risks. Potential investors in the Certificates are advised to consider the following special factors along with all other information in this Official Statement in evaluating the Certificates. There can be no assurance that other considerations will not materialize in the future.*

### **No Pledge of Taxes**

**General.** The obligation of the City to pay the Lease Payments and Additional Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Lease Payments and Additional Payments does not constitute a debt or indebtedness of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The City is currently liable on other obligations payable from general revenues, which are described above under "CITY FINANCIAL INFORMATION."

**Limitations on Taxes and Fees.** Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIII C and Article XIII D of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved.

The City has assessed the potential impact on its financial condition of the provisions of Article XIII C and Article XIII D of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIII C and Article XIII D of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIII C and Article XIII D of the State Constitution would adversely affect its ability to pay Lease Payments and its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIII C and Article XIII D of the State Constitution on the City's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

## **Additional Obligations of the City**

The City has existing obligations payable from its General Fund. See “CITY FINANCIAL INFORMATION.” The City is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of Owners of the Certificates. To the extent that additional obligations are incurred by the City, the funds available to pay Lease Payments may be decreased.

The Lease Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of the Leased Property) are payable from funds lawfully available to the City. If the amounts that the City is obligated to pay in a fiscal year exceed the City’s revenues for such year, the City may choose to make some payments rather than making other payments, including Lease Payments and Additional Payments, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

## **Default**

Whenever any event of default referred to in the Lease Agreement happens and continues, the Corporation is authorized under the terms of the Lease Agreement to exercise any and all remedies available under law or granted under the Lease Agreement. See APPENDIX A for a detailed description of available remedies in the case of a default under the Lease Agreement.

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement. The Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the Certificates or pay principal and interest represented by the Certificates.

The City will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year’s defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

## **Abatement**

Under certain circumstances related to damage, destruction, or a taking pursuant to eminent domain which, in any such case, causes a substantial interference with the use and possession of the Leased Property, the City’s obligation to make Lease Payments will be subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest on the Certificates as and when due. See “SECURITY FOR THE CERTIFICATES – Abatement” and “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Although the City is required under the Lease Agreement to maintain property and liability insurance and rental interruption insurance with respect to the Leased Property, the required insurance coverage is subject to certain conditions and restrictions. See “SECURITY

FOR THE CERTIFICATES – Covenants to Maintain Insurance.” However, there is no assurance that the City will receive proceeds of any insurance in time to make Lease Payments when due.

## **Property Taxes**

**Levy and Collection.** The City does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease, or any substantial delinquencies in the payment of property taxes, could reduce the City’s property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Lease Payments when due.

**Reduction in Inflationary Rate.** Article XIII A of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.” Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation in certain years.

The City is unable to predict if any adjustments to the full cash value base of real property within the City, whether an increase or a reduction, will be realized in the future.

**Appeals of Assessed Values.** There are two types of appeals of assessed values that could adversely impact property tax revenues:

**Proposition 8 Appeals.** Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

*Base Year Appeals.* A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the City's property tax revenues.

## **Environmental Matters**

**Seismic Risks.** The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area. Three major earthquake faults that comprise the San Andreas fault system -- extend through the Bay Area. On August 24, 2014, an earthquake occurred in Napa, California. The tremor's epicenter was located approximately 3.7 miles northwest of American Canyon near the West Napa Fault and registered 6.0 on the Richter scale of earthquake intensity. The Napa earthquake caused fires, damaged buildings and roads, and injured approximately 200 people. The Napa earthquake was the largest earthquake in the Bay Area since the 1989 Loma Prieta earthquake on the San Andreas Fault, which was centered about 60 miles south of San Francisco and registered 6.9 on the Richter scale of earthquake intensity. The Loma Prieta earthquake caused fires and collapses of and structural damage to buildings, highways and bridges in the Bay Area.

In April 2008, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey, the California Geological Society, and the Southern California Earthquake Center) reported that there is a 63% chance that one or more earthquakes of magnitude 6.7 or larger will occur in the Bay Area before the year 2038. Such earthquakes may be very destructive. The United States Geological Survey predicts a magnitude 7 earthquake occurring today on the Hayward Fault would likely cause hundreds of deaths and approximately \$100 billion of damage. To date, the United States Geological Survey has not issued an updated report taking into account the Napa earthquake. Property within the City could sustain extensive damage in a major earthquake, and a major earthquake could adversely affect the area's economic activity.

The level of the City's property tax and sales tax revenues, and consequently, the ability of the City to make lease payments, could be substantially reduced as a result of a major earthquake proximate to the City. In addition, substantial damage to the Leased Property due to an earthquake could entitle the City to abate the Lease Payments under the Lease. See "Abatement" above.

**Wildland-Interface Fire Risks.** The wildland-interface area is defined as the geographical area where structures and development meet wildland or hazardous vegetation. Over 90% of the City has been designated by the State as a Very High Fire Hazard Severity Zone, which reflects the highest and most severe fire hazard rating. The City is served by the Moraga-Orinda Fire District, located adjacent to and immediately east of the communities of Berkeley and Oakland. On September 1, 1988, six homes in the City were severely damaged and three homes were completely destroyed by a wildland-interface fire. On October 20, 1991, a fire in the Oakland hills destroyed over 3,400 dwellings in Oakland and 63 homes in Berkeley,

and left 25 people dead. Property within the City could sustain damage in a major wildland-interface fire and major wildland-interface fire could adversely affect the area's economic activity.

The level of the City's property tax and sales tax revenues, and consequently, the ability of the City to make lease payments, could be substantially reduced as a result of wildland-interface fire in or immediately surrounding the City. In addition, substantial damage to the Leased Property due to a wildfire could entitle the City to abate the Lease Payments under the Lease. See "–Abatement" above.

### **Limitations on Remedies Available to Certificate Owners**

The ability of the City to comply with its covenants under the Lease Agreement may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Furthermore, any remedies available to the owners of the Certificates upon the occurrence of an event of default under the Lease Agreement or the Trust Agreement are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Lease Agreement and the Trust Agreement, the rights and obligations under the Certificates, the Lease Agreement and the Trust Agreement, may be subject to the following: the United States 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 equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the 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 serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Certificates 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.

### **Loss of Tax-Exemption**

As discussed under the caption "TAX MATTERS," interest represented by the Certificates could become includable in gross income for purposes of federal income taxation, retroactive to the date the Certificates were executed and delivered, as a result of future acts or omissions of the City in violation of its covenants in the Lease Agreement and the Trust Agreement. Should such an event of taxability occur, the Certificates are not subject to prepayment and will remain outstanding until maturity or until prepaid under other provisions set forth in the Trust Agreement.

## **Federal Income Tax Changes**

During recent years, legislative proposals have been introduced in the United States Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Certificates. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Certificates. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Certificates and their market value.

No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Certificates. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of the portion of lease payments designated as and comprising interest and received by the owners of obligations that are similar to the Certificates. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of, the Certificates.

## **Impact of State Budget on City Revenues**

At various times, including recently, the State has experienced significant financial and budgetary stress. State budgets are affected by national and local economic conditions and other factors over which the City has no control. The State's financial condition and budget policies affect communities and local public agencies throughout the State. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget.

For example, declining revenues and fiscal difficulties which arose in the State commencing in Fiscal Year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies.

Although starting with Fiscal Year 2013-14, recent State budgets have been balanced and balanced budgets are projected for the foreseeable future, largely attributable to improvements in the economy, the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012 statewide election, as well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in prior years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

## **Secondary Market for Certificates**

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. 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.

No assurance can be given that the market price for the Certificates will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Certificates for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Certificates or obligations that present similar tax issues as the Certificates.

## TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of lease payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings, and the Certificates are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Tax Code"), such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of each such financial institution's interest expense allocable to the portion of the Lease Payments designated as and comprising interest.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Tax Code that must be satisfied subsequent to the execution and delivery of the Certificates. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest with respect to the Certificates in gross income for federal income tax purposes to be retroactive to the date of execution and delivery of the Certificates, or may cause the Certificates to not be "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Tax Code.

If the initial offering price to the public (excluding bond houses and brokers) at which a Certificate 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 Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Certificates to determine taxable gain upon disposition (including sale, prepayment, or payment on maturity) of such Certificate. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Certificates under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Certificate for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Certificate is amortized each year over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificate premium is not deductible for federal income tax purposes. Owners of premium Certificates, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Certificates.

In the further opinion of Special Counsel, the portion of lease payments designated as and comprising interest and received by the owners of the Certificates is exempt from California personal income taxes.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates may have federal or state tax consequences other than as described above. Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates other than as expressly described above.

#### **CERTAIN LEGAL MATTERS**

The legal opinion of Special Counsel, approving the validity of the Certificates, in substantially the form attached hereto as APPENDIX D, will be made available to purchasers at the time of original delivery of the Certificates. Special Counsel will, as Disclosure Counsel, also deliver a disclosure letter to the City and the Underwriter regarding the contents of this Official Statement. Certain matters will be passed upon for the City by the City Attorney.

#### **CONTINUING DISCLOSURE**

The City will covenant for the benefit of owners of the Certificates to provide certain financial information and operating data relating to the City and its general fund (the "**Annual Report**") and to provide notices of the occurrence of certain listed events ("**Event Notices**"). All Annual Reports and Event Notices are required to be filed electronically with the Municipal Securities Rulemaking Board (the "**MSRB**").

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "**Rule**"). The specific nature of the information to be contained in the Annual Report and the Event Notices is set forth in APPENDIX E.

During the past five years, the City has not fully complied with its previous undertakings with regard to the Rule to file annual reports and event notices in connection with prior debt issues:

1. The City filed its Fiscal Year 2009-10 audited financial statements and operating data one day late.
2. The City filed its Fiscal Year 2012-13 operating data 21 days late.
3. The City filed its Fiscal Year 2011-12 and Fiscal Year 2012-13 audited financial statements with the Bloomberg Municipal Repository instead of with the MSRB. The City has since filed those audited financial statements with the MSRB.
4. In Fiscal Year 2009-10, the City filed an unscheduled draw event notice for its Limited Obligation Refunding Bonds Reassessment District No. 2003-1 (Oak Springs Area Refunding) more than 10 business days after the occurrence thereof.

The City has retained U.S. Bank National Association to serve as dissemination agent with respect to the Certificates.

## **UNDERWRITING**

Raymond James & Associates, Inc. (the “**Underwriter**”), has entered into a Purchase Agreement with the City under which the Underwriter has agreed to purchase the Certificates at a price of \$8,140,092.02 (equal to the par amount of the Certificates (\$7,945,000.00), plus a net original issue premium of \$223,000.95, and less an Underwriter’s discount of \$27,908.93.

The Underwriter will be obligated to take and pay for all the Certificates if any are taken. The Underwriter intends to offer the Certificates to the public at the offering prices shown on the inside cover page of this Official Statement. After the initial public offering, the Underwriter may vary the public offering prices from time to time.

## **LITIGATION**

**General.** The City is not aware of any litigation pending or threatened questioning the existence or powers of the City, the authority of the City to enter into the Site and Facilities Lease or the Lease Agreement, or the execution and delivery of the Certificates.

**Pending Matters.** The City has entered into a number of related settlement agreements (the “**Settlement Agreements**”) stemming from property owner lawsuits originally filed in 2005 alleging property damage from a stormwater drainage structure owned by the City. The Settlement Agreements, are conditioned upon the completion by the City of certain stormwater improvements (the “**Stormwater Improvements**”), at the City’s expense. The City currently estimates that it will have adequate funds available for the Stormwater Improvements. Those costs would likely be paid from a combination of sources including the City’s insurance provider (\$480,000 currently pledged) and the City’s General Fund. The City currently has \$1,270,000 available in its Road/Drainage Stabilization (\$720,000) and Risk Management Fund (\$550,000).

Completion of the Stormwater Improvements involves certain factors outside of the City’s control, which include without limitation, obtaining easements, completion of California Environmental Quality Act (CEQA) proceedings, and obtaining discretionary approvals from other governmental bodies and agencies (including CALTRANS, the Regional Water Quality

Control Board, the Army Corps of Engineers, and the California Department of Fish and Wildlife). The Settlement Agreements require the City to proceed in good faith, and provide that, for purposes of demonstrating continued good faith, the City intends to complete the Stormwater Improvements by a date certain, which is subject to extension due to delay for reasons beyond the City's control. The original completion date specified was December 16, 2016, but that date had (as of May 21, 2015) been extended to March 17, 2017, and may be extended further. Any party to the Settlement Agreements may give notice that the Settlement Agreements are terminated if the City Council has not awarded construction contracts for the Stormwater Improvements by the specified completion date. In addition, the Settlement Agreements will terminate if the City determines and notifies the other parties that it will not be able to complete construction of the Stormwater Improvements.

If the City is unable to satisfy the conditions contained in the Settlement Agreements and they terminate, parties may renew without prejudice the pending lawsuits. No assurance can be given as to the ultimate outcome of any such renewed litigation, or the potential liability of the City in the event of an adverse judgment. However, the City believes that such an adverse judgment would likely not affect the ability of the City to make lease payments when due.

### **PROFESSIONAL FEES**

In connection with the execution and delivery of the Certificates, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the Bonds:

- Jones Hall, A Professional Law Corporation, as Special Counsel and Disclosure Counsel;
- Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter's Counsel; and
- U.S. Bank National Association, as Trustee and Escrow Agent.

### **RATINGS**

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**"), has assigned its municipal bond rating of "AA+" to the Certificates.

This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement).



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## APPENDIX A

### SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following are brief summaries of the provisions of the Site and Facilities Lease, the Lease, the Trust Agreement and the Assignment Agreement. These summaries are not intended to be definitive. Reference is made to the actual documents (copies of which are available from the City) for the complete terms thereof.

### DEFINED TERMS

The following terms have the following meanings, notwithstanding that any such terms may be elsewhere defined in this Official Statement. Any terms not expressly defined in this Summary but previously defined in this Official Statement have the respective meanings previously given.

"Additional Payments" means amounts payable by the City as additional rental for the Leased Property, including certain amounts payable to the Trustee and to the Reserve Insurer.

"Assignment Agreement" means the Assignment Agreement, dated as of July 1, 2015, between the Corporation as assignor and the Trustee as assignee, as originally executed or as thereafter amended under any duly authorized and executed amendments thereto.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income under Section 103 of the Code.

"Business Day" means a day other than a Saturday, Sunday or legal holiday, on which banking institutions are not closed in the State of California, or in any state in which any Office of the Trustee is located.

"Certificates" means the \$7,945,000 aggregate principal amount of 2015 Refunding Certificates of Participation (City Offices Project Refinancing), executed and delivered and at any time Outstanding under the Trust Agreement.

"City" means the City of Orinda, a general law city and municipal corporation duly organized and existing under the laws of the State of California.

"City Representative" means the Mayor, the City Manager, the Finance Director, or any other person authorized by resolution of the City Council of the City to act on behalf of the City under or with respect to the Lease and the Trust Agreement.

"Closing Date" means July 13, 2015, the day when the Certificates, duly executed by the Trustee, are delivered to the original purchaser thereof.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of delivery of the Lease or (except as otherwise referenced in the Trust Agreement) as it may be amended to apply to obligations issued on the date of delivery of the Lease, together with applicable temporary and final regulations promulgated, and applicable official public guidance published with respect thereto.

“Corporation” means the Orinda Facilities Financing Corporation, a nonprofit public benefit corporation.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Federal Securities” means: (a) any 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), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Fiscal Year” means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period by the City as its fiscal year under written notice filed with the Trustee.

“Interest Payment Date” means each January 1 and July 1, commencing January 1, 2016, to and including the final date of maturity of the Certificates.

“Lease” means the Lease Agreement dated as of July 1, 2015, between the Corporation as lessor and the City as lessee, as originally executed or as thereafter amended under any duly authorized and executed amendments and supplements thereto.

“Lease Payment Date” means, with respect to any Interest Payment Date, the 15<sup>th</sup> calendar day of the month preceding such Interest Payment Date.

“Lease Payment Fund” means the fund by that name established and held by the Trustee under the Trust Agreement.

“Leased Property” means all of the land which is more particularly described in Appendix A attached to the Lease. If the City exercises its option under the Lease with respect to the substitution of property or its option under the Lease with respect to the release of property, the term “Leased Property” will be modified accordingly.

“Net Proceeds” means any insurance proceeds or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Leased Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“Office” means the corporate trust office of the Trustee in San Francisco, California, or such other or additional offices as the Trustee may designate in writing to the Corporation from time to time as the corporate trust office for purposes of the Trust Agreement, except that with respect to presentation of Certificates for payment or for

registration of transfer and exchange thereof, such term will mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business will be conducted.

“Outstanding”, when used as of any particular time with respect to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except (a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Certificates deemed to have been paid under the Trust Agreement; and (c) Certificates in lieu of or in exchange for which other Certificates has been executed and delivered by the Trustee under the Trust Agreement.

“Owner”, when used with respect to a Certificate, means the person in whose name the ownership of such Certificate is registered on the Registration Books.

“Permitted Encumbrances” means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may permit to remain unpaid under the Lease; (b) the Site and Facilities Lease, the Lease and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor which is secured by a lien on the Leased Property; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Title Company of California, Inc. (or its affiliate); and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the City certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

“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:

- (a) Federal Securities;
- (b) obligations of any federal agency which either (a) represent full faith and credit of the United States of America, or (b) are rated “AA” or better by S&P;
- (c) U.S. dollar denominated deposit accounts federal funds and banker’s acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their affiliates, which have a rating on their short term certificates of deposit on the date of purchase of “A” or better by S&P, maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank;
- (d) commercial paper which is rated at the time of purchase in the single highest classification, “A” or better by S&P, and which matures not more than 270 calendar days after the date of purchase;

- (e) investments in a money market fund, including those of an affiliate of the Trustee, rated in the highest short-term rating category by S&P, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services;
- (f) investment agreements with financial institutions whose long-term general credit rating is A or better from S&P, by the terms of which the Trustee may withdraw funds if such rating falls below "A"; and
- (g) the Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee; and
- (h) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended, including but not limited to the California Asset Management Program (CAMP).

"Record Date" means the close of business on the 15<sup>th</sup> day of the month preceding each Interest Payment Date, whether or not such 15<sup>th</sup> day is a Business Day.

"Registration Books" means the records maintained by the Trustee under the Trust Agreement for the registration of the ownership and transfer of ownership of the Certificates.

"Rental Period" means each period during the term of the Lease commencing on and including January 2 in each year and extending to and including the next succeeding January 1, except that the first Rental Period begins on the Closing Date and ends on January 1, 2016.

"Reserve Fund Agreement" means the Debt Service Reserve Fund Agreement, dated July 13, 2015, by and between the City and the Reserve Insurer.

"Reserve Insurer" means Build America Mutual Assurance Company, its successors and assigns, as issuer of the Reserve Policy.

"Reserve Policy" means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Reserve Insurer guaranteeing payments to be applied to the payment of principal and interest on the Certificates as provided in the Reserve Fund Agreement.

"Reserve Requirement" means \$562,943.76.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City designates in written notice filed with the Trustee.

“Site and Facilities Lease” means the Site and Facilities Lease, dated as of July 1, 2015, between the City as lessor and the Corporation as lessee of the Leased Property, as originally executed or as thereafter amended under any duly authorized and executed amendments and supplements thereto.

“S&P” means Standard & Poor’s Corporation, a division of the McGraw Hill Companies, of New York, New York, its successors and assigns.

“Term of the Lease” means the time during which the Lease is in effect, as provided in Section 4.2 thereof.

“Trust Agreement” means the Trust Agreement, dated as of July 1, 2015, among the Trustee, the Corporation and the City, as originally executed or as thereafter amended under any amendments or supplements thereto which are permitted to be made thereunder.

“Trustee” means U.S. Bank National Association, or any successor thereto acting as trustee under the Trust Agreement.

“2005 COPs” means the \$9,800,000 City of Orinda 2005 Certificates of Participation (City Offices Project).

## **SITE AND FACILITIES LEASE**

Under the Site and Facilities Lease, the City leases the Leased Property to the Corporation for the purpose of enabling the Corporation to enable the City to refinance the 2005 COPs from the rental payment made to it by the Corporation under the Site and Lease. The Corporation agrees to lease the Leased Property back to the City under the Lease. The Site and Facilities Lease is for a term commencing on the Closing Date and extending to the date on which no Certificates remain Outstanding under the Trust Agreement, but not later than July 1, 2045, following the final stated maturity date of the Certificates. The Corporation agrees to pay a nominal amount to the City as rental of the Leased Property thereunder, from the proceeds of sale of the Certificates. Upon the termination of the Site and Facilities Lease, the Corporation will surrender the Leased Property to the City in the same good order and condition as the Leased Property was in at the time of commencement of the Site and Facilities Lease, reasonable wear and tear excepted, and all buildings, improvements and structures then existing upon the Leased Property will remain thereon and title thereto will vest in the City for no additional consideration. Any amendment, supplement or modification to, or waiver of the Site and Facilities Lease that requires the consent of the Owners of the Certificates or adversely affects the rights or interest of the Reserve Insurer will be subject to the prior written consent of the Reserve Insurer.

## LEASE

### Lease of Leased Property

Under the Lease, the Corporation leases the Leased Property to the City. The Lease commences on the Closing Date and terminates on the date on which the Certificates are paid or deemed to have been paid in full, except under certain circumstances as provided in the Trust Agreement. Under any circumstances, the Lease terminates not later than July 1, 2045.

### Lease Payments

The City agrees to pay semiannual Lease Payments, subject to abatement as described below, as the rental for the use and occupancy of the Leased Property under the Lease. On each Lease Payment Date, the City is required to deposit with the Trustee the full amount of the Lease Payments coming due and payable on the next Interest Payment Date, to the extent required to be paid by the City under the Lease. Any amount on deposit in the Lease Payment Fund on any Lease Payment Date will be credited towards the payment then required to be deposited by the City with the Trustee.

The City has covenanted to take such action as may be necessary to include all estimated Lease Payments and all estimated Additional Payments due in each of its final approved budgets. The City has further covenanted to make all necessary appropriations (including any supplemental appropriations) from any source of legally available funds of the City for all the actual amount of Lease Payments and Additional Payments which come due and payable during the period covered by each such budget. The covenants on the part of the City contained in the Lease are duties imposed by law and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the City.

The Lease Payments and Additional Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and the City will pay the Lease Payments and Additional Payments in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period. The Corporation and the City have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated fair market value of the Leased Property as of the Closing Date, other obligations of the City and the Corporation under the Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

### Abatement of Lease Payments

**General.** The Lease Payments are subject to abatement under the Lease during any period in which due to damage or destruction of the Leased Property in whole or in part, due to material title defect in any portion of the Leased Property or due to taking in eminent domain proceedings of the Leased Property in whole or in part, there is

substantial interference with the City's use and occupancy of all or any portion of the Leased Property. The amount of such abatement will be determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. In the event of such abatement, the City will have no obligation to pay abated Lease Payments and there is no remedy available to Certificate Owners arising from such abatement.

***Termination or Abatement Due to Eminent Domain.*** If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease will cease with respect thereto as of the day possession is so taken.

If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain,

- (a) the Lease will continue in full force and effect with respect thereto and will not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and
- (b) there will be a partial abatement of Lease Payments allocated thereto, in an amount to be determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

***Abatement Due to Damage or Destruction.*** The amount of Lease Payments will be abated during any period in which by reason of damage or destruction (other than by eminent domain as described above) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof.

The amount of such abatement will be determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property that are available for use and occupancy.

Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. If any such damage or destruction occurs, the Lease will continue in full force and effect and the City waives any right to terminate the Lease by virtue of any such damage and destruction.

Notwithstanding the foregoing, there will be no abatement of Lease Payments to the extent that the proceeds of hazard insurance or rental interruption insurance are available to pay Lease Payments that would otherwise be abated, it being declared that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

**Title**

At all times during the term of the Lease, the City will hold title to the Leased Property, subject to the provisions of the Site and Facilities Lease and other Permitted Encumbrances.

## **Reserve Policy**

The City and the Corporation will agree to comply with certain provisions related to the Reserve Policy for the benefit of the Reserve Insurer, including the following:

(a) So long as the Reserve Policy is in effect and the Reserve Insurer is not in default in respect of its payment obligations thereunder, upon the occurrence of an event of default under the Lease or the failure of the City to pay any Policy Costs when due, the Reserve Insurer will be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Lease.

(b) No sublease, release, sale, disposition or substitution of the Leased Property subject to (i) the Site and Facilities Lease or the Lease or (ii) any mortgage, deed of trust or other document evidencing a security interest in, or otherwise pledged, directly or indirectly, to secure the Certificates, will occur without the prior written consent of the Reserve Insurer.

(c) Any amendment, supplement or modification to, or waiver of the Lease that requires the consent of the Owners of the Certificates or adversely affects the rights or interest of the Reserve Insurer will be subject to the prior written consent of the Reserve Insurer.

## **Substitution of Property**

The City has, and has been granted, the option at any time and from time to time to substitute other real property (the "Substitute Property") for the Leased Property or any portion thereof (the "Former Property"), provided that the City must satisfy all of the following requirements which are conditions precedent to such substitution:

- (a) No event of default has occurred and is continuing.
- (b) The City has filed with the Corporation and the Trustee, and caused to be recorded in the office of the Contra Costa County Recorder sufficient memorialization of, (i) an amendment hereof which adds to Appendix A of the Lease a description of such Substitute Property and deletes therefrom the description of such Former Property, and (ii) appropriate amendments to the Site and Facilities Lease and Assignment Agreement that adds thereto a description of such Substitute Property and deletes therefrom the description of such Former Property.
- (c) The City has obtained a CLTA policy of title insurance insuring the City's leasehold estate under the Lease in such Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated fair market value thereof;
- (d) The City has certified in writing to the Corporation and the Trustee that such Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined

to be essential to the proper, efficient and economic operation of the City and to serve an essential governmental function of the City.

- (e) The Substitute Property does not cause the City to violate any of its covenants, representations and warranties made in the Lease or in the Trust Agreement.
- (f) The City has filed with the Corporation and the Trustee an appraisal or other written documentation which establishes that the fair market value and the fair rental value of the Substitute Property and any other property that will be subject to the Lease and the Site and Facilities Lease are at least equal to the Outstanding principal amount of the Certificates, and that the useful life of the Substitute Property at least equals the lesser of (i) the useful life of the Former Property, or (ii) the final Lease Payment Date of the Lease Payments allocable thereto.
- (g) The City has mailed written notice of such substitution to each rating agency which then maintains a rating on the Certificates.

Upon the satisfaction of all such conditions precedent, the term of the Lease will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution. The Corporation and the City will execute, deliver and cause to be recorded all documents required to discharge the Lease, the Site and Facilities Lease and the Assignment Agreement against the Former Property, and to cause the Substitute Property to become subject to all of the terms and conditions of this Lease, the Site and Facilities Lease and the Assignment Agreement.

### **Release of Property**

The City has the option at any time and from time to time to release any portion of the Leased Property from the Lease and the Site and Facilities Lease (the "Released Property") provided that the City has satisfied all of the following requirements which are hereby declared to be conditions precedent to such release:

- (a) No event of default has occurred and is continuing.
- (b) The City has filed with the Corporation and the Trustee, and caused to be recorded in the office of the Contra Costa County Recorder sufficient memorialization of, (i) an amendment hereof which removes the Released Property from the Lease, and (ii) appropriate amendments to the Site and Facilities Lease and Assignment Agreement that removes therefrom the description of the Released Property.
- (c) The City has certified in writing to the Corporation and the Trustee that the fair market value of the property which remains subject to the Lease and the Site and Facilities Lease following such removal

is at least equal to the Outstanding principal amount of the Certificates, and the fair rental value of the property which remains subject to the Lease and the Site and Facilities Lease following such removal is at least equal to the Lease Payments thereafter coming due and payable under the Lease.

- (d) The City has mailed written notice of such removal to each rating agency which then maintains a rating on the Certificates.

Upon the satisfaction of all such conditions precedent, the term of the Lease will thereupon end as to the Released Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Corporation and the City will execute, deliver and cause to be recorded all documents required to discharge the Lease, and the Site and Facilities Lease and the Assignment Agreement of record against the Released Property.

