

NEW ISSUE—FULL BOOK ENTRY

RATING:
S&P: “AA”
 See “RATING” herein.

In the opinion of Quint & Thimmig LLP, Larkspur, California, Special Counsel, subject to compliance by the City with certain covenants, interest with respect to the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Special Counsel, interest with respect to the Certificates is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS” herein.

\$9,610,000
CERTIFICATES OF PARTICIPATION
(2013 Financing Project)
Evidencing Direct, Undivided Fractional Interests of
the Owners Thereof in Lease Payments to be Made by the

(Alameda County, California)
As the Rental for Certain Property Pursuant to
a Lease Agreement with the
City of Alameda Financing Authority

Dated: Date of Delivery

Due: May 1, as set forth below

The \$9,610,000 Certificates of Participation (2013 Financing Project) (the “Certificates”), are being executed and delivered to provide funds to (a) refund the City of Alameda (the “City”) 2002 Certificates of Participation (City Hall Refinancing Project), representing undivided fractional interests of the owners thereof in lease payments to be made by the City as the rental for certain property pursuant to a lease agreement with the Alameda Public Improvement Corporation, originally delivered in the principal amount of \$11,370,000, of which \$7,395,000 is currently outstanding, delivered to refund certain certificates of participation executed and delivered in 1995 to finance the seismic upgrade and renovation of Alameda City Hall, (b) finance the costs of construction of a new City Emergency Operations Center and associated expenses; and (c) pay the costs of the financing. The Certificates will evidence direct, undivided fractional interests of the owners thereof in Lease Payments (as defined herein) to be made by the City to the City of Alameda Financing Authority (the “Authority”) for the use and occupancy of the Property (as defined herein) under and pursuant to a Lease Agreement, dated as of October 1, 2013, by and between the Authority and the City (the “Lease Agreement”). The Authority will assign its right to receive Lease Payments from the City under the Lease Agreement and its right to enforce payment of the Lease Payments when due or otherwise protect its interest in the event of a default by the City thereunder to The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as trustee (the “Trustee”), for the benefit of the registered owners of the Certificates.

The Certificates will be executed and delivered in book-entry form only, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (referred to herein as “DTC”). Purchasers of the Certificates (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Certificates. Interest with respect to the Certificates accrues from their date of delivery, and is payable semiannually by check mailed on each May 1 and November 1, commencing May 1, 2014. The Certificates may be executed and delivered in denominations of \$5,000 or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates. (See “THE CERTIFICATES—Book-Entry-Only System” herein).

The Certificates are subject to redemption, as described herein.

The City will covenant in the Lease Agreement to make all Lease Payments due under the Lease Agreement, subject to abatement during any period in which by reason of damage or destruction of the Property, or by reason of eminent domain proceedings with respect to the Property, there is substantial interference with the use and occupancy by the City of the Property or any portion thereof. The City will covenant in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments.

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES A DEBT OR INDEBTEDNESS OF THE CITY OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS 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.

MATURITY SCHEDULE

CUSIP Prefix: 010762†

Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†	Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†
2014	\$600,000	0.250%	0.250%	JM5	2023	\$585,000	4.000%	3.000%	JW3
2015	445,000	3.000	0.520	JN3	2024	610,000	4.000	3.230c	JX1
2016	460,000	3.000	0.800	JP8	2025	635,000	4.000	3.500c	JY9
2017	475,000	3.000	1.140	JQ6	2026	660,000	4.000	3.740c	JZ6
2018	485,000	3.500	1.550	JR4	2027	685,000	4.000	3.900c	KA9
2019	505,000	3.500	1.880	JS2	2028	715,000	4.000	4.040	KB7
2020	520,000	4.000	2.250	JT0	2029	745,000	4.000	4.160	KC5
2021	540,000	4.000	2.500	JU7	2030	380,000	4.000	4.260	KD3
2022	565,000	4.000	2.780	JV5					

† Priced to the May 1, 2023, par call date.

The Certificates were sold by competitive bidding on September 25, 2013, to Citigroup Global Markets Inc., at a true interest cost of 3.582419%.

The cover page contains certain information for general reference only. It is *not* a summary of all the provisions of the Certificates. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The Certificates will be offered when, as and if delivered and received by the Underwriter subject to approval by Quint & Thimmig LLP, Larkspur, California, as Special Counsel. Certain matters will be passed upon for the City by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel, and by the City Attorney. It is anticipated that the Certificates will be available for delivery to DTC in New York, New York, on or about October 16, 2013.

Dated: September 25, 2013

† Copyright 203, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by Standard & Poor’s. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the Certificates. Neither the City nor the Underwriter is responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

CITY OF ALAMEDA

**2263 Santa Clara Avenue
Alameda, California 94501
<http://www.alamedaca.gov/>**

CITY COUNCIL MEMBERS

Marie L. Gilmore, *Mayor*
Marilyn Ezzy Ashcraft, *Vice Mayor*
Lena Tam, *Councilmember*
Stewart G. Chen, *Councilmember*
Tony Daysog, *Councilmember*

CITY OFFICIALS

John A. Russo, *City Manager*
Elizabeth Warmerdam, *Assistant City Manager*
Alexander Nguyen, *Assistant City Manager*
Kevin Kearney, *City Auditor*
Kevin Kennedy, *City Treasurer*
Fred Marsh, *Finance Director*
Janet Kern, *City Attorney*
Lara Weisiger, *City Clerk*

SPECIAL SERVICES

Special Counsel and Disclosure Counsel

Quint & Thimmig LLP
Larkspur, California

Financial Advisor

Public Financial Management, Inc.
San Francisco, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” of the City with respect to the Certificates that has been deemed “final” by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of any 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 an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information set forth herein has been obtained from the City and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease, or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Director Finance for further information. See “INTRODUCTION—Other Information.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH 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, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the City’s forecasts in any way. Neither the City nor the Authority is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

The execution, sale and delivery of the Certificates has not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

The City maintains a website. Unless specifically indicated otherwise, the information presented on such website is *not* incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Certificates.

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CITY OF ALAMEDA LOCATION MAP



\$9,610,000
CERTIFICATES OF PARTICIPATION
(2013 Financing Project)
Evidencing Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
CITY OF ALAMEDA
as the Rental for Certain Property
Pursuant to a Lease Agreement with the
City of Alameda Financing Authority

INTRODUCTION

This introduction does not purport to be complete and reference is made to the body of this Official Statement, appendices and the documents referred to herein for more complete information with respect to matters concerning the captioned Certificates. Potential investors are encouraged to read this entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement and in APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS.

General

This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the execution, sale and delivery of \$9,610,000 aggregate principal amount of Certificates of Participation (2013 Financing Project) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of October 1, 2013 (the “Trust Agreement”), by and among the City of Alameda (the “City”), the City of Alameda Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

Proceeds of the Certificates will be used to (a) refund the City’s 2002 Certificates of Participation (City Hall Refinancing Project), representing undivided fractional interests of the owners thereof in lease payments to be made by the City as the rental for certain property pursuant to a lease agreement with the Alameda Public Improvement Corporation, originally delivered in the principal amount of \$11,370,000, of which \$7,395,000 is currently outstanding (the “2002 Certificates”), delivered to refund certain certificates of participation executed and delivered in 1995 to finance the seismic upgrade and renovation of Alameda City Hall, (b) finance the costs of construction of a new City Emergency Operations Center and associated expenses (the “2013 Project”); and (c) pay delivery costs incurred in connection with the execution, delivery and sale of the Certificates. See “PLAN OF FINANCING.”

The City will lease certain existing property (collectively, the “Property”) to the Authority pursuant to a Site and Facility Lease, dated as of October 1, 2013 (the “Site and Facility Lease”). The Authority will lease the Property back to the City pursuant to a Lease Agreement, dated as of October 1, 2013 (the “Lease Agreement”). The Certificates are payable solely from and secured by certain lease payments (“Lease Payments”) to be made by the City to the Authority pursuant to the Lease Agreement. See “SOURCE OF PAYMENT FOR THE CERTIFICATES” and “THE PROPERTY.”

Interest with respect to the Certificates is payable on May 1 and November 1 of each year, commencing May 1, 2014. The Certificates will mature in the amounts and on the dates and be payable at the interest rates shown on the cover of this Official Statement. See “THE CERTIFICATES.”

The Certificates will be delivered in fully registered form only, in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”). DTC will act as the depository for the Certificates and all payments due with respect to the Certificates will be made to Cede & Co. Ownership interests in the Certificates may be purchased only in book-entry form. See “THE CERTIFICATES—Book-Entry Only System” and APPENDIX F—DTC’S BOOK-ENTRY ONLY SYSTEM.

Source of Payment for the Certificates

The Certificates represent direct, undivided fractional interests of the Owners thereof in the Lease Payments to be paid by the City to the Authority pursuant to the Lease Agreement. Lease Payments are calculated to be sufficient to permit the payment of the principal and interest with respect to the Certificates when due. The Lease Payments are payable by the City from its general fund for the right to use and possess the Property. The Lease Payments are subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the City of the Property or any portion thereof. The City will covenant under the Lease Agreement to take such action as necessary to include the Lease Payments in its annual budget and to make all necessary appropriations therefor (subject to abatement under certain circumstances described in the Lease Agreement). Pursuant to an Assignment Agreement, dated as of October 1, 2013 (the “Assignment Agreement”), by and between the Authority and the Trustee, the Authority will assign to the Trustee, for the benefit of the Owners of the Certificates, certain of its rights under the Lease Agreement, including its right to receive Lease Payments from the City for the purpose of securing the payment of principal and interest with respect to the Certificates. See “SOURCE OF PAYMENT FOR THE CERTIFICATES” and “RISK FACTORS.”

A reserve fund will *not* be funded for the Certificates.

THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT 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. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE CITY OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

The City

The City is located in Alameda County (the “County”). The City is located on Alameda Island and Bay Farm Island, and is adjacent to and west of Oakland and in eastern San Francisco Bay across from San Francisco and South San Francisco, in the San Francisco Bay Area. It is part of the San Francisco Bay metropolitan area. The City was incorporated in 1854. Its first Charter was granted by the State of California in 1916, and the City continues to operate as a charter city. Municipal operations are conducted under the Council-Manager form of government. The City has a current population of approximately 75,000. See “THE CITY,” “CITY FINANCIAL INFORMATION” and APPENDIX A—GENERAL,

ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY.

Continuing Disclosure

The City will covenant in a Continuing Disclosure Certificate to prepare and deliver an annual report to the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system. See “CONTINUING DISCLOSURE” and APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Summaries of Documents

This Official Statement contains descriptions of the Certificates, the Trust Agreement, the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and various other agreements and documents. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors’ rights generally. Copies of the various documents described herein are available for inspection during business hours at the corporate trust office of the Trustee at 700 South Flower Street, Suite 500, Los Angeles, CA 90017.

Other Information

This Official Statement speaks only as of its date as set forth on the cover hereof, the information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof.

Unless otherwise expressly noted, all references to internet websites in this Official Statement, including without limitation, the City’s website, are shown for reference and convenience only and none of their content is incorporated herein by reference. The information contained within such websites has not been reviewed by the City and the City makes no representation regarding the accuracy or completeness of the information therein.

SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of the proceeds from the sale of the Certificates and other moneys:

Sources	
Par Amount of the Certificates	\$9,610,000.00
Plus: Net Original Issue Premium	422,350.10
Less: Underwriter's Discount	(139,021.62)
Plus: Released 2002 Reserve Fund	829,500.01
Total Sources	\$10,722,828.49
Uses	
Deposit to Project Fund ⁽¹⁾	\$3,000,000.00
Deposit to Escrow Fund ⁽²⁾	7,563,490.48
Deposit to Delivery Costs Fund ⁽³⁾	159,338.01
Total Uses	\$10,722,828.49

- ⁽¹⁾ Amounts deposited in the Project Fund will be used to finance the 2013 Project. See PLAN OF FINANCING.
- ⁽²⁾ Amounts deposited in the Escrow Fund will be used to defease the 2002 Certificates. See PLAN OF FINANCING.
- ⁽³⁾ Delivery Costs include fees and expenses of the financial advisor, special counsel, disclosure counsel and the Trustee, printing expenses, rating fees, title insurance and other costs.

PLAN OF FINANCING

Proceeds of the Certificates will be used to (a) provide for the defeasance and refunding of the 2002 Certificates, (b) finance the costs of the 2013 Project, and (c) pay delivery costs incurred in connection with the execution, delivery and sale of the Certificates.

Refunding of the 2002 Certificates. A portion of the net proceeds of the Certificates will be used to refund, on a current basis, the 2002 Certificates. Under terms of an Escrow Deposit and Trust Agreement, dated as of the date of delivery of the Certificates, by and between the City and The Bank of New York Mellon Trust Company, N.A., as escrow bank, an escrow fund (the "Escrow Fund") will be established. At closing, the total amount required to redeem all outstanding 2002 Certificates on November 1, 2013, at a redemption price equal to 100% of the principal amount of the 2002 Certificates, plus accrued interest to the date of redemption, will be deposited in the Escrow Fund.

2013 Project. The 2013 Project consists of a new City of Alameda Emergency Services Center (the "EOC") will serve as the primary support facility for the operations management and response coordination for all major public safety incidents. Located in the strategic center of the City, the EOC will accommodate the collaboration between City emergency service personnel including fire, police, public works, the City Manager's office and other City departments as needed. The two story structure will include a primary meeting space designed as a large gathering space for up to 50 emergency response personnel. Supporting the primary space will be a Disaster Preparedness Office, a secondary communications and conference room, an independent communications/IT equipment room and restrooms with showers. The two-story facility will be fully ADA accessible with an elevator serving the upper floor and will have dedicated off-street parking. The building design will comply with the stringent earthquake resistance code requirements for an Essential Service facility and will be served by diesel powered generator to maintain continual operation.

THE PROPERTY

Pursuant to the Site and Facility Lease, the City will lease the Property to the Authority. Pursuant to the Lease Agreement, the Authority will, in turn, lease the Property back to the City. See APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Site and Facility Lease and APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Lease Agreement.

The Property consists of the Alameda City Hall, and the site thereof, located at Santa Clara Avenue and Oak Street, in the City. The building is a three story, 40,000 square foot building, which was originally constructed in 1895. The building was seismically upgraded and renovated in 1997. The improvements consisted of the full seismic retrofit according to the Uniform Code for Building Conservation, 1991 Edition, installation of an automatic sprinkler system throughout the building, installation of an accessible elevator, additional accessibility improvements throughout the building, relocation of the City Council Chamber to its historical location on the third floor, repair/restoration of historically significant building details and components, and installation of the tower foundation. A major component of the structural upgrade of the building was the placement of a special adhesive ceramic foam infill material in the exterior walls of the building which consists of two thin brick walls with an approximately eight inch void space in between. The ceramic foam is to bond the two walls together to create a strengthened composite wall. The building currently houses all City departments and personnel, with the exception of the Police Department, Fire Department, Public Works, Parks and Recreation, Alameda Municipal Power and the Maintenance Division of Public Works, which operate out of separate facilities.

For a description of certain terms of the Lease Agreement see “SOURCE OF PAYMENT FOR THE CERTIFICATES” and APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

Pursuant to the Lease Agreement, the City may substitute the Property, in whole or in part, by other properties, upon the satisfaction of certain conditions. For more information regarding the substitution of property see “SOURCE OF PAYMENT FOR THE CERTIFICATES—Substitution or Release of Site or Facility” and APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Lease Agreement.

The City has not granted any security interest in the Property for the benefit of the Certificates and there is no remedy of foreclosure on the Property upon the occurrence of an Event of Default under the Lease Agreement. For a discussion of remedies upon an Event of Default under the Lease Agreement, see “RISK FACTORS—Limitations on Remedies.”

SEMI-ANNUAL DEBT SERVICE

The following table shows the scheduled semi-annual debt service for the Certificates:

Interest Payment Date ⁽¹⁾	Principal	Interest	Total
5/1/14	\$ 600,000	\$ 185,872.91	\$ 785,872.91
11/1/14	—	170,825.00	170,825.00
5/1/15	445,000	170,825.00	615,825.00
11/1/15	—	164,150.00	164,150.00
5/1/16	460,000	164,150.00	624,150.00
11/1/16	—	157,250.00	157,250.00
5/1/17	475,000	157,250.00	632,250.00
11/1/17	—	150,125.00	150,125.00
5/1/18	485,000	150,125.00	635,125.00
11/1/18	—	141,637.50	141,637.50
5/1/19	505,000	141,637.50	646,637.50
11/1/19	—	132,800.00	132,800.00
5/1/20	520,000	132,800.00	652,800.00
11/1/20	—	122,400.00	122,400.00
5/1/21	540,000	122,400.00	662,400.00
11/1/21	—	111,600.00	111,600.00
5/1/22	565,000	111,600.00	676,600.00
11/1/22	—	100,300.00	100,300.00
5/1/23	585,000	100,300.00	685,300.00
11/1/23	—	88,600.00	88,600.00
5/1/24	610,000	88,600.00	698,600.00
11/1/24	—	76,400.00	76,400.00
5/1/25	635,000	76,400.00	711,400.00
11/1/25	—	63,700.00	63,700.00
5/1/26	660,000	63,700.00	723,700.00
11/1/26	—	50,500.00	50,500.00
5/1/27	685,000	50,500.00	735,500.00
11/1/27	—	36,800.00	36,800.00
5/1/28	715,000	36,800.00	751,800.00
11/1/28	—	22,500.00	22,500.00
5/1/29	745,000	22,500.00	767,500.00
11/1/29	—	7,600.00	7,600.00
5/1/30	380,000	7,600.00	387,600.00
TOTAL	\$9,610,000	\$3,380,247.91	\$12,990,247.91

⁽¹⁾ Principal and interest payments with respect to the Certificates on each May 1 and November 1 are derived from Lease Payments made by the City on the preceding April 15 and October 15.

THE CERTIFICATES

General

The Certificates will be executed and delivered in the aggregate principal amount and will mature on the dates and interest with respect thereto will be payable at the rates per annum as set forth on the cover of this Official Statement. The Certificates will be delivered in the form of fully registered Certifi-

ates without coupons in the denomination of \$5,000 or any integral multiple thereof. Interest with respect to the Certificates will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on May 1 and November 1 of each year, commencing May 1, 2014 (each an “Interest Payment Date”), until maturity or earlier redemption thereof. The Certificates will be initially executed, delivered and registered in the name of “Cede & Co.” as nominee of DTC and will be evidenced by one Certificate maturing on each of the maturity dates in a denomination corresponding to the total principal therein designated to mature on such date. See “THE CERTIFICATES—Book-Entry Only System.”

Interest with respect to the Certificates will be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (i) it is executed as of an Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (ii) it is executed after a Regular Record Date (i.e., the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day) and before the following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (iii) it is executed on or before April 15, 2014, in which event interest with respect thereto will be payable from its dated date; *provided, however*, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates, interest represented by such Certificate shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates. Payment of defaulted interest shall be paid by check mailed to the Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the Owners not less than ten (10) days prior to such special record date.

Payment of interest due with respect to 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 Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

Redemption

Optional Redemption. The Certificates maturing on or before May 1, 2023, are not subject to optional redemption prior to maturity. The Certificates maturing on and after May 1, 2024, are subject to optional redemption in whole or in part on any date in such order of maturity as shall be designated by the City (or, if the City shall fail to so designate the order of redemption, in *pro rata* among maturities) and by lot within a maturity, on or after May 1, 2023, at a redemption price equal to the principal amount of the Certificates to be redeemed, together with accrued interest, without premium, to the date fixed for redemption, from the proceeds of the optional prepayment of Lease Payments made by the City pursuant to the Lease Agreement.

Extraordinary Redemption from Net Proceeds of Insurance, Title Insurance, Condemnation or Eminent Domain Award. The Certificates are subject to extraordinary redemption in whole on any date or in part on any Interest Payment Date from the Net Proceeds of an insurance, title insurance, condemnation or

eminent domain award, to the extent credited towards the prepayment of the Lease Payments by the City pursuant to the Lease Agreement, in such order of maturity as shall be designated by the City (or, if the City shall fail to so designate the order of redemption, in *pro rata* among maturities) and by lot within a maturity, at a redemption price equal to the principal amount of the Certificates to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

Selection of Certificates for Redemption. Whenever provision is made in the Trust Agreement for the redemption of Certificates and less than all of the Outstanding Certificates are to be redeemed, the Trustee will select Certificates for redemption from the Outstanding Certificates not previously called for redemption in such order of maturity as will be designated by the City (and, in lieu of such designation, *pro rata* among maturities) and by lot within a maturity. The Trustee will select Certificates for redemption within a maturity by lot in any manner which the Trustee will, in its sole discretion, deems appropriate. For purposes of such selection, Certificates will be deemed to be composed of \$5,000 portions and any such portion may be separately redeemed. The Trustee will promptly notify the City in writing of the Certificates so selected for redemption. Selection by the Trustee of Certificates for redemption will be final and conclusive.

Notice of Redemption. Unless waived in writing by any Owner of a Certificate to be redeemed, notice of any such redemption will be given by the Trustee on behalf and at the expense of the City, by mailing a copy of a redemption notice by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption, to such Owner of the Certificate or Certificates to be redeemed at the address shown on the Registration Books or at such other address as is furnished in writing by such Owner to the Trustee; *provided, however*, that neither the failure to receive such notice nor any defect in any notice will affect the sufficiency of the proceedings for the redemption of the Certificates.

Effect of Redemption. If notice of redemption has been given as described above, the Certificates or portions of Certificates so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date, interest with respect to such Certificates or portions of Certificates will cease to be payable.

Partial Redemption of Certificate. Upon surrender of any Certificate redeemed in part only, the Trustee will execute and deliver to the Owner thereof a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

Transfer and Exchange 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 his or her attorney duly authorized in writing upon surrender of such Certificate for cancellation at the Principal Corporate Trust Office, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The City shall pay any costs of the Trustee incurred in connection with such transfer, except that the Trustee may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The Trustee shall not be required to transfer (i) any Certificates or portion thereof during the period between the date

fifteen (15) days prior to the date of selection of Certificates for redemption and such date of selection, or (ii) any Certificates selected for redemption.

Certificates may be exchanged, upon surrender thereof, at the Principal Corporate Trust Office for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. Whenever any Certificate or Certificates shall be surrendered for exchange, the Trustee shall execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The City shall pay any costs of the Trustee incurred in connection with such exchange, except that the Trustee may 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. The Trustee shall not be required to exchange (i) any Certificate or any portion thereof during the period between the date fifteen (15) days prior to the date of selection of Certificates for redemption and such date of selection, or (ii) any Certificate selected for redemption.

Book-Entry Only System

The Certificates will be initially executed, delivered and registered as one fully registered certificate for each maturity, without coupons, in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive physical certificates representing their interest in the Certificates purchased. Principal and interest will be paid to DTC which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. So long as DTC's book-entry system is in effect with respect to the Certificates, notices to Owners of the Certificates by the City or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the Certificates, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. See APPENDIX F—DTC'S BOOK-ENTRY ONLY SYSTEM.

In the event that such book-entry system is discontinued with respect to the Certificates, the City will cause the Trustee to execute and deliver replacements in the form of registered certificates and, thereafter, the Certificates will be transferable and exchangeable on the terms and conditions provided in the Trust Agreement. In addition, the following provisions would then apply: Payment of interest due with respect to 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 Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request will remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

SOURCE OF PAYMENT FOR THE CERTIFICATES

General

Each Certificate represents a direct, undivided fractional interest in the Lease Payments. Pursuant to the Lease Agreement, the City will lease the Property from the Authority and agree to make Lease Payments. See “THE PROPERTY.” Upon satisfaction of certain conditions set forth in the Lease Agreement, the City may substitute the Property with other properties. See “Substitution or Release of Site or Facility” below.

As security for the Certificates, the Authority will assign to the Trustee for the payment of principal and interest with respect to the Certificates, the Authority’s rights, title and interest in the Lease Agreement (with certain exceptions), including the right to receive Lease Payments to be made by the City under the Lease Agreement. The Lease Payments are designed to be sufficient, in both time and amount, to pay when due, the principal and interest with respect to the Certificates. The Lease Payments are payable by the City from any source of legally available funds.

THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT 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. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE CITY OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Lease Payments; Covenant to Appropriate

Pursuant to the Lease Agreement, the City has agreed to make Lease Payments for the lease of the Property which are calculated to be sufficient to pay principal and interest due with respect to the Certificates. Lease Payments will be made by the City to the Trustee on April 15 and October 15 in each year, in advance of the corresponding May 1 and November 1 Interest Payment Dates. The City will also pay as additional payments (“Additional Payments”), amounts required for the payment of all costs and expenses incurred by the City to comply with the provisions of the Trust Agreement and the Lease Agreement or in connection with the execution and delivery of the Certificates. The City has covenanted under the Lease Agreement to take such action as may be necessary to include all Lease Payments and Additional Payments in its annual budget and to make the necessary annual appropriations for all such payments. Under certain circumstances described under the Lease Agreement, however, Lease Payments are subject to abatement during periods of substantial interference with the City’s use and occupancy of the Property or any portion thereof. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Abatement.”

Insurance

The City is required to keep or cause to be kept casualty insurance against loss or damage by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, in an amount at least equal to one hundred percent (100%) of the replacement cost of the Property. Such insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage,

smoke and such other hazards as are normally covered by such insurance. The City is not required by the Lease Agreement to maintain earthquake coverage with respect to the Property and the City does not expect to purchase such coverage.

To insure against loss of rental income caused by perils mentioned above, the City is required to maintain, or cause to be maintained throughout the term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property as a result of any of the hazards described above in an amount equal to two times the maximum annual Lease Payments.

Public liability and property damage insurance coverage is required in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the City. The net proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

The City shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, a CLTA title insurance policy in the amount of not less than the principal amount of the Certificates, insuring the City's leasehold estate in the Property, subject only to Permitted Encumbrances.

See APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT—Insurance.

Abatement

Pursuant to the Lease Agreement, Lease Payments will be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the City of the Property or any portion thereof (other than certain portions of the Property which have been modified by the City as described in the Lease Agreement) to the extent to be agreed upon by the City and the Authority and communicated by a City Representative to the Trustee. The parties agree that amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in an exhibit attached to the Lease Agreement, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed (giving due consideration to the factors identified related to fair rental value as discussed in the Lease Agreement), based upon the opinion of an MAI appraiser with expertise in valuing such properties, or based upon any other appropriate method of valuation, in which event the Lease Payments will be abated such that they represent said fair rental value. 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 as communicated by a City Representative to the Trustee. In the event of any such damage or destruction, 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 under the Lease Agreement to the extent that (a)

the proceeds of rental interruption insurance or (b) amounts in the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated under the Lease Agreement. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance,” APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Lease Agreement—Insurance and APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Lease Agreement—Abatement of Lease Payments in the Event of Damage or Destruction.

Eminent Domain

Pursuant to the Lease Agreement, if all of the 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 as of the day possession is taken. If less than all of the Property is taken permanently, or if all of the Property or any part thereof is taken temporarily under the power of eminent domain, (1) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there will be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments under the Lease Agreement, in an amount to be agreed upon by the City and the Authority and communicated to the Trustee such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property. The Net Proceeds of such eminent domain award are required to be applied to the redemption of Certificates as provided in the Lease Agreement and the Trust Agreement.

No Reserve Fund

A reserve fund will not be funded for the Certificates.

Optional Prepayment

Pursuant to the Lease Agreement, the City has an option to prepay the principal components of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments, or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, together with the premium set forth for the redemption of Certificates. See “THE CERTIFICATES—Redemption—Optional Redemption.”

Said option may be exercised with respect to Lease Payments due on and after April 15, 2024, in whole or in part on any date, commencing April 15, 2023. In the event of prepayment in part, the partial prepayment will be applied against Lease Payments in such order of payment date as will be selected by the City. Lease Payments due after any such partial prepayment will be in the amounts set forth in a revised Lease Payment schedule which will be provided by, or caused to be provided by, the City to the Trustee and which will represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. The Trustee agrees to notify the Authority in the event of any prepayment of Lease Payments, as provided in the Trust Agreement.

Mandatory Prepayment from Net Proceeds of Insurance, Title Insurance or Eminent Domain

The City will be obligated to prepay the Lease Payments, in whole on any date or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance, title insurance or condemnation award with respect to the Property theretofore deposited in the Lease Payment Fund for such

purpose pursuant to the Lease Agreement and the Trust Agreement. The City and the Authority agree that such Net Proceeds will be applied first to the payment of any delinquent Lease Payments, and thereafter will be credited towards the City's obligations under the mandatory prepayment provisions of the Lease Agreement. Lease Payments due after any such partial prepayment will be in the amounts set forth in a revised Lease Payment schedule which will be provided by, or caused to be provided by, the City to the Trustee and which will represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. See "THE CERTIFICATES—Redemption—Extraordinary Redemption from Net Proceeds of Insurance, Title Insurance, Condemnation or Eminent Domain Award."

Substitution or Release of Site or Facility

Substitution of Site or Facility. The City shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a "Substitute Site") and/or a substitute facility (a "Substitute Facility") for the Site (the "Former Site"), or a portion thereof, and/or the Facility (the "Former Facility"), or a portion thereof, provided that the City shall satisfy all of the following requirements (to the extent applicable) which are hereby declared to be conditions precedent to such substitution:

(i) If a substitution of the Site, the City shall file with the Authority and the Trustee an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) If a substitution of the Site, the City shall file with the Authority and the Trustee an amendment to the Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(iii) If a substitution of the Facility, the City shall file with the Authority and the Trustee an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(iv) If a substitution of the Facility, the City shall file with the Authority and the Trustee an amendment to the Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(v) The City shall certify in writing to the Authority and the Trustee that such Substitute Site and/or Substitute Facility serve the purposes of the City, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the City is permitted to lease under the laws of the State;

(vi) The City delivers to the Authority and the Trustee evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Property following such substitution is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to the Trust Agreement applies with respect to the Substitute Site and/or Substitute Facility;

(vii) The Substitute Site and/or Substitute Facility shall not cause the City to violate any of its covenants, representations and warranties made herein and in the Trust Agreement, as evidenced by an officer's certificate delivered to the Trustee;

(viii) The City shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which adds thereto a description of the Substitute Site and deletes therefrom the description of the Former Site;

(ix) The City shall provide notice of the substitution to any rating agency then rating the Certificates which rating was provided at the request of the City or the Authority; and

(x) The City shall furnish the Authority and the Trustee with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

Release of Site. The City shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(i) The City shall file with the Authority and the Trustee an amendment to the Site and Facility Lease which describes the Site, as revised by such release;

(ii) The City shall file with the Authority and the Trustee an amendment to the Lease Agreement which describes the Site, as revised by such release;

(iii) The City delivers to the Authority and the Trustee evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Property, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Authority that the indemnification provided pursuant to the Trust Agreement applies with respect to the Site, as revised by such release;

(iv) Such release shall not cause the City to violate any of its covenants, representations and warranties made herein and in the Trust Agreement, as evidenced by an officer's certificate delivered to the Trustee; and

(vi) The City shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the City or the Authority.

Release of Facility. The City shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Facility, provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(i) The City shall file with the Authority and the Trustee an amendment to the Site and Facility Lease which describes the Facility, as revised by such release;

(ii) The City shall file with the Authority and the Trustee an amendment to the Lease Agreement which describes the Facility, as revised by such release;

(iii) The City delivers to the Authority and the Trustee evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Property, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Authority that the indemnification provided pursuant to the Trust Agreement applies with respect to the Facility, as revised by such release;

(iv) Such release shall not cause the City to violate any of its covenants, representations and warranties made herein and in the Trust Agreement, as evidenced by an officer's certificate delivered to the Trustee; and

(v) The City shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the City or the Authority.

Amendment of Lease Agreement

The Authority and the City may, at any time, amend or modify any of the provisions of the Lease Agreement, 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 Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved in the Lease Agreement to or conferred upon the City;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Lease Agreement, or in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that, in the opinion of Special Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Special Counsel.

THE CITY

The City is a chartered city which was incorporated in 1854. The City is located in the County just west of the City of Oakland and approximately 12 miles east of San Francisco. The City consists of an island in the eastern portion of San Francisco Bay approximately six miles long by one and one-half miles wide and part of a peninsula adjacent to the Oakland Airport. The island portion is connected to the East

Bay Area by three bridges and a vehicular underwater double barrel tube. Total City area is 22.7 square miles, about 12.4 square miles of which is water area.

The City is a major marine recreational area for Northern California with seven marinas. The City is part of the highly urbanized East Bay, which consists of Alameda and Contra Costa counties. A highly skilled labor force, excellent transportation facilities, renowned educational institutions and available advanced research and development resources contribute to the area's economy.

The City operates under a Council-Manager form of government, whereby policies of the City Council are administered by a City Manager, who is appointed by the City Council. All municipal departments operate under the supervision of the City Manager, with the exception of the City Clerk and the City Attorney. The Council consists of four members who are elected at large for four-year overlapping terms. The Mayor is elected directly by the people for a four year term. Municipal services provided by the City include police, fire, public works, general government, parks and recreation, sanitary sewer, community development, planning, golf, library and base reuse. Component units of the City include Alameda Municipal Power.

See APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY for a general description of the City as well as certain demographic and statistical information.

CITY FINANCIAL INFORMATION

Financial Statements

The City's accounting policies conform to generally accepted accounting principles. The audited financial statements also conform to the principles and standards for public financial reporting established by the Governmental Accounting Standards Board.

Basis of Accounting and Financial Statement Presentation. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Audited Financial Statements. The City retained the firm of Maze & Associates, Pleasant Hill, California (the "City's Auditor"), to examine the general purpose financial statements of the City as of and for the year ended June 30, 2012. The audited financial statements for fiscal year ended June 30, 2012, are included in APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2012. The City has not requested, and the City's Auditor has not provided, any review or update of such financial statements in connection with their inclusion in this Offi-

cial Statement. The City has been awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada for each of the past 22 years.

Budgetary Process

The City Council adopts an biennial budget with appropriations for all City funds prior to the beginning of the fiscal year, which begins on July 1 of each year. The City Council has the legal authority to amend the budget at any time during the fiscal year. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the City's operating budget is at the fund level. For the operating budget, the City Manager has the authority to move appropriations between accounts (without dollar limitation) within a budget program and within the same fund. All other appropriation changes require the approval of the City Council.

All appropriations lapse at the end of the fiscal year unless specific carryovers are approved by the City Council.

The following table shows the City's budget and actual results for general fund revenues and expenditures for fiscal years 2011-12 and 2012-13 and the proposed budget for fiscal year 2013-14.

TABLE 1
General Fund Budget Summary
Fiscal Years 2011-12 through 2013-14

	Budget FY11-12	Actual FY11-12	Budget FY12-13	Estimated Actual FY12-13	Budget FY13-14
Revenues					
Property Taxes/ Sales Tax in Lieu	\$24,401,035	\$22,270,540	\$22,682,000	\$22,944,000	\$23,274,000
Sales Tax - City Portion	4,438,000	5,532,940	4,841,000	5,266,000	5,594,000
Utility User Tax	9,270,000	8,783,216	9,100,000	8,699,000	8,699,000
Franchise Taxes	7,013,300	7,372,647	8,261,510	8,349,000	7,448,000
Motor Vehicle In Lieu Taxes	5,993,000	5,874,386	5,895,000	5,912,000	6,041,000
Transfer and Transient Occupancy Taxes	5,202,000	6,215,713	5,418,000	6,612,000	6,823,000
Business License Taxes	1,750,000	1,611,647	1,700,000	1,625,000	1,625,000
Departmental Revenues	5,050,290	5,194,675	7,062,857	6,152,000	7,249,000
Cost Allocation Reimbursements	4,251,400	4,685,843	4,251,400	4,915,000	4,948,000
Interest / Return on Investments	1,847,790	1,654,265	1,177,400	1,178,000	1,172,000
Other Revenues	51,000	215,256	51,000	10,000	10,000
Transfers In	2,952,940	3,016,294	727,820	960,000	1,049,000
Total Revenues/Transfers In	70,222,760	72,427,422	71,167,987	72,622,000	73,932,000
Expenditures					
City Council	356,910	365,852	330,653	311,000	314,000
City Attorney	900,705	844,463	1,561,112	1,462,000	1,667,000
City Clerk	600,575	584,623	738,879	519,000	475,000
City Manager	1,238,254	1,127,443	2,516,537	2,509,000	2,101,000
Non Departmental	1,138,985	691,738	1,412,852	1,718,000	779,000
Finance	1,973,306	1,877,043	2,066,158	2,059,000	2,166,000
Human Resources	1,199,405	1,154,174	1,028,622	996,000	820,000
Central Services	—	—	2,323,694	2,163,000	2,470,000
Recreation and Parks	4,340,895	4,248,584	3,516,844	3,487,000	2,275,000
Fire	23,162,545	21,065,838	23,541,439	23,054,000	24,287,000
Police	25,715,426	25,584,522	25,198,394	24,742,000	27,596,000
Public Works	1,185,057	1,129,448	1,160,032	1,091,000	1,238,000
Total Operating Expenditures	61,812,063	58,673,728	65,305,216	64,111,000	66,188,000
Transfers to Other Funds					
Capital Projects/Maintenance	1,780,000	1,780,000	1,544,000	1,544,000	889,000
CIC - Loan Write-off	—	1,258,995	—	—	1,379,871
Vacation Payouts	—	—	—	—	941,000
Library	2,131,380	2,131,380	2,064,435	2,064,435	1,964,435
Post Employment Benefits	2,660,170	2,660,172	—	—	—
Police/Fire Pension 1079 and 1082	2,049,585	2,049,576	1,917,880	1,918,125	1,922,028
Transfer 2002 Refinancing City Hall Bonds	826,500	829,500	825,365	827,365	829,695
Other Transfers	1,106,840	1,106,844	576,075	699,075	462,971
Total Transfers to Other Funds	10,554,475	11,816,467	6,927,755	7,053,000	8,389,000
Total Expenditures/Transfers Out	72,366,538	70,490,195	72,232,971	71,164,000	74,577,000
Projected Available Reserves	16,693,535	16,737,077	20,018,518	20,018,518	21,956,518
Net Change in Fund Balance	(2,145,778)	1,937,227	(1,064,984)	1,458,000	(645,000)
Use of Funds Improvements/Animal Shelter	400,000	864,214	—	—	—
Receipt of Loan Repayment	480,000	480,000	480,000	480,000	—
Ending Available Fund Balance	\$15,427,757	\$20,018,518	\$19,433,534	\$21,956,518	\$21,311,518

Source: City of Alameda Finance Department.

City Financial Management Policies

The City Council has adopted a comprehensive set of financial management policies to provide for: (i) establishing targeted general fund reserves; and (ii) the prudent investment of City funds. The City's practice is to incur debt only after deliberation over the effect of such debt on the City's General Fund and other resources of the City, and in those circumstances where the use of debt would be appropriate to the scale and economic life of the asset being financed and the accumulation or availability of reserves to fund the capital requirement.

General Fund Reserve Policy. The following table shows the City's general fund reserve policy guidance, actual reserves for fiscal year 2012-13 and proposed reserve for fiscal year 2013-14.

TABLE 2
General Fund Reserve Policy

	Policy Guidance	Estimated Actual FY 2012-13	Proposed FY 2013-14
% of Expenses	20%	31%	29%

Source: City of Alameda Finance Department.

Investment Policy. The investment of funds of the City (except pension and retirement funds) is made in accordance with the City's Investment Policy, most recently approved on June 26, 2012 (the "Investment Policy"), and section 53601 *et seq.* of the California Government Code. The Investment Policy is subject to revision at any time and is reviewed at least annually to ensure compliance with the stated objectives of safety, liquidity, yield, and current laws and financial trends. All amounts held under the Trust Agreement are invested at the direction of the City in Permitted Investments, as defined in the Trust Agreement, and are subject to certain limitations contained therein. See APPENDIX C—INVESTMENT POLICY OF THE CITY and APPENDIX D—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—TRUST AGREEMENT—Investments.

Current Investments

The City's investment portfolio, as of March 31, 2013, included cash and investments of \$139,864,266.

Principal Sources of General Fund Revenues

Property taxes were the single largest revenue source to the general fund in fiscal year 2012-13, representing approximately 32% of revenues. Sales taxes represented approximately 8% of revenues. For a discussion of potential State Budget impacts on general fund revenues, see "—State Budgets." For a discussion of sales tax revenues and property taxes, see "—Sales Tax" and "—*Ad valorem* Property Taxation."

In addition, the City receives the following local taxes:

Utility User Tax. The City imposes a Utility Users Tax of 7% on all residential and commercial utility bills for properties within the city.

Franchise Taxes. The City has franchise agreements with several utility companies. These companies pay the City a franchise fee based on a percentage of the revenue earned within the City limits. These fees serve as compensation for, among other things, wear and tear on City streets. Franchise fees can change when the customer base expands, when additional services are used, when weather impacts the use of the utility, and when rates change.

Motor Vehicle in Lieu Tax. The Vehicle License Fee is a statewide tax on the ownership of a registered vehicle in place of taxing vehicles as personal property. By law, all revenues from the VLF fund city and county services, but the State Legislature controls the tax rate and the allocation among local governments.

Transient Occupancy Tax. The City imposes a Transient Occupancy Tax of 10% on room rates.

Transfer Tax. The City imposes a transfer tax of \$15 per \$1,000 of property valuation on all property sales that occur within the City limits.

Business License Tax. Any entity that conducts business in the City is required to obtain a business license.

The following table shows the City’s general fund tax revenues by source for the most recent four fiscal years and the budgeted tax revenues for the 2013-14 fiscal year:

TABLE 3
Tax Revenues By Source

Source	Actual FY09-10	Actual FY10-11	Actual FY11-12	Estimated Actual FY12-13	Budget FY13-14
Property Taxes/ Sales Tax in Lieu	22,275,176	22,369,653	22,270,540	22,944,000	23,274,000
Sales Tax - City Portion	4,438,089	4,616,831	5,532,940	5,266,000	5,594,000
Utility User Tax	8,822,075	9,179,172	8,783,216	8,699,000	8,699,000
Franchise Taxes	7,055,884	7,344,536	7,372,647	8,349,000	7,448,000
Motor Vehicle In Lieu Taxes	6,041,729	6,120,156	5,874,386	5,912,000	6,041,000
Transfer and Transient Occupancy Taxes	5,731,907	7,015,026	6,215,713	6,612,000	6,823,000
Business License Taxes	1,821,776	1,799,099	1,611,647	1,625,000	1,625,000
Total Tax Revenues	<u>56,186,636</u>	<u>58,444,473</u>	<u>57,661,089</u>	<u>59,407,000</u>	<u>59,504,000</u>

Source: City of Alameda Finance Department.

In addition, the City receives the following general fund revenues:

Licenses and Permits. These revenues consist primarily of building construction permit fees.

Fines, Forfeitures and Penalties. These revenues include parking citations and other fines for municipal code violations.

Use of Money and Property. These revenues consist primarily of investment earnings and rental/concession income.

Charges for Services. The City charges fees for plan checking, building inspection and a variety of other municipal services.

The following table illustrates other revenue sources by source for the most recent four fiscal years and the budgeted tax revenues for the 2013-14 fiscal year:

TABLE 4
Other Revenue Sources

Source	Actual	Actual	Actual	Estimated	Budget
	FY09-10	FY10-11	FY11-12	Actual FY12-13	FY13-14
Departmental Revenues	3,293,448	5,331,004	5,194,675	6,152,000	7,249,000
Cost Allocation Reimbursements	4,971,360	5,037,424	4,685,843	4,915,000	4,948,000
Interest/Return on Investments	2,661,630	2,438,635	1,654,265	1,178,000	1,172,000
Other Revenues	2,104,924	75,350	215,256	10,000	10,000
Transfers In	216,472	1,361,116	3,016,294	960,000	1,049,000
Total Other Revenues	13,247,834	14,243,529	14,766,333	13,215,000	14,428,000

Source: City of Alameda Finance Department.

Property Taxes

Tax Levies, Collections and Delinquencies. Property taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the County. Property taxes collected in advance are recorded as deferred revenue and recognized as revenue in the year they become available. The County levies, bills and collects property taxes for the City. Property taxes paid to the City by the County within 60 days after the end of the fiscal year are “available” and are, therefore, recognized as revenue.

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 property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Secured and unsecured property taxes are levied based on the assessed value as of January 1, the lien date, of the preceding fiscal year. Secured property tax is levied on October 1 and due in two installments, on November 1 and March 1. Collection dates are December 10 and April 10 which are also the delinquent dates. At that time, delinquent accounts are assessed a penalty of 10%. Accounts that remain unpaid on June 30 are charged an additional 1.5% per month. Such property may thereafter be redeemed by payment of a penalty of 1.5% 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 then is subject to sale by the County Treasurer.

Unsecured property tax is levied on July 1 and due on July 31, and has a collection date of August 31 which is also the delinquent date. 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 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the

County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

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, nonprofit hospitals and charitable institutions.

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.

The passage of Assembly Bill 454 in 1987 changed the manner in which unitary and operating nonunitary property is assessed by the State Board of Equalization. The legislation deleted the formula for the allocation of assessed value attributed to such property and imposed a State-mandated local program requiring the assignment of the assessment value of all unitary and operating non-unitary property in each county of each State assessee other than a regulated railway company. The legislation established formulas for the computation of applicable county-wide rates for such property and for the allocation of property tax revenues attributable to such property among taxing jurisdictions in the county beginning in fiscal year 1988-89. This legislation requires each County to issue each State assessee, other than a regulated railway company, a single tax bill for all unitary and operating nonunitary property.

Assessment Appeals. Property tax values determined by the County Assessor may be subject to appeal by property owners. Assessment appeals are annually filed with the Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant/property owner.

Each assessment appeal could result in a reduction of the taxable value of the real property, personal property or possessory interest of the property which is the subject of the appeal. Alternatively, an appeal may be withdrawn by the applicant or the Assessment Appeals Board may deny or modify the appeal at a hearing or by stipulation.

Effect of Delinquencies and Foreclosures on Property Tax Collections. As described above, once an installment of property tax becomes delinquent, penalties are assessed commencing on the applicable delinquency date until the delinquent installment(s) and all assessed penalties are paid. In the event of foreclosure and sale of property by a mortgage holder, all past due property taxes, penalties and interest are required to be paid before the property can be transferred to a new owner.

The level of default and foreclosure activity has affected certain homeowners nationwide. Within the State, the greatest impacts to date are in regions of the Central Valley, the Inland Empire, and other areas in the State where the large numbers of new mortgages were originated in more affordable areas. The increased level of default and foreclosure activity has resulted in downward pressure on home prices in the affected areas.

Set forth in the table below are assessed valuations for secured and unsecured property within the City for the five most recent fiscal years.

TABLE 5
Assessed Valuations

Fiscal Year	Local Secured	Utility	Unsecured	Total
2009-10	\$8,796,462,645	\$25,718,737	\$536,786,045	\$9,358,967,427
2010-11	8,767,561,741	30,754,568	486,282,942	9,284,599,251
2011-12	8,851,986,300	10,495,070	524,614,003	9,387,095,373
2012-13	8,916,551,434	10,495,070	496,000,269	9,423,046,773
2013-14	9,462,141,169	10,495,038	476,558,073	9,949,194,280

Source: California Municipal Statistics, Inc.

Teeter Plan. The Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”) has been adopted by 53 of the 58 counties, including the County, as provided for in section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including cities, levying property taxes in a county receives the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. However, although a local agency receives the total levy for its property taxes without regard to actual collections, to the extent of a reserve established and held by its county for this purpose, the basic legal liability for property tax deficiencies at all times remains with the local agency. The Teeter Plan is to remain in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the county, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. The board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in its county. Thus, so long as the County maintains its policy of collecting taxes pursuant to said procedures and the City meets the Teeter Plan requirements, the City will receive 100% of the annual installments levied without regard to actual collections in the City. There is no assurance, however, that the County Board of Supervisors will maintain its policy of apportioning taxes pursuant to the aforementioned procedures.

In 1978, the voters of the State passed Proposition 8, a constitutional amendment to Article XIII A that allows a temporary reduction in assessed value when real property suffers a decline in value. A decline in value occurs when the current market value of real property is less than the current assessed (taxable) factored base year value as of the lien date, January 1. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Article XIII A of the California Constitution.”

Principal Taxpayers. The following table sets forth the principal secured property taxpayers in the City as of fiscal year 2013-14.

TABLE 6
Largest Local Secured Property Tax Payers
Fiscal Year 2013-14

	Property Owner	Primary Land Use	2013-14 Assessed Valuation	% of Total (1)
1.	Legacy Partners I Alameda LLC	Office Building	\$ 214,675,882	2.27%
2.	Jamestown Harsch Alameda Towne Centre LP	Shopping Center	185,187,025	1.96%
3.	KW Alameda LLC	Apartments	95,795,578	1.01%
4.	Wind River Systems Inc.	Office Building	64,495,955	0.68%
5.	Amstar 105 LLC	Office Building	46,920,000	0.50%
6.	SKS Harbor Bay Associates LLC	Office Building	42,932,659	0.45%
7.	Peets Operating Co.	Industrial	42,549,211	0.45%
8.	VF Outdoor Inc.	Office Building	37,905,954	0.40%
9.	Woodstock Homes Corporation	Cooperatives	35,735,586	0.38%
10.	Crea Bridgeside LLC	Shopping Center	34,100,000	0.36%
11.	Ballena Village LLC	Apartments	31,377,353	0.33%
12.	South Shore Beach & Tennis Club	Apartments	26,532,560	0.28%
13.	SRM Marina Investors LLC	Commercial	26,366,800	0.28%
14.	OakmontSL of Alameda LP	Assisted Living	23,339,550	0.25%
15.	Oakland Raiders LP	Office Building	22,235,142	0.23%
16.	Dollinger Harbor Bay Associates LP	Office Building	21,949,995	0.23%
17.	BRE ESA Properties LLC	Hotel/Motel	18,519,120	0.20%
18.	Bantry Bay Properties	Apartments	18,062,873	0.19%
19.	AMP Capital Titan Harbor Bay Property LLC	Office Building	17,900,000	0.19%
20.	Timber Dell Properties LLC	Apartments	17,481,529	0.18%
	Totals		<u>\$1,024,062,772</u>	<u>10.82%</u>

Source: California Municipal Statistics, Inc.

(1) 2013-14 Local Secured Assessed Valuation: \$9,462,141,169.

Sales and Use Taxes

A sales tax is imposed on the privilege of consuming personal property in California. California does not tax services. The tax rate is established by the State Legislature, and is presently 7.25%, statewide. In addition, many of California's cities, counties, towns and communities have special taxing jurisdiction to impose a transaction (sales) or use tax. These so-called district taxes increase the tax rate in a particular area by adding the local option tax to the statewide tax. These district taxes can vary up to 1%, and more than one district tax may be in effect for a particular location. The City's share of sales tax is approximately 1% when one considers the combined City share of 0.75% and the State's 0.250% Fiscal Recovery Funding (Triple-Flip swap) explained below. With the enactment of the Triple Flip, the City now receives the 0.250% as reclassified revenue through property tax as an in lieu remittance, the payment of which heretofore coincides with the County property tax calendar. The State collects and administers the tax, and makes distributions on taxes collected within the City as follows:

TABLE 7
Sales Tax Rates

State General Fund	6.50%
State Fiscal Recovery (to the City)	0.25
State Local Public Safety Fund	0.50
City General Fund	0.75
County Transportation	1.00
Total	9.00%

The State’s actual administrative costs with respect to the portion of sales taxes allocable to the City are deducted before distribution and are determined on a quarterly basis.

On March 2, 2004, voters approved a statewide bond initiative formally known as the “California Economic Recovery Act.” This act authorized the issuance of \$15 billion of Economic Recovery Bonds to finance ongoing State budget deficits, which are payable from a fund established by the redirection of tax revenues known as the “Triple Flip.” The State issued \$11.3 billion of Economic Recovery Bonds prior to June 30, 2004. Under the “Triple Flip,” one-quarter of local governments’ one percent share of the sales tax imposed on taxable transactions within their jurisdiction is being redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, State legislation provides for certain property taxes to be redirected to local government. Because these property tax monies were previously earmarked for schools, the legislation provides for schools to receive other State general fund revenues. It is expected that the swap of sales taxes for property taxes will terminate once the Economic Recovery Bonds are repaid, which is currently expected to occur in approximately 9 to 13 years. See “RISK FACTORS—State Budget Information.”

Motor Vehicle In-Lieu Tax

Vehicle license fees are assessed in the amount of 2% of a vehicle’s depreciation market value for the privilege of operating a vehicle on California’s public highways. A program to offset (or reduce) a portion of the vehicle license fees (“VLF”) paid by vehicle owners was established by Chapter 322, Statutes of 1998. Beginning January 1, 1999, a permanent offset of 25% of the VLF paid by vehicle owners became operative. Various pieces of legislation increased the amount of the offset in subsequent years to the existing statutory level of 67.5% of 2% (resulting in the current effective rate of 0.65%). This level of offset was estimated to provide tax relief of \$3.95 billion in the fiscal year 2003-04.

In connection with the offset of the VLF, the Legislature authorized appropriations from the State general fund to “backfill” the offset so that the local governments, which receive all of the vehicle license fee revenues, would not experience any loss of revenues. The legislation that established the VLF offset program also provided that if there were insufficient general fund moneys to fully backfill the VLF offset, the percentage offset would be reduced proportionately (i.e., the license fee payable by drivers would be increased) to assure that local governments would not be disadvantaged. In June 2003, the State Director of Finance ordered the suspension of VLF offsets due to a determination that insufficient general fund moneys would be available for this purpose, and, beginning in October 2003, VLF paid by vehicle owners were restored to the 1998 level. However, the offset suspension was rescinded by the Governor on November 17, 2003, and offset payments to local governments resumed. Local governments received backfill payments totaling \$3.80 billion in fiscal year 2002-03. Backfill payments totaling \$2.65 billion were expected to be paid to local governments in fiscal year 2003-04. The State-local agreement also provided for the repayment in August 2006 of approximately \$1.2 billion in backfill that was not received by local gov-

ernments during the time period between the suspension of the offsets and the implementation of higher fees. This repayment obligation was codified by Proposition 1A, which was approved by voters in the November 2004 general election and was repaid early by the State in August 2005. For a description of Proposition 1A, see “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Proposition 1A.”

Beginning in fiscal year 2004-05, the State-local agreement permanently reduced the VLF rate to 0.65% and replaced the backfill with a like amount of property taxes. Subsequent to fiscal year 2004-05, each City’s “property tax in-lieu of VLF” increased proportionally to increases in such city’s assessed valuation. However, in fiscal years 2004-05 and 2005-06, the State “shifted” \$700 million in city and county taxes to the State’s General Fund.

The following table sets forth the Motor Vehicle License Fees and Property Tax In-Lieu of VLF received by the City for the last four fiscal years.

TABLE 8
Property Tax In-Lieu of VLF

	FY09-10	FY10-11	FY11-12	FY12-13
Motor Vehicle License Fees	\$ 222,388	\$ 346,788	\$ 37,511	\$ 52,784
Property Tax In-Lieu of VLF	5,819,341	5,773,368	5,836,875	5,859,056
TOTAL	\$6,041,729	\$6,120,156	\$5,874,386	\$5,911,840

Source: City of Alameda Finance Department.

Senate Bill 89 was signed into law as part of the State’s Fiscal Year 2011-12 Budget Act. SB 89 increases motor vehicle license fees (“VLF”) by \$12. This new funding source “frees up” \$300 million of VLF revenue that had been used to fund DMV operations. Under the provisions of SB 89, this money is transferred to a new Local Law Enforcement Services Account (“LLESA”) to fund law enforcement grants. In addition, beginning July 1, 2011, SB 89 transfers the remaining VLF revenue previously allocated to cities to the LLESA. Instead of cities receiving \$130 million in VLF revenues, under SB 89 they would only receive \$75 million in earmarked grants.

General Fund Revenues and Expenditures

The following two tables summarize the General Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance of the City's general fund for the fiscal years 2008-09 through 2012-13.

TABLE 9
General Fund Balance Sheet
Fiscal Years 2008-09 through 2012-13

	FY08-09	FY09-10	FY10-11	FY11-12	Estimated FY12-13
ASSETS					
Cash and cash equivalents	\$11,184,517	\$14,135,816	\$16,593,282	\$17,873,686	\$24,178,781
Restricted cash and investments	6,000	6,000	6,000	6,000	6,000
Accounts receivable	3,888,575	3,913,004	4,116,075	6,112,908	4,679,818
Interest receivable	685,626	549,614	444,877	388,234	290,000
Due from other funds	2,126,780	818,243	136,796	196,795	200,000
Advances to other funds	3,178,995	2,698,995	2,218,995	480,000	—
Loans receivable	2,439,788	2,200,000	2,200,000	2,200,000	1,200,000
Prepays and deposits	533,269	527,066	580,835	5,205	5,000
TOTAL ASSETS	24,043,550	24,848,738	26,296,860	27,262,828	30,559,599
LIABILITIES					
Accounts payable	590,657	615,111	971,111	1,240,734	2,592,000
Accrued payroll	1,123,352	1,716,625	1,721,524	1,828,165	1,925,389
Due to other agencies	12,603	10,089	11,972	11,630	21,775
Deferred revenue	583,371	613,194	637,850	800,214	1,123,924
Refundable deposits	219,446	244,494	257,409	363,317	419,743
TOTAL LIABILITIES	2,529,429	3,199,513	3,599,866	4,244,060	6,082,831
FUND BALANCES					
Nonspendable	6,152,052	—	4,999,830	2,685,205	1,034,818
Restricted	—	—	—	—	—
Committed	—	—	400,000	400,000	—
Assigned	3,657,092	5,426,061	603,629	315,045	285,432
Unassigned	11,704,977	16,223,164	16,693,535	19,618,518	21,956,518
TOTAL FUND BALANCES	21,514,121	21,649,225	22,696,994	23,018,768	24,476,768
TOTAL LIABILITIES AND FUND BALANCES	\$24,043,550	\$24,848,738	\$26,296,860	\$27,262,828	\$30,559,599

Source: City of Alameda 2009, 2010, 2011 and 2012 CAFRs; City of Alameda Finance Department for 2012-13 data.

The following table shows the City's general fund revenues and expenditures and fund balances for fiscal years 2008-09 through 2012-13.

TABLE 10
General Fund Revenues, Expenditures and Fund Balances
Fiscal Years 2008-09 through 2012-13

REVENUES	FY08-09	FY09-10	FY10-11	FY11-12	Estimated FY12-13
Property taxes	\$22,853,224	\$22,275,176	\$22,369,653	\$22,361,895	\$22,944,000
Other local taxes	23,795,560	26,499,628	28,639,941	28,418,847	28,926,000
Licenses and permits	2,074,148	1,826,990	1,800,703	1,620,247	1,625,000
Revenues from other agencies	9,676,999	6,438,736	6,418,223	6,138,529	5,912,000
Charges for current services	6,019,598	7,136,985	7,805,962	6,724,294	10,388,397
Fines and forfeitures	662,207	537,182	622,478	715,321	678,603
Use of money and property	1,270,174	2,681,525	2,376,021	1,749,239	1,178,000
Other	—	—	29,228	5,325	10,000
Total Revenues	<u>66,351,910</u>	<u>67,396,222</u>	<u>70,062,209</u>	<u>67,773,697</u>	<u>71,662,000</u>
EXPENDITURES					
Current:					
General government	7,561,553	4,375,732	4,105,299	4,613,645	11,304,612
Police	25,553,222	26,598,621	26,916,481	26,671,507	24,742,000
Fire	22,932,133	22,589,195	24,297,287	23,735,534	23,054,000
Public works	7,136,924	1,842,897	1,834,869	1,129,448	1,091,000
Culture and recreation	3,822,045	4,099,247	—	—	—
Housing and community services	—	—	4,588,404	4,313,913	3,487,000
Capital outlay	184,701	94,600	37,414	21,741	346,000
Debt service					
Principal	239,565	82,040	67,360	67,360	67,359
Interest	25,351	19,221	19,028	19,029	19,029
Total Expenditures	<u>67,455,494</u>	<u>59,701,553</u>	<u>61,866,142</u>	<u>60,572,171</u>	<u>64,111,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,103,584)</u>	<u>7,694,669</u>	<u>8,196,067</u>	<u>7,161,526</u>	<u>7,551,000</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of property	21,507	—	—	—	—
Transfers in	7,518,570	216,472	286,886	2,927,139	960,000
Transfers (out)	(4,616,485)	(7,776,037)	(7,435,184)	(9,766,891)	7,053,000
Total Other Financing Sources (Uses)	<u>2,923,592</u>	<u>(7,559,565)</u>	<u>(7,148,298)</u>	<u>(6,839,752)</u>	<u>(6,093,000)</u>
NET CHANGE IN FUND BALANCES	1,820,008	135,104	1,047,769	321,774	1,458,000
BEGINNING FUND BALANCES	<u>19,694,113</u>	<u>21,514,121</u>	<u>21,649,225</u>	<u>22,696,994</u>	<u>23,018,768</u>
ENDING FUND BALANCES	<u>\$21,514,121</u>	<u>\$21,649,225</u>	<u>\$22,696,994</u>	<u>\$23,018,768</u>	<u>\$24,476,768</u>

Source: City of Alameda 2009, 2010, 2011 and 2012 CAFRs; City of Alameda Finance Department for 2012-13 data.

Fund Balance Reporting Changes. Fund balance is a financial measure that represents the difference between a fund's assets and liabilities. The objective of fund balance reporting is to isolate that portion of fund balance that is unavailable to support the following period's budget. Governmental Accounting

Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"), which is effective for periods beginning after June 15, 2010, significantly changed how this information is reported in governmental financial statements. Prior to the adoption of GASB 54, fund balances were either classified as reserved or unreserved. In addition, some governments identified part of unreserved fund balance as "designated."

GASB 54 requires reporting of fund balance using a hierarchy of fund balance classifications based primarily on the extent to which governments are bound by constraints on the financial resources reported in the funds. The hierarchy of five possible classifications of fund balance is:

(1) Non-spendable Fund Balance: amounts that cannot be spent due to form, including inventories, prepaid amounts, long-term loan and notes receivables, and/or property held for resale; and, amounts that must be maintained intact legally or contractually (corpus or principal of a permanent fund);

(2) Restricted Fund Balance: amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation. (Note: this is the same definition used by GASB No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for restricted net assets.);

(3) Committed Fund Balance: amounts constrained for a specific purpose by a government using its highest level of decision-making authority, such as the City Council, and which would require action by the same group to remove or change the constraints placed on the resources; (Note that such action must occur prior to year-end, but the amount can be determined in the subsequent period);

(4) Assigned Fund Balance: for the general fund, amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts; (Note that for governmental funds other than the general fund, this includes any remaining positive amounts not classified as non-spendable, restricted or committed); and

(5) Unassigned Fund Balance: amounts not classified as non-spendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance.

Dissolution of Redevelopment Agencies

In June 2011, California's Governor approved AB1x26 (the "Dissolution Act"), which eliminated redevelopment agencies across the state, On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding the Dissolution Act to be constitutional. As a result, all redevelopment agencies in California, including the City's redevelopment agency, the Community Improvement Commission (the "CIC"), were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx1 27, a companion bill to the Dissolution Act, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide.

The Dissolution Act included a variety of provisions, including limitations on the powers of the successor agency in connection with winding down the affairs of the Agency, (a) establishment of an oversight board comprised of seven members appointed by various entities with competing interests to review and in some circumstances approve activities of the successor agency, (b) provision for administration of property taxes by the county auditor-controller in a manner different than had previously been the case, (c) direction to county auditor-controllers to conduct audits (d) to establish each redevelopment agency's assets and liabilities, (e) to document and determine each redevelopment agency's pass-through payment obligations to other taxing agencies, (f) to document and determine both the amount and the terms of any indebtedness incurred by the redevelopment agency and (g) to certify the initial "Recognized Obligation Payment Schedule", known as ROPS, and provide oversight of activities of the redevelopment agency and the successor agency by the California Department of Finance, the State Controller and the State Attorney General.

Pursuant to the Dissolution Act, the major source of funds of the Successor Agency is semi-annual distributions from the Redevelopment Property Tax Trust Fund (the "Trust Fund") maintained by the County. The distributions are used to make payments against the Successor Agency's Recognized Obligation Payment Schedules, to pay enforceable obligations of the former CIC. The Successor Agency also receives a semi-annual administrative allocation equal to 3% of its Trust Fund distributions.

The City does not anticipate any impacts to the City's General Fund as a result of the dissolution of the former CIC that can not be mitigated.

OTHER FINANCIAL INFORMATION

Labor Relations

Most full-time City employees are represented by two labor union associations, the principal one being the Alameda City Employees Association, which represents approximately 31% of all City employees. Approximately 48% of all permanent City employees are covered by negotiated agreements with management, confidential, and city attorney employees being unrepresented. The City has never had an employee work stoppage. Negotiated agreements have the following expiration dates:

TABLE 11
Negotiated Employee Agreements ⁽¹⁾

	Contract Expiration Date	Number of Employees
Alameda Fire Chiefs Association (AFCA)	6/24/17	4
Alameda Police Management Association (APMA)	6/24/17	7
Alameda Police Officers Association (APOA)	6/24/17	80
Executive Management Employees (EXME)	12/26/15	11
International Association of Firefighters, Local 689 (IAFF)	6/24/17	87
Management and Confidential Employees Association (MCEA)	12/26/15	71
Alameda Police Officers Association, Non-Sworn (PANS)	12/26/15	18
City Attorney	1/9/15	1
City Manager	6/12/16	1
Alameda City Employees Association (ACEA)	12/26/15	126

Source: City of Alameda Finance Department.

⁽¹⁾ This table excludes Alameda Municipal Power employees and the related Union of the International Brotherhood of Electrical Workers, Local 1245 (IBEW)

Risk Management

The City manages risk by participating in the public entity risk pools described below and by retaining certain risks. Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA), which covers general liability claims. The City has self-insured retention of \$500,000 per claim. Once the self-insured retention is met, CJPRMA becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2012, the City contributed \$580,742 for coverage during the current year.

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) which covers workers' compensation claims up to statutory limits. The City has self-insured retention of up to \$350,000 per claim. During the fiscal year ended June 30, 2012, the City contributed \$674,754 for current year coverage.

See APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2012—Notes to Basic Financial Statements—NOTE 11.

Employee Retirement Plans

CALPERS Safety and Miscellaneous Employees Plans. All Full time City employees are eligible to participate in pension plans offered by the California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan, which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect for fiscal year 2011-12, are summarized as follows:

TABLE 12
Safety and Miscellaneous Employee Plans

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	55
Monthly benefits, as a % of annual salary	3.000%	2.000%
Required employees contribution rates	9.000%	7.000%
Required employer contribution rates	38.683%	14.561%

Source: City of Alameda 2012 CAFR.

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis within twenty years. Investment gains and losses are accumulated as realized; ten percent of the net balance is amortized annually.

The Plans' actuarial value (which differs from market value) and funding progress within the most recently available past three years is set forth below at their actuarial valuation date of June 30:

TABLE 13
Safety Plan Actuarial

Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2009	279,456,021	211,424,453	68,031,568	75.7%	21,925,105	310.3%
2010	290,369,467	218,842,250	71,527,217	75.4%	21,251,762	336.6%
2011	308,606,464	227,619,418	80,987,046	73.8%	21,523,174	376.6%

Source: City of Alameda 2012 CAFR.

TABLE 14
Miscellaneous Plan Actuarial

Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2009	204,998,845	180,293,062	24,705,783	87.9%	30,957,730	79.8%
2010	210,927,819	187,904,871	23,022,948	89.1%	28,225,541	81.6%
2011	222,550,387	197,051,737	25,498,650	88.5%	27,996,755	91.1%

Source: City of Alameda 2012 CAFR.

Audited annual financial statements are available from CALPERS at PO Box 942709, Sacramento, CA 94229-2709. CALPERS reports this information approximately eighteen months after the end of its June 30 fiscal year.

Actuarially required contributions for fiscal years 2012, 2011, and 2010, were \$13,449,867, \$12,082,061, and \$10,368,070. The City made these contributions as required.

Police and Fire Pension Plans. The City sponsors and administers two single employer defined benefit retirement plans for its police and fire department retirees. Police and fire employees who entered service before 1953 participate in Plan 1079, a closed plan consisting of 29 participants, all of whom are retired employees or beneficiaries. Employees with twenty-five or more years of service receive monthly pension benefits equal to one-half the monthly salary paid to current City employees of the rank held by the retiree one year prior to the date of retirement. Employees retired after ten, but before twenty-five years of service receive monthly pension benefits in the proportion that the number of years service bears to twenty-five. Qualified surviving spouses receive the retirees' monthly pension benefits for life. Upon remarriage, the qualified surviving spouse receives one-half of the retiree's monthly pension benefits. Employees who became disabled from service-related causes receive monthly pension benefits equal to one-half the monthly salary paid to current City employees of the rank held by the disabled employee on the date of their disability, reduced by any workers' compensation benefits received.

Plan 1082 is a closed plan consisting of two retired employees who receive monthly pension benefits of \$1,435 and \$2,289 respectively, adjusted annually by a maximum of 2% per year cost-of-living adjustment. Upon the death of a retiree, the qualified spouse receives one-half of the retiree's monthly pension benefit for life or until remarriage.

Funding Policy and Actuarial Methods. Plans 1079 and 1082 do not have allocated assets as of June 30, 2012. The City's policy is to fund the plans on a pay-as-you-go basis. The annual required contribution equals the greater of (a) 15 year amortization of the unfunded actuarial accrued liability based on the dollar level (see Note 10E below), or, (b) actual benefits paid during the year.

The actuarial method used to determine the liabilities were calculated using the Unit Credit Funding Method. The Actuarial Accrued Liability and the Actuarial Present Value of Benefits being paid were determined by multiplying the accrued pension benefits by present value cost of factors based on the applicable actuarial assumptions. Future cost-of-living increases are included in the calculation of the Actuarial Accrued Liability, but not the Actuarial Value of Benefits being paid.

Annual Pension Cost. Governmental Accounting Standards Board Statement No. 27 requires the City to determine the plan's annual pension cost based on the most recent actuarial valuation. The annual pension cost equals the plan's annual required contribution, adjusted for historical differences between the annual required contribution and amounts contributed. The actuary has determined the City's annual required contribution as the greater of (a) a 15-year amortization of the unfunded actuarial liability, or (b) actual benefit payments made for the year.

The annual required contribution was determined using an actuarial valuation dated January 1, 2011, using the projected unit credit actuarial cost method. The actuarial assumptions were as follows:

TABLE 15
Actuarial Assumptions

Assumption	
Funding Policy	Pay-as-you-go
Interest Rate	4.5%
	Net of expenses
	Assets in City investments
CPI Increase (Plan 1082)	2%
Salary Increase (Plan 1079)	No increase through fiscal year 2012-13
	2% beginning fiscal year 2013-14
Mortality	CalPERS 1997-2007 Experience Study

Source: City of Alameda 2012 CAFR.