### **Maintenance, Utilities, Taxes and Modifications**

The City, at its own expense, has agreed to maintain or cause to be maintained the Leased Property in good repair; the Corporation has no responsibility for such maintenance. The City is also obligated to pay all taxes and assessments charged to the Leased Property. The City has the right under the Lease to make additions, modifications and improvements to the Leased Property, so long as those additions, modifications and improvements are of a value which is not substantially less than such value of the Leased Property immediately prior to making the additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or to remain against the Leased Property, except that the City has the right in good faith to contest any such lien.

### **Insurance**

The Lease requires the City to maintain or cause to be maintained the following insurance against risk of physical damage to the Leased Property and other risks for the protection of the Certificate Owners, the Corporation and the Trustee:

Public Liability and Property Damage Insurance. The City is required to maintain, throughout the term of the Lease, comprehensive general insurance in protection of the Corporation, the City and their respective members, officers, agents, employees and assigns. Such insurance must provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such insurance must provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of a program of self-insurance by the City, or in the form of the participation by the City in a joint powers authority or other program providing pooled insurance. The City will apply the proceeds of such insurance toward extinguishment or satisfaction of the liability with respect to which the net proceeds are paid.

Casualty Insurance. The City is required to maintain, throughout the term of the Lease, casualty insurance against loss or damage to the insured buildings, facilities and other improvements constituting any part of the Leased Property, in an amount at least equal to the greater of (a) the replacement value of such buildings, facilities and improvements, or (b) the aggregate principal amount of the Outstanding Certificates. Such insurance must, as nearly as practicable, cover loss or damage by fire, explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and must include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the City, whose determination is final and conclusive. Such insurance may be subject to such deductibles as the City deems prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of any such insurance will be deposited by the Trustee in the Insurance and Condemnation Fund and applied at the election and direction of the City either to the repair or reconstruction of the damaged property or to the prepayment of the Lease Payments and the corresponding prepayment of Outstanding Certificates.

Rental Interruption Insurance. The City is required to maintain, throughout the term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, in an amount at least equal to the maximum Lease Payments coming due and payable during any two consecutive future fiscal years, as a result of any of the hazards covered in the fire and extended coverage insurance described above. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance will be paid to the Trustee and deposited in the Lease Payment Fund, and will be credited towards the payment of the Lease Payments allocable to the insured improvements as they become due.

Recordation; Title Insurance. On or before the Closing Date the City will, at its expense, (a) cause the Assignment Agreement, the Site and Facilities Lease and the Lease, or a memorandum thereof in form and substance approved by Bond Counsel, to be recorded in the office of the Contra Costa County Recorder with respect to the Leased Property, and (b) obtain a CLTA title insurance policy insuring the City's leasehold estate in the Leased Property, in an amount equal to the aggregate original principal amount of the Certificates. All Net Proceeds received under such title insurance policy will be deposited by the Trustee in the

Lease Payment Fund and be credited towards the prepayment of the remaining Lease Payments.

Each policy of insurance maintained as described above must name the Trustee as loss payee so as to provide that all proceeds thereunder are payable to the Trustee. The City will pay or cause to be paid when due the premiums for all insurance policies required by the Lease. All such policies will provide that the Trustee is given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee is not responsible for the sufficiency, adequacy or amount of any insurance or self-insurance herein required and is fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. Annually not later than October 1 in each year during the term of the Lease, the City must furnish or cause to be furnished to the Trustee evidence of all insurance policies required to be maintained, which may consist of a certificate describing material terms of such policies.

### **Option to Prepay**

The City has the option to prepay the Lease Payments or post a security deposit to pay the Lease Payments, in whole or in part, on or after July 1, 2025, by paying a prepayment price equal to the aggregate principal components of the Lease Payments to be prepaid, together with the interest component of the Lease Payment required to be paid on such date, without prepayment premium. Such prepayment price must be deposited by the Trustee upon receipt in the Lease Payment Fund, to be applied to the prepayment of Certificates under the Trust Agreement.

### **Assignment; Subleases**

The Corporation has assigned certain of its rights under the Lease to the Trustee under the Assignment Agreement, including but not limited to its rights to receive the Lease Payments. The City may not assign any of its rights in the Lease. The City may sublease all or a portion of the Leased Property only under the conditions contained in the Lease.

### **Amendment of Lease**

The Corporation and the City may at any time amend or modify any of the provisions of the Lease, but only: (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates; or (b) without the consent of any of the Certificate Owners, if such amendment or modification is for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the City contained in the Lease, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;
- (b) to cure any ambiguity, or cure, correct or supplement any defective provision contained in the Lease, to conform to the original intention of the City and the Corporation;

- (c) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or to effectuate any substitution of property or any release or property as permitted by the Lease;
- (d) to obligate the City to pay additional amounts of rental for the use and occupancy of the Leased Property or any portion thereof, but only if (A) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied to public improvements of the City, and (B) the City has filed with the Trustee written evidence that the amendments made under this paragraph will not of themselves cause a reduction or withdrawal of any rating then assigned to the Certificates, or
- (e) in any respect whatsoever as the Corporation and the City may deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Certificates;

### **Tax Covenants**

The City covenants the following regarding the Certificates:

- (a) Private Activity Bond Limitation. The City assures that the proceeds of the Certificates are not so used as to cause the obligations of the City under this Lease to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.
- (b) Federal Guarantee Prohibition. The City will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the obligations of the City under the Lease to be "federally guaranteed" within the meaning of section 149(b) of the Code.
- (c) Rebate Requirement. The City will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Certificates and the Lease.
- (d) No Arbitrage. The City will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of delivery of the Lease would have caused any of the obligations of the City under this Lease to be "arbitrage bonds" within the meaning of section 148 of the Code.
- (e) Maintenance of Tax-Exemption. The City will take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such

interest is permitted to be excluded from gross income under the Code as in effect on the date of delivery of the Lease.

- (f) Record Retention. The City will retain its records of all accounting and monitoring it carries out with respect to the Certificates for at least 3 years after the Certificates mature or are redeemed (whichever is earlier); however, if the Certificates are redeemed and refunded, the City will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Certificates.
- (g) Compliance with Tax Certificate. The City will comply with the provisions of the tax certificate and the use of proceeds certificate to be delivered with respect to the Certificates, which are incorporated into the Lease as if fully set forth therein.

The foregoing tax covenants of the Lease will survive payment in full or discharge of the Certificates.

### **Small Issuer Exception**

The Lease is deemed designated for purposes of paragraph (3) of section 265(b) of the Code.

### **Events of Default; Remedies**

Each of the following constitutes an event of default under the Lease:

- (a) Failure by the City to pay any Lease Payment or other payment required to be paid under the Lease at the time specified in the Lease.
- (b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clause (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Corporation or the Trustee. If the City notifies the Corporation and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 30 day period, such failure will not constitute an event of default if the City commences to cure such failure within such 30 day period and thereafter diligently and in good faith cures such failure in a reasonable period of time.
- (c) Certain events relating to the bankruptcy of the City.

Upon the occurrence and continuance of any event of default described above, the Corporation has the right to terminate the Lease or, with or without such termination, re-enter, take possession of and re-let the Leased Property. When the Corporation does not elect to terminate the Lease, the City remains liable to pay all Lease Payments as they come due and liable for damages resulting from such event of default. Any

amounts collected by the Corporation from the reletting of the Leased Property will be credited towards the City's unpaid Lease Payments. Any net proceeds of re-leasing or other disposition of the Leased Property are required to be deposited in the Lease Payment Fund and applied to Lease Payments in order of payment date. Under the Assignment Agreement, the Corporation assigns all of its rights with respect to remedies in an event of default to the Trustee, so that all such remedies will be exercised by the Trustee and the Certificate Owners as provided in the Trust Agreement.

The Trustee has no right to accelerate Lease Payments.

## **TRUST AGREEMENT**

### **Trustee**

The Trustee is appointed under the Trust Agreement and is authorized to execute and deliver the Certificates thereunder, and to act as a depository of amounts held thereunder. The Trustee is required to make deposits into and withdrawals from funds, and invest amounts held under the Trust Agreement in accordance with the City's instructions. The Trustee has a first lien on the amounts held under the Trust Agreement for its fees, charges and expenses.

### **Use of Certificate Proceeds**

The Trust Agreement creates the Lease Payment Fund, the Reserve Fund, the Costs of Issuance Fund, and the Insurance and Condemnation Fund to be held in trust by the Trustee for the benefit of the Certificate Owners.

Lease Payment Fund. A Lease Payment Fund is established under the Trust Agreement. There will be deposited in the Lease Payment Fund, when received by the Trustee, all Lease Payments and prepayments thereof. Moneys on deposit in the Lease Payment Fund will be used to pay principal, interest and premium (if any) represented by the Certificates. Any earnings on investment of moneys in the Lease Payment Fund will remain therein and will be credited towards payment of the next Lease Payments. Any surplus remaining in the Lease Payment Fund after the payment of all Certificates, or after provision for their payment has been made, will be paid to the City.

Costs of Issuance Fund. The Trustee will deposit a portion of the proceeds of the Certificates in the Costs of Issuance Fund, to be expended to pay costs of issuance relating to the Certificates. All amounts remaining on deposit in the Costs of Issuance Fund and not required to pay costs of issuing the Certificates will be transferred to the Lease Payment Fund.

Reserve Fund. The Trustee will establish a special fund designated as the "Reserve Fund" to be held by the Trustee in trust for the benefit of the City and the Owners of the Certificates, as a reserve for the payment when due of the Lease Payments on behalf of the City. The Reserve Fund will be maintained by the City in an amount equal to the Reserve Requirement.

## Reserve Policy

The Reserve Requirement for the Certificates will be satisfied by the delivery of the Reserve Policy by the Reserve Insurer to the Trustee on the Closing Date. The amounts available under the Reserve Policy will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Lease Payment Account, in the event of any deficiency at any time in such account. The Trustee will comply with all documentation relating to the Reserve Policy as required to maintain the Reserve Policy in full force and effect and as required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Trust Agreement. The City has no obligation to replace the Reserve Policy or to fund the Reserve Fund with cash or any other security if, at any time that the Certificate are Outstanding, amounts are not available under the Reserve Policy.

The City and the Trustee will agree to comply with certain provisions related to the Reserve Policy for the benefit of the Reserve Insurer, including the following:

(a) The City will repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Reserve Insurer. Interest will accrue and be payable on such draws and expenses from the date of payment by the Reserve Insurer at the Late Payment Rate. For purposes of the Trust Agreement, "Late Payment Rate" means the lesser of (i) the greater of (A) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (the "Prime Rate"), plus 3%, and (B) the then applicable highest rate of interest on the Certificates, and (ii) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate will be the publicly announced prime or base lending rate of a bank, banking association or trust company bank that the Reserve Insurer in its sole and absolute discretion specifies.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the "Policy Costs") will commence in the first month following each draw, and each such monthly payment will be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw. Amounts in respect of Policy Costs paid to the Reserve Insurer will be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Reserve Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

(b) Pursuant to the Reserve Fund Agreement, the obligation of the City to pay Policy Costs will be secured by a valid lien on Lease Payment and other collateral pledged as security for the Certificates (which lien will be subordinate only to the lien securing the Certificates).

(c) Draws under the Reserve Policy may only be used to make payments on the Certificates.

(d) If the City fails to pay any Policy Costs in accordance with the requirements of paragraph (a) above, the Reserve Insurer will be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the

Trust Agreement other than (i) acceleration of the maturity of the Certificates, or (ii) remedies which would adversely affect Owners of the Certificates.

(e) The Trust Agreement will not be discharged until all Policy Costs owing to the Reserve Insurer have been paid in full. The City's obligation to pay such amount will expressly survive payment in full of the Certificates.

(f) Any amendment, supplement or modification to, or waiver of the Trust Agreement that requires the consent of the Owners of the Certificates or adversely affects the rights or interest of the Reserve Insurer will be subject to the prior written consent of the Reserve Insurer.

### **Application of Insurance and Eminent Domain Proceeds**

Any Net Proceeds of insurance collected by the City in the event of accident to or destruction or taking of the Leased Property will be paid to the Trustee under the Lease and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund which is held by the Trustee.

If the City determines and notifies the Trustee in writing of its determination, within 45 days following the date of such deposit, that the replacement, repair, restoration, modification or improvement of such improvements is not economically feasible or in the best interests of the City, then such Net Proceeds will be promptly transferred by the Trustee to the Lease Payment Fund and applied to the prepayment of Lease Payments and the corresponding prepayment of Certificates. In the event of damage or destruction of the Leased Property in full, such Net Proceeds may be transferred to the Lease Payment Fund to be used to prepay Outstanding Certificates only if such Net Proceeds, together with other available moneys, are sufficient to cause the corresponding prepayment of all Lease Payments.

Any Net Proceeds deposited in the Insurance and Condemnation Fund and not applied to prepay the Lease Payments and the Certificates will be applied to replace, repair, restore, modify or improve the Leased Property. Payments will be made by the Trustee for such purpose upon receipt of written requisitions of the City filed with the Trustee. Any balance of the Net Proceeds remaining after the City files a written certificate with the Trustee stating that such work has been completed will be paid to the City.

If all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom will be deposited with the Trustee in the Insurance and Condemnation Fund and will be applied and disbursed by the Trustee either to replace the Leased Property or prepay the Lease Payments and the Certificates, as set forth in the Trust Agreement.

### **Investment of Funds**

The Trustee is required to invest and reinvest all moneys held under the Trust Agreement, at the written direction of the City, in Permitted Investments maturing not later than the date moneys are expected to be required for expenditure. All income or profit on any investments of funds held by the Trustee under the Trust Agreement will be

deposited in the respective funds from which such investments were made; except that all amounts derived from the investment of amounts in the Reserve Fund, to the extent not required to be retained in the Reserve Fund to maintain the Reserve Requirement, will be transferred to the Lease Payment Fund.

### **Remedies Upon Event of Default**

***Exercise of Remedies; Limitation on Certificate Owners' Rights.*** Upon the occurrence of an event of default by the City under the Lease, the Trustee may, or if requested by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding the Trustee will exercise any and all remedies available at law or under the Lease, except that there will be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable.

***Application of Amounts Collected.*** Any amounts collected by the Trustee in an event of default are required to be applied first to the payment of the fees and expenses of the Trustee incurred in connection with such event of default, and second to the payment of principal and interest represented by the Certificates (including interest on overdue installments of interest at the net effective rate of interest per annum then represented by the Outstanding Certificates, but only to the extent funds are available for such purpose after payment of all other overdue amounts), ratably if necessary.

### **Amendment of Trust Agreement**

The Trust Agreement may be amended by agreement among the parties thereto without the consent of the Owners of the Certificates, for any one or more of the following purposes:

- (a) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved to the Corporation or the City,
- (b) to cure, correct or supplement any ambiguous or defective provision,
- (c) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation the portion of lease payments designated as and comprising interest and received by owners of the Certificates,
- (d) in regard to questions arising under the Trust Agreement, as the parties may deem necessary or desirable and which amendment does not, in the opinion of Bond Counsel, materially adversely affect the interests of the Owners of the Certificates, or
- (d) to conform to any amendments of the Lease which are permitted to be made under the terms of the Lease as described above.

Any other amendment requires the approval of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, provided that no such

amendment may (a) extend the maturity or time of interest payment, or reduce the interest rate, amount of principal or premium payable on, any Certificate without such Owner's consent; (b) reduce the percentage of Owners of Certificates required to consent to any amendment or modification; or (c) modify any of the Trustee's rights or obligations without its consent.

### **Discharge**

Upon payment of the Outstanding Certificates in whole, or upon the deposit of cash or non-callable Federal Securities with the Trustee sufficient with other available funds to retire the obligations represented by such Certificates at or before maturity, all rights thereunder of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the City with respect to the Certificates ceases and terminates, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the City from funds so deposited, all sums represented thereby when due.

## **ASSIGNMENT AGREEMENT**

The Corporation and the Trustee will enter into the Assignment Agreement under which the Corporation assigns and sets over to the Trustee, for the benefit of the Owners of the Certificates, substantially all of the Corporation's rights under the Site Lease and the Lease (subject to certain exceptions), including the right of the Corporation to receive and collect Lease Payments, its right to receive and collect proceeds of condemnation and insurance awards and the right to exercise rights and remedies of the Corporation in the Lease to enforce payments of amounts thereunder or otherwise to protect the interests of the Owners in the event of a default by the City under the Lease. The Trustee accepts such assignment for the purpose of securing the Lease Payments, subject to the provisions of the Trust Agreement.

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## APPENDIX B

### GENERAL INFORMATION ABOUT THE CITY OF ORINDA AND THE COUNTY OF CONTRA COSTA

*The following information concerning the City of Orinda and the County of Contra Costa are included only for the purpose of supplying general information regarding these areas.*

#### Population

The following table sets forth the City's, the County's and the State's historical population figures.

#### CITY OF ORINDA, CONTRA COSTA COUNTY AND STATE OF CALIFORNIA POPULATION 1990-2014

Year	City of Orinda	Contra Costa County	State of California
1990 <sup>(1)</sup>	16,642	803,732	29,758,213
2000 <sup>(1)</sup>	17,599	948,816	33,873,086
2001	17,719	962,076	34,256,789
2002	17,723	974,657	34,725,516
2003	17,679	984,256	35,163,609
2004	17,637	993,958	35,570,847
2005	17,514	1,001,216	35,869,173
2006	17,283	1,007,169	36,116,202
2007	17,240	1,015,672	36,399,676
2008	17,341	1,027,264	36,704,375
2009	17,484	1,038,390	36,966,713
2010 <sup>(1)</sup>	17,643	1,049,025	37,253,956
2011	17,714	1,056,306	37,427,946
2012	17,839	1,066,597	37,668,804
2013	17,951	1,076,429	37,984,138
2014	18,089	1,087,008	38,340,074

(1) As of April 1 for that year.

Source: California Department of Finance, Historical City, County, and State Population Estimates, 1991-2000 with 1990 and 2000 Census Counts for years 1990 and 2000; California Department of Finance, E-4 Population Estimates for Counties and State 2001-2010 with 2000 and 2010 Census Counts for years 2001-2010; California Department of Finance, Population Estimates for Cities, Counties, and the State, 2011-2013, with 2010 Benchmark for years 2011-2014.

#### Age

The following table sets forth an estimate of the age distribution of the City's residents for 2008-2012, the most recent years for which data is available as of the date of the Official Statement.

**CITY OF ORINDA  
AGE DISTRIBUTION**

Age	Number	Percentage of Population
Under 5 years	1,005	5.6%
5 to 9 years	1,223	6.8
10 to 14 years	1,479	8.3
15 to 19 years	1,265	7.1
20 to 24 years	579	3.2
25 to 34 years	746	4.2
35 to 44 years	2,308	12.9
45 to 54 years	3,000	16.8
55 to 59 years	1,710	9.6
60 to 64 years	1,303	7.3
65 to 74 years	1,546	8.7
75 to 84 years	1,075	6.0
85 years and over	629	3.5

*Source:* U.S. Census Bureau, 2008-2012 American Community Survey.

**Education**

The following table sets forth an estimate of the level of education attainment of the City's residents for 2008-2012, the most recent years for which data is available as of the date of the Official Statement.

**CITY OF ORINDA  
EDUCATIONAL ATTAINMENT**

<b>Population 18 to 24 Years:</b>	<b>902</b>
Level of Education	Total Estimate
Less Than High School Graduate	9.2%
High School Graduate (includes equivalency)	27.2
Some College or Associate Degree	44.7
Bachelor's Degree or Higher	19.0
<b>Population 25 Years and Over:</b>	<b>12,317</b>
Level of Education	Total Estimate
Less than 9 <sup>th</sup> Grade	0.9%
9 <sup>th</sup> Grade to 12 <sup>th</sup> Grade, No Diploma	1.0
High School Graduate (includes equivalency)	4.7
Some College, No Degree	10.8
Associate Degree / Some College	1.7
Associate's Degree	4.2
Bachelor Degree	41.0
Graduate or Professional Degree	37.4

*Source:* United States Census Bureau, Educational Attainment, 2008-2012 American Community Survey 5-Year Estimates.

## Employment and Industry

The following table sets forth principal employers for the San Francisco Bay Area. Separate data is not available for the City.

### SAN FRANCISCO BAY AREA PRINCIPAL EMPLOYERS 2013-2014

	Employer	Number of Employees	Percentage of Top 10 Employment
1.	Kaiser Permanente	30,803	16.6%
2.	City and County of San Francisco	26,901	14.5
3.	University of California, San Francisco	22,664	12.2
4.	University of California, Berkeley	21,390	11.6
5.	Safeway	18,454	10.0
6.	State of California	15,982	8.6
7.	Wells Fargo Bank	15,111	8.2
8.	Stanford University	12,973	7.0
9.	U.S. Postal Service	11,092	6.0
10.	Contra Costa County	9,800	5.3
		185,170	100.0

Source: City of Orinda Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014.

The following table sets forth annual employment statistics in the City.

### CITY OF ORINDA LABOR FORCE 2009-2013<sup>(1)</sup>

Year	Civilian Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
2009	8,700	8,300	300	3.9%
2010	8,600	8,200	400	4.3
2011	8,700	8,400	300	4.0
2012	8,900	8,600	300	3.4
2013	9,100	8,800	300	2.8

(1) Most recent annual data available as of the date of this Official Statement.

Source: State of California Employment Development Department – Unemployment Rates (Labor Force).

The following table sets forth unemployment history for the City, the County of Contra Costa and the State of California.

**CITY OF ORINDA, CONTRA COSTA COUNTY AND STATE OF CALIFORNIA  
COMPARATIVE UNEMPLOYMENT STATISTICS  
ANNUAL AVERAGE UNEMPLOYMENT RATE  
2009-2013<sup>(1)</sup>**

Year	City of Orinda	Contra Costa County	State of California
2009	3.9%	10.2%	11.3%
2010	4.3	11.1	12.4
2011	4.0	10.4	11.8
2012	3.4	9.0	10.4
2013	2.8	7.4	8.9

<sup>(1)</sup> Most recent annual data available as of the date of this Official Statement.  
*Source:* State of California Employment Development Department – Unemployment Rates (Labor Force).

The following table sets forth an estimate of the City’s income levels for 2009-2013 (5-year estimate), the most recent data available as of the date of the Official Statement.

**CITY OF ORINDA  
INCOME LEVELS 2009-2013 (5 YEAR ESTIMATE)**

Income Level	Amount
Median Household Income	\$164,437
Mean Family Earnings	215,668
Per Capital Income	77,530

*Source:* United States Census Bureau, Selected Economic Characteristics, 2009-2013 American Community Survey 5-Year Estimates.

## Construction Activity

The following table sets forth the building permits and valuations for the City for calendar years 2009 through 2013.

### CITY OF ORINDA TOTAL BUILDING PERMIT VALUATIONS (DOLLARS IN THOUSANDS)

	2009	2010	2011	2012	2013 <sup>(1)</sup>
Permit Valuation					
New Single-Family	\$2,307,223	\$6,112.9	\$3,275.5	\$2,257.2	\$21,297.9
New Multi-Family	0	0.0	0.0	0.0	11,300,000
Res.	<u>12,833,771</u>	<u>15,358.2</u>	<u>19,409.2</u>	<u>15,192.5</u>	<u>17,701.4</u>
Alterations/Additions					
Total Residential:	15,143,003	21,471.1	22,684.7	17,449.7	50,299.3
New Commercial	680,073	0	57.5	6,574.2	4,206.6
New Industrial	0	0	0.0	0.0	15.0
New Other	137,782	726,759	126.4	1,696.4	1,342.0
Com.	<u>634,305</u>	<u>641,500</u>	<u>565.6</u>	<u>1,717.3</u>	<u>1,078.6</u>
Alterations/Additions					
Total Nonresidential:	1,452,160	\$1,368,259	749.5	9,987.9	6,642.2
New Dwelling Units					
Single Family	9	12	5	4	57
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>66</u>
Total:	9	12	5	4	123

(1) Significant increase in Permit Valuation from 2012 to 2013 reflects construction of (a) single-family housing in the Orinda Grove development by Pulte Homes and (b) multi-family senior housing in the Monteverde Senior Apartments by Eden Housing.

Source: Contra Costa County.

## Commercial Activity

The following table summarizes the historic taxable sales within the City during the past five years in which data is available. Total taxable sales during the first three quarters of calendar year 2013 in the City were reported to be \$62,430. Figures for the last quarter of calendar year 2013 and annual figures for 2014 are not available as of the date of this Official Statement.

**CITY OF ORINDA  
TAXABLE TRANSACTIONS  
NUMBER OF PERMITS AND VALUATION OF TAXABLE TRANSACTIONS  
(DOLLARS IN THOUSANDS)**

Year	Retail and Food Services		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	336	\$66,761	531	\$85,221
2010	327	65,502	514	76,778
2011	322	70,959	495	81,566
2012	321	71,009	501	85,606
2013 <sup>(1)</sup>	307	51,911	476	62,430

(1) Number of permits for retail and food services and number of permits for all outlets, as of third quarter, 2013; taxable transactions for 2013 first quarter, 2013 second quarter, and 2013 third quarter, only.

Source: California State Board of Equalization, Taxable Sales in California (Sales and Use Tax) for 2009, 2010, 2011, and 2012 and for 2013 first quarter, 2013 second quarter, and 2013 third quarter.

The following table summarizes the historic taxable sales within the County during the past five years in which data is available. Total taxable sales during the first three quarters of calendar year 2013 in the County were reported to be \$10,526,208. Figures for the last quarter of calendar year 2013 and annual figures for 2014 are not available as of the date of this Official Statement.

**CONTRA COSTA COUNTY  
TAXABLE TRANSACTIONS  
NUMBER OF PERMITS AND VALUATION OF TAXABLE TRANSACTIONS  
(DOLLARS IN THOUSANDS)**

Year	Retail and Food Services		Other		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	14,045	\$8,473,578	7,350	\$3,409,741	21,395	\$11,883,049
2010	14,423	8,716,393	7,361	3,237,454	21,784	11,953,846
2011	13,930	9,300,418	7,223	3,499,439	21,153	12,799,857
2012	14,343	10,062,437	7,161	3,934,812	21,504	13,997,249
2013 <sup>(1)</sup>	14,511	7,764,410	6,938	2,761,796	21,449	10,526,208

(1) Number of permits for retail and food services and number of permits for all outlets, as of third quarter, 2013; taxable transactions for 2013 first quarter, 2013 second quarter, and 2013 third quarter, only.

Source: California State Board of Equalization, Taxable Sales in California (Sales and Use Tax) for 2009, 2010, 2011, and 2012 and for 2013 first quarter, 2013 second quarter, and 2013 third quarter.

**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

City of Orinda, California  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2014



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# ***INTRODUCTORY SECTION***



December 1, 2014

***To the Honorable Mayor and Members of the City Council and Citizens of the City of Orinda:***

We are pleased to submit the City of Orinda's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. Since incorporation, the City has submitted an annual audited financial report to the Council and Citizens. It is the policy of the Council that a licensed certified public accountant conducts an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to them. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the city's financial activities have been included. Management of the city has established an internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City of Orinda, City staff, creditors, investors, and other concerned readers. We encourage all readers to contact the Finance Department with any questions or comments concerning this report.

The City's financial statements have been audited by Cropper Accountancy Corporation, a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2014, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unqualified opinion, which states that the City's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the

administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the City of Orinda**

The City of Orinda operates under a Council-Manager form of government and provides municipal services that include public safety, public works, parks and recreation, and community development. This report includes all funds of the City of Orinda. The City does not have a Redevelopment Agency.

The City Council establishes annual budgets for the General Fund and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City of Orinda was incorporated on July 1, 1985, after 100 years of gradual development. One of the primary reasons cited by many Orindans for supporting incorporation was the desire for local decision making. With a population of more than 18,089 in a 12.8 square-mile area, Orinda is 85% developed. Most of residential Orinda is comfortably mature, with trees dominating roads and buildings. The retail floor area has remained constant during the last 15 years, but Orinda's prestige and convenience as an office location has brought a doubling of office space. Now, little land remains for additional development.

The City of Orinda City Council consists of five members, elected at-large to four-year overlapping terms. Council members must be residents of the City. The position of Mayor and Vice Mayor are chosen by the City Council through policy direction determined by the City Council. The Mayor conducts the Council meetings and represents the City on ceremonial occasions.