For fiscal year ending June 30, 2012, annual pension costs were \$1,900,000 for Plan 1079 and \$62,000 for Plan 1082. Actual contributions made by the City during the year were \$1,913,782 for Plan and 1079 and \$44,353 for Plan 1082.

TABLE 16
Net Pension Obligation
(Numbers in 1,000s)

	Plan 1079	Plan 1082	Total
Annual Required Contribution (ARC)	1,914	75	1,989
Interest on Net Pension Obligation	13	11	24
Amortization of Net Pension Obligation	(27)	(24)	(51)
Annual Pension Cost	1,900	62	1,962
Contributions (Benefit Payments)	1,914	44	1,958
(Decrease) Increase in Net OPEB obligations	(14)	18	4
Net Pension Obligations at June 30, 2011	294	254	548
Net Pension Obligation at June 30, 2012	280	272	552

Source: City of Alameda 2012 CAFR.

Trend Information - Plans 1079 and 1082. The following table provides three years of historical information of the Annual Pension Cost:

TABLE 17
Plan 1079 Historical Information
(Numbers in 1,000s)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	2,155	101%	309
6/30/2011	2,007	101%	294
6/30/2012	1,900	101%	280

TABLE 18
Plan 1082 Historical Information
(Numbers in 1,000s)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	67	64%	234
6/30/2011	63	68%	254
6/30/2012	62	71%	272

Source: City of Alameda 2012 CAFR.

TABLE 19
Schedule of Funding Progress
Plan 1079 and Plan 1082

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
PLAN 1079						
1/1/2009	0	21,447,000	21,447,000	0%	N/A	N/A
6/30/2010	0	19,424,000	19,424,000	0%	N/A	N/A
1/1/2011	0	14,141,000	14,141,000	0%	N/A	N/A
PLAN 1082						
1/1/2009	0	826,000	826,000	0%	N/A	N/A
6/30/2010	0	817,000	817,000	0%	N/A	N/A
1/1/2011	0	812,000	812,000	0%	N/A	N/A

Source: City of Alameda 2012 CAFR.

Other Retirement Systems. The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer’s existing retirement system as of January 1, 1992, be covered by either Social Security or an alternative plan. Effective January 1, 1995, the City contracted with the Public Agency Retirement System (PARS), to maintain a defined contribution plan. This Plan covers part-time, seasonal and temporary employees as well as all employees not covered by another retirement system. All eligible employees, covered by the Plan, are fully vested. Employer liabilities are limited to the amount of current contributions. The City is responsible for determining the provisions of the Plan, directing distributions, and establishing investment policy for the Plan assets.

Under PARS, employees contribute 6% and the City contributes 1.5% of the employee’s salary each pay period. For the fiscal year ending June 30, 2012, total contributions of \$211,209 were made based on a total amount of covered compensation of \$2,816,422.

One of the City’s part-time employees elected to be covered under Social Security, which requires these employees and the City to each contribute 6.2% of the employees’ pay. Total contributions to Social Security during the year ended June 30, 2012, amounted to \$1,710, of which the City paid 50%.

Effective May 3, 2001 the City adopted the PARS Retirement Enhancement Plan for Council-appointed employees as of that date, and the PARS Excess Benefit Plan for two Council-appointed employees as of that date as part of the City Retirement Program. Under the Enhancement Plan, specific appointed employees will be entitled to receive retirement benefits of 3% at age 55, as well as medical and disability benefits upon retirement.

See APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2012—Notes to Basic Financial Statements—NOTE 9.

Other Post Employment Benefits

The City provides medical and dental benefits to retirees as specified below under the City of Alameda Other Post Employment Benefit Plan, offered by California Public Employee Retirements Sys-

tems (CALPERS), an agent multiple-employer defined benefit healthcare plan. The City is responsible for establishing and amending the funding policy of the Plan. As of January 1, 2011, the latest actuarial study available, there were 551 employees active, 442 employees retired, and 204 employees who are retired but choose not receive benefits for a total of 1,197 participants in the Plan.

Separately issued financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

The annual required contribution (ARC) was determined as part of a January 1, 2011, actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.5% investment rate of return; (b) 3% projected annual salary increase; (c) 3.5 of general inflation increase; and (d) a healthcare trend of declining annual increases ranging from 9.4% in 2013 to 5% for years starting 2021. The actuarial methods and assumptions used include techniques that “smooth” the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually, as results are compared to past expectations and new estimates are made about the future. The City’s OPEB unfunded actuarial accrued liability as of June 30, 2011, is being amortized using a 28-year closed amortization period. Assumption changes, plan changes and gains or losses are being amortized using a 15-year closed period.

The City accounts for the OPEB Obligation on an accrual basis. During the fiscal year ended June 30, 2012, the City recorded a Net OPEB Obligation under the Governmental Activities on the Statement of Net Assets, representing the difference between the ARC and actual contributions, as presented below:

TABLE 20
Net OPEB Obligations

Annual Required Contribution (ARC)	7,571,000
Interest on Net OPEB Obligation	528,000
Adjustment to ARC	<u>(759,000)</u>
Annual Pension Cost	7,340,000
Contributions made	<u>(2,424,959)</u>
(Decrease) Increase in net OPEB obligations	4,915,041
Net OPEB obligation at June 30, 2011	<u>11,720,533</u>
Net OPEB obligation at June 30, 2012	<u>16,635,574</u>
Percentage of ARC Contributed	<u>32%</u>

Source: City of Alameda 2012 CAFR.

The Plan's annual OPEB cost and actual contributions for fiscal years ended June 30, 2010, 2011, 2012 are set forth below:

TABLE 21
Historical OPEB Information

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2010	5,793,820	1,995,112	34%	7,782,572
6/30/2011	6,193,000	2,255,039	36%	11,720,533
6/30/2012	7,734,000	2,424,959	33%	16,635,574

Source: City of Alameda 2012 CAFR.

As of June 30, 2012, approximately 502 participants were eligible to receive benefits.

The schedule of funding progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits. Trend data from the most recent available actuarial studies is presented below:

TABLE 22
Actuarial OPEB Plan Studies

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Overfunded (Underfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
1/1/2007	0	75,377,000	(75,377,000)	0.00%	55,763,000	(135.2%)
1/1/2009	0	86,416,000	(86,416,000)	0.00%	59,678,000	(127.1%)
1/1/2011	0	86,416,000	(86,416,000)	0.00%	47,314,000	(182.6%)

Source: City of Alameda 2012 CAFR.

See APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2012—Notes to Basic Financial Statements—NOTE 10.

Short-Term Obligations

The City currently has no outstanding short-term obligations.

Long-Term Obligations

Other than the 2002 Certificates to be refunded by this issue, the City has only one other long-term obligation secured by its general fund. In July 2008, the City Council authorized the delivery of Certificates of Participation (2008 Refinancing Project) in the amount of \$4,575,000 to refinance the 1996 Police Building Refunding and Equipment Financing Certificates of Participation and the 1996 Library and Golf Course Upgrade and Renovation Certificates of Participation. The 2008 Certificates bear interest

rates from 4% to 5% which are payable semi-annually in May and November. The City's principal payments commenced on May 1, 2011.

The City issued general obligation bonds in 2003 to finance library improvements (the "2003 General Obligation Bonds"). The 2003 General Obligation Bonds are secured by ad valorem tax levies and are not secured by the City's general fund. The 2003 General Obligation Bonds are being refunded for savings simultaneously with the Certificates of this issue.

The City, its former redevelopment agency, Alameda Point and Alameda Municipal Power also have outstanding obligations, none of which are secured by the City's general fund.

See APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2012—Notes to Basic Financial Statements—NOTE 6.

Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective September 1, 2013. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the City; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the City; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City's assessed valuation represented in column 2.

TABLE 23
Direct and Overlapping Bonded Debt as of September 1, 2013

<u>2013-14 Assessed Valuation:</u>	\$9,949,194,280	
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Applicable % ⁽¹⁾</u>	<u>Debt 9/1/13</u>
Bay Area Rapid Transit District	1.880%	\$ 7,655,156
Peralta Community College District	13.232	53,414,938
Alameda Unified School District	100.000	63,105,326
East Bay Regional Park District	2.897	6,064,870
East Bay Municipal Utility District, Special District No. 1	12.374	2,295,996
City of Alameda	100.000	8,680,000
City of Alameda Community Facilities District No. 1	100.000	8,815,000
City of Alameda 1915 Act Bonds	100.000	4,215,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>154,246,286</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Alameda County and Coliseum Authority General Fund Obligations	4.770%	30,459,223
Alameda County Pension Obligations	4.767	5,209,263
Alameda-Contra Costa Transit District Certificates of Participation	5.567	1,567,389
Peralta Community College District Pension Obligations	13.232	20,979,877
Alameda Unified School District Certificates of Participation	100.000	1,015,000
City of Alameda General Fund Obligations ⁽²⁾	100.000	10,700,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>69,930,752</u>
<u>OVERLAPPING TAX INCREMENT DEBT:</u>		<u>71,030,000</u>
COMBINED TOTAL DEBT ⁽³⁾		<u><u>\$295,207,038</u></u>
<u>Ratios to 2013-14 Assessed Valuation:</u>		
Direct Debt (\$8,680,000)	0.09%	
Total Direct and Overlapping Tax and Assessment Debt	1.55%	
Combined Direct Debt (\$19,380,000)	0.19%	
Combined Total Debt	2.97%	
<u>Ratio to Redevelopment Incremental Valuation (\$1,473,472,996):</u>		
Total Overlapping Tax Increment Debt	4.82%	

Source: California Municipal Statistics, Inc.

(1) Based on 2012-13 ratios.

(2) Excludes issue to be sold.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

THE AUTHORITY

The Authority was established pursuant to a Joint Exercise of Powers Agreement, dated July 31, 2012 (the "JPA Agreement"), between the City and the California Municipal Finance Authority. The JPA Agreement was entered into pursuant to the provisions of Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code. The members of the governing board of the Authority consist of the members of the City Council of the City. The Authority is authorized pursuant to Article 4 (commencing with section 6584) of the Act to borrow money for the purpose of financing the acquisition

of bonds, notes and other obligations of, or for the purpose of making loans to, public entities, including the City and to provide financing for public capital improvements for lease to the City.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the California Constitution

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property 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 newly constructed, or when a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

The voters of the State subsequently approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a “purchase” or “change of ownership” triggering reappraisal under Article XIII A. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or “severely disabled homeowners” who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are “severely disabled,” to transfer the old residence’s assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In the November 1990 election, the voters approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of “new construction” certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of the property damaged or destroyed in a disaster.

Section 51 of the California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property.

Section 4 of Article XIII A also provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIII B of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is fiscal year 1978-79. Increases in appropriations by a governmental entity are also permitted (1) if financial responsibility for providing services is transferred to the governmental entity, or (2) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to any entity of government from (1) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (2) the investment of tax revenues and (3) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received by the City over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

As amended in June 1990, the appropriations limit for the City in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the City's option, either (1) the percentage change in California per capita personal income, or (2) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is, at the City's option, either (1) the percentage change in City population, or (2) the percentage change in County population.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The City's appropriation limit was \$70,733,348 for fiscal year 2009-10 and \$69,805,324 for fiscal year 2010-11, which is well above the total City budget amounts for both years..

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes, assessments, fees and charges. The City is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the City's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the City's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. However, the City does not presently believe that the potential financial impact on the City as a result of the provisions of Proposition 218 will adversely affect the City's ability to pay its debt obligations and perform its other obligations payable from the General Fund as and when due.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. Further, any general purpose tax that the City imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election held within two years of November 5, 1996. The City has not enacted, imposed, extended or increased any tax without voter approval since January 1, 1995. These voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues through General Fund taxes, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends to voters the power to reduce or repeal local taxes, assessments, fees and charges through the initiative process, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. SB 919 provides that the initiative powers extended to voters under Article XIII C likely excludes actions construed as impairment of contracts under

the contract clause of the United States Constitution. SB 919 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the City’s General Fund. Further, “fees” and “charges” are not defined in Article XIIC or SB 919, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIIC as they do in Article XIID. Accordingly, the scope of the initiative power under Article XIIC could include all sources of General Fund monies not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIIC of Proposition 218, by its terms, applies to all local taxes, assessments, fees and charges. The City is unable to predict whether the courts will ultimately interpret the initiative provision to be limited to property related local taxes, assessments, fees and charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the City’s General Fund. The City believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the City, including its General Fund, would be materially adversely affected. As a result, there can be no assurances that the City would be able to pay the Lease Payments as and when due or any of its other obligations payable from the General Fund.

Article XIID of Proposition 218 adds several new requirements to make it more difficult for local agencies to levy and maintain “assessments” for municipal services and programs. “Assessment” is defined in Proposition 218 and SB 919 as any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in City service areas and in special districts. In most instances, in the event that the City is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the City will curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the City anticipates that any impact Proposition 218 may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the City to pay the Lease Payments as and when due. However, no assurance can be given that the City may or will be able to reduce or eliminate such services in the event the assessments that presently finance them are reduced or repealed.

Article XIID also adds several provisions, including notice requirements and restrictions on use, affecting “fees” and “charges” which are defined as “any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.” The annual amount of revenues that are received by the City and deposited into its General Fund which may be considered to be property related fees and charges under Article XIID of Proposition 218 is not substantial. Accordingly, presently the City does not anticipate that any impact Proposition 218 may have on future fees and charges will not adversely affect the ability of the City to pay the Lease Payments as and when due. However, no assurance can be given that the City may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

Additional implementing legislation respecting Proposition 218 may be introduced in the State legislature from time to time that would supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the City.

Proposition 1A of 2004

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 and generally effective in 2007-08 Fiscal Year, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Such shifting occurred in the 2009-10 Fiscal Year. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate then in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or 25 community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the finances of the City.

See “RISK FACTORS—State Budgets” for information relating to Proposition 1A and the suspension of Proposition 1A in the State’s 2009-10 budget.

Proposition 22

Proposition 22, entitled “The Local Taxpayer, Public Safety and Transportation Protection Act,” was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State’s authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Proposition 26

On November 2, 2010, the voters passed Proposition 26, which amends the State Constitution to require that certain state and local fees be approved by two-thirds of each house of the Legislature instead of a simple majority, or by local voters. The change in law affects regulatory fees and charges such as oil recycling fees, hazardous materials fees and fees on alcohol containers.

Proposition 26 included a provision that repealed State laws enacted between January 1, 2010, and November 2, 2010, that raised fees by a simple majority vote unless they were approved again by two-thirds of each house of the Legislature. The repeal became effective November, 2011.

The Legislative Analyst's Office was unable to specify Proposition 26's anticipated fiscal impact, but it estimated that passage of Proposition 26 would reduce government revenues and spending over time by up to billions of dollars annually compared to what otherwise would have occurred.

Future Initiatives

Article XIII A, Article XIII B, Proposition 218, Proposition 1A and Proposition 22 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Certificates. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Certificates, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Certificates are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Certificates. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Lease Payments Are Not Debt

The obligation of the City to make the Lease Payments under the Lease Agreement 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 make Lease Payments does not constitute a debt of the City, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease Agreement to pay the Lease Payments from any source of legally available funds and the City has covenanted in the Lease Agreement that, for so long as the Property is available for its use, it will make the necessary annual appropriations within its budget for the Lease

Payments. The City is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments, or which the City, in its discretion, may determine to pay prior to the Lease Payments.

The City has the capacity to enter into other obligations payable from the City's general fund, without the consent of or prior notice to the Owners of the Certificates. To the extent that additional obligations are incurred by the City, the funds available to make Lease Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other municipal services before making Lease Payments. The same result could occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. The City's appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the California Constitution. For information on the City's current limitations on appropriations, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Article XIII B of the California Constitution."

Valid and Binding Covenant to Budget and Appropriate

Pursuant to the Lease Agreement, the City covenants to take such action as may be necessary to include Lease Payments due in its annual budgets and to make necessary appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials 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 such covenants. A court, however, in its discretion may decline to enforce such covenants. Upon delivery of the Certificates, Special Counsel will render its opinion (substantially in the form of APPENDIX D—FORM OF OPINION OF SPECIAL COUNSEL) to the effect that, subject to the limitations and qualifications described therein, the Lease Agreement constitutes a valid and binding obligation of the City.

Abatement

In the event of loss or substantial interference in the use and possession by the City of all or any portion of the Property caused by material damage, title defect, destruction to or condemnation of the Property, Lease Payments will be subject to abatement. In the event that such component of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the City's rental interruption insurance will be available in lieu of Lease Payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such component of the Property or redemption of the Certificates, there could be insufficient funds to make payments to Owners in full. Reduction in Lease Payments due to abatement as provided in the Lease Agreement does not constitute a default thereunder.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

No Acceleration Upon Default

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 and the Trustee is not empowered to sell a fee simple interest in the Property and use the proceeds of such sale to prepay the Certificates or pay debt service thereon. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest as described below.

Risk of Uninsured Loss

The City covenants under the Lease Agreement to maintain certain insurance policies on the Property. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance.” These insurance policies do not cover all types of risk, and the City need not obtain insurance except as available on the open market from reputable insurers. For instance, the City does not covenant to maintain earthquake insurance. The Property could be damaged or destroyed due to earthquake or other casualty for which the Property is uninsured. Additionally, the Property could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Lease Payments could occur and could continue indefinitely. There can be no assurance that the providers of the City’s liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Property will be sufficient to redeem the Certificates.

Under the Lease Agreement the City may obtain casualty insurance which provides for a deductible up to \$250,000. Should the City be required to meet such deductible expenses, the availability of general fund revenues to make Lease Payments may be correspondingly affected.

The City is not obligated under the Lease Agreement to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Property. Depending on its severity, an earthquake could result in abatement of Lease Payments under the Lease Agreement. See “—Abatement.”

Eminent Domain

If the 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 as of the day possession is taken. If less than all of the Property is taken permanently, or if the Property or any part thereof is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (b) there will be a partial abatement of Lease Payments as a result of the application of net proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the City and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property. The City covenants in the Lease Agreement to contest any eminent domain award which is insufficient to either: (i) prepay the Lease Payments in whole, if all the Property is condemned; or (ii) prepay a pro rata share of Lease Payments, in the event that less than all of the Property is condemned.

Hazardous Substances

The existence or discovery of hazardous materials may limit the beneficial use of the Property. In general, the owners and lessees of the Property may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Property may be limited in the future resulting from the current existence on the Property of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Property of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Property.

The City is unaware of the existence of hazardous substances on the Property site which would materially interfere with the beneficial use thereof.

Earthquakes

The City is not legally obligated under the Lease Agreement to maintain, or cause to be maintained, earthquake insurance on the Property and no assurance is made that any earthquake insurance will be maintained. If there were to be an occurrence of severe seismic activity in the City, there could be substantial damage to and interference with the City’s right to use and occupy all or a portion of the Property, which could result in Lease Payments being subject to abatement. Additionally, severe seismic activity in the City could impact the City’s general fund expenditures. See “CERTAIN RISK FACTORS—Abatement” above.

Bankruptcy

The City is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the “Bankruptcy Code”). However, pursuant to Chapter 9 of the Bankruptcy Code, the City may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Owners of Certificates; and (iv) the possibility of the adoption of a plan for the adjustment of the City’s debt (a “Plan”) without the consent of the Trustee or all of the Owners of Certificates, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the City could either reject the Lease Agreement or assume the Lease Agreement despite any provision of the Lease Agreement which makes the bankruptcy or insolvency of the City an event of default thereunder. In the event the City rejects the Lease Agreement, the Trustee, on behalf of the Owners of the Certificates, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or Owners of the Certificates. Moreover, such rejection would terminate the Lease Agreement and the City's obligations to make payments thereunder.

Pension Benefit Liability

Many factors influence the amount of the City's pension benefit liabilities, including, without limitation, inflationary factors, changes in statutory provisions of PERS retirement system laws, changes in the level of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods (including but not limited to the assumed rate of return), and differences between actual and anticipated investment experience of PERS. Any of these factors could give rise to additional liability of the City to its pension plans as a result of which the City would be obligated to make additional payments to its pension plans in order to fully fund the City's obligations to its pension plans.

Early Redemption Risk

Early redemption of the Certificates may occur in whole or in part without premium, on any date if the Property or a portion thereof is lost, destroyed or damaged beyond repair or taken by eminent domain and from the proceeds of title insurance, or on any Interest Payment Date, without a premium (see "THE CERTIFICATES - Redemption"), if the City exercises its right to prepay Lease Payments in whole or in part pursuant to the provisions of the Lease Agreement and the Trust Agreement.

Limitations on Remedies

The enforcement of any remedies provided in the Lease Agreement and the Trust Agreement could prove both expensive and time consuming. Although the Lease Agreement provides that if the City defaults the Trustee may reenter the Property and re-let the Property, portions of the Property may not be easily recoverable, and even if recovered, could be of little value to others because of the Property's specialized nature. Additionally, the Trustee may have limited ability to re-let the Property to provide a source of rental payments sufficient to pay the principal of and interest on the Bonds so as to preserve the tax-exempt nature of interest with respect to the Certificates. Furthermore, due to the governmental nature of the Property, it is not certain whether a court would permit the exercise of the remedy of re-letting with respect thereto.

Alternatively, the Trustee may terminate the Lease Agreement and proceed against the City to recover damages pursuant to the Lease Agreement. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

The rights of the Owners of the Certificates are subject to certain limitations on legal remedies against cities, redevelopment agencies and other governmental entities in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and

interest. Additionally, the rights of the Owners of the Certificates may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs bankruptcy proceedings for public agencies, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Authority could be prohibited or severely restricted from taking any steps to enforce their rights under the Lease Agreement and from taking any steps to collect amounts due from the City under the Lease Agreement.

Special Counsel has limited its opinion as to the enforceability of the Lease Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Certificates are not subject to acceleration in the event of the breach of any covenant or duty under the Lease Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

Risk of Tax Audit

In December 1999, as a part of a larger reorganization, the Internal Revenue Service (the "Service"), commenced operation of its Tax Exempt and Government Entities Division (the "TE/GE Division"), as the successor to its Employee Plans and Exempt Organizations division. The new TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by Service officials indicate that the number of tax-exempt bond examinations (which would include securities such as the Certificates) is expected to increase significantly under the new TE/GE Division. There is no assurance that if an examination of the Certificates was undertaken that it would not adversely affect the market value of the Certificates. See "TAX MATTERS." The City has not been contacted by the Service regarding the examination of any of its bond transactions.

State Budgets

Information regarding the State Budget is regularly available at various State-maintained websites. The Fiscal Year 2012-13 State Budget further described below may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Additionally, an impartial analysis of the State's Budgets is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2012-13 State Budget. The State budget for Fiscal Year 2012-13 (the "2012-13 Budget") was signed by Governor Brown on June 27, 2012, and assumed voters would approve the Governor's tax initiative on the November 2012 ballot (the "November Tax Initiative"). The 2012-13 Budget included a

\$92 billion State spending plan and significant welfare and social service cuts, restructuring the State's welfare program, streamlining health insurance for low-income children, and reducing childcare coverage and aid to California community colleges. The 2012-13 Budget reformed CalWORKs by establishing a 2-year time limit for parents who are not meeting federal work requirements and merges the delivery of services for those who are eligible for both Medi-Cal and Medicare to reduce costs and improve the coordination of services.

In addition, the 2012-13 Budget included the following changes: (i) eliminating the Healthy Families Program and transitioning children to Medi-Cal; (ii) restructuring funding for trial courts; (iii) prohibiting community colleges and universities that are unable to meet minimum performance standards from participating in the Cal Grant Program; (iv) reforming the State process for K-14 education mandates by providing a block grant as an alternative to the existing claiming process; (v) reducing the cost of State employee compensation by five percent (5%); (vi) implementing various reductions to hospital and nursing home funding to lower Medi-Cal costs; (vii) reducing funding for child care programs and eliminating 14,000 child care slots; (viii) creating a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services as described in more detail below; and (ix) using a Fiscal Year 2011-12 over appropriation of the minimum guarantee to prepay Proposition 98 funding required by a court settlement. The 2012-13 State Budget provided for K-14 education funding to increase by approximately \$17.2 billion, or 37%, and per pupil funding by over \$2,500 in the next four years.

Had the Governor's November Tax Initiative not been approved by voters, trigger cuts totaling \$6 billion would have gone into effect, including funding for schools, community colleges and other public agencies.

Proposition 30. The passage of the Governor's November Tax Initiative ("Proposition 30") placed on the November 2012 ballot results in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first \$250,000 in income and on couples after their first \$500,000 in earnings. These increased tax rates will affect approximately 1 percent of California personal income tax filers and will be in effect starting in the 2012 tax year, ending at the conclusion of the 2018 tax year. The LAO estimates that, as a result of Proposition 30, additional state tax revenues of about \$6 billion annually from fiscal years 2012-13 through 2016-17 will be received by the State with lesser amounts of additional revenue available in fiscal years 2011-12, 2017-18 and 2018-19. These additional monies will be available to fund programs in the 2012-13 State Budget as described above and prevent the "trigger cuts" included in the 2012-13 State Budget going into effect, avoiding spending reductions of about \$6 billion in fiscal year 2012-13, mainly to education programs. Proposition 30 also adds to the State Constitution certain requirements related to the transfer of specified State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees and providing substance abuse treatment services.

California Public Employees' Pension Reform Act. On September 12, 2012, Governor Brown signed Assembly Bill 340, creating the Public Employees' Pension Reform Act ("PEPRA"). Among other things, PEPRA creates a new benefit tier for new employees/members entering public agency employment and public retirement system membership for the first time on or after January 1, 2013. The new tier has a single general member benefit formula and three safety member benefit formulas that must be implemented by all public agency employers unless the formula in existence on December 31, 2012 has both a lower normal cost and a lower benefit factor at normal retirement age. PEPRA requires that all new employees/members, hired on or after January 1, 2013, pay at least 50% of the normal cost contribution. The

normal cost contribution is the contribution set by the retirement system's actuary to cover the cost of a current year of service. The City believes that the provisions of PEPRA will help to control its pension benefit liabilities in the future.

2013-14 State Budget. Governor Brown signed the final 2013-14 State Budget (the "2013-14 Budget") into law on June 27, 2013. The centerpiece of the 2013-14 Budget is the restructuring of the State's funding formula for K-12 schools through the implementation of the "Local Control Funding Formula" (the "LCFF"). The 2013-14 Budget allocates \$2.1 billion to commence transitioning the State to the new formula, allocating proportionately more money to school districts with high levels of low-income students, those with limited English proficiency and foster children. Overall, the 2013-14 Budget boosts K-12 and community college funding to \$55.3 billion while giving the University of California and California State University systems an additional \$125 million each. The 2013-14 Budget also restores \$63 million to the State court system that was subject to significant budget cuts in recent years and moves forward with the State-based approach to the optional expansion of care allowed under the Federal healthcare reform which will significantly increase health care coverage in the State.

Significant features of the 2013-14 Budget affecting California cities include the following:

Redevelopment Agency Dissolution. As a result of the RDA dissolution process, the Budget anticipates that cities receiving \$1.1 billion in new general purpose revenues in fiscal years 2012-13 and 2013-14 combined, with counties receiving \$1.4 billion and special districts \$500 million. On an ongoing basis, it is estimated that over \$675 million annually will be distributed to counties, cities, and special districts comprising a significant amount of unrestricted funding that can be used by local governments to fund police, fire, or other critical public services.

CalWORKS. An increase of \$142.8 million General Fund in 2013-14 to improve employment services will enhance and expand the array of county employment services and job development activities for program participants, and intensify case management efforts for individuals not currently participating in activities that will eventually lead to self-sufficiency.

Corrections. The California Community Corrections Performance Incentive Act of 2009 (SB 678) established a system of performance-based funding that shares state General Fund savings with county probation departments when they demonstrate success in reducing the number of adult felony probationers going to state prison. The 2013-14 Budget includes changes to the SB 678 funding formula to account for county probation departments' success in reducing the number of adult felony probationers incarcerated in county jail. This provides total funding of \$106.9 million in fiscal year 2013-14 to continue support for probation efforts targeted at reducing recidivism and encouraging alternatives to incarceration.

Veterans Affairs — The 2013-14 Budget includes an increase of \$3 million General Fund and 36 positions to form Strike Teams in each of the United States Department of Veterans Affairs ("USDVA") Regional Offices. These resources will assist the USDVA in its efforts to eliminate the backlog of claims to ensure veterans receive the federal benefits for which they are eligible. The 2013-14 Budget also includes a one-time increase of \$3 million General Fund for County Veterans Service Officers to better provide veterans free USDVA claims assistance and information and referral to local, state, and federal programs.

Health and Welfare. Items in the 2013-14 impacting local health and welfare programs include the following: (i) the 2013-14 Budget provides county welfare departments up to \$120 million in additional General Fund monies to accommodate new workload associated with implementing the Affordable Care Act. In fiscal year 2015-16, the State will implement a new budgeting methodology, developed in consultation with counties, and based on a zero-base review of all Medi-Cal related county administrative activities; and (ii) persons eligible for both Medicare and Medi-Cal (“dual eligible”) will receive medical, behavioral health, long-term services and supports, and home and community-based services through a single health plan via the Coordinated Care Initiative.

Future State Budgets. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the City and other cities and counties in the State. The City cannot predict the extent of the budgetary problems the State will encounter in this or in any future Fiscal Year, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of current or future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets are being and will be affected by national and State economic conditions and other factors, including the current economic conditions, over which the City has no control.

No Reserve Fund

No debt service reserve fund has been established with respect to the Certificates.

Loss of Tax Exemption

As discussed under the caption “TAX MATTERS,” in order to maintain the exclusion from gross income for federal income tax purposes of the interest with respect to the Certificates, the City has covenanted in the Lease Agreement not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest with respect to the Certificates under section 103 of the Code. Interest with respect to the Certificates could become includable in gross income for purposes of Federal income taxation retroactive to the date the Certificates were delivered, as a result of acts or omissions of the City in violation of the Code. Should such an event of taxability occur, the Certificates are not subject to early redemption and will remain outstanding to maturity or until prepaid under the optional redemption or mandatory sinking fund redemption provisions of the Trust Agreement.

Secondary Market Risk

There can be no assurance that there will be a secondary market for purchase or sale of the Certificates, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the City.

Changes in Law

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitu-

tion of the State resulting in a reduction of the general fund revenues of the City and consequently, having an adverse effect on the security for the Certificates.

Taxability Risk

As discussed under the caption “TAX MATTERS,” interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were delivered, as a result of future acts or omissions of the City in violation of its covenants in the Lease Agreement. There is no provision in the Certificates or the Trust Agreement for special redemption or acceleration or for the payment of additional interest should such an event of taxability occur, and the Certificates will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Trust Agreement.

In addition, as discussed under the caption “TAX MATTERS,” Congress is or may be considering in the future legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal tax legislation. The City can provide no assurance that federal tax law will not change while the Certificates are outstanding or that any such changes will not adversely affect the exclusion of interest with respect to the Certificates from gross income for federal income tax purposes. If the exclusion of interest with respect to the Certificates from gross income for federal income tax purposes were amended or eliminated, it is likely that the market price for the Certificates would be adversely impacted.

ABSENCE OF LITIGATION

At the time of delivery of and payment for the Certificates, the City will certify that there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or regulatory agency, public board, or body pending or threatened against the City or the Authority affecting their existence or the titles of their respective officers or seeking to restrain or to enjoin the issuance, sale, or delivery of the Certificates, or the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Certificates, any agreement entered into between the City and any purchaser of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease or any other applicable agreements or any action of the City or the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or the Authority or their authority with respect to the Certificates or any action of the City or the Authority contemplated by any of said documents, nor, to the knowledge of the City or the Authority, is there any basis therefor.

CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), the City has entered into an agreement with The Bank of New York Mellon Trust Company, N.A., as Trustee and Dissemination Agent (the “Dissemination Agent”), for the benefit of holders of the Certificates to provide certain financial information and operating data relating to the City and the balances of funds relating

to the Certificates, by not later than April 1 of each fiscal year commencing with the report for the 2012-13 fiscal year (the “Annual Information”), and to provide notices of the occurrence of certain enumerated events, if deemed by the City to be material. The Annual Information and notices of material events will be filed by the City or the Dissemination Agent, with the Municipal Securities Rulemaking Board (the “MSRB”), via its Electronic Municipal Market Access (“EMMA”) system. The nature of the information to be provided in the Annual Information and the notices of material events is set forth in APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Except for the late filing of its 2011 audited financial statements, City has had no instance in the previous five years in which it failed to comply in all material respects with any previous continuing disclosure obligation under the Rule.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc., of San Francisco, California, as financial advisor (the “Financial Advisor”) in connection with the issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

LEGAL MATTERS

All legal matters in connection with the execution and delivery of the Certificates are subject to the approval of Quint & Thimmig LLP, Larkspur, California, Special Counsel. Special Counsel’s opinion with respect to the Certificates will be substantially in the form set forth in APPENDIX D—FORM OF OPINION OF SPECIAL COUNSEL. Certain legal matters will also be passed on for the City by Quint & Thimmig LLP, as Disclosure Counsel, and for the City by Janet Kern, Esq., City Attorney. The fees and expenses of Special Counsel and Disclosure Counsel are contingent upon the execution and delivery of the Certificates.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Certificates, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest with respect to the Certificates to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest with respect to the Certificates to become includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates.

Subject to the City’s compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Special Counsel, interest with respect to the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations,

but interest with respect to the Certificates is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Special Counsel will rely upon certifications of the City with respect to certain material facts within its knowledge. Special Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporations' taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax-exempt interest, but not interest with respect to the Certificates.

Ownership of the Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Certificates should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Certificates is the price at which a substantial amount of such maturity of the Certificates is first sold to the public. The Issue Price of a maturity of the Certificates may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Certificates who dispose of Certificates prior to the stated maturity (whether by sale, redemption or otherwise), purchase Certificates in the initial public offering, but at a price different from the Issue Price, or purchase Certificates subsequent to the initial public offering, should consult their own tax advisors.

If a Certificate is purchased at any time for a price that is less than the Certificate's stated redemption price at maturity (the "Reduced Issue Price"), the purchaser will be treated as having purchased a Certificate with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Certificate is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases a Certificate for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Certificate. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Certificates.

An investor may purchase a Certificate at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Certificate in a manner that takes into

account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Certificate. Investors who purchase a Certificate at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Certificate's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Certificate.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal tax legislation. Special Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Service has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Certificates. If an audit is commenced, under current procedures the Service may treat the Issuer as a taxpayer and the Owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Certificates until the audit is concluded, regardless of the ultimate outcome.

Payments of interest with respect to, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Certificates, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Certificate owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Certificate owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Special Counsel, interest with respect to the Certificates is exempt from California personal income taxes.

Ownership of the Certificates may result in other state and local tax consequences to certain taxpayers. Special Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Certificates. Prospective purchasers of the Certificates should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Special Counsel expects to deliver upon the delivery of the Certificates is set forth in APPENDIX D—FORM OF OPINION OF SPECIAL COUNSEL.

UNDERWRITING

Under the terms of a competitive bid held on September 25, 2013, Citigroup Global Markets Inc. (the "Underwriter") has agreed to purchase the Certificates at a price of \$9,893,328.48 (which is equal to

the aggregate principal amount of the Certificates of \$9,610,000.00, plus a net original issue premium of \$422,350.10, less an Underwriter's discount of \$139,021.62). The Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the "Official Notice of Sale," including the approval of certain legal matters by counsel and certain other conditions.

The Underwriter intends to offer the Certificates to the public at the offering prices set forth on the cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

RATING

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned the rating of "AA" to the Certificates. Such rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P at the following address: 55 Water Street, New York, NY 10041, (212) 208-8000. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Certificates.