The City Council serves as the policy board for the municipality. As an elected Board of Directors, the City Council provides policy direction, establishes goals, and sets priorities for the City government. In addition to serving as the policy makers for the community, the City Council also is responsible for numerous land use decisions within its borders, including the General Plan. The City Council appoints the City Manager, City Attorney, and all members of advisory boards and commissions.

Orinda is a residential oriented community with more than 60 percent of the City's 6,553 homes built between 1940 and 1970. Access provided by the Caldecott Tunnel makes Orinda an accessible "country" environment in the East Bay.

In the City of Orinda the total labor force is approximately 9,000. Unemployment in Orinda is approximately 2.3%. Orinda is divided by Highway 24 and BART, which provide an easy commute to the cities of Berkeley, Oakland, and San Francisco.

#### **Current Economic Conditions and Outlook**

The City's economic development efforts and implementation of the City's financial policies help to promote Orinda's long-term fiscal stability. Since incorporation in 1985, at the direction of the Council, staff has conducted a systematic review of operations, resulting in some cases in the transition from contract service to an in-house operational model; in other instances a renegotiation of existing service contracts; and in other instances, retention of the contraction operational model with a different service provider. These operations analyses and reforms are intended to promote long-term savings to the City and ensure long-term stability. The City anticipates minimal growth for the next ten years for sales tax and franchise tax revenue and moderate growth for property tax revenue.

#### **Awards and Acknowledgements**

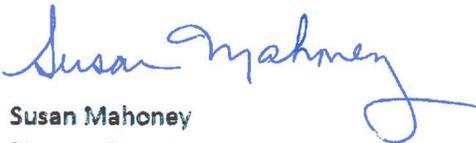
The City of Orinda will submit the fiscal year ended June 30, 2014 Comprehensive Annual Financial Report for the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).

In order to be awarded a Certificate of Achievement, 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 this report will meet the program requirements to receive the award.

The preparation of the Comprehensive Annual Financial Report could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department and auditing firm of Cropper Accountancy. I would like to express my appreciation to John Cropper, CPA, Katy Perry, and Bryce Rojas of Cropper Accountancy and to the members of the Finance Department who assisted and contributed to its preparation – Norma Costa, Accountant, Jenni Flores, Accounting Technician III, and Linda Thompson, Accounting Technician III.

I would also like to thank members of the City Council, the City Manager, and the various departments for their cooperation and support in planning and conducting the financial operations of the City during the fiscal year.

Respectfully submitted,



Susan Mahoney  
Finance Director

City of Orinda  
List of City Officials  
At June 30, 2014

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*City Council*

Sue Severson, Mayor  
Steve Glazer, Vice Mayor  
Dean Orr, Councilmember  
Victoria Smith, Councilmember  
Amy R. Worth, Councilmember

*City Officials*

Janet Keeter, City Manager  
Mark Nagel, Police Chief  
Michelle Lacy, Parks & Recreation Director  
Susan Mahoney, Finance Director  
Michele Olsen, City Clerk  
Charles Swanson, Public Works Director  
Emmanuel Ursu, Planning Director

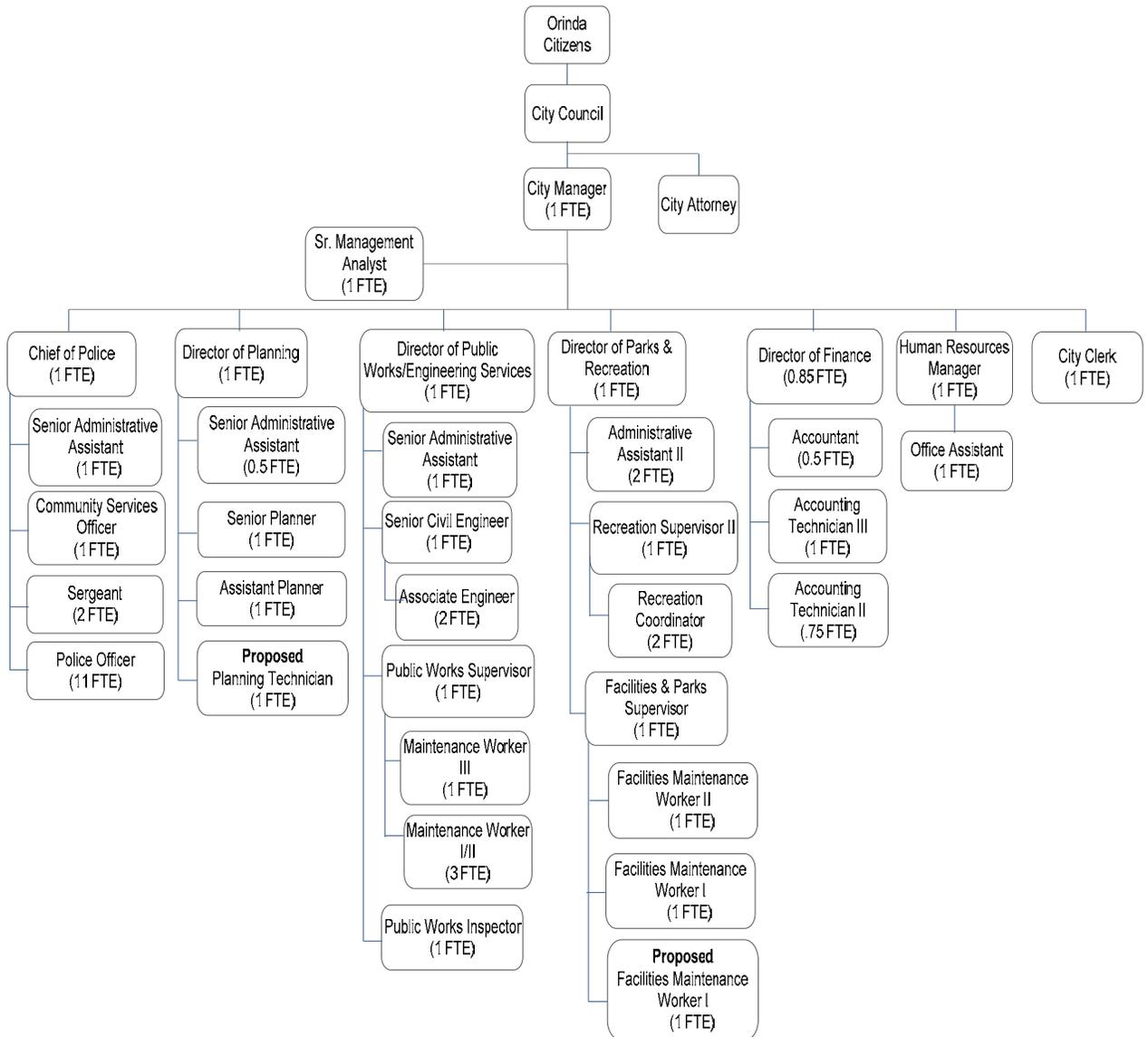
## CITY OF ORINDA MISSION STATEMENT

*“Orinda strives to provide excellent service in a fiscally responsible manner and to promote a safe, healthy and vibrant community.”*



22 Orinda Way, Orinda, CA 94563 \* [www.cityoforinda.org](http://www.cityoforinda.org) \* 925.253.4200

# FY 2014 City of Orinda Organizational Chart



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# ***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
Orinda, California

### **Report on the Financial Statements**

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

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Unmodified Opinion***

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 information of City of Orinda, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

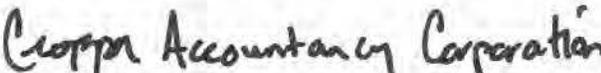
Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 17 – 27 and 69 – 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial 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 City of Orinda's basic financial statements. The combining and individual nonmajor fund financial statements as well as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements as well as the introductory and statistical sections are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic 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 it.

  
CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California  
November 26, 2014

# **Management's Discussion and Analysis**

## **INTRODUCTION**

As management of the City of Orinda (the City), we offer readers this discussion and analysis of the City's financial performance for the fiscal year ended June 30, 2014. The accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures in this report, are the responsibility of the City. The report has been prepared in accordance with the Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Readers are encouraged to consider the information presented here in conjunction with additional information, which can be found in the City's financial statements, which follow this discussion. Management's discussion and analysis is designed to:

1. assist the reader in focusing on significant financial issues;
2. provide an overview of the City's financial activity and any changes in financial position;
3. explain any material deviations from the financial plan (approved budget); and
4. identify any issues or concerns and the City's ability to address future challenges.

## **FINANCIAL HIGHLIGHTS**

The City's desirable location and relatively stable real estate market made it less vulnerable to the effects of the recent economic downturn and as a result, the City sustained minor declines when compared to other cities in Contra Costa County. For the second year in a row, the City's property tax revenue increased (7.4% over last year) after four years of decreases during the 2008 economic downturn. The City's sales tax revenue (not including the add-on sales tax) increased by 4.5% over the prior year.

The City ended the fiscal year with a balanced budget. The General Fund reserve is equal to 48% of General Fund Revenues which meets the City's established reserve policy.

The City provides funding for its Capital Improvement Program on a pay-as-you-go basis including maximizing grant funding when available. In July 2012, the City Council adopted the Road and Drainage Repair Plan. This plan consists of four phases in which the City will fund, plan and manage the construction and repair of public roads and drains. The first phase included the passage of a half-cent sales tax increase which was approved by voters in the November 2012 election. The City began receiving the half-cent sales tax revenue in April 2013. The second phase of the plan includes the passage of \$20,000,000 in general obligation bonds. The bonds were approved by voters in June 2014 and the City expects to sell bonds in March 2015.

The employees of the City accumulate retirement benefits through a defined contribution plan with the ICMA Retirement Corporation. Payments are made on a pay-as-you-go basis so the City has no future pension obligations. The City does not provide retiree medical benefits to its employees so there are no OPEB (other post-employment benefits) costs.

The following are some key highlights of note:

1. At the end of Fiscal Year (FY) 2013/14, the unassigned fund balance for the General Fund was \$7,590,562. This amount includes \$1,137,362 in Measure L Sales Tax fund balance.

2. The General Fund operating results (including Measure L Sales Tax) for the fiscal year was a surplus of \$1,609,696.
3. Revenues were slightly higher than expected for property tax and planning fee revenue. Measure L Sales Tax revenue was significantly higher than last year because the City received a full year of revenue in FY 2013/14 as compared to only three months of revenue in FY 2012/13 (the add-on sales tax went into effect on April 1, 2013). This resulted in a favorable variance of \$1,346,191.
4. Expenditures were on target with budget except for Public Works/Engineering. This department deferred certain road and drainage projects (to be paid with Measure L add-on tax funds) until FY 2014/15 to maximize project efficiencies.
5. The City's total assets exceeded its liabilities by \$55,111,693 (net position) for FY 2013/14. This compares to assets exceeding liabilities by \$52,207,808 in FY 2012/13, an increase of \$2,903,885. Total net position is comprised of the following:
  - a. Investment in capital assets (net of related debt) of \$40,022,920, which includes parklands, buildings, furniture and equipment and infrastructure, all net of accumulated depreciation and debt.
  - b. Net assets of \$6,693,791 are restricted by constraints imposed from outside the City, including grantors, lenders, laws or regulations, consisting primarily of the Senior Affordable Housing commitment (\$.10 million), Community Facilities Maintenance Endowment Fund (\$1.64 million), Park Dedication Fees (\$0.59 million), Transportation Impact Fees (\$1.15 million), Library Assessment Fund (\$0.31 million), Contra Costa Transportation Authority (\$0.68 million), Gas Tax (\$0.57 million), and other Special Revenue Funds (\$0.79 million), and Internal Service Funds (\$0.86 million).
  - c. Unrestricted net position of \$8,394,982 (\$7,590,562 General Fund plus \$804,420 Internal Service Funds) for the government-wide statements represents the portion available to maintain the City's continuing obligations to citizens and creditors.
6. The General Fund unrestricted reserve including the current year surplus funded a transfer of \$1,595,208 to: 1) the Capital Projects Fund for the Drainage Master Plan, General Plan, and Tarabrook Drain projects; and 2) transfers to Internal Service Funds to fund future replacement and repair costs for computer systems, vehicles, equipment and buildings; and 3) a transfer to the M-11 Lighting and Landscape District .

### **FINANCIAL ANALYSIS OF GENERAL FUND**

The General Fund is the primary operating fund of the City. It accounts for the revenues and expenditures associated with police services, public works, engineering, planning, building inspections, finance, park & recreation, city clerk, city attorney and administration.

## **General Fund Revenues**

The City's General Fund operating revenues increased 12.1% compared to the prior year. Property tax assessments are the largest revenue source for the City and property tax revenue has been steadily increasing in the past few years. Currently, the City receives approximately seven cents for every dollar in property taxes paid by its residents. Sales tax is also an important revenue source of the City. Sales tax revenue increased approximately 102.8% during the year. Of this amount, 4.5% (\$42,424) is from the increase in the 1% local sales and use tax imposed on all taxable sales in the county. Measure L add-on sales tax increased to \$1,080,304 from \$72,564 in FY 2012/13. The large increase (\$1,007,740) reflects twelve months of income in FY 2013/14 versus only three months of income in FY 2012/13 (the tax went into effect on April 1, 2013). The add-on sales tax is dedicated by the Council through budget appropriations to road and drainage repairs. The tax sunsets in 2023. Because Orinda has a relatively small retail base, the impact of fluctuations in sales tax, both positive and negative, is less severe than in other cities that rely more heavily on big box, mall or auto retailers for their sales tax revenue.

## **General Fund Expenses**

As a policy, the City has endeavored to keep its operating expenses low and the number of employees at a minimum. The major expenses for the City organization are: 1) Police (\$3,783,388, 37.2%), contracted through the County; 2) Parks & Recreation, including facilities maintenance (\$2,149,519, 21.1%) and 3) Public Works/Engineering (\$1,402,895, 13.7%). Much of the Park & Recreation operating costs are offset by fees for service. The General Fund is used to pay the City's only debt service (Certificates of Participation issued in 2006 and due to retire in 2035). The debt service payment in FY 2013/14 was \$619,260.

## **Fund Balance**

The net worth of the General Fund (the difference between assets and liabilities) is called Fund Balance. As of June 30, 2014, the fund balance was \$7,709,599 (\$7,511,111 in FY 2012/13), an increase of \$198,488 in FY 2013/14 (decrease of \$1,326,956 in FY 2012/13) compared to the prior year. The fund balance is made up of:

- \$119,037 in restricted funds for senior housing.
- \$1,137,362 in Measure L Sales Tax unassigned funds. The Measure L Sales Tax unassigned funds increased \$1,067,715 over the previous year due to combining road projects in FY 2014/15.
- \$6,453,200 in General Fund unassigned funds. This is a decrease of \$867,786 over the prior year due to transfers to the Slope Emergency Stabilization Fund, the General Plan Fund, the Drainage Master Plan Fund, and the Capital Projects Fund.

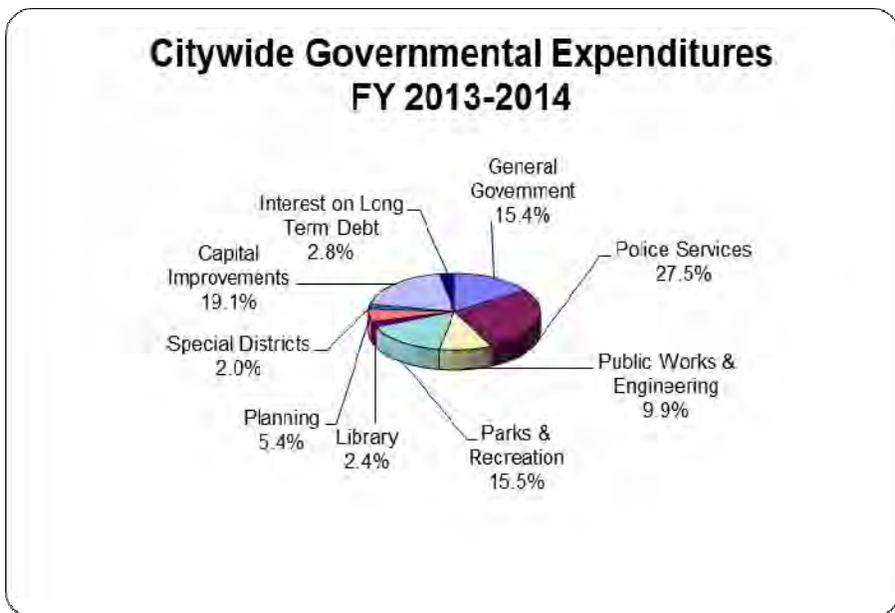
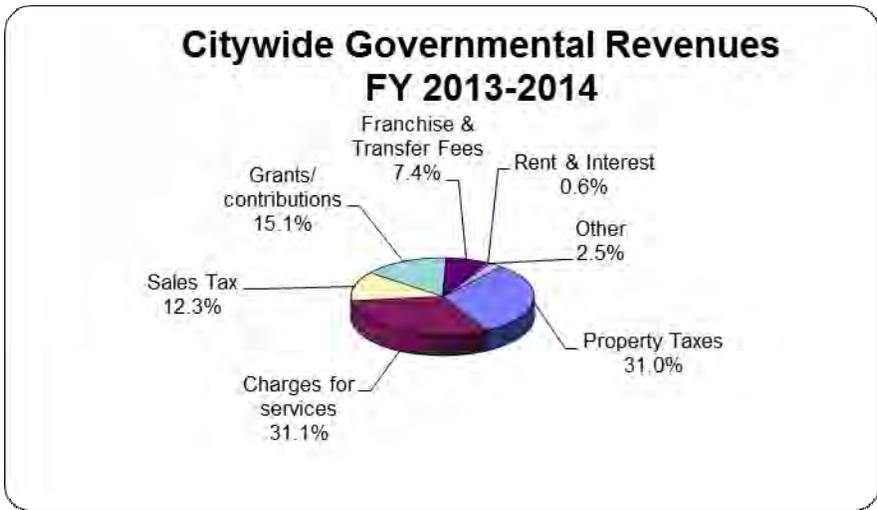
The City Council has set a General Fund reserve policy which requires an operating reserve of \$5,000,000 plus 20% of the amount of budgeted General Fund revenues in excess of \$10,000,000 not including Measure L revenue (add-on sales tax). The reserve amount is included in the General Fund unassigned funds and is fully funded at June 30, 2014.

## **THE CITY AS A WHOLE**

The *Statement of Net Position* and the *Statement of Activities* reports information about the City as a whole. These statements include all assets and liabilities using the full accrual basis of accounting. Under this method, all current year's revenues and expenses are taken into account regardless of when cash is actually received or paid.

Looking at the City's net position (the difference between assets and liabilities) is a measurement of the City's financial health. Over time, increases or decreases in the City's net position are an indication of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the City's property tax base or the condition of the City's roads must also be considered.

The *Statement of Net Position* and the *Statement of Activities* presents consolidated financial information on the City's primary activities. These include Police, Capital Improvements, Parks and Recreation (including facility operations), Planning, Public Works and Engineering Services and City Management (City Manager, City Clerk, City Attorney and Finance). For funding activities and services, some departments generate function-specific fee revenue. Interest and lease revenues, sales taxes, franchise fees, motor vehicle license fees and property taxes, including property transfer taxes, are used to fund the balance.



## STATEMENT OF NET POSITION

The City's net position grew over the past year. In the current year, net position increased by \$2,903,885 which includes an increase of \$3,111,069 in net position and a decrease of \$207,184 due to a change in accounting principle (versus an increase of \$1,105,290 in FY 2012/13). The ending position at June 30, 2014 was \$55,111,693. The following table provides a summary of the City's net position for all funds at June 30, 2014 compared to June 30, 2013.

### Summary of Net Position Fiscal Years 2013/14 and 2012/13 Primary Government Activities

	<b>2013/14</b>	<b>2012/13</b>	<b>% Increase (Decrease)</b>
Current and other assets	\$16,831,079	\$15,586,376	8.0%
Restricted assets	119,037	201,145	(40.8%)
Capital assets	48,302,920	47,394,972	1.9%
Total assets:	\$65,253,036	\$63,182,493	3.3%
Current liabilities	\$ 1,883,777	\$ 2,163,344	(12.9%)
Long-term liabilities	8,257,566	8,811,341	(6.3%)
Total liabilities:	\$10,141,343	\$10,974,685	(7.6%)
<u>Net position</u>			
Invested in capital assets, net of related debt	\$40,022,920	\$39,082,158	2.4%
Restricted	6,693,791	5,005,803	33.7%
Unrestricted	8,394,982	8,119,847	3.4%
Total net position	55,111,693	52,207,808	5.6%
Ending net position and liabilities	\$65,253,036	\$63,182,493	3.3%

## STATEMENT OF ACTIVITIES

In the *Statement of Activities* (page 31), both expenses and revenues are reported for each particular program, which includes all funds. This format shows how much of each program is funded through fees, grants and taxes and highlights the relative financial burden of each program on general revenues. FY 2013/14 revenues show an increase when compared to the prior year mainly due to twelve months of Measure L add-on sales tax revenue versus only three months revenue in FY 2012/13. The following table provides a summary of the City's Statement of Activities for FY 2013/14 and 2012/13 with the variance percentage between the two years.

**Summary of Change in Net Position: Primary Government Activities  
Fiscal Years 2013/14 and 2012/13**

	<u>2013/14</u>	<u>2012/13</u>	<u>% Increase (Decrease)</u>
<u>Revenues:</u>			
Program revenues:			
Charges for services	\$5,257,904	\$5,126,001	2.6%
Operating grants and Contributions	936,273	268,194	249.1%
Capital Grants and Contributions	1,615,848	1,630,723	(0.9%)
General revenues:			
Sales Tax	2,071,438	1,021,274	102.8%
Franchise and Transfer Fees	1,244,233	1,187,012	4.8%
Property Tax	5,227,355	4,869,694	7.3%
Vehicle License Fees (VLF)	7,605	9,158	(17.0%)
Rent and Interest	117,578	160,612	(26.8%)
Unrealized gain (loss) on investments	(10,345)	(10,766)	(3.9%)
Other	411,858	214,751	91.8%
Total Revenues	<u>16,879,747</u>	<u>14,476,653</u>	16.6 %
<u>Expenditures:</u>			
General Government	2,125,066	1,848,816	14.9%
Police Services	3,777,584	3,894,363	(3.0%)
Public Works and Engineering Services	1,367,960	1,327,714	3.0%
Parks and Recreation	2,140,303	2,278,091	(6.0%)
Library operations	324,230	342,208	(5.3%)
Planning	746,236	681,671	9.5%
Special districts	278,506	133,309	108.9%
Interest on long-term debt	379,260	397,959	(4.7%)
Capital improvements	2,629,533	2,467,232	6.6%
Total Expenditures	<u>13,768,678</u>	<u>13,371,363</u>	3.0%
Change in net position	3,111,069	1,105,290	181.5 %
Beginning net position	52,207,808	51,102,518	(1.12%)
Change in accounting principle (see Note 4F)	( 207,184)		
Ending net position	<u>\$55,111,693</u>	<u>\$52,207,808</u>	1.8%

Overall, total revenue increased 16.6% in comparison to the prior year. The most significant changes in revenues are: 1) the increase in sales tax – specifically the Measure L add-on sales tax which will be used for road and drainage projects; 2) an increase in Planning activities and associated charges for services; and 3) an increase in grant revenue received for the Manzanita Bridge project.

Overall, total expenditures increased 3.0% in comparison to the prior year. The Special District increase in expenditures is due to the addition of the Wilder Community Facilities District. The most significant increase in expenditures was in General Government due to increase legal costs. Legal costs for FY 2013/14 were above budget and higher than actual costs for prior years. That significant cost increase was due to a number of factors. Most notably, the City Attorney was called on to provide much more assistance to the Planning Department than in recent years. That increased assistance involved advice

regarding the City's update of its Housing Element (as required by State law) as well as current planning applications (which increased in volume). Additionally, the City enlisted its attorneys in responding to an unusually high level of litigation issues, which included active litigation, threatened litigation, exposure to potential litigation, as well as negotiation, implementation, and modification of multiple settlement agreements. The City also found it needed legal assistance with several, unusually voluminous requests for public records. Also during this fiscal year, the City Attorney's hourly rates increased by approximately \$5/hour (approximately 2%), the first increase since 2009. Moreover, the City Attorney now attends all weekly Executive Team Meetings, whereas she previously attended every other meeting.

GASB requires municipalities to state their investment portfolio at market value and to report the amount of gain or loss that would be realized if the investments were to be sold on the last day of the fiscal year. The City's unrealized loss on investments was \$10,345 in Fiscal Year 2013/14. The City's policy, however, is to keep all investments until their maturity date, so the gain or loss should not be realized.

## **FINANCIAL ANALYSIS OF COMBINED FUNDS**

### **Governmental Funds**

Beginning in FY 2010/11, governmental entities were required to implement the provisions of GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement improves financial reporting by providing fund balance categories and classifications that are more easily understood. The fund balance classification approach in this statement requires governments to classify amounts consistently, regardless of fund type in which they are presented. The fund balance disclosures gives users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated.

The unassigned fund equity balances serve as a useful measure of the available resources when analyzing the City's governmental funds. "Assigned" funds are set aside by City Management for anticipated purposes. "Committed" funds are those set aside by Council action for specific purposes. The Council may, at any time, change the commitment of the funds if it so chooses. "Restricted" funds, on the other hand, are so categorized because authority to reassign the funds to other uses does not lie with the Council.

As of the fiscal year ended June 30, 2014, the City's governmental fund types (see pages 36 and 37) included combined ending fund balances of \$13,419,414 (\$11,450,830 in FY 2012/13). Of this balance, \$5,673,258 (\$4,140,864 in FY 2012/13) of these funds are "restricted", which means that they have been conditionally committed to specific programs by their sources. The General Fund includes \$119,037 restricted for Senior Housing and \$7,590,562 is unassigned (although it includes the funds set aside per the City's Reserve Policy) and may be committed at the discretion of the City Council or assigned by Management for specific use. The City Capital Projects Fund includes \$155,594 committed for the City's Drainage Master Plan project. The Community Facilities Maintenance Fund Balance and the Capital Projects Fund Balance are restricted for special projects.

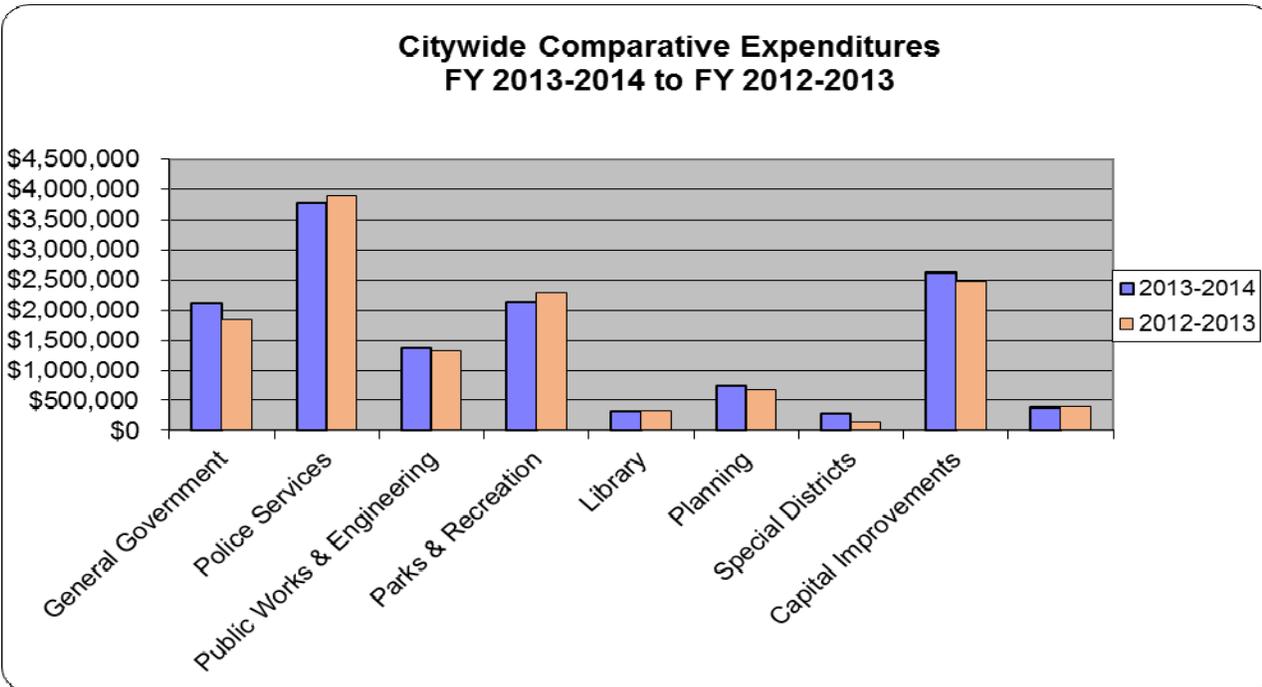
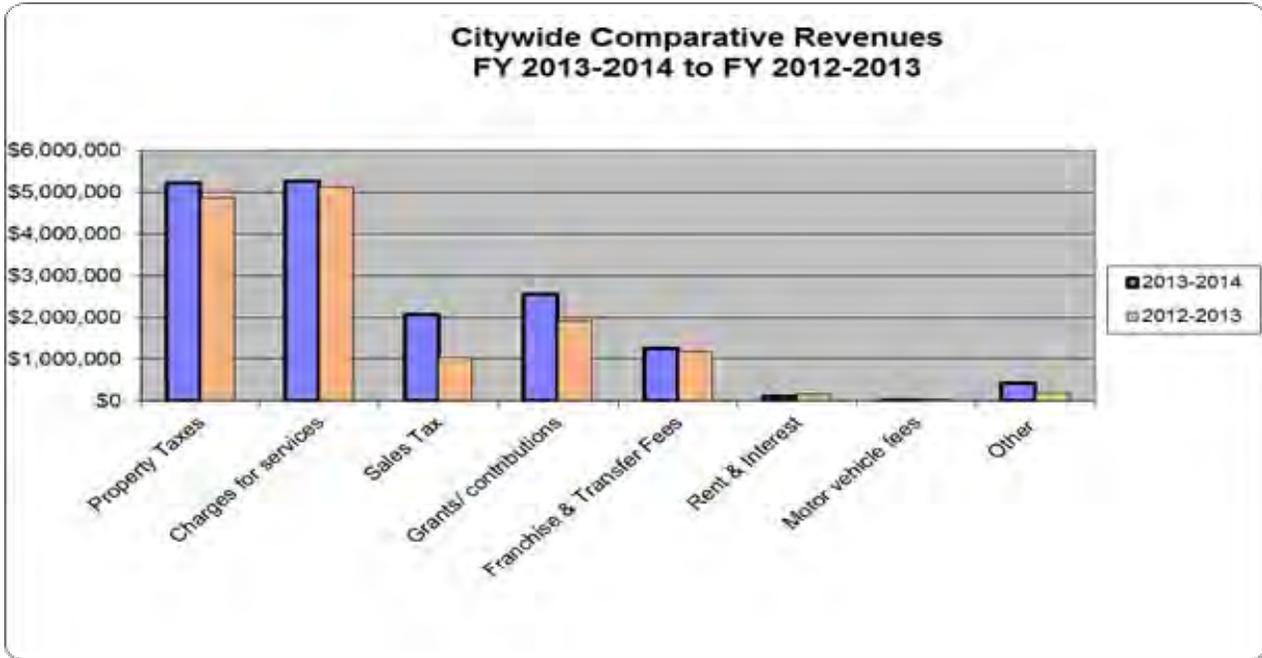
### **Capital Assets**

The City's capital assets as of June 30, 2014, totaled \$48,302,920 (\$47,394,972 in FY 2012/13), net of accumulated depreciation of \$63,825,278 (\$61,663,775 in FY 2012/13). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, and bridges. The capital assets summary can be found on page 59 of the notes to the financial statements.

Major capital asset additions during FY 2013/14 included:

- Glorietta Storm Drain Improvements \$2,162,552;
- El Toyonal Drain Improvements \$14,860;
- Moraga Way Pedestrian Path \$391,392.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for FY 2013/14.



## SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. Some funds are required to be established by State law. However, the City Council establishes other funds to help control and manage money for particular purposes (e.g. Capital Project Funds) or to meet the legal responsibilities for using certain taxes and federal or state grants.

1. *Governmental funds:* The governmental fund statements on pages 34 through 37 provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps determine what financial resources are available in the near future to finance the City's programs. The relationship between the *Statement of Net Position* and the *Statement of Activities* and governmental funds statement is reconciled on the far right of pages 35 and 37.
2. *Internal Service funds:* These funds make up the internal services part of primary governmental activities. Summary financial detail is provided on pages 38 through 41, as well as additional, more detailed information on page 106 and 107.

In order to even out demands on the General Fund from year to year, the City has chosen to use internal service funds to record purchases and related depreciation if applicable. The following are the current funds being used:

- a. *Information Systems:* On a planned basis, capital outlays are required to keep the City current with industry technology. The City operates five servers and approximately forty desktops. The City leases this equipment. The fund balance for the fund at FY 2013/14 year-end was \$136,016 (\$151,080 in FY 2012/13).
- b. *Building Maintenance:* Individual departments contribute to the maintenance, repair, and capital replacement of City Hall through annual contributions based on their square foot usage. The fund balance at FY 2013/14 year-end was \$201,521 (\$204,706 in FY 2012/13).
- c. *Vehicle Replacement:* The Police, Public Works and Engineering, Parks and Recreation, and Planning departments operate a number of vehicles to provide services to the residents of Orinda. Vehicles have varied life spans, depending on their use, and require replacement based on the specified useful life. Individual departments contribute to the fund annually based on estimated vehicle replacement costs. The fund balance at FY 2013/14 year-end was \$635,175 (\$618,284 in FY 2012/13).
- d. *Risk Management:* This fund was established to mitigate the effect of unfunded claims and litigation losses that would otherwise be paid from the General Fund, with \$512,000 as the desired fund reserve to be maintained. The Municipal Pooling Authority, a Joint Powers Authority that provides insurance for City operations (Police Services covered by Contra Costa County), does not cover all aspects of this risk and settlements can potentially be high per occurrence. The Council authorizes transfers from the General Fund to the Risk Management Fund as needed. The total fund balance at FY 2013/14 year-end was \$623,311 (\$724,926 in FY 2012/13).
- e. *Slope Emergency Stabilization Fund:* Orinda has within its boundaries many unstable slopes, any of which can unexpectedly give way through erosion and other earth-moving events. Due to the uncertainty of any given slope showing indications of failing, accurate annual

budgeting in the General Fund for such occurrences is not possible. The Slope Emergency Stabilization fund exists to mitigate the effect of unpredictable demands on funds to stabilize failing slopes. The fund balance at FY 2013/14 year-end was \$69,943 (\$68,062 in FY 2012/13). Funds were used in FY 2013/14 to help pay for the cost of emergency slope repairs on Tarabrook Drive. This fund, per the adopted budget, will receive a transfer of \$500,000 from the General Fund in FY 2014/15.

- f. **General Plan Update Fund:** The City's General Plan was adopted on May 20, 1987. In anticipation of an update, the City Council has put aside money in past years. The General Plan Update fund balance at FY 2013/14 year-end was \$358,688 (\$284,877 in FY 2012/13). This fund, per the adopted budget, will receive a transfer of \$100,000 from the General Fund in FY 2014/15.
3. **Fiduciary Funds:** The City is the trustee, or fiduciary, for the bond funds for the Oaksprings Assessment District 2003-1, and for performance bonds associated with development applications. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 42. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

## **STRENGTHS AND RISKS**

Over the years, the City has strived to improve the condition of its roads system by repairing streets most traveled (ie. arterials and collectors). In order to maintain this investment, the City utilizes revenues from gas tax, Contra Costa Transportation Authority sales tax, transportation impact fees, the City's General Fund (through the solid waste franchise fees) and Federal and State grants when available. This effort has brought the arterials to a Pavement Condition Index (PCI) of 78, which reflects they are in "good" condition. The collectors have a current PCI of 64, which reflects they are in "fair" condition. The residential roads have a current PCI of 34, which indicates they are in "poor" condition.

To address this issue, the City Council created a Council Roads Subcommittee in May 2011 to serve as a preliminary fact finding group working with the City's Citizens Infrastructure Oversight Commission (CIOC), the Finance Advisory Committee (FAC) and members of the public to gather options, develop facts and bring issues back to the Council for discussion and direction. The Roads Subcommittee working with staff, the CIOC, the FAC and the public, gathered information and community feedback related to roads expenditure history over 10 years, identified revenue options, developed a working timeline, communications plan and recommended alternatives. Based on this input, the City Council approved placing a sales tax measure on the November 2012 ballot and a bond measure on the June 2014 ballot. The sales tax measure was passed with a 69% approval by the residents. The City began receiving funds from the new tax measure in April 2013. At the Council's direction, 100% of the new revenue will be appropriated annually through the budget process to fund improvements to the City's road and drainage infrastructure. The June 2014 bond measure was passed with 75% approval by the residents. The measure authorizes the sale of \$20,000,000 in General Obligation bonds to fund additional improvements to the City's road and drainage infrastructure.

## **Budget**

A budget analysis of the General Fund, including original budget, amended budget, actual, and variance from amended budget is presented on page 69.

Direct revenues of \$11,827,554, not including accrual of unrealized gains/losses on investments, reflect a favorable variance of 0.4% (2.5% favorable in FY 2012/13) when compared to the amended budget. Direct expenses of \$10,228,203 reflect a favorable variance of 11.3% (0.7% favorable in FY 2012/13) when compared to the amended budget. The favorable expense variance is due mainly to savings in police services due to salary savings from vacant positions and the combining of road projects funded by the Measure L add-on sales tax in fiscal year 2014/15.

## **Economic Factors and Next Year's Budget**

The City of Orinda has recovered from the 2008 economic downturn. Property values are now slightly above their pre-recession levels and are expected to increase over 4% in FY 2014/2015. Revenue from development activity was up 16.7% over last year. It is expected to remain steady in FY 2014/2015 as new home building continues in the Wilder project area. The City maintains a conservative approach to budgeting revenues and expenditures. Management takes an active role in monitoring the application of the budget during the fiscal year to propose any necessary change to projected revenues as well as appropriated expenditures.

The City Council began adopting a biennial budget beginning with FY's ending 2010 and 2011 to promote a longer-term view for spending issues and revenue projections. The amended biennial budget for FY 2014/15 is comprised of General Fund revenue of \$11.3 million. Based on the increased property and sales tax revenue received in FY 2013/2014, General Fund revenues in FY 2014/2015 are expected to exceed budget projections. General Fund expenses for FY 2014/2015 are expected to also be above budget projections due to additional Planning costs incurred as a result of increased development activity and increased road and drainage projects that were deferred from FY 2013/2014. A mid-year budget review reflecting updated projections for FY 2014/2015 will be presented to Council in February 2015 in order to maintain a positive budget balance at year end.

The revenue and expenses for other governmental funds remains essentially the same as last fiscal year. The City anticipates selling a portion of the \$20,000,000 voter approved general obligation bonds in March 2015. The bond proceeds will be spent in the summer of 2015 on road and drainage projects.

## **Request for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or request for addition financial information should be directed to:

City of Orinda Finance Department  
22 Orinda Way  
Orinda, CA 94563  
(925) 253-4220

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## **Basic Financial Statements**

CITY OF ORINDA  
Statement of Net Position  
June 30, 2014

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 11,322,522
Investments	2,658,053
Restricted assets - investments	119,037
Accounts receivable	2,062,469
Accrued interest receivable	9,808
Prepaid items and deposits	100,695
Due from other agencies	<u>677,532</u>
Total current assets	<u>16,950,116</u>
Noncurrent Assets:	
Capital assets not being depreciated:	
Park land and improvements	1,295,205
Work in progress	6,077,691
Capital assets, net of accumulated depreciation:	
Buildings, grounds and improvements	21,096,051
Furniture and equipment	369,116
Infrastructure	<u>19,464,857</u>
Total noncurrent assets	<u>48,302,920</u>
Total assets	<u>65,253,036</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable and accrued liabilities	1,119,919
Unearned revenue	408,890
Current portion of COP payable	250,000
Current portion of accrued compensated absences	56,892
Due to other agencies	51
Planning and engineering deposits	<u>48,025</u>
Total current liabilities	<u>1,883,777</u>
Noncurrent liabilities:	
Long term portion of COP payable	8,030,000
Accrued compensated absences	<u>227,566</u>
Total noncurrent liabilities	<u>8,257,566</u>
Total liabilities	<u>10,141,343</u>
<u>NET POSITION</u>	
Net investment in capital assets	40,022,920
Restricted for:	
Senior housing	119,037
Internal service	864,939
Capital projects	296,040
Special revenue	3,779,066
Community facilities maintenance	1,634,709
Unrestricted	<u>8,394,982</u>
Total net position	<u>\$ 55,111,693</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Activities  
June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
				Governmental Activities
<b>Primary Government</b>				
<i>Governmental Activities:</i>				
General government	\$ 2,125,066	42,302	\$ -	\$ (2,082,764)
Police services	3,777,584	136,247	117,710	(3,523,627)
Public works and engineering	1,367,960	449,026	-	(918,934)
Parks and recreation	2,140,303	1,782,394	-	(357,909)
Library operations	324,230	306,735	-	(17,495)
Planning	746,236	980,002	-	233,766
Special districts	278,506	277,554	-	(952)
Streets, highways, and storm drains	2,629,533	1,283,644	818,563	1,088,522
Interest on bonds payable	379,260	-	-	(379,260)
Other	-	-	-	-
Total primary government	<u>\$ 13,768,678</u>	<u>\$ 5,257,904</u>	<u>\$ 936,273</u>	<u>\$ 1,615,848</u>

General revenues:

Property taxes	5,227,355
Sales taxes	2,071,438
Franchise taxes	1,009,114
Transfer tax	235,119
Motor vehicle license fees	7,605
Interest income	117,578
Unrealized gain (loss) on investments	(10,345)
Miscellaneous	411,858
	<u>9,069,722</u>
Change in net position	3,111,069
Net position - beginning	52,207,808
Change in accounting principle (see Note 4F)	(207,184)
Net position - beginning, as restated	52,000,624
Net position - ending	<u>\$ 55,111,693</u>

The accompanying notes are an integral part of these financial statements.

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City of Orinda  
MAJOR FUNDS

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Fund	Description
Governmental Funds:	
General	Primary operating fund of the City; accounts for all activities except those legally or administratively required to be accounted for in other funds.
City Capital Projects Fund	Accounts for activities related to the City's major capital projects.
Federal Grants Fund	Accounts for federal grant revenues and associated eligible project costs.
Community Facilities Maintenance	Accounts for the one-time contribution made by the Orinda Gateway LLC for the purpose of funding the operations and maintenance of the Wilder Community Facilities.

CITY OF ORINDA  
Balance Sheet  
Governmental Funds  
June 30, 2014

	Major Funds				
	General Fund	City Capital Projects Fund	Federal Grants Fund	Community Facilities Maintenance	Other Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 5,274,873	\$ 225,818	\$ -	\$ 1,634,088	\$ 3,186,703
Investments	2,658,053	-	-	-	-
Accounts receivable	996,072	-	162,923	-	899,142
Accrued interest receivable	7,363	-	-	621	1,116
Prepaid items and deposits	95,706	-	-	-	4,104
Due from other agencies	-	-	677,532	-	-
Total unrestricted assets	<u>9,032,067</u>	<u>225,818</u>	<u>840,455</u>	<u>1,634,709</u>	<u>4,091,065</u>
Restricted assets:					
Cash deposits	-	-	-	-	-
Investments	119,037	-	-	-	-
Total restricted assets	<u>119,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 9,151,104</u>	<u>\$ 225,818</u>	<u>\$ 840,455</u>	<u>\$ 1,634,709</u>	<u>\$ 4,091,065</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Accounts payable and accrued liabilities	\$ 700,132	\$ 70,224	\$ 149,620	\$ -	\$ 180,518
Accrued administrative leave	284,458	-	-	-	-
Deferred revenue	408,890	-	-	-	-
Due to other agencies	-	-	-	-	51
Due to other funds	-	-	690,835	-	131,430
Planning and engineering deposits	48,025	-	-	-	-
Total liabilities	<u>1,441,505</u>	<u>70,224</u>	<u>840,455</u>	<u>-</u>	<u>311,999</u>
Fund balances					
Restricted	119,037	-	-	1,634,709	3,779,066
Committed	-	155,594	-	-	-
Assigned	-	-	-	-	-
Unassigned*	7,590,562	-	-	-	-
Total fund balances	<u>7,709,599</u>	<u>155,594</u>	<u>-</u>	<u>1,634,709</u>	<u>3,779,066</u>
Total liabilities and fund balances	<u>\$ 9,151,104</u>	<u>\$ 225,818</u>	<u>\$ 840,455</u>	<u>\$ 1,634,709</u>	<u>\$ 4,091,065</u>

\* - Includes \$5,000,000 minimum reserve as required by City policy

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Balance Sheet  
Governmental Funds  
June 30, 2014

<u>Capital Projects Funds</u>	<u>Total</u>			
\$ 140,393	\$ 10,461,875	<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
-	2,658,053			
4,332	2,062,469			
53	9,153			
-	99,810			
-	677,532			
<u>144,778</u>	<u>15,968,892</u>			
			Total fund balances per Governmental Funds Balance Sheet	\$ 13,419,414
-	-			
<u>-</u>	<u>119,037</u>			
		Capital assets expended for "governmental fund" activities, but capitalized as capital assets in the Statement of Net Position, less accumulated depreciation	47,947,625	
		Internal service fund equity (including \$355,295 in capital assets)	2,024,654	
\$ -	\$ 1,100,494	Proceeds from bond issuance	(9,800,000)	
-	284,458	Principal reduction applied to liability	<u>1,520,000</u>	
-	408,890			
-	51			
4,332	826,597			
-	48,025	Total net position per Statement of Net Position	<u>\$ 55,111,693</u>	
<u>4,332</u>	<u>2,668,515</u>			
140,446	5,673,258			
-	155,594			
-	-			
-	7,590,562			
<u>140,446</u>	<u>13,419,414</u>			
<u>\$ 144,778</u>	<u>\$ 16,087,929</u>			

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

	Major Funds				
	General Fund	City Capital Projects Fund	Federal Grants Fund	Community Facilities Maintenance	Nonmajor Special Revenue Funds
<b>Revenues</b>					
Taxes					
Property tax and assessments	\$ 5,192,626	\$ -	\$ -	\$ -	\$ 584,289
Sales tax	2,071,438	-	-	-	-
Franchise tax	1,009,114	-	-	-	-
Property transfer tax	235,119	-	-	-	-
Rent and interest	132,627	-	-	6,788	10,934
Recreation fees					
Recreation class fees	1,094,004	-	-	-	-
OYA sports fees	288,340	-	-	-	-
Wagner Ranch sports fees	50,407	-	-	-	-
Sports field rentals	258,137	-	-	-	-
Other	91,506	-	-	-	-
Service fees					
Vehicle fees and parking fines	111,785	-	-	-	-
NPDES	-	-	-	-	318,222
Building inspection	494,302	-	-	-	-
Planning	485,700	-	-	-	-
Public works and engineering	130,804	-	-	-	-
Police	24,462	-	-	-	-
Other agencies					
Federal	-	-	1,607,617	-	-
State and local	-	-	-	-	110,011
Gasoline taxes	-	-	-	-	566,412
Homeowners tax reimbursement	34,729	-	-	-	-
Vehicle licenses fees	7,605	-	-	-	-
Vehicle abatement	7,699	-	-	-	-
CCTA return to source	-	-	-	-	818,563
Development impact fees	-	-	-	-	717,232
Miscellaneous	127,840	273,227	-	-	-
Unrealized gain (loss) on investments	(10,345)	-	-	-	-
Total revenues	<u>11,837,899</u>	<u>273,227</u>	<u>1,607,617</u>	<u>6,788</u>	<u>3,125,663</u>
<b>Expenditures</b>					
Current:					
City management	452,878	-	-	-	-
City attorney	506,781	-	-	-	-
City clerk	212,727	-	-	-	-
Administrative services	305,081	-	-	-	429,646
Parks and recreation	2,149,519	-	-	7,390	-
Public works and engineering	1,402,895	-	-	-	-
Police services	3,783,388	-	-	-	-
Planning	795,674	-	-	-	-
Capital improvements	-	-	-	-	126,850
Lighting and landscaping district	-	-	-	-	378,606
Library operations	-	-	-	-	324,230
Drainage Improvements	-	-	-	-	2,268
Capital outlay:					
Transportation infrastructure improvements	-	1,487,614	1,607,617	-	278,768
Debt Service:					
Interest	379,260	-	-	-	-
Principal payments on bonds	240,000	-	-	-	-
Total expenditures	<u>10,228,203</u>	<u>1,487,614</u>	<u>1,607,617</u>	<u>7,390</u>	<u>1,540,368</u>
Excess (deficiency) of revenues over expenditures	<u>1,609,696</u>	<u>(1,214,387)</u>	<u>-</u>	<u>(602)</u>	<u>1,585,295</u>
Other financing sources (uses)					
Transfers in	184,000	1,369,981	-	-	113,227
Transfers out	(1,595,208)	-	-	-	(84,000)
Total other financing sources (uses)	<u>(1,411,208)</u>	<u>1,369,981</u>	<u>-</u>	<u>-</u>	<u>29,227</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	198,488	155,594	-	(602)	1,614,522
Fund balance - beginning of year	<u>7,511,111</u>	<u>-</u>	<u>-</u>	<u>1,635,311</u>	<u>2,164,544</u>
Fund balance - end of year	<u>\$ 7,709,599</u>	<u>\$ 155,594</u>	<u>\$ -</u>	<u>\$ 1,634,709</u>	<u>\$ 3,779,066</u>

The accompanying notes are an integral part of these financial statements.



CITY OF ORINDA  
Statement of Net Position  
Internal Service Funds  
June 30, 2014

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ASSETS

Cash and cash equivalents	\$ 1,687,244
Interest receivable	655
Prepaid expenses	885
Property and equipment, net of accumulated depreciation	<u>355,295</u>
Total assets	<u>\$ 2,044,079</u>

LIABILITIES AND NET POSITION

Accounts payable and accrued liabilities	<u>\$ 19,425</u>
Total liabilities	<u>19,425</u>
Net Position	
Investment in capital assets	355,295
Restricted	864,939
Unrestricted	<u>804,420</u>
Total net position	<u>2,024,654</u>
Total liabilities and net position	<u>\$ 2,044,079</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Internal Service Funds  
For the Year Ended June 30, 2014

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Operating revenues	
Charges to operating departments	\$ 330,784
Total operating revenues	<u>330,784</u>
Operating expenses	
Depreciation	82,325
Administration and general	235,618
Insurance	16,521
Other	<u>55,341</u>
Total operating expenses	<u>389,805</u>
Operating loss	<u>(59,021)</u>
Non-operating revenues (expenses)	
Interest	8,949
Disposal of fixed assets	<u>10,791</u>
Total non-operating revenue	<u>19,740</u>
Income before contributions and transfers	(39,281)
Transfers out	(500,000)
Transfers in	<u>512,000</u>
Change in net position	(27,281)
Total net position - beginning	<u>2,051,935</u>
Total net position - ending	<u><u>\$ 2,024,654</u></u>

The accompanying notes are an integral part of these financial statements.

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CITY OF ORINDA  
Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2014

Cash flows from operating activities	
Operating revenue	\$ 330,784
Operating expenses	<u>(331,998)</u>
Net cash provided by (used in) operating activities	<u>(1,214)</u>
Cash flows from noncapital financing activities	
Transfers from other funds, net	<u>12,000</u>
Net cash provided by noncapital and related financing activities	<u>12,000</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	(62,275)
Disposal of fixed assets	<u>10,791</u>
Net cash used by capital and related financing activities	<u>(51,484)</u>
Cash flows from investing activities	
Interest received	<u>10,499</u>
Net cash provided by investing activities	<u>10,499</u>
Net increase (decrease) in cash and cash equivalents	(30,199)
Cash and cash equivalents	
Beginning of year	<u>1,717,443</u>
End of year (statement 5)	<u>\$ 1,687,244</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ (59,021)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	82,325
Increase in prepaid assets	885
Decrease in accounts payable and accrued liabilities	<u>(25,403)</u>
Net cash provided by (used in) operating activities	<u>\$ (1,214)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Net Position  
Fiduciary Funds  
June 30, 2014

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	<u>Total Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 3,176,882
Accounts receivable	246,901
Interest receivable	<u>277</u>
Total assets	<u>\$ 3,424,060</u>
 <u>LIABILITIES</u>	
Accounts payable and accrued expenses	\$ 95,824
Deposits	2,568,932
Due to bond holders - reserve fund	332,572
Due to bond holders - debt service	<u>426,732</u>
Total liabilities	<u>\$ 3,424,060</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Notes to Basic Financial Statements  
June 30, 2014  
Index

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Financial Reporting Entity
- B. Basis of Presentation
- C. Measurement Focus and Basis of Accounting
- D. Assets, Liabilities, and Equity
- E. Revenues, Expenditures, and Expenses
- F. Budgetary Accounting

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- A. Fund Accounting Requirements
- B. Deposits and Investments Laws and Regulations
- C. Revenue Restrictions
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- A. Cash and Investments
- B. Accounts Receivable
- C. Capital Assets
- D. Accounts Payable
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- G. Accrued Compensated Absences

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- A. Retirement Plans
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- D. Wilder Project
- E. New Accounting Pronouncements
- F. Subsequent Events

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Orinda have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as it applies to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**1. A. Financial Reporting Entity**

The financial statements of the City of Orinda (the "City") include all the City's financial activities over which the City Council exercises oversight responsibility. Oversight responsibility is determined on the basis of budget adoption, taxing authority, funding and appointment of the governing board (i.e., - all funds and entities for which the City Council is financially accountable).

**1. B. Basis of Presentation**

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, debt issuance and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for services. *The City has no business-type activities as of June 30, 2014.*

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary (business type), and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered *major* if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

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The funds of the financial reporting entity are described below:

**Governmental funds**

*General Fund*

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. Most Special Revenue Funds of the City are categorized as “Nonmajor Special Revenue Funds” since they do not meet the criteria individually as a major fund. In 2014, the Community Facilities Maintenance special revenue fund, which accounts for a one-time contribution made by the Orinda Gateway LLC for the purpose of funding the operations and maintenance of the Wilder Community Facilities, is considered major due to a large cash balance.

*Capital Project Funds*

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes four Capital Project Funds which are used to account for the acquisition of capital assets with transfers made from the General Fund and other fund sources. Two of the capital projects funds are considered major for the fiscal year ended June 30, 2014.

**Proprietary funds**

*Internal Service Fund*

The internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City, on a cost reimbursement basis. Under GASB 34 this fund is now rolled into the governmental activities for the government-wide statements of net position and activities. The City uses these funds to account for the costs associated with information systems, building maintenance, vehicle replacement, risk management, slope emergency stabilization, and the general plan.

*Enterprise (Business-Type) Fund*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. *The City has no enterprise funds.*

**Fiduciary funds (not included in government-wide statements)**

*Agency Funds*

Agency funds account for assets held by the City in a purely custodial capacity. Since agency funds are custodial in nature, they do not involve the measurement of the results of operations. The City includes two agency funds as follows:

- Planning and Engineering Deposits - \$2,664,756

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

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- Oaksprings Assessment District - \$759,304

The Oaksprings Assessment District was established to collect assessments and pay the holders of the debt instruments as payments become due. The Oaksprings AD bonds were refinanced in 2004. These bonds are not the debt of the City. As such, the amounts are not included in the governmental funds of the City.