FINANCIAL STATEMENTS

The City's Audited Financial Statements for fiscal year ended June 30, 2012, and the City's Auditor's Report regarding such financial statements, are set forth in APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2012. The City's Auditor was not requested to consent to the inclusion of its report in Appendix B and it has not undertaken to update financial statements included in Appendix B. No opinion is expressed by the City's Auditor with respect to any event subsequent to its report.

ADDITIONAL INFORMATION

All of the preceding summaries of the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Certificates.

Any statements made in this Official Statement involving matters of opinion or 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.

APPENDIX A

GENERAL DEMOGRAPHIC INFORMATION REGARDING THE CITY OF ALAMEDA AND ALAMEDA COUNTY

The City

The City was incorporated in 1854 and is located in Alameda County, a growing region in the eastern portion of the San Francisco Bay Area. The City has a permanent staff of 502 City employees (including Alameda Municipal Power) and serves approximately 75,000 residents in a land area of 19.45 square miles.

The city operates utilizing the Council-Manager form of government. The Mayor and four Council members are elected at large for staggered four-year terms to govern the City. The City Treasurer and City Auditor are also elected for four-year terms. The City Council is responsible for establishing policies, adopting the annual budget, appointing commissions and committees, and hiring the City Manager, City Attorney and City Clerk. The City Manager is responsible for implementing the Council's policies, overseeing the day-to-day operations of the City, and appointing the directors of the City's departments.

Population

The following table shows a historical comparison of the respective populations of the City, the County and the State of California since 2000.

Population Comparison

Year	City of Alameda	Percent Change	Alameda County	Percent Change	State of California	Percent Change
2000	72,259	-	1,443,939	-	33,873,086	-
2001	72,529	0.4%	1,457,185	0.9%	34,256,789	1.1%
2002	72,749	0.3%	1,467,063	0.7%	34,725,516	1.4%
2003	72,612	-0.2%	1,467,892	0.1%	35,163,609	1.3%
2004	71,980	-0.9%	1,466,407	-0.1%	35,570,847	1.2%
2005	71,727	-0.4%	1,462,736	-0.3%	35,869,173	0.8%
2006	71,558	-0.2%	1,462,371	0.0%	36,116,202	0.7%
2007	72,031	0.7%	1,470,622	0.6%	36,399,676	0.8%
2008	72,598	0.8%	1,484,085	0.9%	36,704,375	0.8%
2009	73,166	0.8%	1,497,799	0.9%	36,966,713	0.7%
2010	73,717	0.8%	1,509,240	0.8%	37,223,900	0.7%
2011	74,081	0.5%	1,521,157	0.8%	37,427,946	0.5%
2012	74,640	0.8%	1,532,137	0.7%	37,678,563	0.7%

Sources: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 & 2010 Census Counts (as of January 1). Benchmark. Sacramento, California, November 2012. State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State, 2011 and 2012.

Early History

The island Alameda occupies was originally a peninsula connected to Oakland. Much of it was low-lying and marshy, but on higher ground the peninsula and adjacent parts of what is now downtown Oakland were home to one of the largest coastal oak forests in the world. The area was therefore called Encinal, Spanish for "oak grove". Alameda is Spanish for "grove of poplar trees" or "tree-lined avenue", and was chosen by popular vote when the City was founded in 1853.

Budgetary Policies and Processes

Each year, departments work with the City Manager and Finance departments to submit operating budget requests for the next two fiscal years. The City Manager and Assistant City Manager then make recommendations to the City Council regarding the budget for the next two fiscal years. After public discussion and evaluation of their recommendations, the City Council adopts the budget for the next two fiscal years.

Expenditures are controlled at the fund level for all budgeted departments within the City. At this level, expenditures may not legally exceed appropriations. The City Manager or his designee is authorized to transfer funds between departments within the same fund, and to limit expenditures in response to lower than expected revenues whenever necessary. The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Any amendments to the total level of appropriations for a fund or transfers between funds must be approved by the City Council.

Employment

The City is home to a strong mix of large, medium and small firms. The City employment opportunities include: education at the Alameda Unified School District, apparel design and manufacture at North Face Inc., and health care at Telecare corp.

The largest employers in the City of Alameda as of June 30, 2012 are as follows:

Ten Largest Employers 2011-12

Employer	Number of Employees
Telecare Corp	2,100
Alameda Unified School District	1,330
North Face Inc.	600
City of Alameda	502
Alameda Hospital	492
Celera Corp	490
Associated Third Party Administration	250
Bay Ship & Yacht Co	250
College of Alameda	216
Associated Third Party	200

Source: The City of Alameda 2012 CAFR.

The following table presents the annual average wage and salary employment figures by industry classification for the County for the years 2007 through 2011.

**Industry Employment & Labor Force - by Annual Average
March 2012 Benchmark**

	2007	2008	2009	2010	2011 ⁽¹⁾
Civilian Labor Force	746,300	757,700	761,300	762,000	765,300
Civilian Employment	711,200	711,000	681,500	676,000	686,100
Civilian Unemployment	35,100	46,700	79,800	85,900	79,200
Unemployment Rate	4.7%	6.2%	10.5%	11.3%	10.4%
Total Farm	800	700	700	700	600
Manufacturing	73,700	72,300	64,100	61,400	61,700
Trade, Transportation & Utilities	137,000	131,800	121,700	117,600	117,700
Information	16,000	16,100	14,900	14,000	13,700
Financial Activities	33,300	30,600	22,400	22,900	22,700
Professional & Business Services	108,600	112,900	102,800	107,500	108,800
Educational and Health Services	79,500	83,000	89,500	88,700	88,300
Leisure and Hospitality	54,800	56,300	53,900	54,500	55,100
Other Services	23,700	23,700	22,900	23,200	23,500
Government	131,700	124,600	121,200	116,100	114,700
Total All Industries	702,900	692,300	647,700	636,900	636,700

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

(1) Latest available full-year data.

The following table sets forth certain information regarding employment in the City from calendar year 2008 through 2011.

**Average Annual Civilian Labor Force
Employment and Unemployment
Calendar Years 2008-2012**

Year	Labor Force	Employment	Unemployment Number	Rate
2008	40,200	38,500	1,700	4.2%
2009	39,700	36,900	2,900	7.2%
2010	39,700	36,600	3,100	7.8%
2011	40,000	37,100	2,800	7.1%
2012	40,700	38,200	2,500	6.2%

Source: California Employment Development Department

Construction Activity

“Single Family Housing” includes detached, semi-detached, rowhouse and townhouse units. Rowhouses and townhouses are included when each unit is separated from the adjacent unit by an unbroken ground-to-roof party or fire wall. Condominiums are included in single-family when they are of zero-lot-line or zero-property-line construction; when units are separated by an air space; or, when units are separated by an unbroken ground-to-roof party or fire wall. “Multi-Family Housing” includes duplexes, 3-4-unit structures and apartment-type structures with five units or more. Multi-family housing also includes condominium units in structures of more than one living unit that do not meet the above single-family housing definition. “Residential Alterations and Additions” means

alterations, additions, and conversions to residential structures, excluding special installation permits for electrical, plumbing, heating, air-conditioning, or similar mechanical work, or installation of fire escapes, elevators, signs, etc.

“New Commercial” includes new hotels and motels, office and bank buildings, stores and other mercantile buildings, parking garages, service stations, and amusement and recreational buildings. “New Industrial” includes manufacturing plants and affiliated buildings. “Other New Nonresidential” includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings, and miscellaneous nonresidential structures. “Nonresidential Alterations and Additions” means alterations, additions, and conversions to nonresidential structures, excluding special installation permits for electrical, plumbing, heating, air conditioning, or similar mechanical work, or installation of fire escapes, elevators and signs, etc.

**Building Permits and Valuation
(Dollars in Thousands)**

	2007	2008	2009	2010	2011
Permit Valuation:					
New Single-family	\$ 39,598	\$ 408	\$ 879	\$ 5,985	\$ 1,899
New Multi-family	380	0	0	0	0
Res. Alterations/Additions	24,314	14,510	10,553	11,465	19,659
Total Residential	64,292	14,918	11,432	17,430	21,558
Total Nonresidential	47,101	7,897	2,144	1,794	35,991
Total All Building	<u>\$111,394</u>	<u>\$ 22,815</u>	<u>\$ 13,576</u>	<u>\$ 19,224</u>	<u>\$ 57,549</u>
New Dwelling Units:					
Single Family	110	2	3	16	24
Multiple Family	2	0	0	0	0
Total	<u>112</u>	<u>2</u>	<u>3</u>	<u>16</u>	<u>24</u>

Sources: Construction Industry Research Board: “Building Permit Summary.”

Note: Totals may not add due to independent rounding.

Income

The following table summarizes the median household effective buying income for the City, the County of Alameda, the State of California and the nation for the years 2006 through 2012.

Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Ef- fective Buying Income
2006	City of Alameda	\$ 1,971,105	\$52,819
	County of Alameda	35,772,898	53,171
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	City of Alameda	\$ 2,072,000	\$54,911
	County of Alameda	37,572,278	54,688
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Alameda	\$ 2,110,295	\$56,044
	County of Alameda	28,889,500	55,987
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Alameda	\$ 2,196,838	\$58,598
	County of Alameda	40,053,865	57,997
	California	844,823,318	49,736
	United States	6,571,536,767	43,252
2010	City of Alameda	\$ 2,120,325	\$55,813
	County of Alameda	53,692,142	68,047
	California	801,393,027	47,177
	United States	6,365,020,076	41,368
2011	City of Alameda	\$ 2,159,753	\$55,644
	County of Alameda	54,491,135	67,801
	California	814,578,457	47,062
	United States	6,438,704,663	41,253
2012	City of Alameda	\$ 2,419,335	\$58,897
	County of Alameda	43,677,855	55,396
	California	864,088,827	47,307
	United States	6,737,867,730	41,358

Source: Nielsen, Inc.

Commercial Activity

In early 2007 the Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System (NAICS) codes. This process is now complete; over one million permit holders were converted from the previous business coding system to the NAICS codes. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change, however, industry-level data for 2009 are not comparable to that of prior years. The latest full-year data available from the State is for calendar year 2010.

The following summary shows the annual volume of taxable sales within the City since 2007.

**Taxable Transactions
(Dollars in Thousands)**

	2007	2008		
Apparel stores	\$ 16,332	\$ 21,912		
General merchandise	47,872	38,177		
Foods stores	49,923	54,970		
Eating and drinking places	85,193	91,746		
Home furnishings and appliances	42,160	47,435		
Building materials	19,557	20,035		
Automotive Group	95,109	67,190		
Service stations	47,803	53,394		
All other retail stores	54,661	52,948		
Total Retail Outlets	458,600	447,507		
All other outlets	105,857	182,921		
Total All Outlets	564,457	630,428		
	2009 ⁽¹⁾	2010	2011 ⁽²⁾	
Retail Store and Food Services				
Motor Vehicle and Parts Dealers	\$ 22,469	\$ 25,647	\$ 18,916	
Home Furnishings and Appliance Stores	22,772	14,014	15,645	
Bldg. Matrl. and Garden Equip. and Supplies	15,594	16,685	17,943	
Food and Beverage Stores	57,408	58,256	63,843	
Gasoline Stations	44,175	52,226	89,631	
Clothing and Clothing Accessories Stores	23,486	28,674	32,943	
General Merchandise Stores	#	#	#	
Food Service and Drinking Places	89,218	93,017	99,828	
Other Retail Group	83,958	85,963	88,075	
Total Retail and Food Services	359,079	374,483	406,828	
All Other Outlets	186,548	168,685	176,586	
Total All Outlets ⁽³⁾	545,627	543,168	583,410	

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).

(1) Starting in 2009, categories were revised from prior years.

(2) Most recent annual data available.

(3) Totals may not add up due to independent rounding.

Sales omitted because their publication would result in the disclosure of confidential information.

Education

Public primary and secondary education in Alameda is the responsibility of the Alameda Unified School District, which is legally separate from the City government (as is common throughout California). The College of Alameda, a two-year community college in the West End is part of the Peralta Community College District. The city has numerous private primary schools, and one private high school, St. Joseph Notre Dame High School, a Catholic school.

Utilities and Water Supply

Alameda Municipal Power (AMP) is the City's not-for-profit electric municipal utility, serving residents and businesses for over 126 years. AMP provides power to more than 34,000 customers at rates up to 20 percent

below neighboring communities. The utility is a leader in the promotion of clean, sustainable and renewable power, making the City the lowest greenhouse-gas emitting community in Alameda County and one of the lowest in the state.

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APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE YEAR ENDED JUNE 30, 2012

The Auditor was not requested to consent to the inclusion of its report in this Appendix B and it has not undertaken to update financial statements included in this Appendix B. No opinion is expressed by the Auditor with respect to any event subsequent to its report.

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City of Alameda California



Comprehensive Annual Financial Report

**Fiscal Year Ended
June 30, 2012**

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**CITY OF ALAMEDA, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**PREPARED BY THE
FINANCE DEPARTMENT**



City of Alameda

People and Places in the City





INTRODUCTORY SECTION



City of Alameda

People and Places in the City





City of Alameda, California
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012
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City of Alameda, California

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City of Alameda
Finance Department
2263 Santa Clara Avenue, Room 220
Alameda, California 94501
(510) 747-4881

December 3, 2012

Honorable Mayor and
Members of the City Council

We are pleased to present the City of Alameda (City) Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2012. The information in this Comprehensive Annual Financial Report is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and includes an unqualified opinion on the report by the City's independent certified public accountants. Although we rely on the standards and expertise of these external authorities, the responsibility for the accuracy and fairness of this report rests with the City.

For those readers interested in a more detailed review of the City's financial statements, a narrative section called the Management's Discussion and Analysis (MDA) has been included as part of the Financial Section. The MDA reports on the financial highlights of the City and provides additional analysis on the variances and trends reported as part of the financial statements. The MDA also discloses significant items affecting the financial condition of the City and is designed to be read in conjunction with this letter of transmittal.

City Profile

The City was incorporated in 1854 and is located in Alameda County, a growing region in the eastern portion of the San Francisco Bay Area. The City has a permanent staff of 502 City employees (including Alameda Municipal Power) and serves approximately 75,000 residents in a land area of 19.45 square miles.

The City operates utilizing the Council-Manager form of government. The Mayor and four Council members are elected at large for staggered four-year terms to govern the City. The City Treasurer and City Auditor are also elected for four-year terms. The City Council is responsible for establishing policies, adopting the annual budget, appointing commissions and committees, and hiring the City Manager, City Attorney and City Clerk. The City Manager is responsible for implementing the Council's policies, overseeing the day-to-day operations of the City, and appointing the directors of the City's departments.



City departments and areas of responsibility comprise of the following:

General Government includes staff and activities associated with the City Council, City Manager, City Clerk, City Attorney, Information Technology, and Risk Management.

Administrative Services includes Finance and Human Resources.

Community Services includes the City's Library Department and the Park and Recreation Department, which operates the Senior Center and manages the contract for the Golf Complex.

Community Development includes Building, Economic Development, Housing and Planning.

Honorable Mayor and
Members of the City Council

December 3, 2012

Public Safety includes Police with its Communications, Patrol, Investigations and Traffic and Parking Enforcement divisions, as well as Fire with its Emergency Services, Prevention Services and Ambulance Transport divisions.

Public Services includes Engineering, Transportation Operations, Building/Street Maintenance, Fleet Maintenance, as well as Storm Drains and Sewer Maintenance.

Economic Condition and Outlook

In spite of the effects of the economy in prior years, the City has been able to maintain General Fund reserves at the City Council’s established level of 20% of expenditures, and present a balanced budget for the General Fund for FY 12-13. This has been achieved through a combination of structural budget reductions, use of one-time funds, and the use of a small portion of available General Fund reserves. Unfortunately, the City’s difficult fiscal challenges do not end with the passage of the FY 12-13 budget. The downturn in previous years of revenues and projected increase in costs has resulted in projected General Fund deficits ranging from \$2 to \$6 million annually beginning in FY 13-14, as presented in the adopted budget for FY 12-13. Absent any corrective action, the City’s available reserves will be exhausted during FY 16-17.



**5 Year Projections for FY12-13 through 16-17
(In Millions) - with reductions**

	12-13	13-14	14-15	15-16	16-17
Revenues	\$71.1	\$71.6	\$71.2	\$ 72.5	\$ 73.8
Expenses (net of reductions)	\$71.8	\$73.9	\$75.5	\$ 77.4	\$ 79.5
Use of Prior Years Fund Balance	\$(0.7)	\$(2.3)	\$(4.3)	\$ (4.9)	\$ (5.7)
Ending Available Fund Balance	\$17.1	\$14.8	\$10.5	\$ 5.6	\$ (0.1)
% of Expenses	24%	20%	14%	7%	0%

The five-year forecast includes the following assumptions:

- Revenue growth of 1-3% annually, versus average revenue growth of 6% that occurred between FY 03-04 and FY 07-08.
- New Miscellaneous / Safety PERS rates, including employee contributions towards the employer rate for Safety and Miscellaneous employees.
- Health and Other Post-Employment Benefit increases of 12% per year, with Miscellaneous employees picking up between 15-25% of the annual increase beginning during FY 12-13, increasing up to 50% by 2015.
- 3% increases for all non-personnel expenses resulting from inflation beginning in FY 14-15.

Staff will be working with council to address these projected shortfalls as part of the preparation of the City’s two year budget for Fiscal Years 13-14 and 14-15.

Accounting System And Budgetary Control

Note 1 in the Basic Financial Statements provides a detailed explanation of the City's significant accounting policies. Internal accounting controls are designed to provide reasonable assurance regarding safeguarding of assets against loss, accuracy and reliability of accounting data, and adherence to prescribed policies. The concept of reasonable assurance recognizes that the cost of a control measure should not exceed benefits likely to be derived and that the evaluation of costs and benefits require estimates and judgments by management.

Each year, departments work with the City Manager and Finance departments to submit operating budget requests for the next fiscal year. The City Manager and Assistant City Manager then make recommendations to the City Council regarding the budget for the next fiscal year. After public discussion and evaluation of their recommendations, the City Council adopts the budget for the next fiscal year.

Expenditures are controlled at the fund level for all budgeted departments within the City. At this level, expenditures may not legally exceed appropriations. The City Manager or his designee is authorized to transfer funds between departments within the same fund, and to limit expenditures in response to lower than expected revenues whenever necessary. The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Any amendments to the total level of appropriations for a fund or transfers between funds must be approved by the City Council.

Major Initiatives and Projects

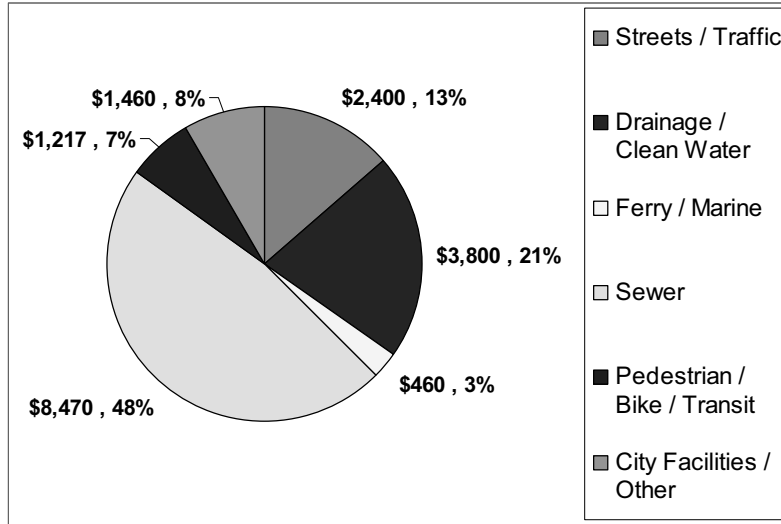
As part of the budget preparation process, the City Council adopts goals and objectives for the next year and evaluates the progress made on the goals established as part of the previous budget. The following represent some of the most significant goals established for both Fiscal Year 2012-13 and 2013-14:

- Continue to improve the availability of records and information on the City's website and in electronic format.
- Work cooperatively with the Alameda Unified School District (AUSD) to evaluate and develop a long-term plan to upgrade swim centers.
- Complete negotiation and implementation of a long-term agreement for the operation and maintenance of the Chuck Corica Golf Complex.
- Develop solutions to enhance emergency medical service delivery within the city.
- Increase efforts in traffic enforcement to reduce the number of pedestrian-related accidents.



Public Works is recommending capital projects totaling approximately \$18 million and maintenance projects totaling approximately \$4 million for FY 12-13, which include a variety of street, building, sewer, park, and traffic projects, as summarized on the graph on the next page. The majority (69%) of the costs relate to sewer and drainage improvements required as a result of new wet weather sewer overflow mandates and Clean Water Permit requirements.

Capital Projects for FY 12-13 - In Thousands



The Capital Improvement Section of the budget provides additional details regarding the projects to be funded in FY 12-13.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the 22nd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City was required to produce a report that met their high standards for reporting, as well as one that adhered to GAAP and other legal requirements. A Certificate of Achievement is valid for one year only. It is anticipated that the current CAFR will continue to meet the Certificate of Achievement Program's requirements.

The City also received the GFOA's Distinguished Budget Presentation Award for its two-year budget document for FY 2013 and 2014. In order to qualify for the Award, the City's budget document had to meet specific criteria as a policy document, a financial plan and a communications device.

This CAFR was prepared by the City's Controller and the Finance Department staff. This report is representative of the staff's ongoing commitment to provide excellent services and products to Alameda citizens. Thanks are also extended to the independent auditors of Maze and Associates for their review of this report, and to the City Council, City Manager, City Treasurer and City Auditor for their stewardship and commitment to assist in ensuring the long-term fiscal health of the City.

Respectfully submitted,

Elizabeth Warmerdam
Assistant City Manager

Fred Marsh
Controller



City of Alameda

City Council



Marie Gilmore
Mayor



Rob Bonta
Vice Mayor



Doug deHaan
Councilmember



Beverly Johnson
Councilmember



Lena Tam
Councilmember



City of Alameda

Principal Officers

ELECTED OFFICIALS



Kevin Kearney, City Auditor



Kevin Kennedy, City Treasurer

CHARTER OFFICERS

City Manager, John A. Russo
City Attorney, Janet Kern
City Clerk, Lara Weisiger

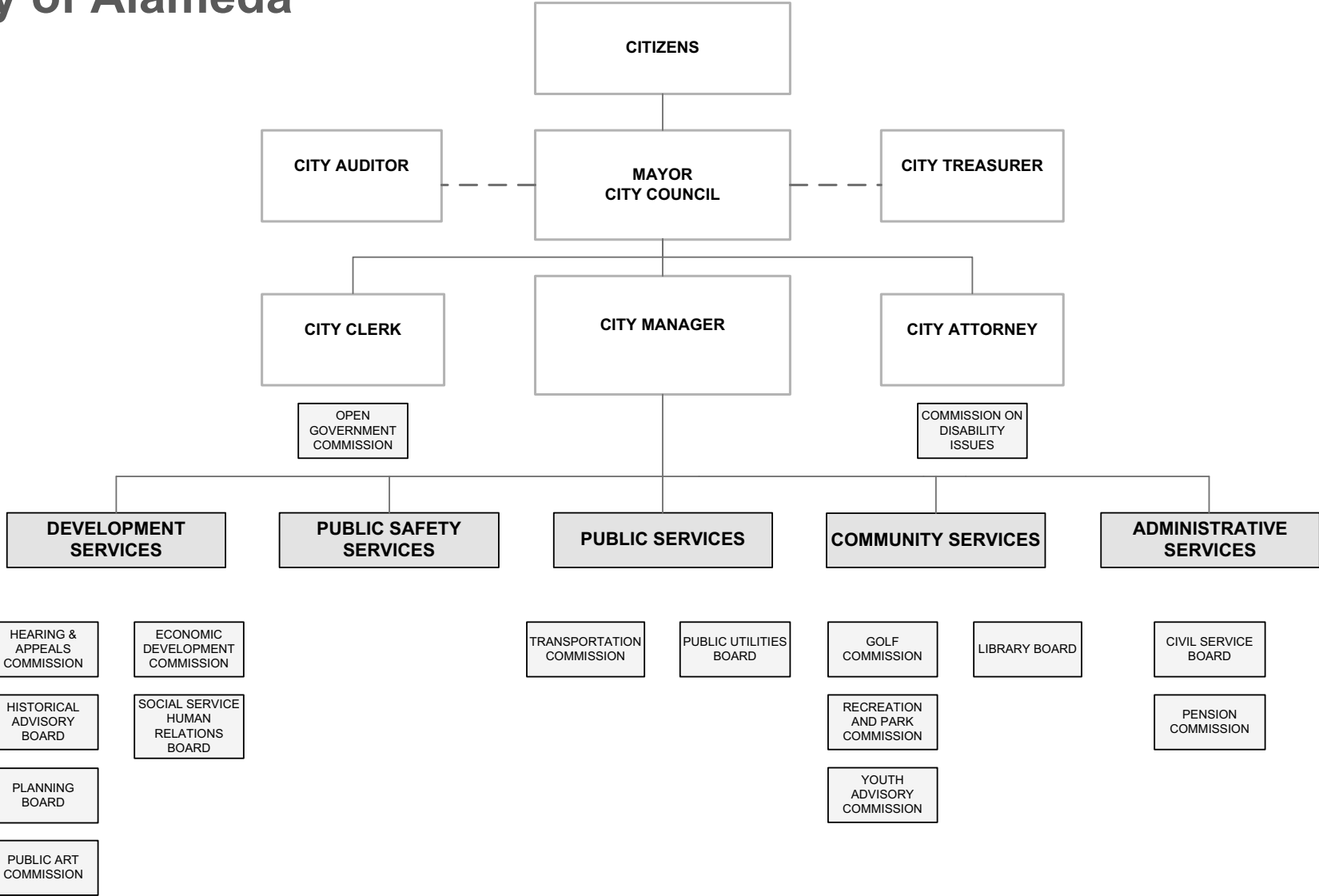
EXECUTIVE MANAGEMENT TEAM

Assistant City Manager, Lisa K. Goldman
Deputy City Manager, Alex Nguyen

Chief of Police, Michael Noonan
Chief Operating Officer, Alameda Point, Jennifer Ott
Community Development Director, Lori Taylor
Fire Chief, Mike D'Orazi

General Manager, Alameda Municipal Power, Girish Balachandran
Human Resources Director, Holly Brock-Cohn
Library Director, Jane Chisaki
Public Works Director, Matthew T. Naclerio
Recreation and Park Director, Amy Wooldridge

City of Alameda

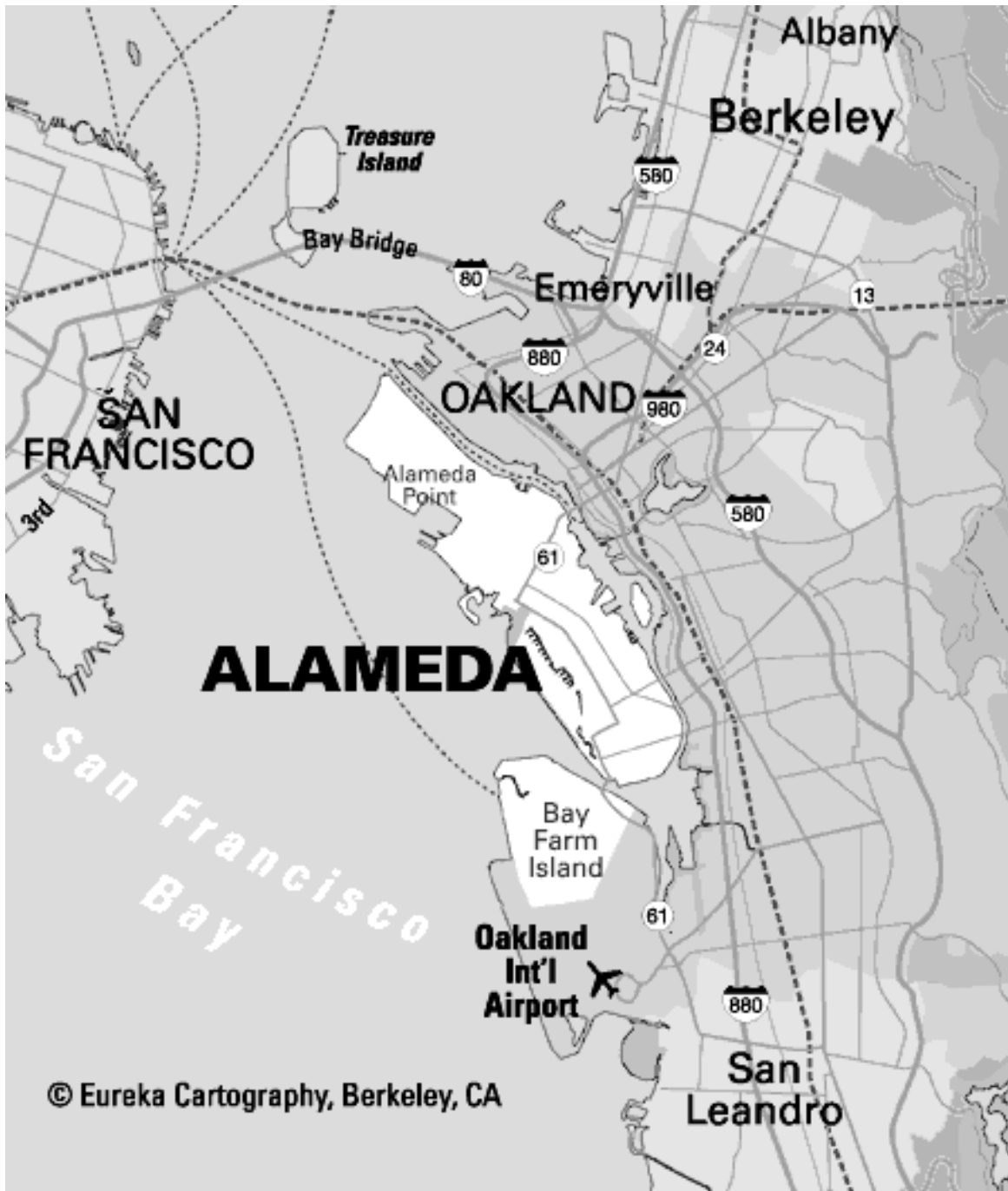




City of Alameda Budget and Forecast

Regional Map

The City of Alameda is seven miles east of San Francisco, situated within San Francisco Bay, and less than one mile west of the City of Oakland, directly west of Interstate 880. Alameda is a brief drive north of Oakland International Airport, which borders the City on the southeast.



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Alameda
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director



City of Alameda

People and Places in the City





FINANCIAL SECTION



City of Alameda

People and Places in the City





INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the City Council, and City Auditor of the
City of Alameda,
Alameda, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alameda (City), California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the component unit financial statements of the Alameda Municipal Power, which represents 18% and 42% of the assets and revenues and 40% and 31% of liabilities and expenses of the reporting entity, respectively. These component unit financial statements were audited by other auditors, whose report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of these auditors.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for 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 as to whether the basic financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Alameda, California, at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Community Improvement Commission of the City of Alameda has been dissolved and its assets turned over to and liabilities assumed by the Successor Agencies effective January 31, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2012, on our consideration of the City of Alameda's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W mazeassociates.com

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

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the City of Alameda's financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the Supplemental Information is 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 them.

Maze & Associates

December 3, 2012



City Of Alameda, California Management's Discussion and Analysis For The Fiscal Year Ended June 30, 2012

This management overview and analysis of the City's financial activities and performance is being presented for the fiscal year ended June 30, 2012. The information presented herein should be considered in conjunction with that presented in the Transmittal Letter contained within the Introductory Section of this report, and the Basic Financial Statements for the City.

Overview of the City's Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components:

- **Government-Wide Financial Statements** – These include the Statement of Net Assets and Statement of Activities. These statements provide information about the activities of the City as a whole and about the overall financial condition of the City in a manner similar to a private-sector business. These statements are described in more detail in a subsequent section of this Management Discussion and Analysis (MD&A).
- **Fund Financial Statements** – These statements provide additional information about the City's major funds, including how services were financed in the short term and fund balances available for financing future projects. These statements are described in more detail in a subsequent section of this MD&A.
- **Notes to the Financial Statements** – The notes provide additional detail that is essential to a full understanding of the information provided in the government-wide and fund financial statements.



In addition to the basic financial statements and accompanying notes, this report also presents other required supplementary information, including budgetary comparison information on the City's General Fund.

Financial Highlights

- The City had net assets at June 30, 2012 of \$387 million. Of this amount, \$36 million is unrestricted and represents assets available for future uses, including projected future equipment replacement needs and insurance claims. The balance relates to the City's investment in its fixed assets or is legally restricted for specific activities and projects.
- As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$81 million. Of the total fund balance, 78% of this amount is either restricted, committed or assigned, indicating it is not available for new expenditures as it has been legally committed to or otherwise set aside for future uses. The remaining amount constitutes fund balances accounted for in the City's General and other special funds, available for future programs, projects, and services, subject to any spending restrictions imposed by those funds.
- At the close of FY11-12, the General Fund fund balance was \$23 million. The City Council has established a policy for cash reserves at a minimum of 20% of General Fund expenditures for costs associated with economic and other uncertainties. At June 30, 2012, the unreserved, undesignated fund balance (i.e. available funds) is \$20 million.



City of Alameda, California Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

Government-wide Financial Statements

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. They provide information about the activities of the City as a whole, and present a longer-term perspective of the City's finances. The Statement of Net Assets presents information on all City assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets serve as a useful indicator of whether the financial position of the City is improving.

The Statement of Activities presents information showing the manner in which the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event actually occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (for example, uncollected taxes and unused vacation or other compensated leave).



In the government-wide financial statements, the City's activities are reported in three categories:

Governmental Activities – includes most of the City's services such as public safety, public works, planning and building, community services, housing and general government support. Property taxes, sales and use taxes, state subventions and fees for service finance most of these activities.

Business-type Activities – includes the golf complex and the sewer system, where fees for service principally finance the activity.

Discretely Presented Component Units – Alameda Municipal Power is a legally separate reporting entity, but is important because the City is financially accountable for this entity.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control of resources that have been segregated for specific activities or objectives. The City uses fund accounting to show compliance with finance-related legal requirements. For governmental activities, these statements indicate how these services were financed in the short-term, as well as what remains for future spending. All funds of the City of Alameda can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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



City of Alameda, California Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

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

Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the following funds that are considered to be major funds:

- General Fund
- Community Improvement Commission (CIC) Special Revenue Fund (closed as of 2/1/2012)
- FISC Lease Revenue
- Base Reuse
- Housing Special Revenue
- Capital Improvement Projects



Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements included elsewhere in this report.

The City adopts an annual appropriated budget of revenues and expenditures for all funds. Budgetary comparison statements have been provided as required supplementary information to demonstrate compliance with the budget.

Proprietary funds. The major proprietary funds the City uses are the Golf Course and Sewer Services funds. These are used to account for activities financed and operated in a manner similar to a private enterprise. Proprietary funds provide the same type of information as the government-wide financial statements, but with more detail.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the City's own programs. The accounting used for these funds is similar to that used for governmental funds. These funds are reported in a separate statement of fiduciary net assets.



**City of Alameda, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Government Activities Financial Analysis

Net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$387 million at the close of FY11-12, an increase of \$53 million or 16% from FY10-11 due to the transfer of debt from the City's former CIC to the Successor Agency Private Purpose Trust Funds. Information on net assets is presented in the summary table on the following page:

**Summary of Net Assets
June 30, 2012 and 2011
(In Millions)**

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current / Other Assets	\$115	\$146	\$20	\$20	\$135	\$166
Capital Assets	292	290	50	46	342	336
Total Assets	\$407	\$436	\$70	\$66	\$477	\$502
Long-term Liabilities	\$43	\$116	\$6	\$6	\$49	\$122
Other Liabilities	39	44	2	1	41	45
Total Liabilities	\$82	\$160	\$8	\$7	\$90	\$167
Net Assets:						
Invested in Capital Assets, Net of Debt	\$249	\$174	\$44	\$39	\$293	\$213
Restricted	58	82			58	82
Unrestricted	18	20	18	19	36	39
Total Net Assets	\$325	\$276	\$62	\$58	\$387	\$334

The largest portion of the City's net assets (76%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to the community. Net assets invested in capital assets, net of debt, increased by 38% during the year due to the above noted transfer of debt to the Successor Agency. Long-Term Liabilities also decreased by \$73 million due to this transfer.

The amount of net assets invested in capital assets, net of related debt, is reported as a distinct component of net assets because this amount is not available for future spending. In addition, although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, because the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets, that portion of the City's net assets (15%) subject to restrictions on how they may be used, decreased \$24 million this year. Unrestricted net assets, the portion of the City's net assets available for use (9%), decreased \$2 million this year. Other liabilities decreased a total of \$5 million. A summary of Changes in Net Assets is presented on the following page:



City of Alameda, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Summary of Changes in Net Assets
June 30, 2011 and 2010
(dollars in thousands)

	Governmental Activities		Business-Type		Totals	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for Services	\$28,966	\$28,319	\$11,406	\$10,483	\$40,372	\$38,802
Operating Grants & Contributions	9,899	7,828		2,418	9,899	10,246
Capital Grants and Contributions	5,112	5,578			5,112	5,578
General Revenues						0
Property Taxes	27,965	30,205			27,965	30,205
Incremental Property Taxes	5,749	11,869			5,749	11,869
Special Assessments	1,844	1,887			1,844	1,887
Sales Taxes	6,036	5,077			6,036	5,077
Utility Users Tax	8,787	9,182			8,787	9,182
Other Taxes	13,453	13,918			13,453	13,918
Motor Vehicle in Lieu Fees	5,874	6,120			5,874	6,120
Investment Earnings	618	5,059	193	398	811	5,457
Other	5,803	6,507	57	420	5,860	6,927
Total Revenues	\$120,106	\$131,549	\$11,656	\$13,719	\$131,762	\$145,268
Expenses						
General Government	\$15,237	\$10,498			\$15,237	\$10,498
Police	25,905	26,854			25,905	26,854
Fire	23,970	24,532			23,970	24,532
Public Works	13,738	17,323			13,738	17,323
Community Development	5,718	25,148			5,718	25,148
Community Services	8,741	9,262			8,741	9,262
Housing	14,453	7,925			14,453	7,925
Interest on Long-Term Debt	4,142	5,148			4,142	5,148
Ferry Services				\$12,044	0	12,044
Golf Course			\$3,815	3,688	3,815	3,688
Sewer Services			3,864	4,599	3,864	4,599
Total Expenses	\$111,904	\$126,690	\$7,679	\$20,331	\$119,583	\$147,021
Change in Net Assets Before Transfers	\$8,202	\$4,859	\$3,977	(\$6,612)	\$12,179	(\$1,753)
Transfers, Net	206	(1,628)	(206)	1,628	0	0
Change, Net	8,408	3,231	3,771	(4,984)	12,179	(1,753)
Beginning Net Assets	275,802	272,571	58,484	63,468	334,286	336,039
Net Liabilities assumed by Successor Agency	40,765				40,765	0
Ending Net Assets	324,975	275,802	62,255	58,484	387,230	334,286



**City of Alameda, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Decreases in CIC property tax increment (received by the Successor Agency beginning in February 2012) and investment earnings contributed to an overall decrease in revenues. Program expenses decreased due to the assumption by the Successor Agency of redevelopment agency expenditures beginning in February 2012. A summary of Expense and Revenues by Program for Governmental Activities is shown below:

**Expense and Program Revenue - Governmental Activities
Fiscal Year 2011-2012**

(dollars in thousands)

	<u>Expense</u>	<u>Revenue</u>	<u>Net Difference</u>
General Government	\$15,237	\$6,899	(\$8,338)
Police	25,905	1,569	(24,336)
Fire	23,970	3,389	(20,581)
Public Works	13,738	14,340	602
Community Development	5,718	11,543	5,825
Community Services	8,741	3,660	(5,081)
Housing	14,453	2,576	(11,877)
Interest on Long-Term Debt	4,142	0	(4,142)
	<u>\$111,904</u>	<u>\$43,976</u>	<u>(\$67,928)</u>

Revenues by Source - Governmental Activities

(dollars in thousands)

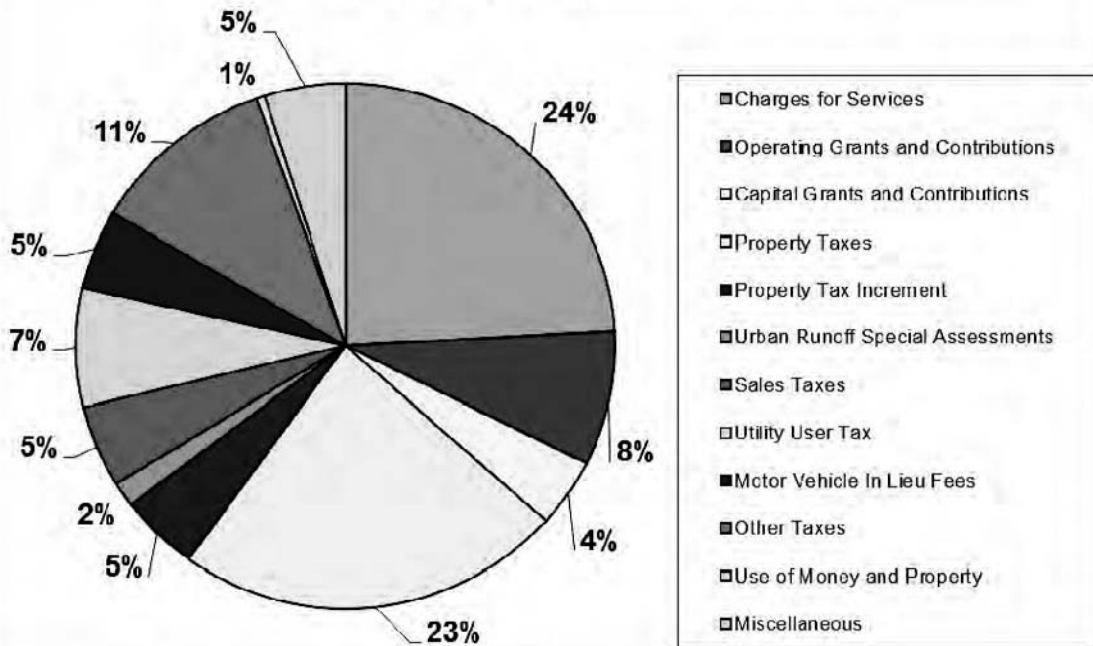
	<u>2012</u>	<u>2011</u>	<u>Difference</u>
Charges for Services	\$28,966	\$28,319	\$647
Operating Grants and Contributions	9,899	7,828	2,071
Capital Grants and Contributions	5,112	5,578	(466)
Property Taxes	27,965	30,205	(2,240)
Property Tax Increment	5,749	11,869	(6,120)
Urban Runoff Special Assessments	1,844	1,887	(43)
Sales Taxes	6,036	5,077	959
Utility User Tax	8,787	9,182	(395)
Motor Vehicle In Lieu Fees	5,874	6,120	(246)
Other Taxes	13,453	13,918	(465)
Use of Money and Property	618	5,059	(4,441)
Miscellaneous	5,803	6,507	(704)
	<u>\$120,106</u>	<u>\$131,549</u>	<u>(\$11,443)</u>



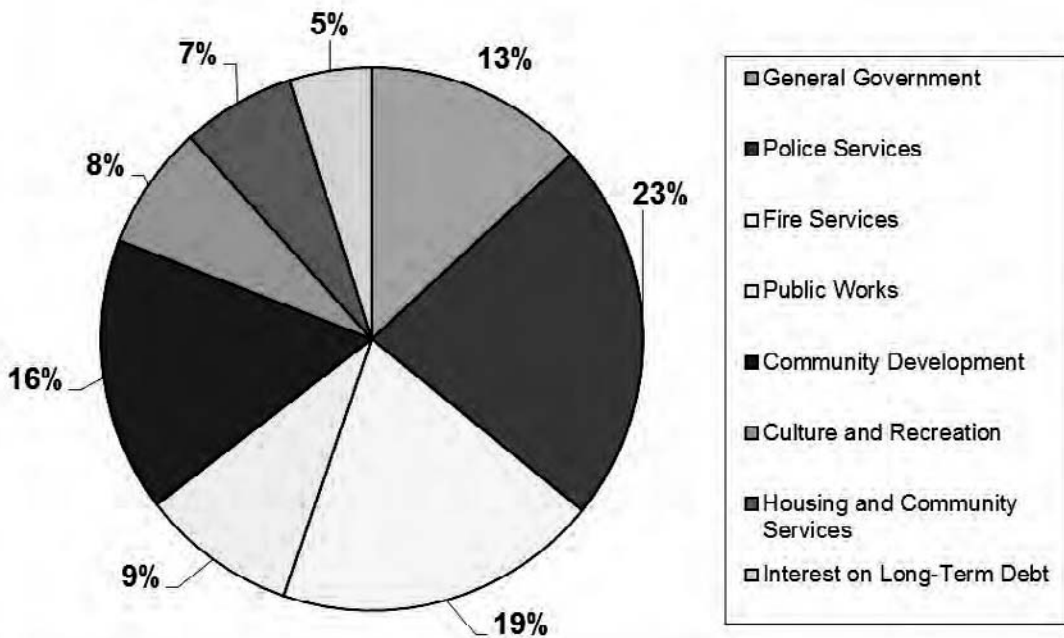


**City of Alameda, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Revenues by Source - Governmental Activities



Expenses by Source - Governmental Activities





**City of Alameda, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Business-type Activities Financial Analysis

These activities increased the City's net assets by \$4 million overall, as discussed below:

Golf Course. Net assets of the Golf Course Fund at June 30, 2012, were \$4 million, comprised of capital assets, net of related debt of \$3 million, and unrestricted assets of \$1 million available to fund operations and improvements to the golf complex. Golf Course revenues totaled \$4 million, generated primarily from user fees. Operating expenses and transfers out for services provided totaled \$4 million, including depreciation, resulting in a change in net assets of less than \$.1 million.

Sewer Services. Net assets of the Sewer Service Fund at June 30, 2012, were \$58 million, consisting primarily of net assets invested in capital assets, net of related debt, of \$41 million. The remaining \$17 million includes a \$3 million advance for a capital improvement project and the remaining balance of \$14 million, which is available to fund operations and future sewer related improvement and maintenance projects. The Sewer Services fund generated income and transfers in of \$11 million and incurred \$7 of expenditures, for a net increase in assets of \$4 million.



Expense and Program Revenue

**Business-type Activity
Fiscal Year 2011-2012**

(dollars in thousands)

	<u>Revenue</u>	<u>Expense</u>	<u>Difference</u>
Golf Course	\$3,958	\$3,815	\$143
Sewer Services	7,447	3,864	3,583
	<u>\$11,405</u>	<u>\$7,679</u>	<u>\$3,726</u>

**Revenues by Source
Business-type Activities**

(dollars in thousands)

	<u>2012</u>	<u>2011</u>	<u>Difference</u>
Charges for Services	\$11,406	\$10,483	\$923
Operating Grants and Contributions	0	2,418	(2,418)
Unrestricted Investment Earnings/Rents	193	398	(205)
Miscellaneous Revenues	58	420	(362)
	<u>\$11,657</u>	<u>\$13,719</u>	<u>(\$2,062)</u>



City of Alameda, California Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

Financial Analysis of the Government's Funds

As previously noted, the City of Alameda uses fund accounting methodology to ensure and demonstrate compliance with finance-related legal requirements.

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



As of June 30, 2012, the City of Alameda's governmental funds reported combined ending fund balances of \$81 million, a decrease of \$13 million from the prior fiscal year largely due to the transfer of assets in February 2012 to the Successor Agency from the City's former CIC. Approximately \$18 million or 22% of the combined ending fund balance constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remaining balance is either *restricted*, *committed* or *assigned* to indicate that it is *not* available for new spending because it has been committed to liquidate contracts and purchase orders from the prior fiscal period; pay debt service; or fund future uses.

The General Fund is the chief operating fund of the City. At June 30, 2012, unreserved, undesignated fund balance (cash reserve) of the General Fund was \$20 million; the total fund balance, including restricted, committed and assigned resources, was \$23 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 28% of total General Fund expenditures and transfers. The fund balance of the City of Alameda's General Fund increased by approximately \$.3 million from the prior fiscal year (1%) due to higher sales tax revenue received by the City.

Fund balance in the Community Improvement Commission decreased \$5 million during the year, as it ceased operations effective February 2012 and transferred its remaining balances to the Successor Agency.

The FISC Lease Revenue Special Revenue Fund had a deficit fund balance of \$2 million at June 30, 2012, due to an assumption of an advance from the Sewer Fund previously made to the former CIC, which was subsequently disallowed by the State as part of the dissolution of the CIC.

The Alameda Reuse and Redevelopment Authority Special Revenue Fund had a restricted fund balance of \$6 million at June 30, 2012. Fund balance decreased \$1 million primarily due to one-time expenditures incurred in the project area.

The Housing Special Revenue Fund had a committed fund balance of \$1 million at June 30, 2012. Fund balance decreased \$1 million primarily due to one-time expenditures incurred for affordable housing projects.



City of Alameda, California Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

The Capital Improvement Projects Capital Project Fund has a total fund balance of \$5 million as of June 30, 2012, all committed for current and future capital projects. The fund incurred \$11 million for capital projects during FY11-12, including the following:

- Stargell Extension
- City Building Renovations
- Park Street Streetscape Phase 2
- Street Resurfacing
- Krusi Park
- Sidewalk Program Fiscal Year 2011-12
- Sewer Infrastructure Improvements



Proprietary Funds. The City of Alameda's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets at June 30, 2012, were \$1 million for the Golf Fund and \$17 million for the Sewer Fund.

Internal Service Funds. The Worker's Compensation Insurance Fund net asset deficit reflects future claims liabilities maturing in five to ten years. Other Internal Service Funds have net assets to offset this deficit.

Unrestricted net assets (deficits) at June 30, 2012, are as follows by fund (reported in thousands):

<u>Internal Service Fund</u>	<u>Net Assets</u>
Equipment Replacement	\$3,330
Central Services	84
Fleet Maintenance	250
Technology Services	1,165
Facilities Maintenance	439
Worker's Compensation Insurance	(3,770)
Risk Management Insurance	15
Unemployment Insurance	209
OPEB	228





**City of Alameda, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Capital Assets and Long Term Debt

Capital Assets

The City of Alameda's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totals \$387 million (net of accumulated depreciation), an increase of approximately \$53 million from the prior period due to the transfer of the CIC long-term debt to the Successor Agency. Investment in capital assets includes land, buildings and systems improvements, machinery and equipment, sewer lines, golf improvements, park facilities and streets. Additional information about the City's capital assets can be found in Note 5 of this report.



**Capital Assets (net of depreciation)
(dollars in thousands)**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$5,818	\$5,871	\$177	\$177	\$5,995	\$6,048
Buildings and systems	150,453	156,965	851	869	151,304	157,834
Infrastructure	64,592	64,592	40,498	41,597	105,090	106,189
Construction in progress	61,826	55,977	7,654	2,728	69,480	58,705
Machinery and equipment	9,084	6,242	648	329	9,732	6,571
Total	\$291,773	\$289,647	\$49,828	\$45,700	\$341,601	\$335,347

Long-term Debt

At June 30, 2012, the City had \$48 million in outstanding debt, including \$14 million in Certificates of Participation and \$12 million in General Obligation Bonds.

The City's total debt decreased \$74 million during FY11-12 due to the transfer of the former CIC long term debt to the Successor Agency. The schedule below is a summary schedule of outstanding debt as of June 30, 2012.

**Outstanding Debt
(dollars in thousands)**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Certificates of Participation	\$11,600	\$12,470	\$2,160	\$2,465	\$13,760	\$14,935
Revenue Bonds	12,000	12,300			12,000	12,300
Tax Allocation Bonds	0	74,255			0	74,255
General Obligation Bonds	9,155	9,375			9,155	9,375
HUD Section 108 Loan	6,529	6,691			6,529	6,691
Other Long Term Obligations	3,350	600	3,499	3,777	6,849	4,377
Total	\$42,634	\$115,691	\$5,659	\$6,242	\$48,293	\$121,933


Additional information on the City of Alameda's long-term debt can be found in Note 6 of this report.



City of Alameda, California Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

Economic Outlook

At the time these financial statements were prepared and audited, the City was aware of the following items that could significantly impact its financial health in the future:

- During Calendar Year 2012, the City entered into new employment agreements with most of its bargaining groups, which included changes for amounts paid for pension and health benefits and other special pays. The projected costs/savings from each of these new agreements will be incorporated into the City's budget for Fiscal Years 2013-14 and 2014-15.
 - The City offers post-employment health benefits to its retirees, as described in Note 10. The type and value of this benefit is a bargained benefit. Miscellaneous employees receive the minimum payment required by the Public Employees Medical Coverage Health Agreement (PEMCHA); whereas public safety employees receive the full cost of the PEMCHA provided health insurance and dental insurance for retirees and spouses. The City will have a third party prepare an updated actuarial study in 2013 of these benefits and their future costs, which currently projects the City's future liability to be approximately \$86 million, based on a 4.5% return and a 30 year period. Should the City experience returns lower than 4.5%, this liability could rise in the future.
- 
- Alameda Point and its final conveyance from the Navy to the City will have a positive impact on future economic development in the City. The timing of the development process, however, cannot be determined at this point.
 - Note 14 to the financial statements discusses the dissolution of the City's former CIC recent changes in California Legislation that could affect the continued existence of redevelopment agencies within the State, including the City's CIC.
 - Note 15 to the financial statements discuss several events that occurred subsequent to the end of Fiscal Year 2011-12 and their financial impact on the City, including the issuance of additional debt for sewer infrastructure, a new operating lease for its golf course, and a settlement agreement in regards to the redevelopment of the former naval station at Alameda Point.

Request for Information

This Comprehensive Annual Financial Report (CAFR) is designed to provide a general overview of the City of Alameda's finances. For the convenience of the public, a copy of this report is posted on the City's website (<http://www.cityofalamedaca.gov/City-Hall/Finance>). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Alameda, Attention: Finance Department, 2263 Santa Clara Avenue, Room 220, Alameda, California 94501.



**City of Alameda, California
Statement of Net Assets
and Statement of Activities**

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term obligations. The Statement of Net Assets summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City. This column is followed by two individual columns, which display each discretely presented component unit.

The City's Governmental Activities include the activities of its General Fund, its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds primarily, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net assets. It presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities, Business-type Activities, or discretely presented component unit columns, as appropriate, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

Both these Statements include the financial activities of the City, the blended component units: Community Improvement Commission of the City of Alameda, the Alameda Public Financing Authority, and the Alameda Reuse and Redevelopment Authority, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the activities of these entities. The balances and the activities of the discretely presented component unit of Alameda Municipal Power is included in these statements as separate columns.



City of Alameda

People and Places in the City





City of Alameda
Statement of Net Assets
June 30, 2012

	Primary Government		Total	Component
	Governmental Activities	Business-Type Activities		Unit Alameda Municipal Power
ASSETS				
Cash and cash equivalents (Note 2)	\$85,173,089	\$15,542,342	\$100,715,431	\$37,066,189
Restricted cash and investments (Note 2)	6,272,405	670,249	6,942,654	4,515,565
Accounts receivable	9,874,028	395,461	10,269,489	5,204,085
Interest receivable	388,234		388,234	20,000
Internal balances (Note 3D)	(3,000,000)	3,000,000		
Due from other governments				
Loans receivable (Note 4)	16,190,637		16,190,637	25,300
Materials, parts and supplies		99,361	99,361	2,478,278
Prepays, deposits, bond discounts and issue costs	16,099	245,530	261,629	393,147
Share of certain NCPA projects and reserve (Note 12)				16,782,759
Capital assets (Note 5):				
Non-depreciable	67,644,298	7,831,346	75,475,644	1,654,935
Depreciable, net of accumulated depreciation	224,128,622	41,997,138	266,125,760	35,561,408
Total Assets	406,687,412	69,781,427	476,468,839	103,701,666
LIABILITIES				
Accounts payable	3,703,835	1,165,743	4,869,578	3,507,705
Accrued payroll	1,889,276	13,865	1,903,141	
Interest payable	318,761	62,585	381,346	790,167
Unearned revenue	1,624,109	49,794	1,673,903	
Refundable deposits	2,456,869	490,949	2,947,818	463,386
Due to other agencies	29,778		29,778	
Claims payable (Note 11B):				
Due within one year	2,542,704		2,542,704	240,000
Due in more than one year	5,940,176		5,940,176	751,684
Compensated absences (Note 1H):				
Due within one year	3,385,425	84,753	3,470,178	707,420
Due in more than one year				4,519
Net pension obligation (Note 9D)	552,000		552,000	
Net OPEB obligation, due in more than one year (Note 10)	16,635,574		16,635,574	
Long-term debt (Note 6):				
Due within one year	1,993,817	802,687	2,796,504	3,239,130
Due in more than one year	40,640,037	4,856,091	45,496,128	28,947,130
Purchased power balancing account (Note 1J)				16,451,898
Total Liabilities	81,712,361	7,526,467	89,238,828	55,103,039
NET ASSETS (Note 8):				
Invested in capital assets, net of related debt	249,436,223	44,169,706	293,605,929	29,166,859
Restricted for:				
Capital projects	20,483,068		20,483,068	
Debt service	1,746,119		1,746,119	
Redevelopment and housing	8,477,896		8,477,896	
Public safety	650,511		650,511	
Planning and building	598,902		598,902	
Recycling	4,943,655		4,943,655	
Culture and recreation	2,538,669		2,538,669	
Maintenance Assessment Districts	4,000,133		4,000,133	
Transportation	10,848,643		10,848,643	
Tidelands properties	2,960,300		2,960,300	
Other special purpose projects	658,127		658,127	
NCPA projects and reserve				4,515,565
Total Restricted Net Assets	57,906,023		57,906,023	4,515,565
Unrestricted	17,632,805	18,085,254	35,718,059	14,916,203
Total Net Assets	\$324,975,051	\$62,254,960	\$387,230,011	\$48,598,627

See accompanying notes to financial statements.



City of Alameda
Statement of Activities
For the year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$15,237,357	\$6,899,450		
Police	25,904,606	1,181,455	\$362,553	\$24,410
Fire	23,970,035	2,156,989	1,231,795	
Public works	13,738,143	6,694,970	2,565,144	5,079,733
Community development	5,718,100	9,261,637	2,281,525	
Community services	8,741,325	2,771,489	881,699	7,430
Housing	14,452,825		2,575,915	
Interest on long-term debt	4,142,152			
Total Governmental Activities	111,904,543	28,965,990	9,898,631	5,111,573
Business-type Activities:				
Golf course	3,814,979	3,958,933	375	
Sewer services	3,864,222	7,447,477		
Total Business-type Activities	7,679,201	11,406,410	375	
Total Primary Government	\$119,583,744	\$40,372,400	\$9,899,006	\$5,111,573
Component Unit:				
Alameda Municipal Power	54,520,590	51,526,195		
Total Component Units	\$54,520,590	\$51,526,195		
General revenues:				
Taxes:				
Property taxes				
Property tax increment				
Urban runoff special assessments				
Sales taxes				
Utility users tax				
Transfer tax				
Franchise tax				
Transient occupancy tax				
Property tax in-lieu				
Other taxes				
Motor vehicle in-lieu, unrestricted				
Use of money and properties				
Miscellaneous				
Extraordinary item (Note 14B):				
Assets transferred to/liabilities assumed by Successor Agency				
Transfers (Note 3C)				
Total general revenues, transfers and extraordinary items				
Change in Net Assets				
Beginning Net Assets				
Ending Net Assets				

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Alameda Municipal Power
(\$8,337,907)		(\$8,337,907)	
(24,336,188)		(24,336,188)	
(20,581,251)		(20,581,251)	
601,704		601,704	
5,825,062		5,825,062	
(5,080,707)		(5,080,707)	
(11,876,910)		(11,876,910)	
(4,142,152)		(4,142,152)	
<u>(67,928,349)</u>		<u>(67,928,349)</u>	
	144,329	144,329	
	<u>3,583,255</u>	<u>3,583,255</u>	
	3,727,584	3,727,584	
<u>(67,928,349)</u>	<u>3,727,584</u>	<u>(64,200,765)</u>	
			<u>(\$2,994,395)</u>
			<u>(2,994,395)</u>
27,965,276		27,965,276	
5,748,695		5,748,695	
1,844,180		1,844,180	
6,035,950		6,035,950	
8,787,016		8,787,016	
4,921,032		4,921,032	
4,477,426		4,477,426	
1,294,691		1,294,691	
1,271,253		1,271,253	
1,489,036		1,489,036	
5,874,386		5,874,386	
617,852	192,687	810,539	119,699
5,803,134	58,146	5,861,280	54,142
40,764,726		40,764,726	
207,258	(207,258)		
<u>117,101,911</u>	<u>43,575</u>	<u>117,145,486</u>	<u>173,841</u>
49,173,562	3,771,159	52,944,721	(2,820,554)
275,801,489	58,483,801	334,285,290	51,419,181
<u>\$324,975,051</u>	<u>\$62,254,960</u>	<u>\$387,230,011</u>	<u>\$48,598,627</u>



City of Alameda

People and Places in the City





**City of Alameda, California
Fund Financial Statements
Major Governmental Funds**

The funds described below were determined to be Major Funds of the City of Alameda in FY11-12. Individual non-major funds may be found in the Supplemental Information section.

General Fund

The General Fund accounts for all general revenues of the City not specifically levied or collected by other City funds, and related expenditures. The General Fund also accounts for all financial resources of the City which are not accounted for in another fund.

Community Improvement Commission Project Area Special Revenue Fund

This fund accounted for the general activities of the Commission (i.e. Redevelopment Agency) of the City of Alameda not accounted for in other funds through January 31, 2012.

FISC Lease Revenue Special Revenue Fund

This fund accounts for revenue from the Fleet Industrial Supply Center (FISC) lease and related capital improvement expenditures.

Base Reuse Special Revenue Fund

This fund accounts for the revenues from leasing activities revenues and grants. Expenditures are made for base reuse activities.

Housing Special Revenue Fund

This fund accounts for funds to be used for affordable housing programs in the City.

Capital Improvement Projects Fund

This fund accounts for monies for major capital improvement projects not provided for in a separate and specific capital project fund.



**City of Alameda
Governmental Funds
Balance Sheet
June 30, 2012**

	General	Community Improvement Commission Special Revenue	FISC Lease Revenue Special Revenue	Base Reuse Special Revenue
ASSETS				
Cash and cash equivalents (Note 2)	\$17,873,686		\$2,028,847	\$8,173,364
Restricted cash and investments (Note 2)	6,000			
Accounts receivable	6,112,908			85,515
Interest receivable	388,234			
Due from other funds (Note 3A)	196,795			
Advances to other funds (Note 3B)	480,000			
Loans receivable (Note 4)	2,200,000			
Prepays and deposits	5,205		2,000	
Total Assets	\$27,262,828		\$2,030,847	\$8,258,879
LIABILITIES				
Accounts payable	\$1,240,734		\$54,241	\$310,170
Accrued payroll	1,828,165		477	6,175
Due to other funds (Note 3A)				
Due to other agencies	11,630			
Advances from other funds (Note 3B)			3,480,000	
Deferred revenue	800,214			
Pass-through obligations				
Refundable deposits	363,317		96,905	1,605,612
Total Liabilities	4,244,060		3,631,623	1,921,957
FUND BALANCES (Note 8):				
Nonspendable	2,685,205			
Restricted				6,336,922
Committed	400,000			
Assigned	315,045			
Unassigned	19,618,518		(1,600,776)	
Total Fund Balances	23,018,768		(1,600,776)	6,336,922
Total Liabilities and Fund Balances	\$27,262,828		\$2,030,847	\$8,258,879

See accompanying notes to financial statements.

Housing Special Revenue	Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
\$1,277,478	\$3,778,034	\$41,214,240	\$74,345,649
	580,073	5,203,345	5,789,418
13,148	1,412,635	2,162,941	9,787,147
			388,234
			196,795
			480,000
10,921,730		3,068,907	16,190,637
		8,894	16,099
<u>\$12,212,356</u>	<u>\$5,770,742</u>	<u>\$51,658,327</u>	<u>\$107,193,979</u>
\$12,248	\$600,359	\$954,567	\$3,172,319
	14,458	39,406	1,888,681
		196,795	196,795
	2,855	15,293	29,778
			3,480,000
10,921,730		3,322,802	15,044,746
	38,246	352,789	2,456,869
<u>10,933,978</u>	<u>655,918</u>	<u>4,881,652</u>	<u>26,269,188</u>
		8,894	2,694,099
		18,105,740	24,442,662
1,278,378	5,114,824	28,662,041	35,455,243
			315,045
			18,017,742
<u>1,278,378</u>	<u>5,114,824</u>	<u>46,776,675</u>	<u>80,924,791</u>
<u>\$12,212,356</u>	<u>\$5,770,742</u>	<u>\$51,658,327</u>	<u>\$107,193,979</u>



City of Alameda

People and Places in the City





**City of Alameda
Reconciliation of
Governmental Funds -- Fund Balances
with Governmental Net Assets
June 30, 2012**

Total fund balances reported on the governmental funds balance sheet \$80,924,791

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

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 287,850,998

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

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

Cash and cash equivalents	10,827,440
Restricted cash and investments	482,987
Accounts receivable	86,881
Capital assets	3,921,922
Accounts payable	(531,516)
Accrued payroll	(595)
Claims payable	(8,482,880)
Compensated absences	(136,561)
Long-term debt	(3,257,194)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 13,420,637

LONG-TERM ASSETS AND LIABILITIES

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

Interest payable	(318,761)
Net pension obligation	(552,000)
Long-term debt	(39,376,660)
Compensated absences	(3,248,864)
Net OPEB obligation	(16,635,574)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$324,975,051

See accompanying notes to financial statements.



**City of Alameda
Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balance
For the year ended June 30, 2012**

	General	Community Improvement Commission Special Revenue
REVENUES		
Property taxes	\$22,361,895	\$7,094,427
Other local taxes	28,418,847	
Licenses and permits	1,620,247	
Revenues from other agencies	6,138,529	
Charges for current services	6,724,294	
Fines and forfeitures	715,321	
Use of money and property	1,749,239	89,164
Other	5,325	972,090
Total Revenues	67,733,697	8,155,681
EXPENDITURES		
Current:		
General government	4,613,645	
Police	26,671,501	
Fire	23,735,534	
Public works	1,129,448	
Community development		1,124,457
Pass-through obligations/ERAF		480,000
Community Services	4,313,913	
Housing		963,031
Capital outlay	21,741	
Debt service:		
Principal	67,360	35,000
Interest	19,029	138,732
Total Expenditures	60,572,171	2,741,220
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,161,526	5,414,461
OTHER FINANCING SOURCES (USES)		
Sale of capital assets		
Transfers in (Note 3C)	2,927,139	4,258,995
Transfers (out) (Note 3C)	(9,766,891)	(3,448,451)
Total Other Financing Sources (Uses)	(6,839,752)	810,544
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	321,774	6,225,005
EXTRAORDINARY ITEMS (Note 14)		
Assets transferred to/liabilities assumed by Successor Agency		(11,627,578)
NET CHANGE IN FUND BALANCE	321,774	(5,402,573)
BEGINNING FUND BALANCES	22,696,994	5,402,573
ENDING FUND BALANCES (DEFICITS)	\$23,018,768	

See accompanying notes to financial statements.

<u>FISC Lease Revenue Special Revenue</u>	<u>Base Reuse Special Revenue</u>	<u>Housing Special Revenue</u>	<u>Capital Improvement Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
				\$6,758,867	\$36,215,189
				312,928	28,731,775
			\$25,155	1,316,792	2,962,194
	\$132,350		3,043,730	10,536,732	19,851,341
	25,889		2,424,206	4,351,904	13,526,293
				715,628	1,430,949
\$1,024,176	13,057,452	\$257,656	49,405	1,685,793	17,912,885
	162,149	300,000	784,604	1,559,862	3,784,030
<u>1,024,176</u>	<u>13,377,840</u>	<u>557,656</u>	<u>6,327,100</u>	<u>27,238,506</u>	<u>124,414,656</u>
				3,891,362	8,505,007
				1,026,438	27,697,939
					23,735,534
				3,916,146	5,045,594
489,420	13,062,247			3,283,765	17,959,889
					480,000
				3,564,900	7,878,813
		485,383		13,064,597	14,513,011
			10,646,118	2,301,691	12,969,550
				2,742,000	2,844,360
57,638				3,485,453	3,700,852
<u>547,058</u>	<u>13,062,247</u>	<u>485,383</u>	<u>10,646,118</u>	<u>37,276,352</u>	<u>125,330,549</u>
<u>477,118</u>	<u>315,593</u>	<u>72,273</u>	<u>(4,319,018)</u>	<u>(10,037,846)</u>	<u>(915,893)</u>
				8,213	8,213
	23,025		5,226,545	10,162,622	22,598,326
(3,031,982)	(1,190,005)	(834,282)	(2,848,357)	(4,491,588)	(25,611,556)
<u>(3,031,982)</u>	<u>(1,166,980)</u>	<u>(834,282)</u>	<u>2,378,188</u>	<u>5,679,247</u>	<u>(3,005,017)</u>
(2,554,864)	(851,387)	(762,009)	(1,940,830)	(4,358,599)	(3,920,910)
				(8,826,918)	(20,454,496)
(2,554,864)	(851,387)	(762,009)	(1,940,830)	(13,185,517)	(24,375,406)
954,088	7,188,309	2,040,387	7,055,654	59,962,192	105,300,197
<u>(\$1,600,776)</u>	<u>\$6,336,922</u>	<u>\$1,278,378</u>	<u>\$5,114,824</u>	<u>\$46,776,675</u>	<u>\$80,924,791</u>



City of Alameda
Reconciliation of the
Net Change in Fund Balance - Governmental Funds
with the Change in Governmental Net Assets
For the year ended June 30, 2012

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$24,375,406)

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

CAPITAL ASSETS TRANSACTIONS

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

Capital outlay therefore added back to fund balance	12,969,550
Non-capitalized capital outlay expenditures were re-classified to various governmental activities	(6,015,702)
Loss on retirement of capital assets is deducted from fund balance	(187,638)
Depreciation expense is deducted from fund balance (Depreciation expense is net of internal service fund depreciation of 580,489 which has already been allocated to service funds)	(7,907,995)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment of debt principal is added back to fund balance	2,840,317
Long-term debt assumed by Successor Agency	73,473,717

ACCRUAL OF NON-CURRENT ITEMS

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

Deferred revenue	(2,261,907)
Interest payable	785,425
Net pension obligation	(4,000)
Net OPEB obligation	(4,915,041)
Compensated absences	850,310

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

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

Change in Net Assets - All Internal Service Funds	<u>3,921,932</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$49,173,562</u></u>
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See accompanying notes to financial statements.