### Major and non-major funds

The funds are further classified as major or non-major as shown on pages 34 – 37 as follows:

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
General Fund	Primary operating Fund of the City
City Capital Project Fund	Accounts for transfers from the General Fund and expenditures related to infrastructure improvements
Federal Grants Fund	Accounts for grant revenues received and the expenditures of Federal grant monies
Community Facilities Maintenance	Accounts for investment earnings and the costs associated with the operations and maintenance of the Wilder Community Facilities
<i>Non-major:</i>	
Special Revenue Funds:	Used to account for proceeds of specific sources that are restricted for expenditures for specific purposes
Capital Projects Funds	Accounts for specific capital improvements

### 1. C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

#### Measurement focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “*current financial resources*” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “*current financial resources*” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

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- b. The proprietary fund (business-type) utilizes an “*economic resources*” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position. *The City has 6 internal service funds (see pages 106 and 107) which are included in the Government-wide Statements. The City has no enterprise funds.*
  
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of accounting**

*Government-Wide Financial Statements*

These basic financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- ❖ Charges for services
- ❖ Operating grants and contributions
- ❖ Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Position, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities would not be eliminated. The following interfund activities have been eliminated:

- ❖ Due to/from other funds
- ❖ Advances to/from other funds
- ❖ Transfers in/out

The City applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

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Governmental Fund Financial Statements

Governmental fund financial statements included a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis for accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to modified accrual are recognized when due. The primary revenue sources accrued by the City are property tax, sales tax, franchise taxes, special assessments, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

#### **1. D. Assets, Liabilities, and Equity**

##### **Cash and investments**

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all cash accounts, savings accounts, certificates of deposits of the City, and the investment in the State of California fund called the “Local Agency Investment Fund (LAIF)” which is available for immediate withdrawal. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, investment in LAIF, and certificates of deposit or short-term investments with an original maturity of three months or less. Restricted cash is not considered a cash equivalent.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

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**Interfund receivables and payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to/from other funds”. Short-term interfund loans are reported as “interfund receivables and payables”. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3.E for details of interfund transactions, including receivables and payables at year-end. All interfund receivables, payables or due to/from amounts netted to zero at June 30, 2014.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances in the government-wide and fund receivable balances in the fund financial statements are substantially the same for the City.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, transfer tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

*Government-wide Statements*

**Capital assets**

In the government-wide financial statements, the term fixed assets has been replaced by the term capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets for which cost was not available.

Prior to July 1, 2002, governmental funds’ infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

<u>Type</u>	<u>Useful Life (years)</u>
Land, easements, and right of way	N/A
Building, grounds and improvements	10-39
Infrastructure	15-80
Equipment and furniture	3-15

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

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The City policy has set the capitalization threshold for reporting capital assets at \$5,000 and estimated useful lives in excess of three years, for general capital assets.

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Restricted assets**

Restricted assets include cash and investments that are *legally restricted* as to their use.

In July 2006, the City received \$2,500,000 in connection with the developer agreement of the Wilder development. The \$2,500,000 was restricted for the purpose of construction of affordable housing at the site of the former library. In December 2012, the City transferred property (the former library site) to the developer, releasing \$2.3 million of the construction restriction. The remaining \$200,000 was restricted for certain City costs related to affordable housing. In fiscal year 2014, \$80,963 was used for costs associated with monitoring the project. The remaining restricted balance at June 30, 2014 is \$119,037.

**Long-term debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the governmental-wide fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of a Certificate of Participation payable (COP).

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for a proprietary fund is the same in the fund statements as it is in the government-wide statements.

**Compensated absences**

The City's policies regarding paid time off permit employees to accumulate earned but unused general leave. The liability for these compensated absences is recorded as noncurrent liabilities in the government-wide statements.

**Equity classifications**

*Government-wide Statements*

Equity is classified as net position and displayed in three components:

- a. *Invested in capital assets, net of related debt*—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

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bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. *Restricted net position*—Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position*—All other portions of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

#### *Fund Balance Reporting*

Under GASB Statement No. 54, Fund Balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City Council, as the highest level of decision-making authority of the City, has the power to commit and rescind the commitment of fund balances through resolutions. The Council has designated certain members of management staff to assign fund balances. Those staff members can assign fund balances when the City intends to use those funds for specific projects/purposes. These captions apply only to Fund Balance classifications:

- *Nonspendable fund balance* are those amounts that cannot be spent because they are either not spendable form, or are legally or contractually required to be maintained intact.
- *Restricted fund balances* are those amounts that should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balances* are those amounts that cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- *Assigned fund balances* are those amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements.
- *Unassigned fund balances* are those residual funds that have not been assigned to other funds, are not nonspendable, restricted, committed, or assigned to specific purposes. The general fund should be the only fund that reports a positive unassigned fund balance amount.

It is the policy of the City to spend funds in order from restricted to unassigned, as listed above.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

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**1. E. Revenues, Expenditures, and Expenses**

**Property tax and assessments**

State of California ("State") Constitution Article XIII provides for a maximum general property tax rate statewide of \$1.00 per \$100 of assessed value. Assessed value is calculated at 100% of market value as defined by Article XIII. The State Legislature has determined the method of distribution of receipts from the \$1.00 levy among the counties, cities, school districts and other districts. Counties, cities and school districts may levy such additional tax rate as is necessary to provide for voter approved debt service. The county uses the following calendar to assess properties, and to bill for, collect, and distribute property taxes.

	<u>Secured</u>	<u>Unsecured</u>
Lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 April 10	August 31

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. Secured taxes are secured by liens on the property being taxed.

The City is part of the Teeter Plan. The Teeter Plan allows California counties to finance property tax receipts for local agencies by borrowing money to advance cash to each taxing jurisdiction (including the city) in an amount equal to the current year's delinquent property taxes. In exchange, the counties receive the penalties and interest on the delinquent taxes when collected.

**Sales tax**

The State presently levies a 9.25% sales tax (as of April 1, 2013) on taxable sales within the City of which 1.5% is allocated to the City. The sales tax is collected by the State and remitted to the City in the month following receipt. The State makes advances based on estimates with quarterly settlements since the City receives the sales tax approximately one to three months after collection by vendors. Sales taxes collected by the State in June and July (which represent sales for May and June) and received by the City in July and August have been accrued and are included under the caption "Accounts Receivable". The 9.25% sales tax includes some transportation funds which are allocated to the City pursuant to street/pavement needs as approved by the Contra Costa Transportation Authority (CCTA). It also includes a 0.50% add-on tax approved by the Orinda voters in November 2012. The add-on tax sunsets in 2023.

**Proprietary Funds**

Proprietary funds recognize operating revenues and expenses separately from nonoperating items. The internal service funds are the City's only proprietary funds, and include charges to the City's other funds for services as operating revenue. Operating expenses include items such as depreciation on capital assets, administrative expenses, and insurance as operating expenses. All other revenues and expenses not meeting these definitions are reported as nonoperating items.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

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**Other revenues**

Other revenues as realized by the City include recreation fees, planning fees, public works/engineering fees, franchise taxes, property transfer taxes, vehicle license fees and vehicle and parking fines.

**Expenditures / expenses**

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds—By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

**Interfund transfers**

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, which consists of consolidated governmental funds, all interfund transfers between individual governmental funds have been eliminated.

**1. F. Budgetary Accounting**

In accordance with the state code, the City of Orinda prepares a biennial budget for City government operations that begins with a July 1 fiscal year. This budget is prepared on a modified accrual basis. In developing the biennial budget, City departments analyzed existing service levels and potential services in light of the strategic priorities and financial constraints and modified their proposed budgets accordingly. The City's operating budget summarizes planned expenditures and revenues for all City departments and programs. The detail is structured to summarize each department's costs by: type, division and funding sources.

The biennial budget process sets forth planned expenditures and revenues for two consecutive fiscal years. Year 1 and 2 expenditure and revenue plans are presented to Council in a single document. At the conclusion of the biennial budget review and deliberation process, Year 1 of the biennial budget is approved and appropriated by Council, which sets the level of authorized funding for the fiscal year.

The Year 2 budget is also approved but is subject to mid-cycle review and appropriation action in the following year. Funds not expended in Year 1 do not automatically roll into Year 2. During the mid-cycle review, staff proposes changes (if any). At that time, Council will consider the proposed changes and recommendations. At the conclusion of the deliberations, the Council will approve and appropriate funds for Year 2 of the budget.

In addition to the annual budget process, the Council reviews expenditures and revenues at the mid-year and makes changes as needed.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2. A. Fund Accounting Requirements**

The City complies with all federal, state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<u>Fund</u>	<u>Required By</u>
Gas tax	State law - included in "Special Revenue"
Transportation impact	Local ordinance – included in “Special Revenue”
Drainage impact	Local ordinance – included in “Special Revenue”
Library	Local ordinance – included in “Special Revenue”
Park dedication	Local ordinance – included in “Special Revenue”
Tree mitigation	Local ordinance – included in “Special Revenue”
CCTA (Measure J)	County proposition - included in “Special Revenue”
SLESF (AB 3229)	State law – included in “Special Revenue”
Stormwater (NPDES)	State law – included in “Special Revenue”
Light and landscaping districts	Local ordinance – included in “Special Revenue”
Wilder Community Facilities District	Local ordinance – included in “Special Revenue”
Recycling	State law – included in “Special Revenue”

**2. B. Deposits and Investments Laws and Regulations**

The City’s policy, as well as the California Government Code, requires that a financial institution secure deposits by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law requires financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits, and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (the “FDIC”). It is the City’s practice not to waive the collateral requirements.

**2. C. Revenue Restrictions**

The City has various restrictions placed over certain revenue sources by state or local agencies. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gasoline tax	Street purposes
CCTA tax (part of sales tax)	Street purposes
Assessment districts	Lighting, landscaping, and community facilities
Developmental impact fees	Transportation, drainage and park capital projects
Library assessment	Library service supplement
Supplemental law enforcement	Police
Tree mitigation	Tree replacement
Stormwater	Pollution control
Grants	Federal or State projects
Recycling	Recycle efforts

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

For the year ended June 30, 2014, the City complied, in all material respects, with these revenue restrictions.

**2. D. Debt Restrictions and Covenants**

**Certificate of Participation**

In September of 2005 Certificates of Participation relating to the City Offices Project totaling \$9,800,000 were issued pursuant to Resolution No. 50-05 which approved lease financing of the new city offices.

Lease payments are to be paid pursuant to a site lease between the City and the Orinda Facilities Financing Corporation (Corporation), which was formed under laws of the State of California for the purpose of providing financial assistance to the City in financing the acquisition, construction and improvement of public buildings, equipment and facilities.

The City entered into a lease with the Corporation (site lease) and agreed to leaseback the new City offices site (facilities lease) after the completion of the City offices. At the end of the lease in 2035, the offices will belong to the City, thus, the offices are assets of the City as a “lease-purchase”. Additional information can be found at 3. F. Long-Term Debt.

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**3. A. Cash and Investments**

The City had the following cash and investments at June 30, 2014:

<b><u>Cash and Cash Equivalents:</u></b>		<b><u>Moody Rating</u></b>
Cash deposits in bank checking accounts	\$ 1,202,989	N/A
Investment account cash	1,020,434	N/A
Petty Cash	630	N/A
Local Agency Investment Fund - State of California	<u>12,275,351</u>	N/A
<b>Total Cash and Cash Equivalents</b>	<b><u>14,499,404</u></b>	
<b><u>Investments</u></b>		
Investment in CDs maturing November 2014 to May 2017	<u>2,777,090</u>	
<b>Total Investments</b>	<b><u>2,777,090</u></b>	
<b>Total Cash and Investments</b>	<b><u>\$ 17,276,494</u></b>	

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

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**Reconciliation to Financial Statements:**

*Governmental Funds Balance Sheet (Statement 3):*

Cash and cash equivalents	\$ 10,461,875
Negative cash balances reclassified as 'due to other funds'	(826,597)
Investments	2,658,053
Cash and investments – restricted	<u>119,037</u>
	12,412,368

*Internal Service Funds (Statement 5)*

Cash and cash equivalents	1,687,244
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*Fiduciary Funds (Statement 8)*

Cash and cash equivalents	<u>3,176,882</u>
Total cash and investments	<u>\$ 17,276,494</u>

*Statement 1:*

Cash and cash equivalents	\$ 11,322,522
Investments	2,658,053
Restricted – cash and investments	<u>119,037</u>
	14,099,612

*Statement 8:*

Fiduciary Funds – cash and cash equivalents	<u>3,176,882</u>
	<u>\$ 17,276,494</u>

The City's investments with the Local Agency Investment Fund (LAIF) at June 30, 2014, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

*Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.*

*Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.*

As of June 30, 2014, the City had \$12,275,351 invested in LAIF, which had invested 1.86% of the pooled investment fund in structured notes and asset-backed securities.

At June 30, 2014, the book amount of the City's deposits were \$1,202,989; however, bank balances before outstanding checks were \$1,674,434 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed in the following.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on a quarterly basis to the various funds based on average daily cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The City maintains a cash deposit and investment pool that is available for use by all funds. It is not used for the deferred compensation plans.

The City is authorized to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper with certain minimum ratings, certificates of deposit, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool (Local Agency Investment Fund).

City Investment Policy

The City is authorized by State statutes and in accordance with the City's investment Policy (reviewed annually, last updated May 6, 2014) to invest in the following:

	Maximum Limit of Pool
Securities of the U.S. Government, or its agencies	100%
Certificates of Deposit (of Time Deposits) placed with commercial banks and/or savings and loan companies not to exceed the maximum allowed by FDIC per institution.	100%
Local Agency Investment Fund (State Pool) Demand Deposits	100%
Passbook Savings Account Demand Deposits not to exceed the maximum allowed by FDIC per institution.	100%
Shares of beneficial interest issued by Diversified Management Companies (Mutual funds). No more than 10% in any one mutual fund.	20%
Money Market Demand Accounts	100%
Banker Acceptances, maximum of 180 days (maximum 30% of pool with 1 agency).	40%
Commercial Paper, maximum 270 days of Prime Quality (not more than 10% of outstanding paper of an issuing corporation).	25%
Medium-term corporate notes	30%

California Government Code also allows investments in the following media:

	Maximum Limit of Pool
Repurchase Agreements and Reverse Repurchase Agreements	10%
Negotiable Certificates of Deposit	10%
Bonds issued by local agencies	10%
State warrants, treasury notes, and bonds	10%
Mortgage securities	5%

The City's criteria for selecting investments are, in order of priority: (1) Safety, (2) Liquidity, and (3) Yield. All applicable investments are required to have an AA rating or higher. The City's investments comply with established policy.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

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Investment income shall accrue solely to the General Fund except where required by law, in which case interest shall accrue to other funds based upon the fund's proportionate ratio of balances to total pooled cash. Investment income shall not be credited to individual reserve accounts, except where required by law.

The City portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates have risen, the portfolio value will have declined. If interest rates have fallen, the portfolio value will have risen.

In accordance with GASB Statement No. 31, the portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. The City's policy is to buy and hold investments until their maturity dates.

### 3. B. Accounts Receivable

Accounts receivable for the governmental activities consist of various reimbursements, taxes and fees dated June 30 and prior received subsequent to June 30, 2014. They include:

CCTA	\$	591,881
Assessments		222,602
State of California		151,417
Municipal Pooling Authority		130,071
Comcast - Franchise Fees		92,750
Miscellaneous under \$70,000		1,025,165
Allowance for Bad Debts		<u>(151,417)</u>
	\$	<u>2,062,469</u>

The City annually submits, to the State of California, a request for reimbursement for various mandated costs. Due to budget constraints, the State has suspended or delayed many of the reimbursements to local agencies. As of June 30, 2014, the total amount of unpaid reimbursements due to the City of Orinda is \$435,637. This amount includes reimbursement requests for fiscal years 1994/95 through 2011/12. Included in the fiscal year 2014/15 State budget is an appropriation to reimburse amounts owed to local governments *if State revenues exceed forecasts*. Because of the uncertainty of the amount and the timing of possible payments from the State, the City does not show mandated cost reimbursements as accounts receivable.

The City has reasonable assurance that all receivables will be collected with the exception of the amount due from the State of California Office of Emergency Services (\$151,517) for costs incurred in 2007 for emergency operations as a result of storm damage. An allowance for bad debts has been established in the event this amount is uncollectible.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

**3. C. Capital Assets**

Capital asset activity for the year ended June 30, 2014, was as follows (including General Fund assets and Internal Service Fund capital assets):

	Balance July 1, 2013	Additions	Disposals	Transfers	Balance June 30, 2014
<u>Capital assets not being depreciated</u>					
Parkland & improvements	\$ 1,295,205	\$ -	\$ -	\$ -	\$ 1,295,205
Work in progress	5,115,971	3,530,524	-	(2,568,804)	6,077,691
Total capital assets not being depreciated	6,411,176	3,530,524	-	(2,568,804)	7,372,896
<u>Capital assets being depreciated</u>					
Buildings, grounds & improvements	29,035,638	-	(45,055)	-	28,990,583
Furniture & equipment	2,498,866	106,131	(522,149)	-	2,082,848
Infrastructure	71,113,067	-	-	2,568,804	73,681,871
Total capital assets being depreciated	102,647,571	106,131	(567,204)	2,568,804	104,755,302
<u>Accumulated depreciation</u>					
Buildings, grounds & improvements	7,182,476	725,380	(13,324)	-	7,894,532
Furniture & equipment	2,132,518	89,470	(508,256)	-	1,713,732
Infrastructure	52,348,781	1,868,233	-	-	54,217,014
Total accumulated depreciation	61,663,775	2,683,083	(521,580)	-	63,825,278
Net capital assets being depreciated	40,983,796	(2,576,952)	(45,624)	2,568,804	40,930,024
Total net capital assets	\$ 47,394,972	\$ 953,572	\$ (45,624)	\$ -	\$ 48,302,920

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental activities:	
General government	\$ 321,767
Public safety	3,237
Highways and streets	1,869,806
Culture and recreation	405,948
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	82,325
Total depreciation expense – governmental activities	<u>\$ 2,683,083</u>

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

**3. D. Accounts Payable**

Accounts payable in the governmental funds are composed of payables to various vendors during the normal course of business. At June 30, 2014, the most significant general fund payable was the payable to the Contra Costa County Sheriff totaling \$237,702. The most significant non-major fund payable at June 30, 2014 was a \$53,910 payable to the Contra Costa County from the Library Fund for library services for the quarter ended June 30, 2014.

**3. E. Interfund Transfers**

Fund	Transfers In	Transfers Out
General Fund	\$ 184,000	\$ 1,595,208
City capital projects fund	1,369,981	-
Nonmajor special revenue funds	113,227	84,000
Internal service funds	512,000	500,000
	\$ 2,179,208	\$ 2,179,208

Transfers are used to (a) move revenues from the fund that statute or budget requires for recording purposes to the project fund for expenditure and (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The General Fund transfers in include \$100,000 from the SLES Fund and \$84,000 from the wilder Community Facilities District Fund. The General Fund transfers out include \$500,000 to the Slope Emergency Stabilization Fund, \$45,536 to the M-11 Lighting and Landscape District, \$250,000 to the Capital Improvement Fund for the Drainage Master Plan, \$100,000 to the General Plan Fund, \$12,000 to the Risk Management Fund, \$619,981 to the Capital Improvement Fund for the Tarabrook project, and \$67,691 to the Park Dedication Fee Fund.

**3. F. Long-Term Debt**

The City's long-term debt consists of a Certificate of Participation (COP) in the original amount of \$9,800,000 issued in fiscal year 2006. The following is the scheduled debt service obligation:

Certificate of Participation – Issued 2006

	Principal	Interest	Total
2015	\$ 250,000	\$ 369,660	\$ 619,660
2016	260,000	359,660	619,660
2017	270,000	349,260	619,260
2018	285,000	338,460	623,460
2019	295,000	327,060	622,060
2020 – 2024	1,660,000	1,446,426	3,106,426
2025 – 2029	2,055,000	1,047,938	3,102,938
2030 – 2034	2,610,000	501,276	3,111,276
2035	595,000	26,776	621,776
	\$ 8,280,000	\$ 4,766,516	\$ 13,046,516

Principal Balance July 1, 2013	Additions	Reductions	Principal Balance June 30, 2014	Due within one year
\$ 8,520,000	-	\$ (240,000)	\$ 8,280,000	\$ 250,000

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

**3.G. Accrued Compensated Absences**

The accrued liability for compensated absences for the fiscal year ending June 30, 2014 was \$284,458. Of this, \$56,892, or 20%, is considered a current liability, and the remaining \$227,566 is noncurrent.

Balance June 30, 2013	Additions (Reductions)	Balance June 30, 2014	Estimated Current Portion
\$291,341	\$ (6,883)	\$ 284,458	\$ 56,892

**NOTE 4. OTHER NOTES**

**4. A. Retirement Plans**

**Defined contribution plans (Internal Revenue Code Section 401 (a) Plans)**

The employees of the City accumulate retirement benefits through three defined contributions plans with the ICMA Retirement Corporation. All contributions are by the City and are based on a percentage of base salary (7.5 – 10.0%), with vesting over a three-year period in accordance with the most current memorandum of understanding between the City and the General Employees bargaining unit. The Plans are administered and held in trust for the exclusive benefit of participants and are not assets of the City.

The following summarizes transactions in the Plan for the year ended June 30, 2014:

Defined contribution retirement plan:	
Balance June 30, 2013	\$ 4,756,620
Contributions	495,348
Disbursements, net	(288,974)
Earnings	814,587
Balance June 30, 2014	\$ 5,777,581

**Deferred compensation plan (Internal Revenue Code Section 457)**

For the fiscal year ended June 30, 2014, employees had an option of participating in a deferred compensation plan where contributions are from employee earnings at a maximum of 25% of earnings with the City matching up to 3% and with the total contributions not to exceed the IRS limit. The Plan provides for the deferral of a portion of the employee’s compensation until retirement, termination, or certain other events. Under Internal Revenue Code 457, the amounts deferred under a deferred compensation plan maintained by a state or local government must be held in a trust (or custodial account or annuity contract) for the exclusive benefit of plan participants and their beneficiaries. The assets are not considered assets of the City.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

The following summarizes transactions in the 457 Plan for the year ended June 30, 2014:

Deferred compensation plan:		
Balance June 30, 2013	\$	3,653,436
Contributions		529,449
Disbursements and adjustments		(320,059)
Earnings		572,774
Balance June 30, 2014	\$	<u>4,435,600</u>

**4. B. Risk Management**

**Insurance coverage**

The City purchases its insurance through the Municipal Pooling Authority (MPA) of Northern California of which the City is a member.

The following is a summary of coverage as of June 30, 2014:

	Participating Cities' Total Coverage	Deductible (City Portion)
All risk fire and property	\$ 1,000,000,000	\$ 25,000
Cyber Liability	\$ 2,000,000	\$ 50,000
Boiler and machinery	\$ 100,000,000	\$ 5,000
Public Entity Pollution Liability	\$ 25,000,000	\$ 100,000
Liability	\$ 29,000,000	\$ 5,000
Employment Liability	\$ 2,000,000	\$ 50,000
Auto-physical damage (Police Dept.)	\$ 250,000	\$ 3,000
Auto-physical damage (other)	\$ 250,000	\$ 2,000
Workers' compensation	Statutory	\$ -

The total coverage includes the City's deductible, the portion underwritten by MPA and the portion underwritten by other insurance companies.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**4. C. Commitments and Contingencies**

**Claims involving the City of Orinda**

The City is a defendant in lawsuits arising in the normal course of business. The MPA is providing coverage for litigation against the City; however some litigation costs are covered by the City's insurance fund, where the City has provided additional reserves. As of June 30, 2014, the risk management fund had net position of \$623,311. Additional details are on pages 106 and 107.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

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In September 2005, a suit was filed against the City related to drainage affecting several parcels. While the City entered into a conditional settlement in 2012, there is still a possibility of that settlement failing. In the event of the settlement failing, the outcome would be unfavorable to the City. At this time it is not possible to estimate the potential loss, and the City's coverage through the MPA has nearly been exhausted.

### **Grant programs**

The City participates in several federal and state grant programs. These programs have been audited when required by the City's independent accountants in accordance with the provisions of the federal Single Audit Act of 1984 as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

### **4. D. Wilder Project**

In February 2007, the City approved Resolution 08-07 entering into an agreement with and becoming a member of the California Statewide Communities Development Authority (CSCDA), a joint powers authority formed under the Mello-Roos Community Facilities Act of 1982. At the same meeting, Resolutions 09-07 was approved authorizing CSCDA to form a Community Facilities District (CFD). The district was formed in May 2007, for the purpose of financing the construction of public improvements and provision of public services necessary to meet increased demands placed on the City as a result of the Wilder Project.

The improvements to be constructed include facilities such as the storm drain system, sanitary sewer system, water distribution system, maintenance facility, Community Facilities, ball fields, street improvements, landscaping and utilities. These improvements will be financed through the sale of Special Tax Bonds, the issuance of \$30 million occurred in December 2007. At the completion of each improvement, the improvement will be turned over to the City or major utility. At that time the developer will be reimbursed from the proceeds of the bonds, which are held in trust, for the costs related to that improvement. All costs are the responsibility of the developer, with the City having no responsibility for any costs. The repayment of the bonds will be through a special tax lien to be paid in full at close of escrow of the sale of each lot to the initial homebuyer.

Since the JPA is administering the CFD and the City has no responsibility for the bonds, the Wilder Project is not included in the City's Agency Funds.

### **4. E. New Accounting Pronouncements**

In March of 2012, GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City is required to implement the provisions of this Statement for the current fiscal year. This Statement resulted in a change in current practice, and had a material effect on the financial statements of the City. See note 4.F. for more detail.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

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In March of 2012, GASB issued GASBS No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. The City is required to implement the provisions of this Statement for the current fiscal year. This Statement did not result in a change in current practice, or have a material effect on the financial statements of the City.

In June of 2012, GASB issued GASBS No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. The City is required to implement to provisions of this Statement for the current fiscal year. This Statement did not result in a change in current practice, or have a material effect on the financial statements of the City.

In June of 2012, GASB issued GASBS No. 68, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The City is required to implement to provisions of this Statement for the year ended June 30, 2015 (effective for periods beginning after June 15, 2014). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

In January of 2013, GASB issued GASBS No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The City is required to implement provisions of this Statement for the year ended June 30, 2015 (effective for periods beginning after December 15, 2013). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

In April of 2013, GASB issued GASBS No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting. The City is required to implement provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after June 15, 2013). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

In November of 2013, GASB issued GASBS No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*—an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2014

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This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The City is required to implement provisions of this Statement simultaneously with the provisions of Statement 68 for the year ended June 30, 2015 (effective for periods beginning after June 15, 2014). This Statement may result in a change in current practice, and may have a material effect on the financial statements of the City.

#### **4.F. Change in Accounting Principle**

For the fiscal year ended June 30, 2014, the City was required to implement the provisions of GASBS No. 65 (see note 4.E. for more detail). To be more correctly matched with the period in which the expense occurred, this Statement no longer allows the capitalization of bond issuance costs. This resulted in the reduction of beginning net position of \$207,168. The amount is comprised of \$281,668 in bond issuance costs, net of accumulated amortization of \$74,500.

#### **4. G. Subsequent Events**

Management has evaluated subsequent events through November 26, 2014, the date on which the financial statements were available to be issued. No material subsequent events were noted for the purposes of this report.

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## **Required Supplementary Information**

CITY OF ORINDA  
Notes to Required Supplementary Information  
June 30, 2014

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In accordance with the state code, the City of Orinda prepares a biennial budget for City government operations that begins with a July 1 fiscal year. This budget is prepared on a modified accrual basis. In developing the biennial budget, City departments analyzed existing service levels and potential services in light of the strategic priorities and financial constraints and modified their proposed budgets accordingly. The City's operating budget summarizes planned expenditures and revenues for all City departments and programs. The detail is structured to summarize each department's costs by type, division, and funding source.

The biennial budget process sets forth the planned expenditures and revenues for two consecutive fiscal years. Year 1 and 2 expenditure and revenue plans are presented to Council in a single document. At the conclusion of the biennial budget review and deliberation process, Year 1 of the biennial budget is approved and appropriated by the Council, which sets the level of authorized funding for the fiscal year.

The Year 2 budget is also approved but is not subject to mid-cycle review and appropriation action in the following year. Funds not expended in Year 1 do not automatically roll into Year 2. During the mid-cycle review, staff proposes changes (if any). At that time, Council will consider the proposed changes and recommendations. At the conclusion of the deliberations, the Council will approve and appropriate funds for Year 2 of the budget.

In addition to the annual budget process, the Council reviews expenditures and revenues at the mid-year and makes changes as needed.