City of Alameda
General Fund
Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$22,401,035	\$22,401,035	\$22,361,895	(\$39,140)
Other local taxes	26,358,245	26,358,245	28,418,847	2,060,602
Licenses and permits	1,763,000	1,763,000	1,620,247	(142,753)
Revenues from other agencies	6,128,700	6,172,900	6,138,529	(34,371)
Charges for current services	6,663,785	6,663,785	6,724,294	60,509
Fines and forfeitures	525,110	525,110	715,321	190,211
Use of money and property	1,926,540	1,926,540	1,749,239	(177,301)
Other revenue			5,325	5,325
Total Revenues	65,766,415	65,810,615	67,733,697	1,923,082
EXPENDITURES:				
Current:				
General government	7,598,140	6,990,140	4,613,645	2,376,495
Police	25,153,527	26,716,527	26,671,501	45,026
Fire	23,076,155	24,101,095	23,735,534	365,561
Public works	1,185,057	1,192,017	1,129,448	62,569
Community Services	4,227,895	4,354,575	4,313,913	40,662
Capital outlay	20,000	20,000	21,741	(1,741)
Debt service:				
Principal	67,360	67,360	67,360	
Interest	19,029	19,029	19,029	
Total Expenditures	61,347,163	63,460,743	60,572,171	2,888,572
NET CHANGE IF FUND REVENUES	4,419,252	2,349,872	7,161,526	4,811,654
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 3C)	4,360,735	4,375,415	2,927,139	(1,448,276)
Transfers (out) (Note 3C)	(10,554,475)	(9,855,475)	(9,766,891)	88,584
Total other financing sources (uses)	(6,193,740)	(5,480,060)	(6,839,752)	(1,359,692)
NET CHANGE IN FUND BALANCE	(\$1,774,488)	(\$3,130,188)	321,774	\$3,451,962
Beginning fund balance			22,696,994	
Ending fund balance			\$23,018,768	

See accompanying notes to financial statements.



**City of Alameda
Community Improvement Commission
Special Revenue Fund
Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$12,854,445	\$12,854,445	\$7,094,427	(\$5,760,018)
Use of money and property	181,540	181,540	89,164	(92,376)
Other			972,090	972,090
Total Revenues	<u>13,035,985</u>	<u>13,035,985</u>	<u>8,155,681</u>	<u>(4,880,304)</u>
EXPENDITURES:				
Current:				
Community Development	1,775,526	1,190,526	1,124,457	66,069
Pass-through obligations/ERAF	2,634,550	2,209,550	480,000	1,729,550
Housing	3,081,325	2,955,325	963,031	1,992,294
Debt service:				
Principal	2,158,970	2,158,970	35,000	2,123,970
Interest	237,955	237,955	138,732	99,223
Total Expenditures	<u>9,888,326</u>	<u>8,752,326</u>	<u>2,741,220</u>	<u>6,011,106</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>3,147,659</u>	<u>4,283,659</u>	<u>5,414,461</u>	<u>1,130,802</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 3C)	5,115,890	3,000,000	4,258,995	1,258,995
Transfers (out) (Note 3C)		(3,672,074)	(3,448,451)	223,623
Total other financing sources (uses)	<u>5,115,890</u>	<u>(672,074)</u>	<u>810,544</u>	<u>1,482,618</u>
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEMS	<u>\$8,263,549</u>	<u>\$3,611,585</u>	<u>6,225,005</u>	<u>\$2,613,420</u>
EXTRAORDINARY ITEM (Note 14)			<u>(11,627,578)</u>	
NET CHANGE IN FUND BALANCE			<u>(5,402,573)</u>	
Beginning fund balance			<u>5,402,573</u>	
Ending fund balance			<u><u>0</u></u>	

See accompanying notes to financial statements.



City of Alameda
FISC Lease Revenue
Special Revenue Fund
Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenues from other agencies	\$70,200	\$70,200		(\$70,200)
Use of money and property	1,116,400	1,116,400	\$1,024,176	(92,224)
Total Revenues	1,186,600	1,186,600	1,024,176	(162,424)
EXPENDITURES:				
Current:				
Community development	974,011	974,011	489,420	484,591
Debt service:				
Interest		57,600	57,638	(38)
Total Expenditures	974,011	1,031,611	547,058	484,553
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	212,589	154,989	477,118	322,129
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 3C)	(150,000)	(3,150,000)	(3,031,982)	118,018
Total other financing sources (uses)	(150,000)	(3,150,000)	(3,031,982)	118,018
NET CHANGE IN FUND BALANCE	\$62,589	(\$2,995,011)	(2,554,864)	\$440,147
Beginning fund balance			954,088	
Ending fund balance (deficit)			(\$1,600,776)	

See accompanying notes to financial statements.



City of Alameda
Base Reuse
Special Revenue Fund
Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies			\$132,350	\$132,350
Charges for current services	\$24,000	\$24,000	25,889	1,889
Use of money and property	11,803,140	13,742,280	13,057,452	(684,828)
Other	391,140	165,000	162,149	(2,851)
Total Revenues	12,218,280	13,931,280	13,377,840	(553,440)
EXPENDITURES:				
Current:				
Community development	12,949,410	14,662,410	13,062,247	1,600,163
Total Expenditures	12,949,410	14,662,410	13,062,247	1,600,163
EXCESS OF REVENUES OVER EXPENDITURES	(731,130)	(731,130)	315,593	1,046,723
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 3C)	222,635	222,635	23,025	(199,610)
Transfers (out) (Note 3C)	(1,417,735)		(1,190,005)	(1,190,005)
Total other financing sources (uses)	(1,417,735)	222,635	(1,166,980)	(1,389,615)
NET CHANGE IN FUND BALANCE	(\$2,148,865)	(\$508,495)	(851,387)	(\$342,892)
Beginning fund balance			7,188,309	
Ending fund balance			\$6,336,922	

See accompanying notes to financial statements.



**City of Alameda
Housing
Special Revenue Fund
Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
for the year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$250,000	\$250,955	\$257,656	\$6,701
Other	30,000	3,000	300,000	297,000
Total Revenues	280,000	253,955	557,656	303,701
EXPENDITURES:				
Current:				
Housing	667,020	667,020	485,383	181,637
Total Expenditures	667,020	667,020	485,383	181,637
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(387,020)	(413,065)	72,273	485,338
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 3C)				
Transfers (out) (Note 3C)	(350,000)	(483,416)	(834,282)	(350,866)
Total other financing sources (uses)	(350,000)	(483,416)	(834,282)	(350,866)
NET CHANGE IN FUND BALANCE	(\$737,020)	(\$896,481)	(762,009)	\$134,472
Beginning fund balance			2,040,387	
Ending fund balance			<u>\$1,278,378</u>	

See accompanying notes to financial statements.



City of Alameda

People and Places in the City





City of Alameda, California

Major Proprietary Funds

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The City's intent is that the cost of providing goods and services within these funds be financed primarily through user charges.

Golf Course Fund

The City operates two 18-hole and one 9-hole municipal golf courses. This fund accounts for all financial transactions relating to these golf facilities including, but not limited to operations and maintenance.

Sewer Services Fund

The City operates its own wastewater system. This fund accounts for all financial transactions relating to this municipal activity including, but not limited to, operations, maintenance, capital financing and related debt services, billing and collection.



**City of Alameda
Proprietary Funds
Statement of Net Assets
June 30, 2012**

	Business-type Activities Enterprise Funds		Totals	Governmental Activities- Internal Service Funds
	Golf Course	Sewer Services		
ASSETS				
Current Assets				
Cash and cash equivalents (Note 2)	\$1,238,540	\$14,303,802	\$15,542,342	\$10,827,440
Accounts receivable	17,706	377,755	395,461	86,881
Materials, parts and supplies	99,361		99,361	
Prepays, deposits and bond discounts	10,927	234,603	245,530	
Total Current Assets	1,366,534	14,916,160	16,282,694	10,914,321
Noncurrent Assets				
Restricted cash and investments (Note 2)		670,249	670,249	482,987
Advances to other funds (Note 3B)		3,000,000	3,000,000	
Capital assets (Note 5):				
Non-depreciable	176,899	7,654,447	7,831,346	
Depreciable, net	3,198,792	38,798,346	41,997,138	3,921,922
Total Non-current assets	3,375,691	50,123,042	53,498,733	4,404,909
Total Assets	4,742,225	65,039,202	69,781,427	15,319,230
LIABILITIES				
Current Liabilities:				
Accounts payable	22,696	1,143,047	1,165,743	531,516
Claims payable (Note 11)				2,542,704
Accrued payroll	53	13,812	13,865	595
Interest payable		62,585	62,585	
Due to other funds (Note 3A)				
Unearned revenue	49,794		49,794	
Refundable deposits	250,000	240,949	490,949	
Compensated absences (Note 1H)		84,753	84,753	136,561
Long-term debt - current (Note 6)	73,810	728,877	802,687	297,157
Total Current Liabilities	396,353	2,274,023	2,670,376	3,508,533
Claims payable - noncurrent (Note 11)				5,940,176
Long-term debt - noncurrent (Note 6)	165,187	4,690,904	4,856,091	2,960,037
Total Liabilities	561,540	6,964,927	7,526,467	12,408,746
NET ASSETS (Note 8):				
Invested in capital assets, net of related debt	3,136,694	41,033,012	44,169,706	961,885
Unrestricted	1,043,991	17,041,263	18,085,254	1,948,599
Total Net Assets	\$4,180,685	\$58,074,275	\$62,254,960	\$2,910,484

See accompanying notes to financial statements.



City of Alameda
Proprietary Funds
Statement of Revenues, Expenses
and Changes in Fund Net Assets
For the Year Ended June 30, 2012

	Business-type Activities Enterprise Funds		Totals	Governmental Activities- Internal Service Funds
	Golf Course	Sewer Services		
OPERATING REVENUES				
Charges for services	\$3,958,933	\$7,447,477	\$11,406,410	\$10,559,372
Miscellaneous	6,157		6,157	2,010,513
Total Operating Revenues	3,965,090	7,447,477	11,412,567	12,569,885
OPERATING EXPENSES				
General administrative	586,353	1,074,214	1,660,567	268,358
Wages and benefits	38,945	1,094,472	1,133,417	2,167,579
Insurance				5,926,508
Contractual services	2,804,153	218,262	3,022,415	1,658,556
Depreciation	366,512	1,035,218	1,401,730	580,489
Utilities		69,407	69,407	260,923
Supplies and maintenance	22	153,375	153,397	1,119,001
Total Operating Expenses	3,795,985	3,644,948	7,440,933	11,981,414
Operating Income (Loss)	169,105	3,802,529	3,971,634	588,471
NONOPERATING REVENUES (EXPENSES)				
Operating grants and contributions	375		375	43,510
Interest income	1,634	191,053	192,687	69,463
Rent and other	51,989		51,989	
Interest (expense)	(18,994)	(219,274)	(238,268)	
Total Nonoperating Revenues (Expenses)	35,004	(28,221)	6,783	112,973
Income (Loss) Before Transfers	204,109	3,774,308	3,978,417	701,444
Transfers in (Note 3C)		3,201,725	3,201,725	3,433,488
Transfers (out) (Note 3C)	(157,824)	(3,251,159)	(3,408,983)	(213,000)
Change in net assets	46,285	3,724,874	3,771,159	3,921,932
BEGINNING NET ASSETS (DEFICITS)	4,134,400	54,349,401	58,483,801	(1,011,448)
ENDING NET ASSETS	\$4,180,685	\$58,074,275	\$62,254,960	\$2,910,484

See accompanying notes to financial statements.



City of Alameda
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2011

	Business-type Activities Enterprise Funds		Totals	Governmental Activities- Internal Service Funds
	Golf Course	Sewer Services		
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$4,202,253	\$7,656,324	\$11,858,577	\$12,649,515
Payments to suppliers	(2,797,913)	(398,386)	(3,196,299)	(5,497,232)
Payments to employees	(639,251)	(1,483,795)	(2,123,046)	(2,510,231)
Claims paid				(2,449,804)
Cash Flows from Operating Activities	765,089	5,774,143	6,539,232	2,192,248
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Operating grants and contributions	375		375	
Interfund payments				(716)
Transfers in		3,201,725	3,201,725	3,220,488
Transfers (out)	(157,824)	(3,251,159)	(3,408,983)	
Cash Flows from Noncapital Financing Activities	(157,449)	(49,434)	(206,883)	3,219,772
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets, net	(303,722)	(5,226,638)	(5,530,360)	(3,847,981)
Equipment purchase agreement proceeds	303,722		303,722	3,257,194
Principal payments on capital debt	(183,575)	(703,047)	(886,622)	
Interest paid	(18,994)	(233,751)	(252,745)	
Cash Flows from Capital and Related Financing Activities	(202,569)	(6,163,436)	(6,366,005)	(590,787)
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in restricted investments		(240,949)	(240,949)	(482,987)
Operating grants and contributions				43,510
Interest income	1,634	191,053	192,687	69,463
Rent and other revenue received	51,989		51,989	
Cash Flows from Investing Activities	53,623	(49,896)	3,727	(370,014)
Net Cash Flows	458,694	(488,623)	(29,929)	4,451,219
Cash and investments at beginning of period	779,846	14,792,425	15,572,271	6,376,221
Cash and investments at end of period	<u>\$1,238,540</u>	<u>\$14,303,802</u>	<u>\$15,542,342</u>	<u>\$10,827,440</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:				
Operating income	\$169,105	\$3,802,529	\$3,971,634	\$588,471
Adjustments to reconcile operating income to cash flows from operating activities:				
Depreciation	366,512	1,035,218	1,401,730	580,489
Change in assets and liabilities:				
Accounts receivable and refundable deposits	248,090	208,847	456,937	79,630
Materials, parts and supplies	(32,062)		(32,062)	
Prepays and deposits	(10,927)	42,658	31,731	135,000
Accounts payable	14,923	702,206	717,129	(168,793)
Claims payable				1,051,745
Accrued payroll	(1,365)	(26,859)	(28,224)	(74,258)
Deferred revenue	23,401		23,401	
Compensated absences	(12,588)	9,544	(3,044)	(36)
Cash Flows from Operating Activities	\$765,089	\$5,774,143	\$6,539,232	\$2,192,248

See accompanying notes to financial statements.



City Of Alameda, California

Fiduciary Funds

Trust funds are used to account for assets held by the City as a trustee agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide Financial Statements, but are presented in separate Fiduciary Fund Financial Statements.

Pension Trust Funds are used to account for the resources accumulated by the City for the payment of pension benefits on behalf of retirees in the City's two closed pension plans, 1079 and 1082.

Successor Agency Private Purpose Trust Fund is used to account for the activities of the Successor Agency to the former Community Improvement Commission of the City of Alameda.

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



**City of Alameda
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2012**

	Pension Trust Funds	Successor Agency Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents (Note 2)		\$17,065,627	
Restricted cash and investments (Note 2)	\$917	9,116,975	\$9,053,218
Accounts receivable		646,776	1,214
Deferred loans (Note 14B)		13,477,177	
	<u>917</u>	<u>40,306,555</u>	<u>9,054,432</u>
LIABILITIES			
Accounts payable		67,150	
Accrued payroll		481	
Interest payable		1,222,682	
Pass-through obligations		946,157	
Payable to the Housing Authority		19,902,771	
Due to members			367,736
Due to bondholders			8,686,696
Long term debt (Note 14C):			
Due within one year		1,665,000	
Due in more than one year		71,163,717	
		<u>94,967,958</u>	<u>9,054,432</u>
NET ASSETS			
Restricted for:			
Held in Trust for private purpose		(54,661,403)	
Employees' pension benefits	917		
	<u>\$917</u>	<u>(\$54,661,403)</u>	

See accompanying notes to financial statements.



**City of Alameda
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
for the year ended June 30, 2012**

	Pension Trust Funds	Successor Agency Private Purpose Trust Funds
ADDITIONS		
Employer contributions	\$1,958,576	
Property taxes		\$5,214,801
Use of money and property		150,567
Other		2,352,919
Total Additions	<u>1,958,576</u>	<u>7,718,287</u>
DEDUCTIONS		
Administration		184,361
Retirements and other benefits	1,942,139	
Contractual services	15,997	909,027
Transfer to Successor Agency Debt Service Fund		1,866,169
Community development expense		1,425,985
Debt service:		
Interest and fiscal charges		2,192,660
Total Deductions	<u>1,958,136</u>	<u>6,578,202</u>
EXTRAORDINARY ITEM		
Assets transferred to/liabilities assumed by Successor Agency		<u>(55,801,488)</u>
CHANGE IN NET ASSETS	440	(54,661,403)
NET ASSETS, BEGINNING OF YEAR	<u>477</u>	
NET ASSETS, END OF YEAR	<u>\$917</u>	<u>(\$54,661,403)</u>

See accompanying notes to financial statements.



City of Alameda

People and Places in the City





City of Alameda
Notes to Basic Financial Statements
For the year ended June 30, 2012

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City of Alameda

People and Places in the City





City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies

The City of Alameda, California, occupies the island of Alameda situated in the San Francisco Bay. The City operates under the Council-Manager form of government and provides the following services: public safety (police and fire); streets and related improvements; sanitation; development services; public improvements; planning and zoning and general administration services.

A. Reporting Entity

The City of Alameda is a charter city and is governed by a five-member City Council elected by City residents. The City is legally separate and fiscally independent, which means it can issue debt, adopt and modify budgets and fees, and sue or be sued. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations, thus data from these units are combined with that of the primary government. Each discretely presented component unit is reported in a separate column in the basic financial statements to emphasize that it is legally separate from the primary governmental unit.

Primary Government

The financial statements of the primary government of the City of Alameda include the activities of the City as well as the Community Improvement Commission of the City of Alameda, Alameda Public Financing Authority, and the Alameda Reuse and Redevelopment Authority, each of which is controlled by and dependent upon the City. While these are separate legal entities, their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blending") with those of the primary government of the City in the accompanying financial statements.

Blended Component Units

The Community Improvement Commission of the City of Alameda (CIC) was established to assist in the clearance and rehabilitation of City areas determined to be in a declining condition. The Commission has the same governing board as the City, all accounting and administrative functions are performed by City staff, and the Commission receives advances from the City to finance operations. The financial activities of the Commission have been included in the Community Improvement Commission Special Revenue Fund, Community Improvement Commission Debt Service Fund, and Community Improvement Commission Capital Projects Fund. As discussed in Note 14, the CIC was dissolved effective January 31, 2012.

The Alameda Public Financing Authority (APFA) is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Community Improvement Commission Debt Service Fund.

The Alameda Reuse and Redevelopment Authority (ARRA) was a separate government entity whose purpose was to ensure the effective transition of the Alameda Naval Air Station from federal ownership to local ownership. The ARRA is responsible for the development of an Interim Reuse Strategy, taking title to base lands, and implementation of the Community Reuse Plan. The ARRA was recognized by the Department of Defense as the responsible entity for submitting and completing the Community Reuse Plan for the 1997 decommissioning of the Naval Air Station. On February 7, 2012, ARRA was dissolved and became a department of the City.



**City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units

The two component units below are legally separate from the City. However, City Council appoints the members of their governing boards, approves their budgets and, in the case of the Housing Authority of the City of Alameda, provides financial assistance.

The Housing Authority of the City of Alameda, California was established to provide housing for the City's low-and-moderate income residents. As of April 20, 2012 the Authority was no longer considered a component unit of the City due to the fact that they are no longer substantially integrated with the City.

Alameda Municipal Power was established to provide electricity to the City of Alameda. The Charter was amended in 1998 to allow provision of telecommunications services as well. The telecommunications services were sold off during FY09-10. The financial activities of the Alameda Municipal Power are discretely included in the Alameda Municipal Power Component Unit columns of the Statement of Net Assets and Statement of Activities.

Financial statements for the Housing Authority may be obtained from the Housing Authority of Alameda, 701 Atlantic Avenue, Alameda, CA 94501. Component unit financial statements for the Alameda Municipal Power may be obtained from the City of Alameda Municipal Power, 2000 Grand Street, Alameda, CA 94501.

B. *Basis of Presentation*

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

These Standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government, the City and its blended component units. These statements include the financial activities of the overall City government, except for fiduciary activities.

Eliminations have been made to minimize the double counting of internal activities. However, the interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. *Operating* revenues, such as charges for services, and expenses, such as contractual services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as investment earnings, and expenses, such as interest expenses, result from nonexchange transactions or ancillary activities.

C. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total and five percent of the grand total. Major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, entitled non-major funds, are combined and reported in a single column, regardless of their fund-type. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

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

General Fund - The General Fund accounts for all general revenues of the City not specifically levied or collected by other City funds and their related expenditures. The General Fund also accounts for all financial resources of a governmental unit which are not accounted for in another fund.

Community Improvement Commission Special Revenue Fund - This fund accounted for the general activities of the Commission of the City not accounted for in other funds through January 31, 2012.

FISC Lease Special Revenue Fund - This fund accounts for revenue from the Fleet Industrial Supply Center (FISC) lease and related capital improvement expenditures.

Base Reuse Special Revenue Fund - This fund accounts for the revenues from leasing activities revenues and grants. Expenditures are made for base reuse activities.

Housing Special Revenue Fund - This fund accounts for funds to be used for affordable housing programs in the City.

Capital Improvement Projects Fund - This fund accounts for monies for major capital improvement projects not provided for in a separate and specific capital project fund.

The City reported all enterprise funds as major funds in the accompanying financial statements:

Golf Course Fund - The City operates two 18-hole and one 9-hole municipal golf courses. This fund accounts for all financial transactions relating to these golf facilities, including but not limited to operations and maintenance.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

Sewer Services Fund - The City operates its own wastewater system. This fund accounts for all financial transactions relating to this municipal activity including, but not limited to, operations, maintenance, capital financing and related debt service, billing and collection.

The City also reports the following fund types:

Internal Service Funds - The funds account for central stores, central garage, information technology services, workers' compensation insurance and claims, risk management insurance and claims, unemployment insurance and post-employment benefits, all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds - Pension Trust Funds and Agency Funds are used to account for assets held by the City as an agent.

Trust Funds. These funds account for assets held by the City as an agent for various functions. The Pension Trust Funds account for the resources accumulated by the City for the payment of pension benefits on behalf of retirees in the City's two closed pension plans 1079 and 1082. The Successor Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments due for the City's former Community Improvement Commission at appropriate amounts and times in the future. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

Agency Funds - These funds account for assets held by the City as an agent for certain assessment districts in the City, the Waste Management Joint Refuse Rate Review Committee, and the Mastick Senior Center, which provides services and facilities to enhance the quality of lives for senior citizens. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

D. Basis of Accounting

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

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



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

Those revenues susceptible to accrual are taxes, special assessments, intergovernmental revenues, use of money and property revenue, charges for services, fines and penalties, and license and permit revenues. Sales taxes collected and held by the State at year-end on behalf of the City are also recognized as revenue.

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

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary. Certain indirect costs are included in program expenses reported for individual functions and activities.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned, and their expenses are recognized when incurred, except for revenues from electricity and sewer customers, which are recognized based on cycle billings. Revenues for services provided, but not billed at the end of a fiscal period, are not material and thus not accrued.

E. *Budgets and Budgetary Accounting*

The City adopts a budget annually for all funds except for the Vehicle Registration Fee Special Revenue Fund. This budget is effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted by the City Council, and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget during the fiscal year. The City Manager or his designee is authorized to transfer budgeted amounts between departments and between line items within any fund. However, any revisions which alter the total expenditures of any fund must be approved by the City Council. Transfers between funds must be approved by the City Council. All appropriations lapse at year end. Supplemental changes in appropriations that have been adopted by the City Council have been included in the budget versus actual statements.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except for the major Capital Improvements Projects Fund, which is budgeted at total cost in the budget year it is approved. Unexpended balances of this fund are reappropriated in the subsequent year as necessary to complete the projects.

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end lapse and must be reappropriated as part of the following year budget.

F. *Materials, Parts and Supplies*

Materials, parts and supplies are held for consumption and are valued at average cost. Enterprise fund supplies consist of materials and supplies for the golf shop, which are held for resale to the public. General fund supplies are recorded as expenditures at the time individual supply items are purchased.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Deferred Compensation Plans

City employees may defer a portion of their compensation under four separate, optional City sponsored deferred compensation plans created in accordance with Internal Revenue Code Section 457. Under these Plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plans.

The City has Deferred Compensation Plan administration agreements with ICMA, California Public Employees Retirement System, Nationwide Retirement Solutions, Inc., and ITT Hartford Life Insurance Companies to provide for the administration and management of employees' deferred compensation plan assets. These agreements incorporate changes in the laws and IRS regulations governing deferred compensation plan assets, which require plan assets to be held for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

H. Compensated Absences

The liability for compensated absences includes the vested portions of vacation, sick leave and compensated time off. For all governmental funds, a liability of these amounts is reported only if they have matured, for example, as a result of employee resignations and retirements. The remaining portion is recorded as a liability in the Statement of Net Assets. Proprietary funds' liability for compensated absences is recorded in each proprietary fund. The liability for compensated absences is determined annually.

Compensated absences activity for the year ended June 30, 2012, is as follows:

	Primary Government			Component Unit	
	Governmental Activities	Business-Type Activities	Subtotal	Alameda Municipal Power	Total
Beginning Balance	\$4,235,771	\$87,797	\$4,323,568	\$643,533	\$4,967,101
Additions	2,781,575	67,812	2,849,387	616,833	3,466,220
Payments	(3,631,921)	(70,856)	(3,702,777)	(548,427)	(4,251,204)
Ending Balance	<u>\$3,385,425</u>	<u>\$84,753</u>	<u>\$3,470,178</u>	<u>\$711,939</u>	<u>\$4,182,117</u>
Current Portion	<u>\$3,385,425</u>	<u>\$84,753</u>	<u>\$3,470,178</u>	<u>\$707,420</u>	<u>\$4,177,598</u>

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

I. Property Tax

Alameda County assesses properties and bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue and receivables in the fiscal year of levy or assessment.

J. *Purchased Power Balancing Account*

The Purchased Power Balancing Account is used by Alameda Municipal Power to stabilize rates in the short term. Specifically, the balancing account accumulates differences between the actual cost of purchased power and the revenues designated for recovery of such costs. Deferred amounts are refunded to or recovered from customers through authorized rate adjustments. The effect of using the balancing account is that unanticipated changes in sales levels and purchased power costs do not immediately affect Alameda Municipal Power’s rate payers, because they are included in operating expenses when matched by revenues.

K. *Transfer from Alameda Municipal Power*

The City Charter provides that Alameda Municipal Power transfer to the City’s General Fund certain excess earnings as defined in the Charter. During fiscal year 2010-11, there were no excess earnings to be transferred. However, the Public Utilities Board by resolution has directed that \$2,800,000 be contributed to the City’s General Fund, in accordance with these provisions, during the fiscal year ended June 30, 2012.

L. *Use of Estimates*

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

M. *New and Closed Funds*

Vehicle Registration Fee Special Revenue Fund was established to account for these fees collected by the County to be used to sustain the County’s transportation network and reduce traffic congestion.

The Parking Special Revenue Fund was previously reported as a part of the Community Improvement Commission Special Revenue Fund. As the result of the dissolution of the Community Improvement Commission, discussed in Note 14, this part of the fund is now being presented as a City fund.

The Successor Agency Private Purpose Trust Fund was established to account for the activities of the Successor Agency of the former Community Improvement Commission.

The Community Improvement Commission Special Revenue Fund, the Community Improvement Commission Debt Service Fund and the Community Improvement Commission Capital Projects Fund were closed as of January 31, 2012 as the result of the dissolution of the Community Improvement Commission discussed in Note 14.

The Alameda Reuse and Redevelopment Authority Special Revenue, Capital Projects and Debt Service Funds were renamed to the Base Reuse Special Revenue, Capital Projects and Debt Service Funds.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 2 - Cash and Investments

The City's dependence upon property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools cash from all sources and all funds except Cash with Fiscal Agents and the Alameda Municipal Power so that it can be invested at the maximum yield, consistent with safety and liquidity. Individual funds can make expenditures at any time.

Investment income is allocated among funds on the basis of average month-end cash and investment balances in these funds. Investments are carried at fair value.

A. Policies

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

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of form.

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

Cash and cash equivalents are considered to be liquid assets for purposes of measuring cash flows. Restricted cash and investments are not included for cash flow purposes.

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not use is restricted under the terms of City debt instruments or agency agreements. Cash and investments as of June 30, 2012, as presented on the Statement of Net Assets and Statement of Fiduciary Net Assets are as follows:

Cash and investments available for operations:	
City	\$100,715,431
Alameda Municipal Power	37,066,189
Restricted cash and investments:	
City	6,942,654
Alameda Municipal Power	4,515,565
	<u>149,239,839</u>
Total cash and investments of primary government and component units	
	<u>149,239,839</u>
Restricted cash and investments in Fiduciary Funds (separate statement):	
Cash and cash equivalents	17,065,627
Restricted cash and investments	18,171,110
	<u>35,236,737</u>
Total cash and investments	
	<u><u>\$184,476,576</u></u>



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 2 - Cash and Investments (Continued)

Cash and investments as of June 30, 2012 are composed of the following categories:

	<u>Amounts</u>
City	\$142,894,822
Component Unit:	
Alameda Municipal Power	<u>41,581,754</u>
Total	<u><u>\$184,476,576</u></u>

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

The City's investment policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City, and approved percentages and maturities are not exceeded. The table also identifies certain provisions of the California Government Code, or the City's Investment Policy where the City's Investment Policy is more restrictive, that addresses interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

The City's investment policy and the California Government Code allow the City to invest in the following:

<u>Authorized Investment Type</u>	<u>Maximum Maturity (A)</u>	<u>Minimum Credit Quality</u>	<u>Maximum in Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Repurchase Agreements	270 Days	N/A	20%	No Limit
California Local Agency Investment Fund (LAIF)	Upon Demand	N/A	\$50,000,000 per account	\$50,000,000 per account
U.S. Treasury Bonds, Notes and Bills	5 Years	N/A	No Limit	No Limit
U.S. Agency and U.S. Government Sponsored Enterprise Securities	5 Years	N/A	75%	25% in each U.S. Agency
Bankers' Acceptances	180 Days	N/A	30%	30%
Commercial Paper	270 Days	A1, P1	25%	No Limit
Negotiable Certificates of Deposit	5 Years	AA	30%	No Limit
Time Certificates of Deposit	5 Years	N/A	30%	No Limit
Medium-Term Corporate Notes	5 Years	A	30%	No Limit
Money Market Mutual Funds	N/A	N/A	20%	No Limit
County Agency Investment Fund	Upon Demand	N/A	15%	No Limit
California Asset Management Program (CAMP)	Upon Demand	N/A	No Limit	No Limit
CDs - non-negotiable / CDAR	3 Years	N/A	30%	5%
Local Agency Debt	5 Years	A	5%	5%

(A) The maximum of any investment shall not exceed five year unless expressly authorized by City Council.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 2 - Cash and Investments (Continued)

Alameda Municipal Power's investment policy and the California Government Code allow Alameda Municipal Power to invest in the following, provided the credit ratings of the issuers are acceptable to Alameda Municipal Power, and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or Alameda Municipal Power's investment policy where Alameda Municipal Power's Investment Policy is more restrictive, that addresses investments of interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of Alameda Municipal Power, rather than the general provisions of the California Government Code or Alameda Municipal Power's investment policy.

Alameda Municipal Power's investment policy and the California Government Code allow Alameda Municipal Power to invest in the following:

<u>Authorized Investment Type</u>	<u>Maximum Maturity (A)</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Municipal Bonds	5 years	N/A	No Limit	No Limit
U.S. Treasury Obligations	5 years	N/A	No Limit	No Limit
State of California Obligations	5 years	N/A	No Limit	No Limit
Other State Obligations (C)	5 years	N/A	No Limit	No Limit
CA Local Agency Obligations	5 years	N/A	No Limit	No Limit
U.S. Agency Securities (B)	5 years	N/A	No Limit	No Limit
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A1, P1	25%	10%
Negotiable Certificates of Deposit	5 years	N/A	30%	No Limit
Time Certificates of Deposit	5 years	N/A	30%	No Limit
Repurchase Agreements	1 Year	N/A	No Limit	No Limit
Reverse Repurchase Agreements (requires Board approval)	92 days	N/A	20 % of base value	No Limit
Medium Term Corporate Notes	5 years	A	30%	No Limit
Mutual Funds	5 years	Top rating category	20%	10%
Money Market Mutual Funds	5 years	AAA	20%	10%
Collateralized Bank Deposits	5 years	N/A	30	No Limit
Mortgage Pass-Through Securities	5 Years	Top rating category	20%	No Limit
County Pooled Investment Funds	Upon Demand	N/A	15%	No Limit
California Local Agency Investment Fund	Upon Demand	N/A	\$50,000,000 per account	\$50,000,000 per account
California Asset Management Program (CAMP)	Upon Demand	N/A	No Limit	No Limit

(A) The Maximum term of any investment shall not exceed five years unless expressly authorized by the Public Utilities Board

(B) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC)



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 2 - Cash and Investments (Continued)

D. Investments Authorized by Debt Agreements

The City and the Successor Agency to the Community Improvement Commission must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the City or the Successor Agency to the Community Improvement Commission fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum in Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Repurchase Agreements	30 days	Top Four Rating Categories	No Limit	No Limit
U.S. Treasury Bonds, Notes and Bills	No Limit	N/A	No Limit	No Limit
U.S. Agency and U.S. Government Sponsored Enterprise Securities	No Limit	No Limit	No Limit	No Limit
State Obligations	No Limit	Not lower than their bond rating	No Limit	No Limit
Commercial Paper	270 days	A-1+	No Limit	No Limit
Negotiable Certificates of Deposit	No Limit	N/A	No Limit	No Limit
Time Certificates of Deposit	No Limit	N/A	No Limit	No Limit
Corporate Notes and Bonds	No Limit	Not lower than their bond rating	No Limit	No Limit
Guaranteed Investment Contracts	No Limit	Not lower than their bond rating	No Limit	No Limit
Shares of Beneficial Interest	No Limit	Top Rating Category	No Limit	No Limit
Money Market Mutual Funds	No Limit	Aam	20%	No Limit
Bankers' Acceptances	365 days	A-1+	30%	30%
Municipal Bonds	No Limit	AAA	No Limit	No Limit
California Local Agency Investment Fund (LAIF)	Upon Demand	N/A	\$50,000,000 per account	\$50,000,000 per account
Investment Agreements	No Limit	AA-	No Limit	No Limit



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 2 - Cash and Investments (Continued)

Alameda Municipal Power must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if Alameda Municipal Power fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Alameda Municipal Power's ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	N/A	N/A	No Limit	No Limit
State Obligations	N/A	AA	No Limit	No Limit
U.S. Agency Securities (A)	N/A	N/A	No Limit	No Limit
Commercial Paper	N/A	P1	No Limit	No Limit
Certificates of Deposit	N/A	P1	No Limit	No Limit
Bankers Acceptances	1 year	P1	No Limit	No Limit
Money Market Mutual Funds	N/A	AAAm	No Limit	No Limit
California Local Agency Investment Fund	N/A	N/A	\$40,000,000 per account	\$40,000,000 per account
Investment Agreements (B)	N/A	AA-	No Limit	No Limit

(A) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank, the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC)

(B) Investment agreements, including guaranteed investment contracts, repurchase agreements, forward purchase agreements and reserve fund put agreements



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 2 - Cash and Investments (Continued)

E. Interest Rate Risk

Interest rate risk is the risk that changes in economic markets that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities, so that a portion of the portfolio is maturing or realizing maturity evenly over time as necessary in order to provide the cash flow and liquidity needed for operations. Information on the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity at June 30, 2012:

Investment Type	12 Months or less	One to Five Years	Total
City of Alameda:			
U.S. Government-Sponsored	\$1,669,751		\$1,669,751
Enterprise Agencies			
Non-callable	2,385,924	\$33,716,100	36,102,024
Callable		760,413	760,413
Corporate Securities			
Non-callable	2,021,730	16,214,409	18,236,139
Callable		2,581,755	2,581,755
Guaranteed Investment Contracts		886,783	886,783
US Treasury Notes and Bills	1,931,742	16,449,095	18,380,837
Money Market Mutual Funds	11,276,777		11,276,777
California Local Agency Investment Fund	38,046,346		38,046,346
California Asset Management Program	456,849		456,849
Certificate of Deposits	3,645,369		3,645,369
Commercial Paper	1,298,721		1,298,721
Municipal Bonds		1,933,266	1,933,266
Total Investments	<u>\$62,733,209</u>	<u>\$72,541,821</u>	<u>135,275,030</u>
Cash deposits with banks and on hand			7,619,792
Total Cash and Investments			<u>\$142,894,822</u>



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 2 - Cash and Investments (Continued)

Information about the sensitivity of the fair values of Alameda Municipal Power's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Alameda Municipal Power's investments by maturity:

	<u>12 Months or less</u>
<i>Investments:</i>	
Bond Mutual Funds	\$4,515,566
Money Market	141,132
U.S. Treasury Notes	999,062
Local Agency Investment Fund	22,422,814
Certificate of Deposits	<u>7,990,528</u>
 Total Investments	 36,069,102
 <i>Cash with Banks and Petty Cash</i>	 <u>5,512,652</u>
 Total Cash and Investments	 <u><u>\$41,581,754</u></u>

The City and Alameda Municipal Power are voluntary participants in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City and Alameda Municipal Power report their investments in LAIF at the fair value amounts provided by LAIF, which is the same as the value of the pool share. At June 30, 2012 the fair value approximated cost of the investments of the City and Alameda Municipal Power. The balance, available for withdrawal on demand, is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2012, these investments had an average maturity of 268 days.

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2012 the fair value approximated is the City's cost. At June 30, 2012, these investments have an average maturity of 53 days.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 2 - Cash and Investments (Continued)

F. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment when an investment matures. This is measured by the assignment of a credit rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2012, for each City's investment type as provided by Standard and Poor's:

Investment Type	AAA	AAAm	AA	AA+	AA-	A	A+	A-	A-1+	Total
City of Alameda:										
U.S. Government-Sponsored				\$1,669,751						\$1,669,751
Enterprise Agencies										
Non-callable				36,102,024						36,102,024
Callable				760,413						760,413
Corporate Securities										
Non-callable	\$1,530,512		\$1,750,478	3,263,141	\$2,933,460	\$4,441,298	\$3,685,323	\$631,927		18,236,139
Callable						2,581,755				2,581,755
Commercial Paper									\$1,298,721	1,298,721
Municipal Bonds			1,125,410	807,856						1,933,266
Certificate of Deposits									799,759	799,759
Money Market Mutual Funds		\$11,276,777								11,276,777
California Asset Management Program		456,849								456,849
Totals	<u>\$1,530,512</u>	<u>\$11,733,626</u>	<u>\$2,875,888</u>	<u>\$42,603,185</u>	<u>\$2,933,460</u>	<u>\$7,023,053</u>	<u>\$3,685,323</u>	<u>\$631,927</u>	<u>\$2,098,480</u>	<u>75,115,454</u>
<i>Not rated:</i>										
City of Alameda:										
California Local Agency Investment Fund										38,046,346
Certificate of Deposits										2,845,610
Guaranteed Investment Contracts										886,783
										<u>41,778,739</u>
<i>Exempt:</i>										
City of Alameda:										
US Treasury Notes and Bills										18,380,837
Total Investments										<u>\$135,275,030</u>

Presented below is the actual rating as of June 30, 2012, for each Alameda Municipal Power investment type as provided by Standard and Poor's:

<u>Investments with Fiscal Agent</u>	
<i>AAAm:</i>	
Bond Mutual Funds	\$4,515,566
<i>Not rated:</i>	
Certificate of Deposits	7,160,000
Certificate of Deposits (Bank of Alameda)	830,528
Money Market	141,132
Local Agency Investment Fund	22,422,814
<i>Exempt:</i>	
U.S. Treasury Notes	999,062
Cash with Banks and Petty Cash	5,512,652
Total Investments	<u>\$41,581,754</u>



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 2 - Cash And Investments (Continued)

G. Concentration of Credit Risk

The City's investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. However, the City is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, held by individual City Funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools. At June 30, 2012, those investments consisted of:

Reporting Unit	Issuer	Investment Type	Reported Amount
Entity Wide:	Federal Home Loan Mortgage Corporation	U.S. Government-Sponsored Enterprise Agencies	\$12,186,715
	Federal Home Loan Banks	U.S. Government-Sponsored Enterprise Agencies	9,075,131
	Federal National Mortgage Association	U.S. Government-Sponsored Enterprise Agencies	7,447,107

H. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments include U.S. Government-Sponsored Enterprise Agencies and Corporate Notes that have an embedded call feature. At June 30, 2012, those investments consisted of:

Investment Type	Maturity Date	Callable Date	Reported Amount
Federal Home Loan Mortgage Corporation	12/12/2014	12/12/2012	\$280,450
Federal National Mortgage Association	5/29/2015	11/29/2012	479,963
US Bancorp Note	9/13/2013	8/13/2013	2,581,755

Note 3 - Interfund Transactions

A. Current Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The purpose of these balances is to eliminate negative cash balances at year end in various funds. At June 30, 2012, the amounts of current interfund balances were as follows:

Due From Other Funds	Due To Other Funds
General Fund	Non-Major Governmental Funds \$196,795

B. Long-Term Advances

The General Fund advanced \$1,258,995 to the Community Improvement Commission Special Revenue Fund. The advance is to be repaid in future years from the proceeds of property tax increments as funds become available. The General Fund advance bears interest at 6%. Due to the dissolution of the CIC, as discussed in Note 14 below the City determined the advance would be uncollectible therefore the advance was written off.

The General Fund has advanced \$1,440,000 to the FISC Lease Special Revenue Fund to pay for the public safety of former Navy property. The advance bears interest at 6% and will be repaid from future lease revenue as funds become available. As of June 30, 2012, this advance had a balance of \$480,000.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 3 - Interfund Transactions (Continued)

The Sewer Enterprise Fund advanced \$3,000,000 to the Community Improvement Commission Special Revenue Fund as matching funds for construction of the Webster Street/Wilver Stargell Avenue Intersection Project. These advances bear interest at 3% until paid in full. The advance is expected to be repaid by 2014. Due to the dissolution of the Commission effective February 1, 2012, the City and the Successor Agency have come to agreement so that the obligation to repay the advance is transferred over to the FISC Lease Special Revenue Fund payable from future developments in the area. As of June 30, 2012, the FISC Lease Special Revenue Fund has recorded this advance with a balance of \$3,000,000.

C. Transfers Between City Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between City funds during fiscal year 2011-12 were as follows:

Fund Receiving Transfers	Fund Making Transfer	Amount Transferred
General Fund	FISC Lease Revenue Special Revenue Fund	\$1,238 B
	Base Reuse Special Revenue Fund	25,889 B
	Capital Improvement Projects Fund	2,556,335 D
	Sewer Services Enterprise Fund	10,000 B
	Non-Major Governmental Funds	120,677 B
	Internal Service Funds	213,000 D
Community Improvement Commission Special Revenue Fund	General Fund	1,258,995 F
	Sewer Services Enterprise Fund	3,000,000 F
Base Reuse Special Revenue Fund	FISC Lease Revenue Special Revenue Fund	665 A
	Non-Major Governmental Funds	22,360 B
Capital Improvement Projects Fund	General Fund	1,780,000 A
	FISC Lease Revenue Special Revenue Fund	21,189 A
	Base Reuse Special Revenue Fund	70,381 A
	Golf Course Enterprise Fund	15,000 A
	Sewer Services Enterprise Fund	241,159 A
	Non-Major Governmental Funds	3,098,816 A
Sewer Services Enterprise Fund	FISC Lease Revenue Special Revenue Fund	3,000,000 A
	Non-Major Governmental Funds	201,725 A
Non-Major Governmental Funds	General Fund	3,294,408 A,B
	Community Improvement Commission Special Revenue Fund	3,448,451 B
	FISC Lease Revenue Special Revenue Fund	8,890 B
	Base Reuse Special Revenue Fund	1,093,735 B
	Housing Special Revenue Fund	834,282 E
	Capital Improvement Projects Fund	292,022 D
	Golf Course Enterprise Fund	142,824 A,B
Non-Major Governmental Funds	1,048,010 A,C,E	
Internal Service Funds	General Fund	3,433,488 B
		<u>\$29,233,539</u>

The reasons for these transfers are set forth below:

- (A) To fund capital or storm drain projects
- (B) To fund library, indirect costs and debt service
- (C) To partially fund ferry services
- (D) To transfer unused capital project funds back to original funding source
- (E) To fund housing projects
- (F) To write-off loans between the City's funds and the former CIC

D. Internal Balances

Internal balances are presented in the entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 4 - Loans Receivable

A. *Housing Rehabilitation and Affordable Housing Loans*

The City and former CIC has engaged in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to expend these funds in accordance with the City's and former CIC's terms. Some of these loans may be forgiven at the completion of the loan term if all stipulated conditions are met. Other loans and notes are expected to be repaid in full.

As discussed in Note 14B, with the dissolution of the CIC, \$13,477,177 of the housing rehabilitation and affordable housing loans were transferred to the Successor Agency Private Purpose Trust Fund on February 1, 2012. At June 30, 2012, the Successor Agency held \$13,477,177 of the loans receivable arising from these programs.

The City's outstanding balance of the loans receivable from these programs at June 30, 2012 was \$10,921,730 which has been offset with deferred revenue. Included in the outstanding balance was a receivable for \$1,081,650 from the Housing Authority. The City has determined that \$719,706 of the outstanding balance may have to be written off in the future therefore they have established an allowance for doubtful accounts for this amount.

B. *Loan to Alameda Municipal Power*

On December 16, 2003 at the request of the Public Utilities Board, the Alameda City Council loaned \$2,200,000 to Alameda Municipal Power for the purpose of the construction of a hybrid fiber-optic/coaxial telecom network. As of June 30, 2012, the remaining principal balance was \$2,200,000.

C. *Alameda Municipal Power Loans to the City*

The City entered into a loan agreement with Alameda Municipal Power for the replacement of deteriorated street lights. Through June 30, 2012, Alameda Municipal Power had expended \$627,300 for street light replacement, and the City had made payments of \$602,000. Annual installments of \$40,000 are scheduled until the loan is repaid. At June 30, 2012, the outstanding balance was \$25,300.

D. *Multiplex Cinema*

As part of a Disposition and Development Agreement the Community Improvement Commission entered into a loan agreement with Alameda Entertainment Associates, L.P. in March 2007 for \$2,800,000 for the renovation of the Historic Alameda Theatre and development of a new multiplex cinema. Repayment of \$1,400,000 of this loan will begin in the seventh operating year for twenty years with equal monthly installments. The remaining \$1,400,000 will be repaid by percentage rental amounts from gross operating revenues as established in the Disposition and Development Agreement. An additional loan agreement of \$300,000 was entered into by both parties for furniture fixtures and equipment purchases as part of the renovation project. During the fiscal year, the City decided that the CIC's parking fund should be reported as a part of the City fund, as the CIC is not responsible for repayment of the debt related to this loan, therefore the following loans outstanding are included in the City's loans receivables balance. As of June 30, 2012, the City has loans outstanding with Alameda Entertainment Associates totaling \$3,068,907.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 4 - Loans Receivable (Continued)

E. CIC Loan

The CIC entered into a loan with The Alameda Islander, L.P., a California based limited partnership for the amount \$8.6 million dollars on September 27, 2011. The loan is for improvement of property located at 2428 Central Ave in the City of Alameda. The loan bears 0% interest and is to be repaid in full on September 27, 2068. Payment is to be deferred until the completion of the loan terms. As discussed in Note 14E with the dissolution of the CIC, this loan was transferred to the Successor Agency Private Purpose Trust Fund on February 1, 2012.

G. Downtown Historic Theatre Complex and Parking Garage Project.

On October 16, 2004, the CIC entered into a Disposition and Development Agreement (DDA) and a ground lease with Alameda Entertainment Associates Incorporated for the development of the Historic Alameda Theatre and related Cineplex and parking garage. The developer entered into an Option Purchase Agreement for one parcel of land to be used as the site of the project on Central/Oak in Alameda. As part of the DDA, the CIC entered into a loan agreement with the Alameda Entertainment Associates L.P., as discussed on Note 4D. In FY04-05, the CIC purchased the land for the site of the project from assigned purchase option for \$811,120. In FY05-06, the CIC acquired the historic theatre by eminent domain. Project construction was completed in fiscal year FY07-08. There were construction expenses in FY10-11 resulting from loan disbursement to Alameda Entertainment Associates for the improvement of the Alameda Theatre balcony, reimbursement of tenant improvements for the Burgermeister restaurant pursuant to the lease between the CIC and Burgermeister, and payment of expenditures for final renovation improvements. In FY11-12, the City decided that the CIC Parking fund should not be reported as a part of the CIC, but instead, reported as a City Fund.

Note 5 – Capital Assets

Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$10,000. All capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

All capital assets with limited useful lives are depreciated during their estimated useful lives. The purpose of depreciation is to allocate the cost of capital assets equitably among all users during the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years, and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Electric Plant	30 years
Buildings and Improvements	40 - 80 years
Machinery, Furniture and Equipment	4 - 40 years
Infrastructure	15 - 75 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds within the same period.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 5 – Capital Assets (Continued)

A. Capital Asset Additions and Retirements

City capital asset activities for the year ended June 30, 2012, are as follows:

	Balance at June 30, 2011	Additions	Retirements	Transfers	Balance at June 30, 2012
Governmental activities					
Capital assets not being depreciated:					
Land	\$5,871,384		(\$52,965)		\$5,818,419
Construction in progress	55,977,314	\$6,571,305	(49,332)	(\$673,408)	61,825,879
Total capital assets not being depreciated	<u>61,848,698</u>	<u>6,571,305</u>	<u>(102,297)</u>	<u>(673,408)</u>	<u>67,644,298</u>
Capital assets being depreciated:					
Buildings	252,860,063		(91,750)		252,768,313
Machinery and equipment	25,019,668	4,099,760	(583,725)		28,535,703
Infrastructure:					
Streets	95,495,419	91,218	(527)		95,586,110
Landscape	20,479,187				20,479,187
Storm drains	19,122,586			673,408	19,795,994
Portable water systems	1,353,939				1,353,939
Parks	7,664,569	39,546			7,704,115
Marina facilities	24,285,397				24,285,397
Total capital assets being depreciated	<u>446,280,828</u>	<u>4,230,524</u>	<u>(676,002)</u>	<u>673,408</u>	<u>450,508,758</u>
Less accumulated depreciation:					
Buildings	(95,895,402)	(3,276,699)	6,936		(99,165,165)
Machinery and equipment	(18,778,156)	(1,257,424)	583,725		(19,451,855)
Infrastructure:					
Streets	(57,412,017)	(2,483,640)			(59,895,657)
Landscape	(15,682,700)	(540,380)			(16,223,080)
Storm drains	(7,913,568)	(335,423)			(8,248,991)
Portable water systems	(1,149,151)	(12,330)			(1,161,481)
Parks	(2,638,998)	(281,370)			(2,920,368)
Marina facilities	(19,012,321)	(301,218)			(19,313,539)
Total accumulated depreciation	<u>(218,482,313)</u>	<u>(8,488,484)</u>	<u>590,661</u>		<u>(226,380,136)</u>
Net capital assets being depreciated	<u>227,798,515</u>	<u>(4,257,960)</u>	<u>(85,341)</u>	<u>673,408</u>	<u>224,128,622</u>
Governmental activity capital assets, net	<u>\$289,647,213</u>	<u>\$2,313,345</u>	<u>(\$187,638)</u>		<u>\$291,772,920</u>



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 5 - Capital Assets (Continued)

	Balance at June 30, 2011	Additions	Transfers	Balance at June 30, 2012
<i>Business-type activities</i>				
Capital assets, not being depreciated:				
Land and improvement	\$176,899			\$176,899
Construction in progress	2,728,217	\$4,926,230		7,654,447
Total capital assets not being depreciated	2,905,116	4,926,230		7,831,346
Capital assets, being depreciated:				
Buildings	1,133,476			1,133,476
Sewer lines	64,559,409			64,559,409
Streets	188,016		\$13,980	201,996
Storm drains	314,356			314,356
Golf improvements	4,404,494		(198,531)	4,205,963
Office furniture and equipment	2,339,416	604,130	184,551	3,128,097
Net capital assets being depreciated	72,939,167	604,130		73,543,297
Less accumulated depreciation for:				
Buildings	(264,346)	(17,584)		(281,930)
Sewer lines	(25,095,932)	(972,736)		(26,068,668)
Streets	(141,424)	(5,623)		(147,047)
Storm drains	(75,701)	(4,193)		(79,894)
Golf improvements	(2,327,607)	(160,621)		(2,488,228)
Office furniture and equipment	(2,239,419)	(240,973)		(2,480,392)
Total accumulated depreciation	(30,144,429)	(1,401,730)		(31,546,159)
Net capital assets being depreciated	42,794,738	(797,600)		41,997,138
Business-type activity capital assets, net	\$45,699,854	\$4,128,630		\$49,828,484



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 5 - Capital Assets (Continued)

B. Alameda Municipal Power's Capital Assets

Alameda Municipal Power capital asset activities for the year ended June 30, 2012, are as follows:

	Balance June 30, 2011	Additions	Retirements	Transfers	Balance June 30, 2012
Capital assets not being depreciated:					
Land and Rights	\$153,643				\$153,643
Construction Work in Progress	1,719,491	\$1,735,137	(\$277,813)	(\$1,675,523)	1,501,292
Total capital assets not being depreciated	<u>1,873,134</u>	<u>1,735,137</u>	<u>(277,813)</u>	<u>(1,675,523)</u>	<u>1,654,935</u>
Capital assets being depreciated:					
Utility Plant	70,314,925			1,585,439	71,900,364
Service Center Building	7,843,636				7,843,636
Machinery and Equipment	8,739,161		86,377	90,084	8,915,622
Transportation Equipment	2,593,727	144,787			2,738,514
Computer Equipment	3,256,643	150,201	(118,414)		3,288,430
Furniture and Fixtures	599,107		7,075		606,182
Easements	185,500				185,500
Total capital assets being depreciated	<u>93,532,699</u>	<u>294,988</u>	<u>(24,962)</u>	<u>1,675,523</u>	<u>95,478,248</u>
Less accumulated depreciation for:					
Utility Plant	40,910,033	2,244,824			43,154,857
Service Center Building	3,056,042	165,868			3,221,910
Machinery and Equipment	7,510,288	765,227			8,275,515
Transportation Equipment	1,572,178	187,235			1,759,413
Computer Equipment	2,867,826	140,673	(27,719)		2,980,780
Furniture and Fixtures	404,929	17,936			422,865
Easements	98,000	3,500			101,500
Total accumulated depreciation	<u>56,419,296</u>	<u>3,525,263</u>	<u>(27,719)</u>		<u>59,916,840</u>
Total depreciable assets	<u>37,113,403</u>	<u>(3,230,275)</u>	<u>2,757</u>	<u>1,675,523</u>	<u>35,561,408</u>
Business activity capital assets, net	<u>\$38,986,537</u>	<u>(\$1,495,138)</u>	<u>(\$275,056)</u>		<u>\$37,216,343</u>



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 5 - Capital Assets (Continued)

C. Capital Asset Contributions

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

D. Depreciation Allocation

Depreciation expense is charged to functions and programs based upon usage of the related assets. The amounts allocated to each function or program is as follows:

Governmental Activities

General government	\$540,423
Police	217,704
Fire	232,501
Public works	4,034,811
Community development, planning and building	2,403,547
Culture and recreation	1,059,498

Total Governmental Activities \$8,488,484

Business-Type Activities

Golf course	\$366,512
Sewer services	1,035,218

Total Business-Type Activities \$1,401,730

Discretely Presented Component Units:

Alameda Municipal Power	<u><u>\$3,525,263</u></u>
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Note 6 – Long-Term Debt

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the term of the related debt.

Bond Discounts and Issuance Costs

Bond discounts and issuance costs of long-term debt issues are amortized during the life of the related debt.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 6 – Long-Term Debt (Continued)

A. City Long-Term Debt

The City's long-term debt activities for the year ended June 30, 2012, are as follows:

	Balance June 30, 2011	Additions	Retirements	Transferred to Successor Agency	Balance June 30, 2012	Current Portion
Governmental Activity Debt:						
Certificates of Participation:						
2002 City Hall	\$8,305,000		\$445,000		\$7,860,000	\$465,000
2008 Refinancing Project	4,165,000		425,000		3,740,000	435,000
Total Certificates of Participation	12,470,000		870,000		11,600,000	900,000
2003 General Obligation Bonds	9,375,000		220,000		9,155,000	230,000
2003 ARRA Demand Revenue Bonds	12,300,000		300,000		12,000,000	300,000
Leases Payable	134,720	\$3,257,194	67,360		3,324,554	364,517
HUD Section 108 Loan	6,691,000		162,000		6,529,000	174,000
Other Loans Payable	65,300		40,000		25,300	25,300
Subtotal	41,036,020	3,257,194	1,659,360		42,633,854	1,993,817
CIC Long-Term Debt:						
2002 Series A & B Subordinate Taxable Tax Allocation Bonds	855,000		855,000			
2003 Tax Allocation Refunding Bonds	16,500,000			\$16,500,000		
2003 Tax Allocation Bonds, Series A1, A2 & B	45,990,000			45,990,000		
2011 Tax Allocation Bonds, Series A & B	11,035,000		295,000	10,740,000		
Discount	(125,326)		(4,043)	(121,283)		
2006 CRA/ERAF Loan Program	400,000		35,000	365,000		
Total CIC	74,654,674		1,180,957	73,473,717		
Total Governmental Activity Debt	115,690,694	3,257,194	2,840,317	73,473,717	42,633,854	1,993,817
Business Activity Debt:						
1995 Certificates of Participation	2,465,000		305,000		2,160,000	320,000
State Construction Loan	59,571		22,328		37,243	23,085
State Water Resources Control Board	967,591		127,050		840,541	130,608
State Revolving Fund Loan, 1998	1,059,745		120,877		938,868	124,020
State Revolving Fund Loan, 1999	528,170		52,632		475,538	54,050
State Revolving Fund Loan, 2004	1,042,751		75,160		967,591	77,114
Equipment Purchase Agreements	118,850	303,722	183,575		238,997	73,810
Total Business Activity Debt	6,241,678	303,722	886,622		5,658,778	802,687
Total City Debt	\$121,932,372	\$3,560,916	\$3,726,939	\$73,473,717	\$48,292,632	\$2,796,504

With the dissolution of the CIC as discussed in Note 14, a Successor Agency assumed the long-term debt and loans of the CIC as of February 1, 2012, which has been reported as a transfer above and as an Extraordinary Item in the Statement of Activities. For a detailed discussion of each of the Bonds and loan above, see Note 14 below.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 6 – Long-Term Debt (Continued)

B. Alameda Municipal Power Long-Term Debt

Alameda Municipal Power's long-term debt consists of the Certificates of Participation issues discussed in Note E below. The Alameda Municipal Power long-term debt issues and transactions were as follows:

	Original Issue Amount	Balance June 30, 2011	Retirements	Balance June 30, 2012	Current Portion
2008 Truck (Altel Model AM-55)- Capital Lease	\$176,295	\$105,282	\$25,034	\$80,248	\$26,445
2009 Truck (Altel Model D3060) - Capital Lease	229,168	142,098	32,736	109,362	34,336
Revenue Bonds, Series 2010A	8,700,000	8,700,000		8,700,000	
Taxable Revenue Bonds, Series	22,985,000	22,985,000	895,000	22,090,000	1,040,000
Loan from City of Alameda	2,200,000	2,200,000		2,200,000	2,200,000
Deferred amount on refunding	n/a	(1,055,001)	(61,651)	(993,350)	(61,651)
Total long-term debt		<u>\$33,077,379</u>	<u>\$891,119</u>	<u>\$32,186,260</u>	<u>\$3,239,130</u>

C. Debt Service Requirements - City and Alameda Municipal Power

Annual debt service requirements are shown below for all long-term debt:

For the Year Ending June 30	Governmental Activities		Business-Type Activities		Component Unit Alameda Municipal Power	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$1,993,817	\$1,575,315	\$802,687	\$208,700	\$3,300,781	\$1,578,846
2014	1,957,860	1,491,735	822,602	178,273	1,129,386	1,548,668
2015	2,136,724	1,417,882	837,727	147,379	1,163,204	1,511,204
2016	2,273,752	1,338,886	789,587	110,953	1,133,330	1,476,899
2017	2,094,947	1,259,036	2,209,344	171,350	1,170,000	1,435,053
2018-2022	11,436,937	5,049,925	196,831	7,708	6,730,000	6,203,441
2023-2027	11,184,817	2,651,198			9,115,000	3,873,265
2028-2032	6,650,000	1,071,180			9,437,909	949,339
2033-2037	2,905,000	171,293				
Total	<u>\$42,633,854</u>	<u>\$16,026,450</u>	<u>\$5,658,778</u>	<u>\$824,363</u>	\$33,179,610	<u>\$18,576,715</u>
Less deferred amount on refunding					(993,350)	
Total					<u>32,186,260</u>	



**City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012**

Note 6 – Long-Term Debt (Continued)

D. Description of the City's Long-Term Debt Issues

The balance of the City's debt is in various forms as follows:

Governmental Activity Debt

Certificates of Participation

Some of the City's debt is in the form of Certificates of Participation, which are a type of long-term borrowing secured by lease payments made by the City under non-cancelable lease agreements. The cost of the assets securing these leases and the balance of the debt evidenced by these Certificates of Participation have been included in the City's financial statements, as these leases are in essence financing arrangements with ownership of the financed assets reverting to the City at the conclusion of the lease term.

2002 City Hall Refinancing Project Certificates of Participation – The City issued Certificates of Participation in the original principal amount of \$11,370,000, bearing interest at 2.25-4.75%, on September 10, 2002, in order to refund the City's outstanding \$10,565,000 1995 City Hall Seismic Upgrade and Renovation Project Certificates of Participation. The 1995 COP was to finance the seismic upgrade and renovation of City Hall and certain fire station facilities under a non-cancelable lease of these facilities extending to May 1, 2025. Under this lease, the City makes semi-annual payments May 1 and November 1 from General Fund revenues, which are sufficient to pay the principal and interest on the 2002 Certificates of Participation. Ownership of the leased premises reverts to the City at the end of the lease. The balance of debt evidenced by the 2002 Certificates of Participation has been included in the City's financial statements as this lease is in essence a financing arrangement, with ownership of the financed assets reverting to the City at conclusion of the lease term. Principal and interest are payable semi-annually each November 1 and May 1 through 2025.

The refunding proceeds of the 2002 Bonds were used to purchase non-callable US government securities, which were deposited in an irrevocable trust to provide for all future debt service payments of 1995 COPs. Accordingly, the trust account assets and the liability for the refunded portion of the 1995 COPs are not included in the financial statements.

2008 Refinancing Project Certificates of Participation

In July 2008, the City Council authorized the issuance of the Certificates of Participation (2008 Refinancing Project) in the amount of \$4,575,000 to refinance the 1996 Police Building Refunding and Equipment Financing Certificates of Participation and the 1996 Library and Golf Course Upgrade and Renovation Certificates of Participation. The 2008 Certificates bear interest rates from 4% to 5% which are payable semi-annually in May and November. The City's principal payments commenced on May 1, 2011.

General Obligation Bonds

2003 General Obligation Bonds – On November 7, 2000, the voters approved the issuance of General Obligation Bonds, which the City issued on March 25, 2003, in the principal amount of \$10,600,000, in addition to a reoffering premium of \$268,000, to finance the acquisition and construction of a new main library and improvements to two branch libraries within the City. The bonds bear interest at 2.00-5.00%. The repayment of the bonds is secured by all non-restricted revenue of the City. Principal payments are due annually on August 1. Interest payments are due semi-annually on February 1 and August 1 through August 1, 2033.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 6 – Long-Term Debt (Continued)

2002 Community Improvement Commission Subordinate Taxable Tax Allocation Bonds, Series A & B

On March 1, 2002, the Community Improvement Commission issued Tax Allocation Bonds in the principal amount of \$4,640,000. Bond proceeds were used to repay a loan from the City to the Community Improvement Commission related to the Commission's Business and Waterfront Improvement Project. The bonds are payable from tax increment revenues received by the project area. Principal and interest are payable semi-annually on February 1 and August 1 through February 2012. The interest rates on the bonds vary from 4.4% to 6.8% for Series A and 6.05% to 7.75% for the Series B. The bond was paid off in fiscal year 2012.

2003 ARRA Variable Rate Demand Revenue Bonds – On December 1, 2003, the Alameda Public Financing Authority issued Variable Rate Revenue Bonds in the original principal amount of \$13,440,000 at a variable rate of interest determined on a weekly basis. The proceeds from the bonds were used to refund the 1999 ARRA Revenue Bonds, which were issued to finance the costs of certain improvements at Alameda Point, and to finance professional services for land use planning and other activities required for the redevelopment process at Alameda Point. Repayment of these bonds is from lease revenues paid to ARRA from certain land, buildings, fixtures and equipment. Interest is payable on the first business day of each month.

The pledge of sublease revenues ends upon repayment of the \$14,773,632 in remaining debt service on the Bonds, which is scheduled to occur in 2034. As disclosed in the bond indenture documents, pledged future sublease revenues are expected to provide coverage over debt service of 1.5 during the life of the Bonds. For FY11-12, sublease revenues amounted to \$13,057,452 which represented coverage of 29.02% over the \$450,024 in debt service.

Leases and Loans Payable

Leases Payable – At June 30, 2012, the City held the following leases payable. Under the lease agreements, ownership of the capital assets reverts to the City at the end of the lease terms. Since the leases are in essence financing arrangements, the costs of the capital assets and the amounts of the lease terms have been included in the City's financial statements.

Fire Truck Lease Payable -- On April 1, 2003, the City entered into a non-cancelable lease agreement in the amount of \$674,467 with Bank of Alameda to acquire two fire trucks. The City agreed to pay the lease in quarterly payments of \$21,597 for ten years. Balance of the lease as of June 30, 2012, was \$67,360.

Fire Apparatus Lease Payable – On October 19, 2011, the City entered into a lease agreement in the amount of \$1,750,000 with Oshkosh Capital to acquire two fire apparatus vehicles. The City agreed to pay the lease starting on October 19, 2012, in annual payments of \$147,127, which includes interest, for fifteen years. Balance of the lease as of June 30, 2012, was \$1,750,000.

Radio Lease Payable – On October 1, 2011, the City entered into a lease agreement in the amount of \$1,507,194 with Holman Capital Corporation to acquire 206 hand-held radios and 124 vehicle radios. The City agreed to pay the lease starting on October 11, 2012, in annual payments of \$231,896, which includes interest rate of 1.89%, for 7 years. Balance of the lease as of June 30, 2012, was \$1,507,194.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 6 – Long-Term Debt (Continued)

HUD Section 108 Loan – On January 5, 2006, the City entered into an agreement to borrow \$7,000,000 from the Housing and Urban Development Department. In September 2006, the City drew down \$4,000,000 for the construction of the Alameda Theater Garage Project. In August 2007, the City drew down an additional \$3,000,000 for the same project. Principal and interest payments of both loans are due semi-annually on August and February through 2027. The loan carries a variable interest rate of 20 points above the LIBOR rate. Repayments of the loans are funded by a BEDI (Brownfields Economic Development Initiative) grant, parking garage and retail and cinema lease revenues. The outstanding balance as of June 30, 2012 is \$6,529,000.

Other Loan Payable -- The City entered into a loan with Alameda Municipal Power for the replacement of deteriorated street lights. Through June 30, 2012, Alameda Municipal Power had expended \$627,300 for street light replacement, and the City had made payments of \$602,000. Annual installments of \$40,000 are scheduled until the loan is repaid. At June 30, 2012, the outstanding balance was \$25,300.

Business Activity Debt

Certificates of Participation

1995 Sewer System Refinancing & Improvement Certificates of Participation - On December 14, 1995, the City issued Certificates of Participation in the original principal amount of \$5,850,000, bearing interest at 4.05-5.15%. Of these proceeds, \$5,035,792 of the proceeds plus \$434,355 from the 1988 refunded debt reserves were used to establish an escrow account for principal and interest payments on the 1988 refunded debt through March 1, 1998, and to redeem the 1988 COPs at 103% on March 1, 1998. The remaining \$815,000 of the proceeds was used for Sewer Fund Projects relating to the closure of the Alameda Naval Air Station. The COPs mature on March 1, 2018. The installment payments are made from the net revenues of the Sewer Services Enterprise Fund.

The pledge of future net revenues terminates upon repayment of the \$2,542,932 in remaining debt service on the City's Sewer System Refinancing & Improvement Certificates of Participation Bonds, which is scheduled to occur in 2018. As disclosed in the originating offering documents, projected net revenues are expected to provide coverage over debt service of 1.2 over the life of the Bonds. For fiscal year 2011-12, Sewer Fund revenues, including operating revenues and non-operating interest earnings, amounted to \$7,638,530. Operating costs, including operating expenses and excluding interest, depreciation or amortizations, amounted to \$4,837,748. Net Revenues available for debt service amounted to \$2,800,782 which represented coverage of 6.6 over the \$425,169 in debt service.

Loans Payable

State Construction Loan - On May 2, 1989, the City entered into a loan with the State of California State Water Resources Control Board for \$400,431 at 3.39% interest to construct facilities for the control and prevention of water pollution. The loan is payable from Sewer Service Enterprise Fund operating revenues. The City agreed to make annual payments of \$24,349 through December 1, 2013. The balance as of June 30, 2012, was \$37,243.

State Water Resources Control Board - On February 8, 1996, the City entered into a loan with the State of California State Water Resources Control Board for up to \$2,324,502 at 2.8% interest, of which all has been drawn down. The purpose of the loan is to provide funding to install sanitary sewer facilities. The loan is payable from Sewer Service Enterprise Fund operating revenues. The City agreed to make annual payments of \$154,144 through August 5, 2017. The balance as of June 30, 2012, was \$840,541.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 6 - Long-Term Debt (Continued)

State Revolving Fund Loan 1998 - The City entered into a contract on July 1, 1998, to borrow funds from the State Water Resources Control Board. The funds are being used for a Sewer Replacement Project to replace sewers to correct infiltration and inflow. The maximum loan amount is \$2,292,025, of which all has been drawn down. This loan bears interest at 2.6% per year for a term of twenty years. The balance as of June 30, 2012 was \$938,868.

State Revolving Fund Loan 1999 - The City entered into a contract on September 29, 1999, to borrow funds from the State Water Resources Control Board. The funds are being used for a Sewer Replacement Project to replace sewers to correct infiltration and inflow. The maximum loan amount is \$1,193,529 and bears interest at 2.7% per year for a term of twenty years. The balance as of June 30, 2012, was \$475,538.

State Revolving Fund Loan 2004 - The City entered into a contract on August 12, 2004, to borrow funds from the State Water Resources Control Board. The funds are being used for a Sewer Replacement Project to replace sewers to correct infiltration and inflow. The maximum loan amount is \$1,840,292 and bears interest at 2.6% per year for a term of twenty years. The balance as of June 30, 2012, was \$967,591.