CITY OF ORINDA  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
General Fund  
For the Year Ended June 30, 2014

	<b>General Funds</b>			
	Original Budget	Amended Budget	Actual	Variance
<b>Revenues</b>				
Taxes				
Property tax and assessments	\$ 3,460,800	\$ 3,645,000	\$ 3,677,835	\$ 32,835
Property tax in lieu of VLF	1,443,100	1,455,000	1,514,791	59,791
Sales tax	1,631,251	1,905,700	2,071,438	165,738
Franchise tax	990,000	990,000	1,009,114	19,114
Property transfer tax	164,800	250,000	235,119	(14,881)
Rent and interest	197,780	197,780	132,627	(65,153)
Unrealized gain on investments	-	-	(10,345)	(10,345)
Recreation fees				
Recreation class fees	1,124,620	1,124,620	1,094,004	(30,616)
OYA sports fees	291,400	291,400	288,340	(3,060)
Sports field rentals	311,300	331,300	258,137	(73,163)
Wagner Ranch sports	78,000	78,000	50,407	(27,593)
Other	75,940	75,940	91,506	15,566
Service fees				
Vehicle and parking fines	200,000	200,000	111,785	(88,215)
Building inspection	390,000	500,000	494,302	(5,698)
Planning	330,000	415,000	485,700	70,700
Public works and engineering	271,000	141,000	130,804	(10,196)
Police	30,000	70,000	24,462	(45,538)
Other agencies				
Homeowners tax reimbursement	35,040	35,040	34,729	(311)
Vehicle licenses fees	-	-	7,605	7,605
Vehicle abatement	-	-	7,699	7,699
Miscellaneous	40,000	86,257	127,840	41,583
<b>Total revenues</b>	<u>11,065,031</u>	<u>11,792,037</u>	<u>11,837,899</u>	<u>45,862</u>
<b>Expenditures</b>				
City management/policy and legal	1,316,493	1,427,493	1,172,386	255,107
Finance/administrative services	606,087	641,462	684,341	(42,879)
Police services	4,190,523	4,190,524	3,783,388	407,136
Public works / engineering	2,274,296	2,317,416	1,402,895	914,521
Parks and recreation	2,106,262	2,113,761	2,149,519	(35,758)
Planning	804,876	837,876	795,674	42,202
Principal payments on bonds	-	-	240,000	(240,000)
<b>Total expenditures</b>	<u>11,298,537</u>	<u>11,528,532</u>	<u>10,228,203</u>	<u>1,300,329</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(233,506)</u>	<u>263,505</u>	<u>1,609,696</u>	<u>1,346,191</u>
<b>Other financing sources (uses)</b>				
Transfers in	184,000	184,000	184,000	-
Transfers out	(1,498,564)	(1,563,564)	(1,595,208)	(31,644)
<b>Total other financing sources (uses)</b>	<u>(1,314,564)</u>	<u>(1,379,564)</u>	<u>(1,411,208)</u>	<u>(31,644)</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<u>\$ (1,548,070)</u>	<u>\$ (1,116,059)</u>	<u>198,488</u>	<u>\$ 1,314,547</u>
<b>Fund equity - beginning of year</b>			<u>7,511,111</u>	
<b>Fund equity - end of year</b>			<u>\$ 7,709,599</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
 City Capital Projects  
 For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
General revenues	\$ -	\$ -	\$ 273,227	\$ 273,227
Total revenues	<u>-</u>	<u>-</u>	<u>273,227</u>	<u>273,227</u>
Expenditures				
Capital improvement	910,870	910,870	1,487,614	(576,744)
Total expenditures	<u>910,870</u>	<u>910,870</u>	<u>1,487,614</u>	<u>(576,744)</u>
Excess (deficiency) of revenues over expenditures	<u>(910,870)</u>	<u>(910,870)</u>	<u>(1,214,387)</u>	<u>(303,517)</u>
Other financing sources (uses)				
Transfers in	1,051,774	1,051,774	1,369,981	318,207
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,051,774</u>	<u>1,051,774</u>	<u>1,369,981</u>	<u>318,207</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 140,904</u>	<u>\$ 140,904</u>	155,594	<u>\$ 14,690</u>
Fund equity - beginning of year			<u>-</u>	
Fund equity - end of year			<u>\$ 155,594</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
 Federal Grants  
 For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues</b>				
General revenues	\$ -	\$ -	\$ -	\$ -
Manzanita bridge replacement	1,774,000	1,774,000	1,607,617	(166,383)
North Lane Stormwater	<u>339,500</u>	<u>339,500</u>	<u>-</u>	<u>(339,500)</u>
Total revenues	<u>2,113,500</u>	<u>2,113,500</u>	<u>1,607,617</u>	<u>(505,883)</u>
<b>Expenditures</b>				
Public works	<u>2,113,500</u>	<u>2,113,500</u>	<u>1,607,617</u>	<u>505,883</u>
Total expenditures	<u>2,113,500</u>	<u>2,113,500</u>	<u>1,607,617</u>	<u>505,883</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund equity - beginning of year			<u>-</u>	
Fund equity - end of year			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
 Community Facilities Maintenance  
 For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Interest	\$ 4,200	\$ 4,200	\$ 6,788	\$ 2,588
Total revenues	<u>4,200</u>	<u>4,200</u>	<u>6,788</u>	<u>2,588</u>
Expenditures				
Public works administration	-	-	-	-
Parks and recreation	-	-	7,390	(7,390)
Total expenditures	<u>-</u>	<u>-</u>	<u>7,390</u>	<u>(7,390)</u>
Excess (deficiency) of revenues over expenditures	<u>4,200</u>	<u>4,200</u>	<u>(602)</u>	<u>(4,802)</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 4,200</u>	<u>\$ 4,200</u>	<u>(602)</u>	<u>\$ (4,802)</u>
Fund equity - beginning of year			<u>1,635,311</u>	
Fund equity - end of year			<u>\$ 1,634,709</u>	

The accompanying notes are an integral part of these financial statements.

## **Combining and Individual Fund Financial Statements and Schedules**

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City of Orinda  
NON-MAJOR GOVERNMENTAL FUNDS

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Fund	Description
Measure L Sales Tax	Accounts for all revenue received from the add-on sales tax (Measure L) and the expenses as appropriated through the budget process.
Community Improvement Fund	Accounts for activities related to the City's community events.

CITY OF ORINDA  
Combining Balance Sheet  
General Funds  
June 30, 2014

	General Fund	Measure L Sales Tax	Community Improvement Fund	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,303,234	\$ 971,639	\$ -	\$ 5,274,873
Investments	2,658,053	-	-	2,658,053
Accounts receivable	830,272	165,800	-	996,072
Accrued interest receivable	7,027	336	-	7,363
Prepaid items and deposits	<u>95,706</u>	<u>-</u>	<u>-</u>	<u>95,706</u>
Total unrestricted assets	<u>7,894,292</u>	<u>1,137,775</u>	<u>-</u>	<u>9,032,067</u>
Restricted Assets:				
Cash deposits with fiscal agent	-	-	-	-
Investments	<u>119,037</u>	<u>-</u>	<u>-</u>	<u>119,037</u>
Total restricted assets	<u>119,037</u>	<u>-</u>	<u>-</u>	<u>119,037</u>
 Total assets	 <u>\$ 8,013,329</u>	 <u>\$ 1,137,775</u>	 <u>\$ -</u>	 <u>\$ 9,151,104</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Accounts payable and accrued liabilities	\$ 699,719	\$ 413	\$ -	\$ 700,132
Accrued administrative leave	284,458	-	-	284,458
Deferred revenue	408,890	-	-	408,890
Planning and engineering deposits	<u>48,025</u>	<u>-</u>	<u>-</u>	<u>48,025</u>
 Total liabilities	 <u>1,441,092</u>	 <u>413</u>	 <u>-</u>	 <u>1,441,505</u>
Fund balance				
Restricted	119,037	-	-	119,037
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>6,453,200</u>	<u>1,137,362</u>	<u>-</u>	<u>7,590,562</u>
Total fund balance	<u>6,572,237</u>	<u>1,137,362</u>	<u>-</u>	<u>7,709,599</u>
 Total liabilities and fund balances	 <u>\$ 8,013,329</u>	 <u>\$ 1,137,775</u>	 <u>\$ -</u>	 <u>\$ 9,151,104</u>

CITY OF ORINDA  
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance  
 General Funds  
 For the Year Ended June 30, 2014

	General Fund	Measure L Sales Tax	Community Improvement Fund	Total
<b>Revenues</b>				
Taxes				
Property tax and assessments	\$ 5,192,626	\$ -	\$ -	\$ 5,192,626
Sales tax	991,134	1,080,304	-	2,071,438
Franchise tax	1,009,114	-	-	1,009,114
Property transfer tax	235,119	-	-	235,119
Rent and interest	130,686	1,941	-	132,627
Recreation fees				
Recreation class fees	1,094,004	-	-	1,094,004
OYA sports fees	288,340	-	-	288,340
Sports field rentals	258,137	-	-	258,137
Wagner Ranch sports fees	50,407	-	-	50,407
Other	91,506	-	-	91,506
Service fees				
Vehicle and parking fines	111,785	-	-	111,785
Building inspection	494,302	-	-	494,302
Planning	485,700	-	-	485,700
Public works and engineering	130,804	-	-	130,804
Police	24,462	-	-	24,462
Other agencies				
Homeowners tax reimbursement	34,729	-	-	34,729
Vehicle licenses fees	7,605	-	-	7,605
Vehicle abatement	7,699	-	-	7,699
Miscellaneous	91,440	36,400	-	127,840
Unrealized gain (loss) on investments	(10,345)	-	-	(10,345)
Total revenues	<u>10,719,254</u>	<u>1,118,645</u>	<u>-</u>	<u>11,837,899</u>
<b>Expenditures</b>				
City management	452,878	-	-	452,878
City attorney	506,781	-	-	506,781
City clerk	212,727	-	-	212,727
Administrative services	305,081	-	-	305,081
Parks and recreation	2,149,519	-	-	2,149,519
Public works and engineering	1,350,524	50,930	1,441	1,402,895
Police services	3,783,388	-	-	3,783,388
Planning	795,674	-	-	795,674
Debt Service:				
Interest	379,260	-	-	379,260
Principal payments on bonds	240,000	-	-	240,000
Total expenditures	<u>10,175,832</u>	<u>50,930</u>	<u>1,441</u>	<u>10,228,203</u>
Excess (deficiency) of revenues over expenditures	<u>543,422</u>	<u>1,067,715</u>	<u>(1,441)</u>	<u>1,609,696</u>
<b>Other financing sources (uses)</b>				
Transfers in	184,000	-	-	184,000
Transfers out	(1,595,208)	-	-	(1,595,208)
Total other financing sources (uses)	<u>(1,411,208)</u>	<u>-</u>	<u>-</u>	<u>(1,411,208)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(867,786)	1,067,715	(1,441)	198,488
Fund balance - beginning of year	<u>7,440,023</u>	<u>69,647</u>	<u>1,441</u>	<u>7,511,111</u>
Fund balance - end of year	<u>\$ 6,572,237</u>	<u>\$ 1,137,362</u>	<u>\$ -</u>	<u>\$ 7,709,599</u>

City of Orinda  
NON-MAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS

Fund	Description
Gas Tax	Accounts for the excise tax used for street maintenance and related capital projects.
Transportation Impact	Accounts for the fee imposed on new development to help fund construction of expansion of roads, bikeways, sidewalks, and traffic signals.
Drainage Impact	Accounts for the fee imposed on new development to help pay for the drainage master plan and improvements recommended in the plan.
Library	Accounts for the voter approved special library parcel tax revenue used to provide additional hours of operation of the Orinda library.
Park Dedication	Accounts for the fee imposed on new development to provide funding for new parklands, facilities, and rehabilitation of existing parks and facilities.
Tree Mitigation	Account for fees charged to developers when construction related activity may remove or destroy a protected tree.
Recycling	Accounts for the California Recycle and Recovery grant used to promote recycling of beverage containers.
Supplemental Law Enforcement (SLES)	Accounts for funds received from the State's COPS program for front-line municipal police services.
CCTA (Contra Costa Transportation Authority)	Accounts for the voter approved transportation sales tax used for voter approved transportation programs and projects as administered by the Contra Costa Transportation Authority.

City of Orinda  
NON-MAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS

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Fund	Description
Assessment Districts L-42, M-9, M-11	These funds account for the revenue received from benefited properties and the associated expenses to operate and maintain street lights and common areas.
Wilder Community Facilities District	Accounts for the revenue received from parcels in the District and expenses associated with maintenance of public playfields and police service.
Stormwater	Accounts for fees collected by the County and passed through to the City for activities necessary to comply with stormwater program elements.

CITY OF ORINDA  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2014

	<u>Gas Tax</u>	<u>Transportation Impact</u>	<u>Drainage Impact</u>	<u>Library</u>	<u>Park Dedication</u>	<u>Tree Mitigation</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 516,078	\$ 1,149,478	\$ 268,554	\$ 313,054	\$ 586,423	\$ 77,105
Accounts receivable	55,935	-	1,800	-	-	-
Accrued interest receivable	169	434	92	117	187	29
Prepaid expenses	-	-	-	-	-	-
Total assets	<u>\$ 572,182</u>	<u>\$ 1,149,912</u>	<u>\$ 270,446</u>	<u>\$ 313,171</u>	<u>\$ 586,610</u>	<u>\$ 77,134</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Accounts payable and accrued liabilities	\$ 11,889	\$ 15,705	\$ -	\$ 62,399	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
Due to other agencies	-	-	-	-	-	-
Total liabilities	<u>11,889</u>	<u>15,705</u>	<u>-</u>	<u>62,399</u>	<u>-</u>	<u>-</u>
Fund balance						
Restricted	560,293	1,134,207	270,446	250,772	586,610	77,134
Committed	-	-	-	-	-	-
Total fund balance	<u>560,293</u>	<u>1,134,207</u>	<u>270,446</u>	<u>250,772</u>	<u>586,610</u>	<u>77,134</u>
Total liabilities and fund equity	<u>\$ 572,182</u>	<u>\$ 1,149,912</u>	<u>\$ 270,446</u>	<u>\$ 313,171</u>	<u>\$ 586,610</u>	<u>\$ 77,134</u>

CITY OF ORINDA  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2014

Recycling	State AB 3229 S.L.E.S.F. Programs	CCTA	District L-42	District M-9	District M-11	Wilder CFD	Stormwater	Total
\$ 12,239	\$ -	\$ 84,910	\$ 4,211	\$ 2,612	\$ 5,240	\$ -	\$ 166,799	\$ 3,186,703
5,006	8,828	591,881	-	-	-	222,602	13,090	899,142
5	-	22	2	1	-	-	58	1,116
-	-	-	1	1	436	818	2,848	4,104
<u>\$ 17,250</u>	<u>\$ 8,828</u>	<u>\$ 676,813</u>	<u>\$ 4,214</u>	<u>\$ 2,614</u>	<u>\$ 5,676</u>	<u>\$ 223,420</u>	<u>\$ 182,795</u>	<u>\$ 4,091,065</u>
\$ -	\$ -	\$ 30,232	\$ 454	\$ 1,218	\$ 5,672	\$ 39,051	\$ 13,898	\$ 180,518
-	3,651	14,592	-	-	-	113,187	-	131,430
-	-	-	-	-	4	-	47	51
-	3,651	44,824	454	1,218	5,676	152,238	13,945	311,999
17,250	5,177	631,989	3,760	1,396	-	71,182	168,850	3,779,066
-	-	-	-	-	-	-	-	-
<u>17,250</u>	<u>5,177</u>	<u>631,989</u>	<u>3,760</u>	<u>1,396</u>	<u>-</u>	<u>71,182</u>	<u>168,850</u>	<u>3,779,066</u>
<u>\$ 17,250</u>	<u>\$ 8,828</u>	<u>\$ 676,813</u>	<u>\$ 4,214</u>	<u>\$ 2,614</u>	<u>\$ 5,676</u>	<u>\$ 223,420</u>	<u>\$ 182,795</u>	<u>\$ 4,091,065</u>

CITY OF ORINDA  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2014

	Gas Tax	Transportation Impact	Drainage Impact	Library	Park Dedication	Tree Mitigation
<b>Revenues</b>						
Property tax and assessments	\$ -	\$ -	\$ -	\$ 306,735	\$ -	\$ -
Interest	1,048	5,204	749	1,116	1,842	348
Gasoline tax	566,412	-	-	-	-	-
State grant	-	-	-	-	-	-
Development impact fees	-	404,476	181,795	-	130,961	-
C.O.P.S. - State AB 3229	-	-	-	-	-	-
Miscellaneous donations	-	-	-	-	-	-
NPDES revenues	-	-	-	-	-	-
CCTA return to source	-	-	-	-	-	-
	<u>567,460</u>	<u>409,680</u>	<u>182,544</u>	<u>307,851</u>	<u>132,803</u>	<u>348</u>
<b>Expenditures</b>						
Landscaping and street maintenance	-	-	-	-	-	10,250
Utilities	-	-	-	923	-	-
Engineering	-	-	-	-	-	-
Library services	-	-	-	324,230	-	-
Personnel Costs	-	-	-	-	-	-
Transportation infrastr. improvements	58,107	220,199	-	-	-	-
Capital projects	-	-	-	-	126,850	-
Contract Services	456	-	-	-	-	2,000
Drainage improvements	-	-	-	-	-	-
Supplies and Materials	1,286	14,709	7,036	-	-	-
Other	-	-	-	-	-	-
	<u>59,849</u>	<u>234,908</u>	<u>7,036</u>	<u>325,153</u>	<u>126,850</u>	<u>12,250</u>
Excess (deficiency) of revenues over expenditures	507,611	174,772	175,508	(17,302)	5,953	(11,902)
Transfers in	-	-	-	-	67,691	-
Transfers out	-	-	-	-	-	-
Net transfers in (out)	-	-	-	-	67,691	-
Excess of revenues over expenditures, net of transfers	507,611	174,772	175,508	(17,302)	73,644	(11,902)
Fund equity - beginning of year	<u>52,682</u>	<u>959,435</u>	<u>94,938</u>	<u>268,074</u>	<u>512,966</u>	<u>89,036</u>
Fund equity - end of year	<u>\$ 560,293</u>	<u>\$ 1,134,207</u>	<u>\$ 270,446</u>	<u>\$ 250,772</u>	<u>\$ 586,610</u>	<u>\$ 77,134</u>

CITY OF ORINDA  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2014

Recycling	State AB 3229 S.L.E.S.F. Programs	CCTA	District L-42	District M-9	District M-11	Wilder CFD	Stormwater	Total
\$ -	\$ -	\$ -	\$ 5,888	\$ 9,028	\$ 40,036	\$ 222,602	\$ -	\$ 584,289
58	-	55	13	5	-	144	352	10,934
-	-	-	-	-	-	-	-	566,412
5,006	-	-	-	-	-	-	-	5,006
-	-	-	-	-	-	-	-	717,232
-	105,005	-	-	-	-	-	-	105,005
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	318,222	318,222
-	-	818,563	-	-	-	-	-	818,563
<u>5,064</u>	<u>105,005</u>	<u>818,618</u>	<u>5,901</u>	<u>9,033</u>	<u>40,036</u>	<u>222,746</u>	<u>318,574</u>	<u>3,125,663</u>
-	-	-	-	-	31,528	-	-	41,778
-	-	-	3,232	6,786	22,706	196,936	398	230,981
-	-	-	839	1,023	3,042	-	-	4,904
-	-	-	-	-	-	-	-	324,230
-	-	902	1,565	1,567	27,353	-	316,852	348,239
-	-	462	-	-	-	-	-	278,768
-	-	-	-	-	-	-	-	126,850
-	-	47,270	-	-	-	-	-	49,726
-	-	-	-	-	-	-	2,268	2,268
8,072	-	-	-	-	-	-	578	31,681
-	100,000	-	-	-	943	-	-	100,943
<u>8,072</u>	<u>100,000</u>	<u>48,634</u>	<u>5,636</u>	<u>9,376</u>	<u>85,572</u>	<u>196,936</u>	<u>320,096</u>	<u>1,540,368</u>
(3,008)	5,005	769,984	265	(343)	(45,536)	25,810	(1,522)	1,585,295
-	-	-	-	-	45,536	-	-	113,227
-	-	-	-	-	-	(84,000)	-	(84,000)
-	-	-	-	-	45,536	(84,000)	-	29,227
(3,008)	5,005	769,984	265	(343)	-	(58,190)	(1,522)	1,614,522
<u>20,258</u>	<u>172</u>	<u>(137,995)</u>	<u>3,495</u>	<u>1,739</u>	<u>-</u>	<u>129,372</u>	<u>170,372</u>	<u>2,164,544</u>
<u>\$ 17,250</u>	<u>\$ 5,177</u>	<u>\$ 631,989</u>	<u>\$ 3,760</u>	<u>\$ 1,396</u>	<u>\$ -</u>	<u>\$ 71,182</u>	<u>\$ 168,850</u>	<u>\$ 3,779,066</u>

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Gas Tax  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Gas tax	\$ 524,726	\$ 524,726	\$ 566,412	\$ 41,686
Interest	<u>          -</u>	<u>          -</u>	<u>      1,048</u>	<u>      1,048</u>
Total revenues	<u>      524,726</u>	<u>      524,726</u>	<u>      567,460</u>	<u>      42,734</u>
Expenditures				
Public works	<u>      474,704</u>	<u>      474,704</u>	<u>      59,849</u>	<u>      414,855</u>
Total expenditures	<u>      474,704</u>	<u>      474,704</u>	<u>      59,849</u>	<u>      414,855</u>
Excess (deficiency) of revenues over expenditures	<u>      50,022</u>	<u>      50,022</u>	<u>      507,611</u>	<u>      457,589</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>
Total other financing sources (uses)	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>      \$ 50,022</u>	<u>      \$ 50,022</u>	507,611	<u>      \$ 457,589</u>
Fund equity - beginning of year			<u>      52,682</u>	
Fund equity - end of year			<u>      \$ 560,293</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Transportation Impact  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Impact fees	\$ 50,000	\$ 350,000	\$ 404,476	\$ 54,476
Interest	<u>-</u>	<u>-</u>	<u>5,204</u>	<u>5,204</u>
Total revenues	<u>50,000</u>	<u>350,000</u>	<u>409,680</u>	<u>59,680</u>
Expenditures				
Public works	<u>223,600</u>	<u>223,600</u>	<u>234,908</u>	<u>(11,308)</u>
Total expenditures	<u>223,600</u>	<u>223,600</u>	<u>234,908</u>	<u>(11,308)</u>
Excess (deficiency) of revenues over expenditures	<u>(173,600)</u>	<u>126,400</u>	<u>174,772</u>	<u>48,372</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (173,600)</u>	<u>\$ 126,400</u>	<u>174,772</u>	<u>\$ 48,372</u>
Fund equity - beginning of year			<u>959,435</u>	
Fund equity - end of year			<u>\$ 1,134,207</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Drainage Impact  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Impact fees	\$ 125,000	\$ 125,000	\$ 181,795	\$ 56,795
Interest	<u>-</u>	<u>-</u>	<u>749</u>	<u>749</u>
Total revenues	<u>125,000</u>	<u>125,000</u>	<u>182,544</u>	<u>57,544</u>
Expenditures				
Public works	<u>69,157</u>	<u>69,157</u>	<u>7,036</u>	<u>62,121</u>
Total expenditures	<u>69,157</u>	<u>69,157</u>	<u>7,036</u>	<u>62,121</u>
Excess (deficiency) of revenues over expenditures	<u>55,843</u>	<u>55,843</u>	<u>175,508</u>	<u>119,665</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 55,843</u>	<u>\$ 55,843</u>	175,508	<u>\$ 119,665</u>
Fund equity - beginning of year			<u>94,938</u>	
Fund equity - end of year			<u>\$ 270,446</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Library Assessment District  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Assessments	\$ 307,234	\$ 307,234	\$ 306,735	\$ (499)
Interest	<u>616</u>	<u>616</u>	<u>1,116</u>	<u>500</u>
Total revenues	<u>307,850</u>	<u>307,850</u>	<u>307,851</u>	<u>1</u>
Expenditures				
Parks and recreation	<u>306,708</u>	<u>306,708</u>	<u>325,153</u>	<u>(18,445)</u>
Total expenditures	<u>306,708</u>	<u>306,708</u>	<u>325,153</u>	<u>(18,445)</u>
Excess (deficiency) of revenues over expenditures	<u>1,142</u>	<u>1,142</u>	<u>(17,302)</u>	<u>(18,444)</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 1,142</u>	<u>\$ 1,142</u>	(17,302)	<u>\$ (18,444)</u>
Fund equity - beginning of year			<u>268,074</u>	
Fund equity - end of year			<u>\$ 250,772</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
 Park Dedication  
 For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Park dedication	\$ 69,000	\$ 69,000	\$ 130,961	\$ 61,961
Interest	<u>-</u>	<u>-</u>	<u>1,842</u>	<u>1,842</u>
Total revenues	<u>69,000</u>	<u>69,000</u>	<u>132,803</u>	<u>63,803</u>
Expenditures				
Parks and recreation	<u>275,000</u>	<u>275,000</u>	<u>126,850</u>	<u>148,150</u>
Total expenditures	<u>275,000</u>	<u>275,000</u>	<u>126,850</u>	<u>148,150</u>
Excess (deficiency) of revenues over expenditures	<u>(206,000)</u>	<u>(206,000)</u>	<u>5,953</u>	<u>211,953</u>
Other financing sources (uses)				
Transfers in	-	-	67,691	67,691
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>67,691</u>	<u>67,691</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (206,000)</u>	<u>\$ (206,000)</u>	73,644	<u>\$ 279,644</u>
Fund equity - beginning of year			<u>512,966</u>	
Fund equity - end of year			<u>\$ 586,610</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Tree Mitigation  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Fees	\$ 150	\$ 150	\$ -	\$ (150)
Interest	<u>-</u>	<u>-</u>	<u>348</u>	<u>348</u>
Total revenues	<u>150</u>	<u>150</u>	<u>348</u>	<u>198</u>
Expenditures				
Planning	<u>-</u>	<u>-</u>	<u>12,250</u>	<u>(12,250)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>12,250</u>	<u>(12,250)</u>
Excess (deficiency) of revenues over expenditures	<u>150</u>	<u>150</u>	<u>(11,902)</u>	<u>(12,052)</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 150</u>	<u>\$ 150</u>	<u>(11,902)</u>	<u>\$ (12,052)</u>
Fund equity - beginning of year			<u>89,036</u>	
Fund equity - end of year			<u>\$ 77,134</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Recycling  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Grant funds	\$ -	\$ -	\$ 5,006	\$ 5,006
Interest	<u>-</u>	<u>-</u>	<u>58</u>	<u>58</u>
Total revenues	<u>-</u>	<u>-</u>	<u>5,064</u>	<u>5,064</u>
Expenditures				
Public works	<u>15,093</u>	<u>15,093</u>	<u>8,072</u>	<u>7,021</u>
Total expenditures	<u>15,093</u>	<u>15,093</u>	<u>8,072</u>	<u>7,021</u>
Excess (deficiency) of revenues over expenditures	<u>(15,093)</u>	<u>(15,093)</u>	<u>(3,008)</u>	<u>12,085</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (15,093)</u>	<u>\$ (15,093)</u>	<u>(3,008)</u>	<u>\$ 12,085</u>
Fund equity - beginning of year			<u>20,258</u>	
Fund equity - end of year			<u>\$ 17,250</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Supplemental Law Enforcement Services  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
SLES funds	\$ 100,000	\$ 100,000	\$ 105,005	\$ 5,005
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>105,005</u>	<u>5,005</u>
Expenditures				
Police patrol	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>5,005</u>	<u>5,005</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>5,005</u>	<u>\$ 5,005</u>
Fund equity - beginning of year			<u>172</u>	
Fund equity - end of year			<u>\$ 5,177</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
CCTA  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
CCTA revenue	\$ 662,200	\$ 662,200	\$ 818,563	\$ 156,363
Interest	<u>-</u>	<u>-</u>	<u>55</u>	<u>55</u>
Total revenues	<u>662,200</u>	<u>662,200</u>	<u>818,618</u>	<u>156,418</u>
Expenditures				
Public works	<u>437,946</u>	<u>437,946</u>	<u>48,634</u>	<u>389,312</u>
Total expenditures	<u>437,946</u>	<u>437,946</u>	<u>48,634</u>	<u>389,312</u>
Excess (deficiency) of revenues over expenditures	<u>224,254</u>	<u>224,254</u>	<u>769,984</u>	<u>545,730</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 224,254</u>	<u>\$ 224,254</u>	769,984	<u>\$ 545,730</u>
Fund equity - beginning of year			<u>(137,995)</u>	
Fund equity - end of year			<u>\$ 631,989</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Assessment District L-42  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Assessments	\$ 5,865	\$ 5,865	\$ 5,888	\$ 23
Interest	<u>-</u>	<u>-</u>	<u>13</u>	<u>13</u>
Total revenues	<u>5,865</u>	<u>5,865</u>	<u>5,901</u>	<u>36</u>
Expenditures				
Parks and recreation	<u>5,865</u>	<u>5,865</u>	<u>5,636</u>	<u>229</u>
Total expenditures	<u>5,865</u>	<u>5,865</u>	<u>5,636</u>	<u>229</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>265</u>	<u>265</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	265	<u>\$ 265</u>
Fund equity - beginning of year			<u>3,495</u>	
Fund equity - end of year			<u>\$ 3,760</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Assessment District M-9  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Assessments	\$ 9,488	\$ 9,488	\$ 9,028	\$ (460)
Interest	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
Total revenues	<u>9,488</u>	<u>9,488</u>	<u>9,033</u>	<u>(455)</u>
Expenditures				
Parks and recreation	<u>9,488</u>	<u>9,488</u>	<u>9,376</u>	<u>112</u>
Total expenditures	<u>9,488</u>	<u>9,488</u>	<u>9,376</u>	<u>112</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(343)</u>	<u>(343)</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	(343)	<u>\$ (343)</u>
Fund equity - beginning of year			<u>1,739</u>	
Fund equity - end of year			<u>\$ 1,396</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Assessment District M-11  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Assessments	\$ 35,000	\$ 35,000	\$ 40,036	\$ 5,036
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>40,036</u>	<u>5,036</u>
Expenditures				
Parks and recreation	85,847	85,847	85,572	275
Total expenditures	<u>85,847</u>	<u>85,847</u>	<u>85,572</u>	<u>275</u>
Excess (deficiency) of revenues over expenditures	<u>(50,847)</u>	<u>(50,847)</u>	<u>(45,536)</u>	<u>5,311</u>
Other financing sources (uses)				
Transfers in	50,847	50,847	45,536	(5,311)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>50,847</u>	<u>50,847</u>	<u>45,536</u>	<u>(5,311)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund equity - beginning of year			<u>-</u>	
Fund equity - end of year			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Wilder Community Facilities District  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Assessments	\$ 223,000	\$ 223,000	\$ 222,602	\$ (398)
Interest	<u>200</u>	<u>200</u>	<u>144</u>	<u>(56)</u>
Total revenues	<u>223,200</u>	<u>223,200</u>	<u>222,746</u>	<u>(454)</u>
Expenditures				
Parks and recreation	<u>138,162</u>	<u>138,162</u>	<u>196,936</u>	<u>(58,774)</u>
Total expenditures	<u>138,162</u>	<u>138,162</u>	<u>196,936</u>	<u>(58,774)</u>
Excess (deficiency) of revenues over expenditures	<u>85,038</u>	<u>85,038</u>	<u>25,810</u>	<u>(59,228)</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>(84,000)</u>	<u>(84,000)</u>	<u>(84,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(84,000)</u>	<u>(84,000)</u>	<u>(84,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 1,038</u>	<u>\$ 1,038</u>	(58,190)	<u>\$ (59,228)</u>
Fund equity - beginning of year			<u>129,372</u>	
Fund equity - end of year			<u>\$ 71,182</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Stormwater Utility  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Assessments	\$ 320,792	\$ 320,792	\$ 318,222	\$ (2,570)
Interest	<u>-</u>	<u>-</u>	<u>352</u>	<u>352</u>
Total revenues	<u>320,792</u>	<u>320,792</u>	<u>318,574</u>	<u>(2,218)</u>
Expenditures				
Public works	<u>350,524</u>	<u>350,524</u>	<u>320,096</u>	<u>30,428</u>
Total expenditures	<u>350,524</u>	<u>350,524</u>	<u>320,096</u>	<u>30,428</u>
Excess (deficiency) of revenues over expenditures	<u>(29,732)</u>	<u>(29,732)</u>	<u>(1,522)</u>	<u>28,210</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (29,732)</u>	<u>\$ (29,732)</u>	<u>(1,522)</u>	<u>\$ 28,210</u>
Fund equity - beginning of year			<u>170,372</u>	
Fund equity - end of year			<u>\$ 168,850</u>	

The accompanying notes are an integral part of these financial statements.

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City of Orinda  
NON-MAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS FUNDS

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Fund	Description
Oaksprings Assessment District	Accounts for activities related to the Oaksprings Assessment District improvements.
State Grants	Accounts for grant revenues made available by the State of California to support the planning and development of projects that promote sustainable communities.

CITY OF ORINDA  
Combining Balance Sheet  
Nonmajor Capital Projects Funds  
June 30, 2014

	Oaksprings AD Improvement Fund	State Grants Fund	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 140,393	\$ -	\$ 140,393
Accounts receivable	-	4,332	4,332
Accrued interest receivable	53	-	53
Due from other agencies	-	-	-
Total assets	<u>\$ 140,446</u>	<u>\$ 4,332</u>	<u>\$ 144,778</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Due to other funds	-	4,332	4,332
Total liabilities	<u>-</u>	<u>4,332</u>	<u>4,332</u>
Fund balance:			
Restricted	140,446	-	140,446
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balance	<u>140,446</u>	<u>-</u>	<u>140,446</u>
Total liabilities and fund equity	<u>\$ 140,446</u>	<u>\$ 4,332</u>	<u>\$ 144,778</u>

CITY OF ORINDA  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Capital Projects Funds  
For the Year Ended June 30, 2014

	Oaksprings AD Improvement Fund	State Grants Fund	Total
Revenues			
Rent and interest	\$ 582	\$ -	\$ 582
Other agencies			
State and Federal	-	8,231	8,231
Miscellaneous	-	-	-
Total revenue	<u>582</u>	<u>8,231</u>	<u>8,813</u>
Expenditures			
Capital outlay for			
Transportation infrastructure improvements	-	8,231	8,231
Total expenditures	<u>-</u>	<u>8,231</u>	<u>8,231</u>
Excess (deficiency) of revenues over expenditures	<u>582</u>	<u>-</u>	<u>582</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	582	-	582
Fund equity - beginning of year	<u>139,864</u>	<u>-</u>	<u>139,864</u>
Fund equity - end of year	<u>\$ 140,446</u>	<u>\$ -</u>	<u>\$ 140,446</u>

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Oaksprings Assessment District Improvement Fund  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Rent and interest	\$ -	\$ -	\$ 582	\$ 582
Total revenues	-	-	582	582
Expenditures				
Public works	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	582	582
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	582	\$ 582
Fund equity - beginning of year			139,864	
Fund equity - end of year			\$ 140,446	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
State Grants  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Ivy Drive rehab	\$ 508,000	\$ 508,000	\$ 8,231	\$ (499,769)
Minor road seismic	50,000	50,000	-	(50,000)
Manzanita Drive bridge	<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>(125,000)</u>
Total revenues	<u>683,000</u>	<u>683,000</u>	<u>8,231</u>	<u>(674,769)</u>
Expenditures				
Public works	<u>683,000</u>	<u>683,000</u>	<u>8,231</u>	<u>674,769</u>
Total expenditures	<u>683,000</u>	<u>683,000</u>	<u>8,231</u>	<u>674,769</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund equity - beginning of year			<u>-</u>	
Fund equity - end of year			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements.

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City of Orinda  
INTERNAL SERVICE FUNDS

Fund	Description
Information Systems	Accounts for activities related to the City's computer system and related software.
Building Maintenance	Accounts for activities related to the maintenance and capital outlays required to maintain the City Hall facility.
Vehicle Replacement	Accounts for activities related to the City's replacement of vehicles and motorized equipment.
Risk Management	Accounts for activities related to unfunded claims and litigation losses.
Slope Emergency Stabilization	Accounts for activities related to unpredictable slope failures due to erosion or other earth-moving events.
General Plan Update	Accounts for activities related to the City's comprehensive General Plan update every 10 years.

CITY OF ORINDA  
Combining Statement of Net Position  
Internal Service Funds  
June 30, 2014

	<u>Information Systems</u>	<u>Buildings Maintenance</u>	<u>Vehicle Replacement</u>	<u>Risk Management</u>	<u>Slope Emergency Stabilization</u>	<u>General Plan</u>	<u>Total</u>
<u>ASSETS</u>							
Cash and cash equivalents	\$ 106,992	\$ 203,059	\$ 308,746	\$ 639,984	\$ 69,916	\$ 358,547	\$ 1,687,244
Interest receivable	41	80	117	249	27	141	655
Prepaid expenses	-	885	-	-	-	-	885
Due from other funds	-	-	-	-	-	-	-
Total current assets	<u>107,033</u>	<u>204,024</u>	<u>308,863</u>	<u>640,233</u>	<u>69,943</u>	<u>358,688</u>	<u>1,688,784</u>
Capital assets							
Equipment and vehicles	246,700	-	949,792	-	-	-	1,196,492
Less: accumulated depreciation	<u>(217,717)</u>	<u>-</u>	<u>(623,480)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(841,197)</u>
Net capital assets	<u>28,983</u>	<u>-</u>	<u>326,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>355,295</u>
Total assets	<u>\$ 136,016</u>	<u>\$ 204,024</u>	<u>\$ 635,175</u>	<u>\$ 640,233</u>	<u>\$ 69,943</u>	<u>\$ 358,688</u>	<u>\$ 2,044,079</u>
<u>LIABILITIES AND NET POSITION</u>							
Liabilities							
Accounts payable and accrued liabilities	\$ -	\$ 2,503	\$ -	\$ 16,922	\$ -	\$ -	\$ 19,425
	<u>-</u>	<u>2,503</u>	<u>-</u>	<u>16,922</u>	<u>-</u>	<u>-</u>	<u>19,425</u>
Net Position							
Net investment in capital assets	28,983	-	326,312	-	-	-	355,295
Restricted	-	-	-	512,000	68,062	284,877	864,939
Unrestricted	107,033	201,521	308,863	111,311	1,881	73,811	804,420
Total net position	<u>136,016</u>	<u>201,521</u>	<u>635,175</u>	<u>623,311</u>	<u>69,943</u>	<u>358,688</u>	<u>2,024,654</u>
Total liabilities and net position	<u>\$ 136,016</u>	<u>\$ 204,024</u>	<u>\$ 635,175</u>	<u>\$ 640,233</u>	<u>\$ 69,943</u>	<u>\$ 358,688</u>	<u>\$ 2,044,079</u>

CITY OF ORINDA  
Combining Statement of Revenues, Expenditures and Changes in Fund Net Position  
Internal Service Funds  
For the Year Ended June 30, 2014

	Information Systems	Building Maintenance	Vehicle Replacement	Risk Management	Slope Emergency Stabilization	General Plan	Total
Operating revenues							
Charges to operating departments	\$ 39,999	\$ 109,396	\$ 81,389	\$ -	\$ -	\$ 100,000	\$ 330,784
Other	-	-	-	-	-	-	-
Total operating revenues	<u>39,999</u>	<u>109,396</u>	<u>81,389</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>330,784</u>
Operating expenses							
Depreciation expense	14,969	-	67,356	-	-	-	82,325
Administrative and general	3,400	109,858	1,797	100,807	-	19,756	235,618
Insurance expense	-	792	-	15,729	-	-	16,521
Other	37,084	2,725	7,445	-	-	8,087	55,341
Total operating expenses	<u>55,453</u>	<u>113,375</u>	<u>76,598</u>	<u>116,536</u>	<u>-</u>	<u>27,843</u>	<u>389,805</u>
Operating income	<u>(15,454)</u>	<u>(3,979)</u>	<u>4,791</u>	<u>(116,536)</u>	<u>-</u>	<u>72,157</u>	<u>(59,021)</u>
Non-operating revenues (expenses)							
Interest and rent	390	794	1,309	2,921	1,881	1,654	8,949
Disposal of fixed assets	-	-	10,791	-	-	-	10,791
Total non-operating revenue	<u>390</u>	<u>794</u>	<u>12,100</u>	<u>2,921</u>	<u>1,881</u>	<u>1,654</u>	<u>19,740</u>
Income before contributions and transfers	(15,064)	(3,185)	16,891	(113,615)	1,881	73,811	(39,281)
Transfers out	-	-	-	-	(500,000)	-	(500,000)
Transfers in	-	-	-	12,000	500,000	-	512,000
Change in net position	(15,064)	(3,185)	16,891	(101,615)	1,881	73,811	(27,281)
Net position - beginning	<u>151,080</u>	<u>204,706</u>	<u>618,284</u>	<u>724,926</u>	<u>68,062</u>	<u>284,877</u>	<u>2,051,935</u>
Net position - ending	<u>\$ 136,016</u>	<u>\$ 201,521</u>	<u>\$ 635,175</u>	<u>\$ 623,311</u>	<u>\$ 69,943</u>	<u>\$ 358,688</u>	<u>\$ 2,024,654</u>

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Information Systems  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues</b>				
Interest	\$ -	\$ -	\$ 390	\$ 390
Transfers from user funds	<u>40,000</u>	<u>40,000</u>	<u>39,999</u>	<u>(1)</u>
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>40,389</u>	<u>389</u>
<b>Expenditures</b>				
Administration	<u>60,000</u>	<u>60,000</u>	<u>55,453</u>	<u>4,547</u>
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>55,453</u>	<u>4,547</u>
Excess (deficiency) of revenues over expenditures	<u>(20,000)</u>	<u>(20,000)</u>	<u>(15,064)</u>	<u>4,936</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	(15,064)	<u>\$ 4,936</u>
Fund equity - beginning of year			<u>151,080</u>	
Fund equity - end of year			<u>\$ 136,016</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Building Maintenance  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Interest	\$ -	\$ -	\$ 794	\$ 794
Transfers from user funds	<u>109,397</u>	<u>109,397</u>	<u>109,396</u>	<u>(1)</u>
Total revenues	<u>109,397</u>	<u>109,397</u>	<u>110,190</u>	<u>793</u>
Expenditures				
Parks and Recreation	<u>109,397</u>	<u>109,397</u>	<u>113,375</u>	<u>(3,978)</u>
Total expenditures	<u>109,397</u>	<u>109,397</u>	<u>113,375</u>	<u>(3,978)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(3,185)</u>	<u>(3,185)</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(3,185)</u>	<u>\$ (3,185)</u>
Fund equity - beginning of year			<u>204,706</u>	
Fund equity - end of year			<u>\$ 201,521</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Vehicle Replacement  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Interest	\$ -	\$ -	\$ 1,309	\$ 1,309
Disposal of fixed assets	-	-	10,791	10,791
Transfers from user funds	<u>84,000</u>	<u>84,000</u>	<u>81,389</u>	<u>(2,611)</u>
Total revenues	<u>84,000</u>	<u>84,000</u>	<u>93,489</u>	<u>9,489</u>
Expenditures				
Police services	-	-	76,598	(76,598)
Total expenditures	<u>-</u>	<u>-</u>	<u>76,598</u>	<u>(76,598)</u>
Excess (deficiency) of revenues over expenditures	<u>84,000</u>	<u>84,000</u>	<u>16,891</u>	<u>(67,109)</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 84,000</u>	<u>\$ 84,000</u>	16,891	<u>\$ (67,109)</u>
Fund equity - beginning of year			<u>618,284</u>	
Fund equity - end of year			<u>\$ 635,175</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
 Risk Management  
 For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Interest	\$ -	\$ -	\$ 2,921	\$ 2,921
Transfers from user funds	-	-	-	-
Total revenues	-	-	2,921	2,921
Expenditures				
Public works	200,000	200,000	116,536	83,464
Total expenditures	200,000	200,000	116,536	83,464
Excess (deficiency) of revenues over expenditures	(200,000)	(200,000)	(113,615)	86,385
Other financing sources (uses)				
Transfers in	12,000	12,000	12,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	12,000	12,000	12,000	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (188,000)</u>	<u>\$ (188,000)</u>	(101,615)	<u>\$ 86,385</u>
Fund equity - beginning of year			<u>724,926</u>	
Fund equity - end of year			<u>\$ 623,311</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Slope Stabilization  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Interest	\$ -	\$ -	\$ 1,881	\$ 1,881
Total revenues	<u>-</u>	<u>-</u>	<u>1,881</u>	<u>1,881</u>
Expenditures				
Public works	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,881</u>	<u>1,881</u>
Other financing sources (uses)				
Transfers in	500,000	500,000	500,000	-
Transfers out	-	-	(500,000)	(500,000)
Total other financing sources (uses)	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 500,000</u>	<u>\$ 500,000</u>	1,881	<u>\$ (498,119)</u>
Fund equity - beginning of year			<u>68,062</u>	
Fund equity - end of year			<u>\$ 69,943</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
General Plan  
For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues</b>				
Charges to user funds	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Interest	<u>300</u>	<u>300</u>	<u>1,654</u>	<u>1,354</u>
Total revenues	<u>100,300</u>	<u>100,300</u>	<u>101,654</u>	<u>1,354</u>
<b>Expenditures</b>				
Planning	<u>160,000</u>	<u>160,000</u>	<u>27,843</u>	<u>132,157</u>
Total expenditures	<u>160,000</u>	<u>160,000</u>	<u>27,843</u>	<u>132,157</u>
Excess (deficiency) of revenues over expenditures	<u>(59,700)</u>	<u>(59,700)</u>	<u>73,811</u>	<u>133,511</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (59,700)</u>	<u>\$ (59,700)</u>	73,811	<u>\$ 133,511</u>
Fund equity - beginning of year			<u>284,877</u>	
Fund equity - end of year			<u>\$ 358,688</u>	

The accompanying notes are an integral part of these financial statements.

City of Orinda  
AGENCY FUNDS

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Fund	Description
Planning and Engineering Deposits	Accounts for deposits from developers and held until completion of the project
Oaksprings Assessment District Debt Service	Accounts for activities related to the Oaksprings Assessment District debt, reserve, and expenses.

CITY OF ORINDA  
Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
June 30, 2014

Oaksprings Debt Service

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 224,075	\$ 202,507	\$ -	\$ 426,582
Accounts receivable	129,475	-	(129,475)	-
Interest receivable	273	-	(123)	150
Total assets	\$ 353,823	\$ 202,507	\$ (129,598)	\$ 426,732
<b>LIABILITIES</b>				
Due to bond holders	\$ 353,823	\$ 399,689	\$ (326,780)	\$ 426,732
Total liabilities	\$ 353,823	\$ 399,689	\$ (326,780)	\$ 426,732

Oaksprings Reserve

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 330,774	\$ 1,671	\$ -	\$ 332,445
Interest receivable	419	-	(292)	127
Total assets	\$ 331,193	\$ 1,671	\$ (292)	\$ 332,572
<b>LIABILITIES</b>				
Due to bond holders	\$ 331,193	\$ 1,379	\$ -	\$ 332,572
Total liabilities	\$ 331,193	\$ 1,379	\$ -	\$ 332,572

CITY OF ORINDA  
Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
For the Year Ended June 30, 2014

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Planning and Engineering Deposits

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	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,249,813	\$ 168,042	\$ -	\$ 2,417,855
Accounts receivable	96,915	149,986	-	246,901
Total assets	<u>\$ 2,346,728</u>	<u>\$ 318,028</u>	<u>\$ -</u>	<u>\$ 2,664,756</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 12,442	\$ 83,382	\$ -	\$ 95,824
Deposits	2,334,286	234,646	-	2,568,932
Total liabilities	<u>\$ 2,346,728</u>	<u>\$ 318,028</u>	<u>\$ -</u>	<u>\$ 2,664,756</u>

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Total

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	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,804,662	\$ 372,220	\$ -	\$ 3,176,882
Accounts receivable	226,390	149,986	(129,475)	246,901
Interest receivable	692	-	(415)	277
Total assets	<u>\$ 3,031,744</u>	<u>\$ 522,206</u>	<u>\$ (129,890)</u>	<u>\$ 3,424,060</u>
<b>LIABILITIES</b>				
Due to bond holders	\$ 685,016	\$ 401,068	\$ (326,780)	\$ 759,304
Accounts payable and accrued expenses	12,442	83,382	-	95,824
Deposits	2,334,286	234,646	-	2,568,932
Total liabilities	<u>\$ 3,031,744</u>	<u>\$ 719,096</u>	<u>\$ (326,780)</u>	<u>\$ 3,424,060</u>

# ***STATISTICAL SECTION***

## STATISTICAL SECTION

This part of the City of Orinda's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, footnotes, and required supplementary information says about the City's overall financial health.

<b><u>Contents</u></b>	<b><u>Page(s)</u></b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	119 – 124
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City's ability to generate revenues. Property taxes, sales and use taxes, charges for services, licenses, permits and fees and intergovernmental revenue are the City's most significant revenue sources.	126 – 130
<b>Debt Capacity</b>	
These schedules contain 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.	131 – 133
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	134 – 135
<b>Operating Information</b>	
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.	136 – 138

**Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The fiscal year 2013 report was the City's first Comprehensive Annual Financial Report, therefore information is available beginning with the year ended June 30, 2013 for the financial trend schedules.**

City of Orinda  
Net Position By Component  
Two Fiscal Years\*  
Fiscal year ended June 30, 2014  
(Accrual basis of accounting)

	2013	2014
<b>Governmental activities</b>		
Net investment in capital assets	\$ 39,082,158	\$ 40,022,920
Restricted	5,005,803	6,693,791
Unrestricted	8,119,847	8,394,982
<b>Total governmental activities net position</b>	<b>\$ 52,207,808</b>	<b>\$ 55,111,693</b>
<b>Business-type activities</b>		
Net investment in capital assets		
Restricted		
Unrestricted		
<b>Total business-type activities net position</b>	The City of Orinda has no business-type funds	
<b>Primary government</b>		
Net investment in capital assets	\$ 39,082,158	\$ 40,022,920
Restricted	5,005,803	6,693,791
Unrestricted	8,119,847	8,394,982
<b>Total primary government net position</b>	<b>\$ 52,207,808</b>	<b>\$ 55,111,693</b>

\*The City of Orinda prepared its first CAFR for the fiscal year ended June 30, 2013

City of Orinda  
Changes in Net Position  
Two Fiscal Years\*  
Fiscal year ended June 30, 2014  
(Accrual basis of accounting)

	2013	2014
<b>Expenses</b>		
<b>Governmental Activities</b>		
General Government	\$ 1,848,816	\$ 2,125,066
Police Services	3,894,363	3,777,584
Public works and engineering	1,327,714	1,367,960
Parks and recreation	2,278,091	2,140,303
Planning	681,671	746,236
Special districts	133,309	278,506
Library operations	342,208	324,230
Capital improvements	2,467,232	2,629,533
Interest on bonds payable	397,959	379,260
Other	-	-
Total governmental activities expenses	13,371,363	13,768,678
<b>Business-type activities</b>		
Total business-type activities	-	-
Total primary government expenses	13,371,363	13,768,678
 <b>Program Revenues</b>		
<b>Governmental activities:</b>		
Charges for services:		
General government	-	-
Administrative Services	42,302	42,302
Police Services	194,153	136,247
Public works and engineering	655,472	449,026
Parks and recreation	1,756,948	1,782,394
Planning	842,645	980,002
Special districts	213,269	277,554
Library operations	300,861	306,735
Capital improvements	1,120,351	1,283,644
Operating grants and contributions	268,194	936,273
Capital grants and contributions	1,630,723	1,615,848
Total governmental activities program revenues	7,024,918	7,810,025
<b>Business-type activities:</b>		
Charges for services:		
Total business-type activities program revenues	-	-
Total primary governmental program revenues	7,024,918	7,810,025

City of Orinda  
Changes in Net Position  
Two Fiscal Years\*  
Fiscal year ended June 30, 2014  
(Accrual basis of accounting)

	2013	2014
Continued from previous page		
<b>Net (Expense)/Revenue</b>		
Governmental activities	(6,346,445)	(5,958,653)
Business-type activities	-	-
Total primary government net expense	<u>(6,346,445)</u>	<u>(5,958,653)</u>
<b>General Revenues and Other Changes in Net Position:</b>		
Governmental activities:		
Taxes:		
Property taxes	4,869,694	5,227,355
Sales taxes	1,021,274	2,071,438
Franchise taxes	986,349	1,009,114
Transfer taxes	200,663	235,119
Shared intergovernmental revenues	9,158	7,605
Interest income	160,612	117,578
Unrealized gain (loss) on sale of assets	(10,766)	(10,345)
Miscellaneous	214,751	411,858
Total governmental activities	<u>7,451,735</u>	<u>9,069,722</u>
Business-type activities:		
Charges for services:	-	-
Total business-type activities	<u>-</u>	<u>-</u>
Total primary government	<u>7,451,735</u>	<u>9,069,722</u>
<b>Changes in Net Position</b>		
Governmental activities	1,105,290	3,111,069
Business-type activities	-	-
Total primary government	<u>\$ 1,105,290</u>	<u>\$ 3,111,069</u>

\*The City of Orinda prepared its first CAFR for the fiscal year ended June 30, 2013

City of Orinda  
Fund Balances, Governmental Funds  
Two Fiscal Years\*  
Fiscal year ended June 30, 2014  
(Modified accrual basis of accounting)

	2013	2014
<b>General Fund:</b>		
Restricted	\$ 201,145	\$ 119,037
Committed	-	-
Assigned	-	-
Unassigned	7,309,966	7,590,562
Total general fund	7,511,111	7,709,599
<b>All Other Governmental Funds:</b>		
Restricted	3,939,719	5,554,221
Committed	-	155,594
Assigned	-	-
Unassigned	-	-
Total all other governmental funds	3,939,719	5,709,815
Total all governmental funds	\$ 11,450,830	\$ 13,419,414

\*The City of Orinda prepared its first CAFR for the fiscal year ended June 30, 2013

City of Orinda  
Changes in Fund Balances, Governmental Funds  
Two Fiscal Years\*  
Fiscal year ended June 30, 2014  
(Modified accrual basis of accounting)

	2013	2014
<b>Revenues:</b>		
Taxes and assessments	\$ 7,556,931	\$ 9,092,586
Licenses, permits and fees	982,885	1,043,059
Fines and forfeitures	169,975	111,785
Intergovernmental	2,398,705	3,153,262
Use of money and property	189,497	150,931
Charges for services	2,965,192	2,917,662
Other revenues	187,196	390,722
<b>Total revenues</b>	<b>14,450,381</b>	<b>16,860,007</b>
<b>Expenditures:</b>		
General Government	1,838,147	1,907,113
Administrative Services	-	-
Police Services	3,892,706	3,783,388
Public works and engineering	1,361,059	1,402,895
Parks and recreation	2,120,747	2,156,909
Planning	681,600	795,674
Special districts	133,309	378,606
Library operations	342,208	324,230
Capital improvements	5,335,159	3,511,348
Debt Service:		-
Interest on bonds payable	388,660	379,260
Principal payment on bonds	235,000	240,000
<b>Total expenditures</b>	<b>16,328,595</b>	<b>14,879,423</b>
<b>Reconciliation of Governmental Revenues</b>		
Less Expenditures to Fund Equity:	(1,878,214)	1,980,584
Revenues over (under) expenditures		
Other financing sources (uses):		
Transfers in	1,966,275	1,667,208
Transfers out	(1,966,275)	(1,679,208)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(12,000)</b>
Net change in fund balances	<b>\$ (1,878,214)</b>	<b>\$ 1,968,584</b>
Debt service as a percentage of noncapital expenditures	<b>6.01%</b>	<b>5.76%</b>

\*The City of Orinda prepared its first CAFR for the fiscal year ended June 30, 2013

Source: City Finance Department

City of Orinda  
 Assessed Value and Actual Value of Taxable Property  
 For the last ten fiscal years  
 Fiscal year ended June 30, 2014

	<u>Secured</u>	<u>Unsecured</u>	Less: <u>Exemptions</u>	Taxable <u>Assessed Value</u>
FY 2004-05	3,454,062,993	47,903,238	56,769,404	3,445,196,827
FY 2005-06	3,761,280,589	32,029,438	58,255,298	3,735,054,729
FY 2006-07	4,072,187,872	32,691,215	62,313,761	4,042,565,326
FY 2007-08	4,345,080,504	37,376,456	63,232,676	4,319,224,284
FY 2008-09	4,552,914,811	40,004,855	63,423,035	4,529,496,631
FY 2009-10	4,800,028,431	40,507,516	63,720,828	4,776,815,119
FY 2010-11	4,790,245,512	44,493,532	74,744,008	4,759,995,036
FY 2011-12	4,643,266,577	44,003,251	74,055,238	4,613,214,590
FY 2012-13	4,685,090,422	51,140,896	73,427,772	4,662,803,546
FY 2013-14	4,973,624,380	43,870,136	75,486,075	4,942,008,441

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Contra Costa County Assessor 2004/05 - 2013/14 Combined Tax Rolls

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City of Orinda  
 Direct and Overlapping Tax Rates  
 For the last ten fiscal years  
 Fiscal year ended June 30, 2014  
 (Rate per \$1,000 of assessed value)

	Direct Rates		Overlapping Rates		
	Basic Rate	Total Direct	Acalanes Union	Bart Bond	CCC Community College
FY 2004-05	1.00000	1.00000	0.02900	-	0.00420
FY 2005-06	1.00000	1.00000	0.02790	0.00480	0.00470
FY 2006-07	1.00000	1.00000	0.02920	0.00500	0.00430
FY 2007-08	1.00000	1.00000	0.02590	0.00760	0.01080
FY 2008-09	1.00000	1.00000	0.02890	0.00900	0.00660
FY 2009-10	1.00000	1.00000	0.02980	0.00570	0.01260
FY 2010-11	1.00000	1.00000	0.03110	0.00310	0.01330
FY 2011-12	1.00000	1.00000	0.03330	0.00410	0.01440
FY 2012-13	1.00000	1.00000	0.03330	0.00430	0.00870
FY 2013-14	1.00000	1.00000	0.03610	0.00750	0.01330

Note: In 1978, California voters passed Proposition 13, which sets the property tax rate at a 1.00% fixed amount. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of Acalanes Union, Bart Bond, Contra Costa Community College, East Bay Regional Park Bond, Lafayette Elementary Bond, Moraga Elementary Bond, and Orinda Elementary Bond.

Source: Contra Costa County Assessor 2004/05 - 2013/14 Combined Tax Rolls

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Overlapping Rates

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East Bay Regional <u>Park Bond</u>	Lafayette Elementary <u>Bond</u>	Moraga Elementary <u>Bond</u>	Orinda Elementary <u>Bond</u>	Total Tax <u>Rate</u>
0.00570	0.04150	0.03440	0.02470	1.13950
0.00570	0.03930	0.03250	0.02360	1.13850
0.00850	0.03770	0.03280	0.02590	1.14340
0.00800	0.03400	0.03130	0.02370	1.14130
0.01000	0.03300	0.03090	0.02470	1.14310
0.01080	0.03260	0.03020	0.02360	1.14530
0.00840	0.03260	0.03110	0.02440	1.14400
0.00710	0.02790	0.03120	0.02740	1.14540
0.00510	0.02840	0.02790	0.02730	1.13500
0.00780	0.02670	0.02640	0.02550	1.14330

**Source:** Contra Costa County Assessor 2004/05 - 2013/14 Combined Tax Rolls

City of Orinda  
Principal Property Tax Payers  
Current Year and Nine Years Ago  
Fiscal year ended June 30, 2014

Assessed Valuation Level	2013-14			2004-05		
	Number of Payers	Rank	% of Total	Number of Payers	Rank	% of Total
\$50,000,000 and above	1	1	2.90%	0	n/a	n/a
\$25,000,000 - 49,999,999	2	2-3	1.04%	0	n/a	n/a
\$10,000,000 - 24,999,999	2	4-5	0.60%	0	n/a	n/a
\$5,000,000 - 9,999,999	5	6-10	0.70%	4	1-4	0.87%
\$1 - 4,999,999	0	n/a	n/a	6	5-10	0.73%
Total			<u>5.24%</u>			<u>1.60%</u>

Note: Due to confidentiality issues, the names of the individual payers are not provided. The categories presented are intended to provide alternative information regarding the sources of the City's property taxes.

Source: Contra Costa County Assessor 2013/14 and 2004/05 Combined Tax Rolls

City of Orinda  
 Schedule of Top 25 Principal Sales Tax Remitters  
 Current year and Three Years Ago  
 Fiscal year ended June 30, 2014  
 (listed in alphabetical order)

2014 (represents 79.60% of total sales tax)	2011 (represents 79.47% of total sales tax)
Barbacoa Restaurant	Beverages & More
Beverages & More	Casa Orinda Restaurant
Casa Orinda Restaurant	Chevron Service Station
Chevron Service Station	CVS Pharmacy
CVS Pharmacy	Energy Comm
Energy Comm	Insight Resource Group
Europa Hofbrau, Deli & Pub	Juvenon
Insight Resource Group	La Piazza Restaurant
La Piazza Restaurant	McCaulou's Department Store
McCaulou's Department Store	McDonnell Moraga Nursery
McDonnell Moraga Nursery	Nations Giant Hamburgers
Morrison's Mfg Retail Jewelers	Orinda Country Club
Nations Giant Hamburgers	Orinda Hardware
Orinda Country Club	Orinda Motors
Orinda Hardware	P & M Window Company
Orinda Motors	Rite Aid Drug Store
P & M Window Company	Safeway Stores
Rite Aid Drug Store	Shell Service Station
Safeway Stores	Siam Orchid Thai Restaurant
Shell Service Stations	Sweet Dreams Toy Store
Siam Orchid Thai Restaurant	Table 24
Smart Security Solutions	Trattoria Lupetti
Table 24 Restaurant	Union 76 Service Station -1
Union 76 Service Station	Union 76 Service Station -2
Village Inn Café	Village Inn Café

Note: The lists above includes both public and private entities and therefore the dollar values have been omitted because the information is not public information.

Source: Muni Services, State Board of Equalization

City of Orinda  
Property Tax Levies and Collections  
For the last ten fiscal years  
Fiscal year ended June 30, 2014

Fiscal Year Ended <u>June 30,</u>	Taxes Levied for the <u>Fiscal Year</u>	Collected within the Fiscal Year of the Levy		Collections in Subsequent <u>Years</u>	Total Collections to Date	
		<u>Amount</u>	Percentage <u>of Levy</u>		<u>Amount</u>	Percentage <u>of Levy</u>
2005	3,515,912	3,515,912	100%	-	3,515,912	100%
2006	3,966,356	3,966,356	100%	-	3,966,356	100%
2007	4,527,424	4,527,424	100%	-	4,527,424	100%
2008	3,520,493	3,520,493	100%	-	3,520,493	100%
2009	3,134,745	3,134,745	100%	-	3,134,745	100%
2010	3,472,332	3,472,332	100%	-	3,472,332	100%
2011	3,495,089	3,495,089	100%	-	3,495,089	100%
2012	3,385,663	3,085,663	100%	-	3,085,663	100%
2013	3,442,461	3,442,461	100%	-	3,442,461	100%
2014	3,748,789	3,748,789	100%	-	3,748,789	100%

Note: Amounts are reported and collected under the Teeter Plan in which all taxes are distributed to the City in the year of the levy with the County retaining any interest or penalties on uncollected balances.

Source: Contra Costa County Auditor-Controller's Office

City of Orinda  
Direct and Overlapping Debt  
Current Year  
Fiscal year ended June 30, 2014

	Percentage Applicable	Outstanding Debt 6/30/2014	Estimated Share of Overlapping Debt
<hr/> <hr/>			
City Assessed Valuation		\$ 4,942,008,441	
Incremental Valuation		-	
Adjusted Assessed Valuation		<u>\$ 4,942,008,441</u>	
<b>Direct Assessment Debt</b>			
2005 Certificates of Participation	100%	\$ 8,280,000	\$ 8,280,000
<b>Overlapping Tax and Assessment Debt:*</b>			
Contra Costa County Pension Debt	3.382%	258,500,000	8,742,470
CCC PFA 1998A Lease Revenue Bonds	3.382%	14,715,000	497,661
CCC PFA 1999A Lease Revenue Bonds	3.382%	12,745,000	431,036
CCC PFA 2001A Lease Revenue Bonds	3.382%	705,000	23,843
CCC PFA 2002A Lease Revenue Bonds	3.382%	7,925,000	268,024
CCC PFA 2002B Lease Revenue Bonds	3.382%	6,520,000	220,506
CCC PFA 2003A Lease Revenue Bonds	3.382%	7,375,000	249,423
CCC PFA 2007A Lease Revenue Bonds	3.382%	110,185,000	3,726,457
CCC PFA 2007B Lease Revenue Bonds	3.382%	44,640,000	1,509,725
CCC PFA 2009A Lease Revenue Bonds	3.382%	18,453,349	624,092
CCC PFA 2010A-1 Lease Revenue Bonds	3.382%	5,915,000	200,045
CCC PFA 2010A-2 Lease Revenue Bonds	3.382%	13,130,000	444,057
CCC PFA 2010A-3 Lease Revenue Bonds	3.382%	20,700,000	700,074
CCC PFA 2010B Lease Revenue Bonds	3.382%	14,475,000	489,545
CCC PFA 2012 Lease Revenue Bonds	3.382%	12,318,701	416,618
Moraga-Orinda Fire District Pension Obligation Bonds	60.347%	22,050,000	13,306,514
Bart Bond	3.382%	218,127,299	7,377,065
East Bay Regional Park Bond	3.382%	88,692,412	2,999,577
Acalanes Union 1997 Bond	19.577%	64,302,742	12,588,548
Acalanes Union 1988 Bond	19.577%	4,075,000	797,763
Acalanes Union 2002 & 2008 Bonds	19.577%	205,588,923	40,248,143
Lafayette Elementary Bond 1995	0.181%	30,095,000	54,472
Moraga Elementary Bond 1995	0.023%	13,200,000	3,036
Orinda Elementary Bond	99.234%	8,860,426	8,792,555
Contra Costa Community College 2002 Bond	3.395%	191,135,000	6,489,033
Contra Costa Community College 2006 Bond	3.395%	303,900,000	10,317,405
<b>Total Overlapping Debt</b>		<u>1,698,328,852</u>	<u>121,517,687</u>
<b>Total Direct and Overlapping Debt</b>		<u>\$ 1,706,608,852</u>	<u>\$ 129,797,687</u>

\* Overlapping Tax and Assessment Debt are the financial obligations of other political jurisdictions that falls partly on the City of Orinda taxpayers.

Source: HdL Coren & Cone, Contra Cost County Assessor and Auditor

City of Orinda  
 Legal Debt Margin Information  
 For the last ten fiscal years  
 Fiscal year ended June 30, 2014

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Assessed Value Secured	\$ 3,454,062,993	\$ 3,761,280,589	\$ 4,072,187,872	\$ 4,321,548,584
Conversion Percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted Assessed Value	863,515,748	940,320,147	1,018,046,968	1,080,387,146
Debt Limit Percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit	129,527,362	141,048,022	152,707,045	162,058,072
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 129,527,362</u>	<u>\$ 141,048,022</u>	<u>\$ 152,707,045</u>	<u>\$ 162,058,072</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%

Note: The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time the legal debt margin was enacted by the State of California for local governments.

**Source:** City Finance Department

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 4,528,868,045	\$ 4,775,376,797	\$ 4,762,300,926	\$ 4,615,128,899	\$ 4,656,504,710	\$ 4,942,008,441
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
1,132,217,011	1,193,844,199	1,190,575,232	1,153,782,225	1,164,126,178	1,235,502,110
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
169,832,552	179,076,630	178,586,285	173,067,334	174,618,927	185,325,317
-	-	-	-	-	-
<u>\$ 169,832,552</u>	<u>\$ 179,076,630</u>	<u>\$ 178,586,285</u>	<u>\$ 173,067,334</u>	<u>\$ 174,618,927</u>	<u>\$ 185,325,317</u>

0%                      0%                      0%                      0%                      0%                      0%

City of Orinda  
 Demographic and Economic Statistics  
 For the last ten fiscal years  
 Fiscal year ended June 30, 2014

<u>Year</u>	<u>Population</u>	<u>Personal Income</u> City of Orinda (in thousands)	<u>Per Capita</u> Personal Income	<u>Unemployment</u> Rate City of Orinda	<u>Median</u> Age	<u>% of Pop</u> 25+ with High School Degree	<u>% of Pop</u> 25+ with Bachelor's Degree
2004	17,760	1,230,344	69,276	1.9%			
2005	17,673	1,253,751	70,942	1.8%			
2006	17,472	1,282,730	73,416	1.6%			
2007	17,427	1,308,088	75,061	1.7%			
2008	17,531	1,322,560	75,441	2.3%			
2009	17,687	1,313,255	74,250	4.0%	48.3	98.1%	77.8%
2010	17,866	1,471,069	82,339	4.3%	46.4	99.0%	78.5%
2011	17,819	1,357,148	76,163	4.0%	46.1	98.3%	77.2%
2012	17,925	1,352,119	75,432	2.6%	46.3	98.5%	77.4%
2013	18,089	1,399,166	77,349	2.3%	46.1	98.1%	78.4%

**Sources:** Population: California State Department of Finance  
 Unemployment Data: California Employment Development Department  
 2000-2009 Income, Age, and Education Data: Demographic estimates are based on the last available census. Projections are developed by incorporating all of the prior census data released to date.  
 2010 and later Income, Age and Education Data: - US Census Bureau, most recent American Community Survey

City of Orinda  
 Capital Asset Statistics by Function  
 Last Four Years  
 Fiscal year ended June 30, 2014

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<u>Function</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police*					
Stations	1	1	1	1	1
Fire**					
Stations	3	3	3	3	3
Public works					
Streets (miles)	92.50	92.50	92.70	92.70	92.70
Streetlights***					
Parks and recreation					
Parks	4	4	4	5	5
Community centers	1	1	1	1	1
Ball fields	5	5	5	7	7
Water**					
Sewer**					

\* Police services are provided by Contra Costa County

\*\* Fire, water, and sewer services are provided by Special Districts which are separate from the City.

\*\*\* Streetlights in the City are owned and maintained by PG&E

Source: City of Orinda Finance Department

City of Orinda  
 Operating Indicators by Function  
 Last Five Years  
 Fiscal year ended June 30, 2014

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<u>Function</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Police*</b>					
Arrests	152	159	98	113	204
Parking citations issued	1,655	1,715	2,230	1,578	405
<b>Public works</b>					
Street resurfacing (miles)	2.59	1.80	1.90	1.50	-
Encroachment permits	389	269	270	285	322
<b>Parks and recreation</b>					
Recreation classes (enrollment)	6,685	7,347	7,752	7,712	8,853
Facility rental hours	1,769	2,020	2,296	2,788	2,414
Sports field rental hours	43	3,470	3,701	3,120	6,852
<b>Building Valuations</b>					
Commercial/Industrial Construction	1,261,402	2,469,428	6,927,012	3,893,591	2,186,520
Residential Construction	20,174,766	23,355,921	20,663,274	46,624,040	49,855,541
Total building actions	21,436,168	25,825,349	27,590,286	50,517,631	52,042,061
<b>Fire, Water, Sewer**</b>					

\* Police services are provided by Contra Costa County

\*\* Fire, water, and sewer services are provided by Special Districts which are separate from the City.

**Source:** City of Orinda Finance Department

City of Orinda  
 Full-time and Part-time City Employees by Function  
 Last Five Years  
 Fiscal year ended June 30, 2014

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<u>Function</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government	8.10	8.10	8.10	8.10	8.10
Public Safety Non-Sworn	2.00	2.00	2.00	2.00	2.00
Public Safety Sworn*	-	-	-	-	-
Public works	11.00	11.00	11.00	11.00	11.00
Planning	3.50	3.50	3.50	4.50	5.50
Parks and recreation	11.00	11.00	11.00	11.00	11.00
 Total	 35.60	 35.60	 35.60	 36.60	 37.60

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Note: Police services are provided by Contra Costa County

Source: City of Orinda Finance Department

City of Orinda  
Principal Employers\*  
Current Year and Three Years Ago

Employer	2013-2014			2010-2011		
	Employees	Rank	Percentage of Top 10 Employment	Employees	Rank	Percentage of Top 10 Employment
Kaiser Permanente	30,803	1				
City & County of San Francisco	26,901	2	17.43%	26,554	1	28.16%
University of California, San Francisco	22,664	3	14.68%	24,750	2	26.25%
University of California, Berkeley	21,390	4	13.86%			
Safeway	18,454	5	11.95%			
State of California	15,982	6	10.35%			
Wells Fargo Bank	15,111	7	9.79%	9,214	3	9.77%
Stanford University	12,973	8	8.40%	6,800	4	7.21%
U.S. Postal Service	11,092	9	7.19%	5,529	6	5.86%
Contra Costa County	9,800	10	6.35%	5,555	5	5.89%
US Postal Service				4,697	7	4.98%
PG&E Corp				4,394	8	4.66%
Gap Inc.				3,804	9	4.03%
Charles Schwab & Co Inc.				3,000	10	3.18%
<b>Total</b>	<b>154,367</b>		<b>100.00%</b>	<b>94,297</b>		<b>100.00%</b>

\* Information presented is for the San Francisco Bay Area Largest Employers since separate data is not available for the City of Orinda.

Source: San Francisco Center for Economic Development

## APPENDIX D

### PROPOSED FORM OF FINAL OPINION

July 13, 2015

City Council  
City of Orinda  
22 Orinda Way, 2nd Floor  
Orinda, CA 94563

OPINION: Certificates of Participation (City Offices Project Refinancing) Representing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the City of Orinda as the Rental of Certain Property Pursuant to a Lease Agreement with the Orinda Facilities Financing Corporation

Members of the City Council:

We have acted as special counsel to the City of Orinda (the "City") in connection with the delivery by the City of the Lease Agreement dated as of July 1, 2015 (the "Lease Agreement") between the Orinda Facilities Financing Corporation (the "Corporation") as lessor and the City as lessee. The Corporation has, pursuant to the Assignment Agreement dated July 1, 2015 (the "Assignment Agreement") between the Corporation and U.S. Bank National Association (the "Trustee"), assigned certain of its rights under the Lease Agreement, including the right to receive lease payments made by the City thereunder (the "Lease Payments"), to the Trustee. Pursuant to the Trust Agreement dated as of July 1, 2015 (the "Trust Agreement") among the City, the Corporation and the Trustee, the Trustee has executed and delivered the above-captioned certificates of participation dated the date hereof (the "Certificates") evidencing direct, undivided and fractional interests of the owners thereof in Lease Payments. We have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on representations of the City and the Corporation contained in the Lease Agreement and the Trust Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The City is duly created and validly existing as a municipal corporation and general law city with the power to enter into the Lease Agreement and the Trust Agreement and perform the agreements on its part contained therein.

2. The Lease Agreement and the Trust Agreement have been duly authorized, executed and delivered by the City and the Corporation, and constitute the valid and binding obligations of the City and the Corporation, enforceable against the City and the Corporation in accordance with their terms.

3. The Certificates have been validly executed and delivered by the Trustee under the Trust Agreement and, by virtue of the Assignment Agreement, the owners of the Certificates are entitled to receive their fractional share of the Lease Payments in accordance with the provisions of the Trust Agreement.

4. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on such corporations (as defined for federal income tax purposes), such interest is required to be taken into account in determining certain income and earnings. The Certificates are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Tax Code”), and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction is allowed for 80% of that portion of each such financial institution’s interest expense allocable to the portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates. The opinions set forth in this paragraph 4 are subject to the condition that the City comply with all requirements of the Tax Code that must be satisfied subsequent to the delivery of the Lease Agreement in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes, and in order for the Certificates to be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest with respect to the Certificates in gross income for federal income tax purposes to be retroactive to the date of delivery of the Lease Agreement, or may cause the Certificates not to be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code. We express no opinion regarding other federal tax consequences arising with respect to the Lease Agreement, the ownership, sale or disposition of the Certificates, or the amount, accrual or receipt of interest with respect to the Certificates.

5. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement and the Trust Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

**\$7,945,000**  
**City of Orinda**

**2015 Refunding Certificates of Participation**  
**(City Offices Project Refinancing)**

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the City of Orinda (the “**City**”) in connection with the execution and delivery of the certificates of participation captioned above (the “**Certificates**”). The Certificates evidence the direct, undivided fractional interests of the owners thereof in lease payments to be made by the City under a Lease Agreement dated as of July 1, 2015 (the “**Lease Agreement**”) between the Orinda Facilities Financing Corporation (the “**Corporation**”), as lessor, and the City as lessee. The Certificates will be delivered under a Trust Agreement dated as of July 1, 2015 (the “**Trust Agreement**”) among the City, the Corporation and U.S. Bank National Association, as trustee (the “**Trustee**”). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“*Dissemination Agent*” means U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a).

“*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, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement dated June 11, 2015, executed by the City in connection with the issuance of the Certificates.

*“Participating Underwriter”* means Raymond James & Associates, Inc., as the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

*“Rule”* means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

### Section 3. Provision of Annual Reports.

(a) The City 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 that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB and the Participating Underwriter, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(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 City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the City 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 City’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), 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.

(b) To the extent not contained in the audited financial statements filed under the preceding clause (a), the Annual Report shall contain information showing the following information for the most recently completed fiscal year:

(i) An update to Table 1 in the Official Statement entitled "Assessed Valuation History."

(ii) An update to Table 2 in the Official Statement entitled "Major Local Secured Taxpayers."

(iii) An update to the section captioned "CITY FINANCING INFORMATION – General Fund Revenues – Summary of Revenue Sources."

(iv) An update to Table 3 in the Official Statement entitled "Statement of Revenues, Expenditures and Changes in Fund Balance General Fund."

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Certificates:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) 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.

- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (13) 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, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the City determines that knowledge of the occurrence of that Listed Event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, and the Participating Underwriter 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)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

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 City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City 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 Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the City. The initial Dissemination Agent is U.S. Bank National Association.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: July 13, 2015

CITY OF ORINDA

By \_\_\_\_\_  
City Manager

ACCEPTED AND AGREED:

U.S. Bank National Association,  
as Dissemination Agent

By \_\_\_\_\_  
Authorized Representative

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Orinda

Name of Issue: \$7,945,000 City of Orinda  
2015 Refunding Certificates of Participation  
(City Offices Project Refinancing)

Date of Issuance: July 13, 2015

NOTICE IS HEREBY GIVEN that the City of Orinda has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated as of July 13, 2015, executed by the City of Orinda. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

CITY OF ORINDA

By \_\_\_\_\_  
Name:  
Title:

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## APPENDIX F

### BOOK ENTRY PROVISIONS

*The following description of the Depository Trust Company, New York, New York (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments with respect to the Certificates to DTC Direct and Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, DTC’s Direct and Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC’s Direct and Indirect 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 DTC’s Direct and Indirect Participants, as the case may be.*

*Neither the issuer of the Certificates (the “**Issuer**”) nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (the “**Agent**”) take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC’s Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC’s Direct Participants or Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC’s Direct Participants and Indirect Participants are on file with DTC.*

1. DTC 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](http://www.dtcc.com). *The information contained on this 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-only 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**

**CITY OF ORINDA STATEMENT OF INVESTMENT POLICY**

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**CITY OF ORINDA**  
**STATEMENT OF INVESTMENT POLICY**  
**(Revised May 6, 2014)**

The City of Orinda has a fiduciary responsibility to maximize the productive use of assets entrusted to its care and to invest and manage those public funds wisely and prudently. This statement is intended to provide guidelines for the investment of the City's temporarily idle cash and outlines the policies for maximizing the efficiency of the City's cash management system.

The City operates its pooled cash under the Prudent Investor Rule, which states, in essence, that "when investing...property for the benefit of another, a trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of like character and with like aims to safeguard the principal and maintain the liquidity needs of the (City) and the other depositors." (California Civil Code, Section 2261) This affords the City a broad spectrum of investment opportunities, provided the investment is deemed prudent and is allowable under current legislation of the State of California.

The City's criteria for selecting investments are, in order of priority:

1. Safety. The City shall utilize instruments which have low potential for loss of principal and interest.
2. Liquidity. The City shall maintain a portfolio of investments, an adequate percentage of which can be converted to cash as necessary to meet expenditure requirements, with a minimal chance of losing some portion of principal or interest. Maturities shall be selected to anticipate cash needs, thereby avoiding the need for forced liquidation.
3. Yield. Having satisfied the first two criteria, the City shall attempt in selecting instruments to obtain the highest rate of return possible on invested funds.

All securities will be denominated in United State dollars. The funds will be managed as two pools:

- Liquidity Pool
- Reserve Pool

The **Liquidity Pool** will consist of those funds which will reasonably be assumed to be needed by the City during the ensuing year, given the expected revenues and expenses. These funds will be invested in accounts or instruments in accordance with the Government Code that provide maximum liquidity and safety. Examples include bank demand accounts, approved money market funds, and the Local Agency Investment Fund (LAIF).

The **Reserve Pool** represents assets under the City's responsibility that are excess to the funds needed in the Liquidity Pool. Reiterating, these funds are to be invested in accordance with the Government Code, particularly Section 53601, with the following restrictions:

- Any individual corporate security (i.e., medium term notes as defined in Section 53601(k)) must be rated at least Aa3 or AA- by at least two of the Nationally Recognized Statistical-Rating Organizations [NRSRO] (e.g., Moody's, Standard &

Poor's, or Fitch).

- Any corporate security downgraded below the above-noted ratings or losing its rating by a second NRSRO must be sold within a reasonable time (typically one month).
- No one corporate issuer may be more than five percent (5%) of the Reserve Pool's assets at the time of purchase.
- No one industry's concentration will be more than twenty percent (20%) of the Reserve Pool's assets at the time of purchase.

Given the complexity, time requirements, and detailed knowledge required to do thorough portfolio analysis, the Treasurer is encouraged to maximize the use of eligible mutual funds (being cognizant of the Government Code's Section 53601 (k) (5) 10% limit of total City funds in any one mutual fund; 20% for all mutual funds), U S Treasury, Agency and Government Sponsored Enterprise securities and to avoid investments in individual corporate securities except in the most compelling cases.

Investment may be made in the following medium, subject to restrictions stated in the Government Code:

	<b><u>Maximum Pool Limit</u></b>
Securities of the U.S. Government, or its agencies	100%
Certificates of Deposit (of Time Deposits) placed with commercial banks And/or savings and loan companies not to exceed the maximum allowed by FDIC per institution	100%
Local Agency Investment Fund (LAIF), State Pool Demand Deposits	100%
Passbook Savings Account Demand Deposits not to exceed The maximum allowed by FDIC per institution	100%
Shares of beneficial interest issued by Diversified Management Companies (Mutual funds). No more than 10% in any one mutual fund.	20%
Money Market Demand Accounts	100%
Banker Acceptances, maximum of 180 days (maximum 30% of pool with One agency)	40%
Commercial Paper, maximum 270 days of Prime Quality (not more than 10% of outstanding paper of an issuing corporation)	25%
Medium-term corporate notes. A maximum term of five years issued by Corporations organized and operating within the U.S. (See rating limitations above)	30%

The Government Code also allows investments in the following medium. However, direct investment in these instruments is not considered practical and/or desirable by the City at this time.

	<b><u>Maximum Pool Limit</u></b>
Repurchase Agreements and Reserve Repurchase Agreements	10%
Negotiable Certificates of Deposit	10%
Bonds issued by local agencies	10%
State warrants, treasury notes and bonds	10%
Mortgage securities	5%

Consideration should be given to investments that promote community economic development, i.e., doing business with local banks, provided that the criteria for safety, liquidity, and yield are met. A competitive bid process will be used, when practical.

The City shall strive to maintain the level of investment of all idle funds as near 100 percent as possible through daily and projected cash flow determinations. The City's cash management system should monitor and forecast revenues and expenditures, thus insuring the investment of monies to the fullest extent possible. The day-to-day management of idle cash and investment transactions is the responsibility of the Finance Department under the direction of the City Manager.

This policy shall be reviewed and submitted to the City Council for approval and for changes at a Public Meeting at least annually.

Investment income shall accrue solely to the General Fund except where required by law, or other binding agreement, in which case interest shall accrue to other funds based upon the fund's proportionate ratio of balances to total pooled cash. Investment income shall not be credited to individual reserve accounts, except where required by law. Investment income shall be credited no less than annually.