Equipment Purchase Agreements

At June 30, 2012, the City held the following equipment purchase agreements payable. Under the purchase agreements, ownership of the equipment reverts to the City at the end of the purchase agreement terms. Since the purchase agreements are in essence financing arrangements, the costs of the equipment and the amounts of the purchase agreement terms have been included in the City's financial statements.

On April 18, 2001, the City entered into a non-cancelable lease agreement in the amount of \$404,934 with Textron Financial Corporation to acquire certain electric golf equipment. On April 5, 2004, the City traded-in the golf equipment in exchange for a new lease agreement with Textron Financial Corporation in the amount of \$444,077. On July 12, 2007, the City again traded in the golf equipment in exchange for a new non-cancelable lease agreement with Textron Financial Corporation in the amount of \$449,753. Under the new lease agreement the City agreed to pay \$8,879 for 49 months. The balance of the lease was paid off as of June 30, 2012.

On October 15, 2006, the City entered into a lease agreement in the amount of \$200,609 with Wells Fargo Financial Leasing, Inc. to acquire various golf maintenance equipment. The City agreed to pay the lease in monthly payments of \$3,798 for 60 months. The balance of the lease was paid off as of June 30, 2012.

On August 1, 2011, the City entered into a lease agreement in the amount of \$303,722 with Yamaha Motor Corporation, U.S.A., to acquire 120 golf cars. The City agreed to pay the lease in monthly payments of \$7,500, which includes interest, for 48 months. The outstanding balance of the lease agreement as of June 30, 2012, was \$238,997.

E. Alameda Municipal Power Certificates of Participation and Bonds Payable

Revenue Bonds, Series 2010A/B (AMP Refinancing) - As described in an indenture agreement dated August 1, 2010, Revenue Bonds, Series 2010A/B were issued to provide funds, together with certain other available monies, to 1) prepay the obligations of AMP for the Electric System Revenue Certificates of Participation Series 2000A, 2) prepay the obligations of AMP for the Taxable Electric System Revenue Certificates of Participation, Series 2000AT, 3) fund a deposit to the Common



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 6 - Long-Term Debt (Continued)

Reserve Account, and 4) prepay the costs of issuance of the 2010 Bonds. Revenue Bonds, Series 2010A bear interest at 4.375% to 5.25%, payable January 1 and July 1 of each year.

Principal on the Series 2010B Bonds will be payable beginning July 1, 2011 and each succeeding July 1 until defeased in 2027. Principal on the Series 2010A Bonds will be payable beginning July 1, 2027 and each succeeding July 1 until defeased in 2030. The 2010 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. The 2010 Bonds are special obligations payable solely from electric revenues, other amounts held in the bond funds and accounts established pursuant to the indenture, and amounts on deposit in the Common Reserve Account. The initial book-entry principal obligation for the Series 2010A is \$8,700,000 and \$22,985,000 for the Series 2010B. The combined principal obligation amount is \$31,685,000.

This advance refunding was undertaken to reduce debt service payments over the next 20 years by \$17,662,628, and resulted in an economic gain (difference between the present value of the debt service requirements on the old and new bonds discounted at the effective interest rate on the new debt and adjusted for any additional cash) of \$2,308,432. The advance refunding resulted in a deferred amount on refunding of \$1,116,652.

Capital Lease Obligation – On June 1, 2008, Alameda Municipal Power entered into a long-term contract for the lease of a vehicle for maintenance operations use. Total cost of the vehicle was \$176,295 and is due in monthly principal and interest installments of \$2,533 through June, 2015. Accumulated depreciation for the vehicle is \$71,118 as of June 30, 2012.

Capital Lease Obligation – On July 18, 2008, Alameda Municipal Power entered into a long-term contract for the lease of a vehicle for maintenance operations use. Total cost of the vehicle was \$229,168 and is due in monthly principal and interest installments of \$3,347 through July, 2015. Accumulated depreciation for the vehicle is \$96,623 as of June 30, 2012.

Loan from City of Alameda – On December 15, 2003, at the request of the Public Utilities Board, the Alameda City Council authorized a loan of \$2,200,000 to AMP for the purpose of construction of the hybrid fiber-optic/coaxial telecom system. The loan is interest free and was due on June 1, 2009. The City and Alameda Municipal Power are currently negotiating the payment terms for this loan.

Note 7 - Special Assessment Debt Without City's Commitment

Paragon Gateway Community Facilities District #2, Harbor Bay Community Facilities District #1 (Harbor Bay Business Park), and the Alameda Public Financing Authority (Marina Village Assessment District Bond Refinancing), have also issued debt, but the City has no legal written liability with respect to the payment of this debt, which is secured by assessments on the properties in these Districts.

At June 30, 2012, the combined outstanding debt amount for all of these assessment districts was \$16,690,000.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 8 – Net Assets and Fund Balances

Net Assets is measured on the full accrual basis, while Fund Balance is measured on the modified accrual basis.

A. Net Assets

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined at proprietary fund and the Government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and funds restricted for low and moderate housing purposes.

Unrestricted describes the portion of Net Assets which is not restricted to use.

B. Fund Balances

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendables represent balances set aside to indicate items that do not represent available, spendable resources, even though they are a component of assets. Fund balances required to be maintained intact, such as permanent funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment, are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 8 – Net Assets and Fund Balances (Continued)

Committed fund balances have constraints imposed by formal action (through a resolution) of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Manager or its designee and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; Nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 8 – Net Assets and Fund Balances (Continued)

Detailed classifications of the City's Fund Balances, as of June 30, 2012, are below:

Classifications	General Fund	FISC Lease Revenue Special Revenue	Base Reuse Special Revenue	Housing Special Revenue	Capital Improvement Projects	Other Governmental Funds	Total
Nonspendable:							
Items not in spendable form							
Loans	\$2,200,000						\$2,200,000
Advances to other funds	480,000						480,000
Prepays and inventories	5,205					\$8,894	14,099
Total Nonspendable	2,685,205					8,894	2,694,099
Restricted for:							
Capital projects							
Affordable Housing							
Redevelopment activities			\$6,336,922				6,336,922
Streets and roads						8,445,506	8,445,506
Public safety						657,780	657,780
Assessment Districts						6,960,433	6,960,433
Debt service						2,042,021	2,042,021
Total Restricted			6,336,922			18,105,740	24,442,662
Committed to:							
Capital projects	400,000				\$5,114,824	16,969,020	22,483,844
Community Development						598,902	598,902
Culture and recreation						2,110,011	2,110,011
Library Operations						428,658	428,658
Affordable Housing				\$1,278,378			1,278,378
Redevelopment Activities						649,233	649,233
Parking Meter/Garage Operations/Projects						2,962,562	2,962,562
Waste Management						4,943,655	4,943,655
Total Committed	400,000			1,278,378	5,114,824	28,662,041	35,455,243
Assigned to:							
Senior Center Projects	240,065						240,065
Future Operational Costs	74,980						74,980
Total Assigned	315,045						315,045
Unassigned:							
Reserve policy	14,446,594						14,446,594
Residual fund balance in excess of policy	5,171,924						5,171,924
Fund balance deficits		(1,600,776)					(1,600,776)
Total Unassigned	19,618,518	(1,600,776)					18,017,742
Total Fund Balances	\$23,018,768	(\$1,600,776)	\$6,336,922	\$1,278,378	\$5,114,824	\$46,776,675	\$80,924,791



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 8 – Net Assets and Fund Balances (Continued)

C. Fund Balance Deficits

The funds below had fund balance deficits or net asset deficits in the amounts shown at June 30, 2012. Future revenues are expected to offset these deficits.

Special Revenue Fund:	
FISC Lease Revenue	\$1,600,776
Internal Service Fund:	
Workers' Compensation Insurance	3,770,016

Note 9 - Pension Plans

A. CALPERS Safety and Miscellaneous Employees Plans

All Full time City employees are eligible to participate in pension plans offered by the California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan, which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect for fiscal year 2011-12, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	55
Monthly benefits, as a % of annual salary	3.000%	2.000%
Required employee contribution rates	9.000%	7.000%
Required employer contribution rates	38.683% (A)	14.561%

(A) Employees contribute 2% of the total % reported above in addition to their 90% share.

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 9 - Pension Plans (Continued)

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis within twenty years. Investment gains and losses are accumulated as realized; ten percent of the net balance is amortized annually.

The Plans' actuarial value (which differs from market value) and funding progress within the most recently available past three years is set forth below at their actuarial valuation date of June 30:

Safety Plan Actuarial						
Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2009	\$279,456,021	\$211,424,453	\$68,031,568	75.7%	\$21,925,105	310.3%
2010	290,369,467	218,842,250	71,527,217	75.4%	21,251,762	336.6%
2011	308,606,464	227,619,418	80,987,046	73.8%	21,523,174	376.3%

Miscellaneous Plan Actuarial						
Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2009	\$204,998,845	\$180,293,062	\$24,705,783	87.9%	\$30,957,730	79.8%
2010	210,927,819	187,904,871	23,022,948	89.1%	28,225,541	81.6%
2011	222,550,387	197,051,737	25,498,650	88.5%	27,996,755	91.1%

Audited annual financial statements are available from CALPERS at PO Box 942709, Sacramento, CA 94229-2709. CALPERS reports this information approximately eighteen months after the end of its June 30 fiscal year.

Actuarially required contributions for fiscal years 2012, 2011, and 2010, were \$13,449,867, \$12,082,061, and \$10,368,070. The City made these contributions as required, in addition to certain immaterial amounts required as the result of the payment of additional employee compensation.

B. Police and Fire Pension Plans

The City sponsors and administers two single employer defined benefit retirement plans for its police and fire department retirees. Police and fire employees who entered service before 1953 participate in Plan 1079, a closed plan consisting of 29 participants, all of whom are retired employees or beneficiaries. Employees with twenty-five or more years of service receive monthly pension benefits equal to one-half the monthly salary paid to current City employees of the rank held by the retiree one year prior to the date of retirement. Employees retired after ten, but before twenty-five years of service receive monthly pension benefits in the proportion that the number of years service bears to twenty-five. Qualified surviving spouses receive the retirees' monthly pension benefits for life. Upon remarriage, the qualified surviving spouse receives one-half of the retiree's monthly pension benefits. Employees who became disabled from service-related causes receive monthly pension benefits equal to one-half the monthly salary paid to current City employees of the rank held by the disabled employee on the date of their disability, reduced by any workers' compensation benefits received.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 9 - Pension Plans (Continued)

Plan 1082 is a closed plan consisting of two retired employees who receive monthly pension benefits of \$1,435 and \$2,289 respectively, adjusted annually by a maximum of 2% per year cost-of-living adjustment. Upon the death of a retiree, the qualified spouse receives one-half of the retiree's monthly pension benefit for life or until remarriage.

C. Funding Policy and Actuarial Methods

Plans 1079 and 1082 do not have allocated assets as of June 30, 2012. The City's policy is to fund the plans on a pay-as-you-go basis. The annual required contribution equals the greater of:

- 15 year amortization of the unfunded actuarial accrued liability based on the dollar level (see Note 10E below), or,
- actual benefits paid during the year.

The actuarial method used to determine the liabilities were calculated using the Unit Credit Funding Method. The Actuarial Accrued Liability and the Actuarial Present Value of Benefits being paid were determined by multiplying the accrued pension benefits by present value cost of factors based on the applicable actuarial assumptions. Future cost-of-living increases are included in the calculation of the Actuarial Accrued Liability, but not the Actuarial Value of Benefits being paid.

D. Annual Pension Cost

Governmental Accounting Standards Board Statement No. 27 requires the City to determine the plan's annual pension cost based on the most recent actuarial valuation. The annual pension cost equals the plan's annual required contribution, adjusted for historical differences between the annual required contribution and amounts contributed. The actuary has determined the City's annual required contribution as the greater of (a) a 15-year amortization of the unfunded actuarial liability, or (b) actual benefit payments made for the year.

The annual required contribution was determined using an actuarial valuation dated January 1, 2011, using the projected unit credit actuarial cost method. The actuarial assumptions were as follows:

<u>Assumption</u>	
Funding Policy	-- Pay-as-you-go
Interest Rate	-- 4.5%
	-- Net of expenses
	-- Assets in City investments
CPI Increase (Plan 1082)	-- 2%
Salary Increase (Plan 1079)	-- No increase through fiscal year 2012-13
	-- 2% beginning fiscal year 2013-14
Mortality	-- CalPERS 1997-2007 Experience Study



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 9 - Pension Plans (Continued)

For fiscal year ending June 30, 2012, annual pension costs were \$1,900,000 for Plan 1079 and \$62,000 for Plan 1082. Actual contributions made by the City during the year were \$1,913,782 for Plan 1079 and \$44,353 for Plan 1082.

	<u>Plan 1079</u> <u>(000's omitted)</u>	<u>Plan 1082</u> <u>(000's omitted)</u>	<u>Total</u> <u>(000's omitted)</u>
Annual Required Contribution (ARC)	\$1,914	\$75	\$1,989
Interest on Net Pension Obligation	13	11	24
Amortization of Net Pension Obligation	<u>(27)</u>	<u>(24)</u>	<u>(51)</u>
Annual Pension Cost	1,900	62	1,962
Contributions (Benefit Payments)	<u>1,914</u>	<u>44</u>	<u>1,958</u>
(Decrease) Increase in Net OPEB obligations	(14)	18	4
Net Pension Obligation at June 30, 2011	<u>294</u>	<u>254</u>	<u>548</u>
Net Pension Obligation at June 30, 2012	<u><u>\$280</u></u>	<u><u>\$272</u></u>	<u><u>\$552</u></u>

E. Trend Information - Plans 1079 and 1082

The following table provides three years of historical information of the Annual Pension Cost:

Plan 1079:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u> <u>(000's omitted)</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u> <u>(000's omitted)</u>
6/30/2010	\$2,155	101%	\$309
6/30/2011	2,007	101%	294
6/30/2012	1,900	101%	280

Plan 1082:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u> <u>(000's omitted)</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u> <u>(000's omitted)</u>
6/30/2010	\$67	64%	\$234
6/30/2011	63	68%	254
6/30/2012	62	71%	272



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 9 - Pension Plans (Continued)

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
Plan 1079						
1/1/2009	\$0	\$21,447,000	\$21,447,000	0%	N/A	N/A
6/30/2010	0	19,424,000	19,424,000	0%	N/A	N/A
1/1/2011	0	14,141,000	14,141,000	0%	N/A	N/A
Plan 1082						
1/1/2009	\$0	\$826,000	\$826,000	0%	N/A	N/A
6/30/2010	0	817,000	817,000	0%	N/A	N/A
1/1/2011	0	812,000	812,000	0%	N/A	N/A

Audited financial statements are available from the City of Alameda at 2263 Santa Clara Avenue, Room 220, Alameda, California 94501.

F. Other Retirement Systems

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992, be covered by either Social Security or an alternative plan. Effective January 1, 1995, the City contracted with the Public Agency Retirement System (PARS), to maintain a defined contribution plan. This Plan covers part-time, seasonal and temporary employees as well as all employees not covered by another retirement system. All eligible employees, covered by the Plan, are fully vested. Employer liabilities are limited to the amount of current contributions. The City is responsible for determining the provisions of the Plan, directing distributions, and establishing investment policy for the Plan assets.

Under PARS, employees contribute 6% and the City contributes 1.5% of the employee's salary each pay period. For the fiscal year ending June 30, 2012, total contributions of \$211,209 were made based on a total amount of covered compensation of \$2,816,422.

One of the City's part-time employees elected to be covered under Social Security, which requires these employees and the City to each contribute 6.2% of the employees' pay. Total contributions to Social Security during the year ended June 30, 2012, amounted to \$1,710, of which the City paid 50%.

Effective May 3, 2001 the City adopted the PARS Retirement Enhancement Plan for Council-appointed employees as of that date, and the PARS Excess Benefit Plan for two Council-appointed employees as of that date as part of the City Retirement Program. Under the Enhancement Plan, specific appointed employees will be entitled to receive retirement benefits of 3% at age 55, as well as medical and disability benefits upon retirement.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 9 - Pension Plans (Continued)

Effective September 1, 2001, the City adopted a Money Purchase Plan for a limited group of employees and appointees as a part of the City Retirement Program, which includes Alameda Municipal Power. The employees include all department directors. The appointees include the City Manager, City Clerk and the City Attorney. This plan is qualified under Section 401(a) of the Internal Revenue Code. Each participant has a plan account to which contributions were made. Plan benefits are based on the total amount of money in the account at retirement. Since the assets held under these plans are not the City's property and thus are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

Effective beginning in fiscal year 2011-2012 no additional employer or employee contributions are being made to the two plans and no new enrollment in the plan will be allowed.

Note 10 – Post Employment Health Care Benefits

The City provides medical and dental benefits to retirees as specified below under the City of Alameda Other Post Employment Benefit Plan, offered by California Public Employee Retirement Systems (CALPERS), an agent multiple-employer defined benefit healthcare plan. The City is responsible for establishing and amending the funding policy of the Plan. As of January 1, 2011, the latest actuarial study available, there were 551 employees active, 442 employees retired, and 204 employees who are retired but choose not receive benefits for a total of 1,197 participants in the Plan.

Separately issued financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 10 – Post Employment Health Care Benefits (Continued)

The provisions and benefits of the City's Other Post Employment Benefit Plan, in effect at June 30, 2012, are summarized as follows:

Miscellaneous																					
■ Eligibility	<ul style="list-style-type: none"> Retire directly from City under CalPERS Age 50 and 5 years of CalPERS service or disability 																				
■ Medical Benefit	<ul style="list-style-type: none"> PEMHCA Minimum Employer Contribution PEMHCA Minimum Employer Contribution: AB 2544 <ul style="list-style-type: none"> Now 5% of active contribution times years City in PEMHCA Joined PEMHCA in 1992 for all bargaining units \$102.60/month in 2011(95% of 108.00) 112.00/month in 2012 (100% of 112.00) 																				
■ Dental Benefit	<ul style="list-style-type: none"> None 																				
■ Other OPEB	<ul style="list-style-type: none"> No City contribution for vision insurance, life insurance, or Medicare Part B 																				
■ Surviving Spouse Benefits	<ul style="list-style-type: none"> Contribution continues to surviving spouse 																				
■ Pay-As-You-Go Cost (000's)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Fiscal Year</th> <th style="text-align: center;">Medical</th> <th style="text-align: center;">Dental</th> <th style="text-align: center;">Total</th> </tr> </thead> <tbody> <tr> <td>2011/12</td> <td style="text-align: right;">\$2,270</td> <td style="text-align: right;">\$155</td> <td style="text-align: right;">\$2,425</td> </tr> <tr> <td>2010/11</td> <td style="text-align: right;">2,105</td> <td style="text-align: right;">146</td> <td style="text-align: right;">2,251</td> </tr> <tr> <td>2009/10</td> <td style="text-align: right;">1,856</td> <td style="text-align: right;">139</td> <td style="text-align: right;">1,995</td> </tr> <tr> <td>2008/09</td> <td style="text-align: center;">n/a</td> <td style="text-align: center;">n/a</td> <td style="text-align: right;">1,954</td> </tr> </tbody> </table>	Fiscal Year	Medical	Dental	Total	2011/12	\$2,270	\$155	\$2,425	2010/11	2,105	146	2,251	2009/10	1,856	139	1,995	2008/09	n/a	n/a	1,954
Fiscal Year	Medical	Dental	Total																		
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2009/10	1,856	139	1,995																		
2008/09	n/a	n/a	1,954																		

Safety / Appointed Officials																								
■ Medical Benefit	Retired	<1/1/11		≥1/1/11																				
	Hired	<7/1/95	≥7/1/95	≤6/7/11																				
	Benefit	Full Premium for retiree and spouse		Up to higher of Kaiser or Blue Shield Bay area coverage elected up to 2 party																				
				Up to higher of Kaiser or Blue Shield Bay Area for single coverage																				
	Post- Medicare Cap	n/a		Based on Medicare Premiums																				
	PEMHCA minimum if	< 15 YOS (A) (APOA) only	<20 YOS (A) (APOA & APMA)	<5 YOS (A)	< 10 YOS (A)																			
	<ul style="list-style-type: none"> PEMHCA Minimum Employer Contribution: AB 2544 <ul style="list-style-type: none"> Now 5% of active contribution times years City in PEMHCA Joined PEMHCA in 1992 for all bargaining units \$102.60/month in 2011(95% of 108.00) 112.00/month in 2012 (100% of 112.00) 																							
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2008/09	n/a	n/a	1,954																					

(A) Years of service



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 10 – Post Employment Health Care Benefits (Continued)

Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a January 1, 2011, actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.5% investment rate of return; (b) 3% projected annual salary increase; (c) 3.5 of general inflation increase; and (d) a healthcare trend of declining annual increases ranging from 9.4% in 2013 to 5% for years starting 2021. The actuarial methods and assumptions used include techniques that “smooth” the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually, as results are compared to past expectations and new estimates are made about the future. The City’s OPEB unfunded actuarial accrued liability as of June 30, 2011, is being amortized using a 28-year closed amortization period. Assumption changes, plan changes and gains or losses are being amortized using a 15-year closed period.

The City accounts for the OPEB Obligation on an accrual basis. During the fiscal year ended June 30, 2012, the City recorded a Net OPEB Obligation under the Governmental Activities on the Statement of Net Assets, representing the difference between the ARC and actual contributions, as presented below:

Annual Required Contribution (ARC)	\$7,571,000
Interest on Net OPEB Obligation	528,000
Adjustment to ARC	<u>(759,000)</u>
Annual Pension Cost	7,340,000
Contributions made	<u>(2,424,959)</u>
(Decrease) increase in net OPEB obligations	4,915,041
Net OPEB obligation at June 30, 2011	<u>11,720,533</u>
Net OPEB obligation at June 30, 2012	<u>\$16,635,574</u>
Percentage of ARC Contributed	<u>32%</u>

The Plan’s annual OPEB cost and actual contributions for fiscal years ended June 30, 2010, 2011, 2012 are set forth below:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage Of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2010	\$5,793,820	\$1,995,112	34%	\$7,782,572
6/30/2011	6,193,000	2,255,039	36%	11,720,533
6/30/2012	7,340,000	2,424,959	33%	16,635,574

As of June 30, 2012 approximately 502 participants were eligible to receive benefits.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 10 – Post Employment Health Care Benefits (Continued)

The schedule of funding progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits. Trend data from the most recent available actuarial studies is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
1/1/2007	\$0	\$75,377,000	(\$75,377,000)	0.00%	\$55,763,000	(135.2%)
1/1/2009	0	75,850,000	(75,850,000)	0.00%	59,678,000	(127.1%)
1/1/2011	0	86,416,000	(86,416,000)	0.00%	47,314,000	(182.6%)

Note 11 - Risk Management

The City and Alameda Municipal Power manage risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

A. Risk Coverage

The City and Alameda Municipal Power are members of the California Joint Powers Risk Management Authority (CJPRMA), which covers general liability claims. The City and Alameda Municipal Power have self-insured retention of \$500,000 per claim. Once the self-insured retention is met, CJPRMA becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2012, the City contributed \$580,742 for coverage during the current year.

The City and Alameda Municipal Power are members of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) which covers workers' compensation claims up to statutory limits. The City and Alameda Municipal Power have self-insured retention of up to \$350,000 per claim. During the fiscal year ended June 30, 2012, the City and Alameda Municipal Power contributed \$674,754 and \$267,468 respectively, for current year coverage.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 11 - Risk Management (Continued)

The following types of loss risks are covered by the above authorities under the terms of their respective joint-powers agreements and through commercial insurance policies as follows:

Type of Coverage	Coverage Limits	
	City	Alameda Municipal Power
Liability	\$40,000,000	\$40,000,000
Auto - Physical damage	\$5,000,000	Actual cash value
Workers' Compensation	Statutory	Statutory w/ \$5,000,000 in Employer's Liability
All Risk Fire & Property except earthquake and flood	Replacement Cost	Replacement Cost
Boiler & Machinery	\$21,250,000	Replacement Cost
Terrorism	\$10,000,000	\$10,000,000
Vessel	\$1,000,000	N/A



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 11 - Risk Management (Continued)

B. Insurance Internal Service Funds

The Governmental Accounting Standards Board (GASB) requires municipalities to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims.

The City's liability for uninsured general liability claims, including claims incurred but not reported, is reported in the City's Risk Management Insurance Internal Service Fund. The liability is based on an independent actuarial study prepared annually and was computed as follows for the years ended June 30:

	2012	2011
Beginning balance	\$1,288,448	\$1,176,809
Liability for current fiscal year claims	195,504	381,575
Increase (decrease) in estimated liability for prior year claims	66,289	(123,757)
Claims paid in current year	<u>(34,587)</u>	<u>(146,179)</u>
Ending balance	<u>\$1,515,654</u>	<u>\$1,288,448</u>
Current portion	<u>\$34,587</u>	<u>\$146,179</u>

The change in the Workers' Compensation Insurance Internal Service Fund's claims liability, including claims incurred but not reported, as estimated by the City's Risk Manager, is based on historical trend information provided by its third party administrators and was computed as follows at June 30:

	2012	2011
Beginning balance	\$6,142,687	\$6,279,974
Liability for current fiscal year claims	1,350,519	1,479,771
Increase (decrease) in estimated liability for prior year claims	1,982,137	2,043,102
Claims paid in current year	<u>(2,508,117)</u>	<u>(3,660,160)</u>
Ending balance	<u>\$6,967,226</u>	<u>\$6,142,687</u>
Current portion	<u>\$2,508,117</u>	<u>\$3,660,160</u>

The City's claims settlements have not exceeded insurance coverage for the past three fiscal years.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 12 – Alameda Municipal Power Joint Ventures

A. General

AMP participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these JPAs exercise full powers and authorities within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the JPAs are not those of AMP and the other participating entities unless assumed by them.

Each JPA is governed by a board consisting of representatives from each member agency. Each board controls the operations of its respective JPA, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on the board.

AMP is a member of NCPA, a joint powers agency which operates under a joint powers agreement among 18 public agencies. The purpose of NCPA is to use the combined strength of its members to purchase, generate, sell and interchange electric energy and capacity through the acquisition and use of electrical generation and transmission facilities, and to optimize the use of those facilities and the member's position in the industry. Each agency member has agreed to fund a pro rata share of certain assessments by NCPA and certain members have entered into take-or-pay power supply contracts with NCPA. While NCPA is governed by its members, none of its obligations are those of its members unless expressly assumed by them.

Amounts paid by AMP to NCPA during the years ended June 30, 2012 and 2011 for purchased power were \$25,878,402 and \$25,159,235, respectively. Amounts paid include payments for NCPA invoiced amounts received directly by NCPA from the Certificates of Participation 2000AT trustee. Additionally, purchased power was reduced by a refund of \$1,260,883 and \$1,289,824 for power exchange distribution and budget settlement monies returned to the NCPA General Operating Reserve (GOR), for the fiscal year ended June 30, 2012 and 2011, respectively.

AMP receives no income from NCPA, and does not participate in all of its projects. Further, NCPA does not measure or determine AMP's equity in NCPA as a whole. NCPA reports only AMP's share of its General Operating Reserve, comprised of cash and investments, and AMP's share of those projects in which AMP is a participant. These amounts are reflected in the financial statements as share of Certain NCPA Projects and Reserve.

These changes in AMP's share in NCPA projects and reserve are set forth below:

	Fiscal Year Ended June 30	
	2012	2011
Beginning balance	\$15,998,430	\$24,224,505
Increase in equity in NCPA projects	784,329	(8,226,075)
Ending balance	<u>\$16,782,759</u>	<u>\$15,998,430</u>



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 12 – Alameda Municipal Power Joint Ventures (Continued)

AMP's interest in NCPA Projects and Reserve, as computed by NCPA, is set forth below.

	June 30	
	2012	2011
General Operating Reserve	\$14,233,970	\$12,271,583
Purchased Power & Transmission	128,128	390,333
Associated Member Services		
Alameda Municipal Power's share of NCPA		
Power Projects:		
Geothermal Projects/Power Line	2,137,422	2,400,624
Calaveras Hydroelectric Project	654,484	502,271
Combustion Turbine Project No. 1	(359,486)	127,141
Combustion Turbine Project No. 2	(11,759)	306,478
	<u>\$16,782,759</u>	<u>\$15,998,430</u>

The General Operating Reserve represents AMP's portion of funds which resulted from the settlement in prior years of issues with financial consequences and reconciliations of several prior years' budgets for programs. These funds are available on demand and earn interest, but AMP has left them with NCPA as a reserve against contingencies identified by NCPA.

Members of NCPA may participate in an individual project of NCPA without obligation for any other project. Member assessments collected for one project may not be used to finance other projects of NCPA without the member's permission.

B. *Projects in which Alameda Municipal Power is a Participant*

Geothermal Projects

A power purchase agreement with NCPA obligates AMP for 17.05407% of the debt service for two NCPA 110-megawatt geothermal steam powered generating plants, Plant Number 1 and Plant Number 2, located in the Geysers area in Northern California. AMP is obligated to pay 16.8825% of the operating costs of both plants. NCPA continues to pursue alternatives for improving and extending steam field reservoir performance, including supplemental water reinjection, plant equipment modifications, and changes in operating methodology. NCPA has increased steam production in the vicinity of reinjection wells and has evaluated a number of alternatives to increase water reinjection at strategic locations. Effective April 1, 2010, Turlock Irrigation District withdrew as an NCPA participant.

In 1993, NCPA issued the 1993 Refunding Series A and B for \$254,530,000. In 2009, NCPA issued the Refunding Series A for \$35,610,000 to improve the Unit 4 steam path, provide for the Middletown booster pump solar project, provide for the Southeast Treatment plant solar project, make a contribution to the Debt Service Reserve Account, and to pay the cost of issuance of the 2009 Series A bonds.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 12 – Alameda Municipal Power Joint Ventures (Continued)

AMP is obligated to pay its contractual share of the debt until it is fully satisfied, regardless of resulting cost or availability of energy. At June 30, 2012, the book value of this Project's plant, equipment and other assets was \$90,745,161 while its long-term debt totaled \$32,326,753 and other liabilities totaled \$45,757,832. AMP's share of the Project's long-term debt and other liabilities amounted to \$13,316,600 at that date.

Calaveras Hydroelectric Project

NCPA contracted to finance, manage, construct, and operate Hydroelectric Project Number One for the licensed owner, Calaveras County Water District. In exchange, NCPA has the right to the electric output of the project for 50 years from February 1982 and also has an option to purchase power from the project in excess of the District's requirements for the subsequent 50 years, subject to regulatory approval. Debt service payments to NCPA began in February 1990 when the project was declared substantially complete and power was delivered to the participants.

During fiscal year 2009, NCPA reduced its obligations on the 1992 Refunding Series A Serial by ~\$7,105,000 and reduced its 1993 Refunding Series A Serial obligations by \$260,000. In March 2008, NCPA issued the 2008 Refunding Series A for \$85,160,000 and the 2008 Taxable Refunding Series B for \$3,165,000 in variable rate demand bonds for the purpose of providing funds, together with other available moneys, to refund a portion of outstanding Hydroelectric Project Number One Revenue Bonds, 1998 Refunding Series A and to pay costs of issuance of the 2008 Bonds and other costs relating to the refunding of the refunded 1998 Bonds. The refunding was done in order to realize debt service savings under the 2004 Swap Agreement.

Additionally, in response to credit market upheavals and to ensure debt service certainty, in July 2008 the Agency refunded (or purchased from the liquidity providers) the 2002 Hydroelectric Refunding Revenue Bonds Series A & B and the 2003 Hydroelectric Refunding Revenue Bonds Series A & B with outstanding principal of \$140,200,000. The associated interest rate swaps were terminated on July 9, 2008. The refunding was completed through the issuance of \$128,005,000 fixed rate tax exempt debt (2008 Series C) and \$9,505,000 fixed rate taxable debt (2008 Series D). The payment of principal and interest on these issues are covered by financial guaranty insurance policies issued by Assured Guaranty. In 2010, the NCPA issued the 2010 Refunding Series A for \$101,260,000 and 2010 Refunding Series B obligations for \$8,025,000 for the purpose of providing funds to refund the Refunded 1998 Bonds, to deposit the respective 2010 Series debt service reserve account and to pay the cost of issuance of the 2010 bonds.

Under its power purchase agreement with NCPA, AMP is obligated to pay 10.9774% of this Project's debt service and operating costs. The project entitlement share on the Hydroelectric Projects funded with the 2009 Refunding Series C and 2008 Taxable Refunding Series D obligations is 10%. At June 30, 2012, the book value of this Project's plant, equipment and other assets was \$428,444,545, while its long-term debt totaled \$359,901,570 and other liabilities totaled \$61,998,123. AMP's share of the Project's long-term debt and other liabilities amounted to \$42,189,969 at that date.



**City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012**

Note 12 – Alameda Municipal Power Ventures (Continued)

Combustion Turbine Project No. 1

In October 1984, NCPA financed a five-unit, 125-megawatt combustion turbine project. The project, built in three member cities including Alameda, began full commercial operation in June 1986 and provides reserve and peaking power. In December 1998, NCPA issued \$43,165,000 in fixed rate revenue bonds, the proceeds of which were used to refund outstanding revenue bonds and to pay costs of issuance of the debt. Under the NCPA power purchase agreement, AMP is obligated to pay 13.092% of this Project's debt service and operating costs. During August 2010, phase 2 of the First Amendment to the Agreement finalized the transfer of ownership of two NCPA electricity generating units to the City of Roseville due to a misalignment of ISO control areas. The transfer reduced the generation output of the project to 74 MW, and increased the entitlement share to 21.82%. Although AMP's project percentage share increases, its resulting generating capacity entitlement remains constant at 16.05 MW. At June 30, 2012, the book value of this Project's plant, equipment and other assets was \$1,297,021 while its long-term debt totaled \$0, and other liabilities totaled \$2,944,528. AMP's share of the Project's long-term debt and other liabilities amounted to \$642,496 at that date.

Combustion Turbine Project No. 2 (Steam Injected Gas Turbine Project)

AMP is a participant in NCPA's 49.8 megawatt Steam Injected Gas Turbine (STIG) project which was built under turnkey contract near the City of Lodi and declared substantially complete on April 23, 1996. In October 1992, NCPA issued \$152,320,000 of Multiple Capital Facilities Revenue Bonds to finance this project, a similar project for the Turlock Irrigation District in Ceres, and Lodi distribution system facilities. In January 1999, NCPA issued \$67,875,000 in fixed rate revenue bonds to refund a portion of outstanding Capital Facilities Bonds and to pay debt service (consisting of interest only) on the 1999 Bonds through August 1, 2002 and a portion of the interest due on the 1999 Bonds on February 1, 2003, and to pay costs of the issuance of the debt. In 2010, the NCPA issued 2010 Refunding Series A Bonds for \$55,120,000 for the purpose of providing funds to refund all of the Refunded 1999 Bonds, to fund a deposit to the 2010 Series debt service reserve account and to pay cost of issuance of the 2010 Series A Bonds. Under the NCPA power purchase agreement, AMP is obligated to pay 19.00% of the debt service and operating costs for the STIG project.

AMP's participation in procurement of natural gas for fuel for existing and new combustion turbine units was approved in 1993. Although there is currently no additional debt financing, AMP and NCPA have committed to long-term payments for gas transmission pipeline capacity, and entered a purchase contract for natural gas. AMP is obligated to pay 19.0%.

At June 30, 2012, the book value of this Project's plant, equipment and other assets was \$56,340,574 while its long-term debt totaled \$50,314,466 and other liabilities totaled \$6,088,001. AMP's share of the Project's long-term debt and other liabilities amounted to \$10,716,469 at that date.

Graeagle Hydroelectric Project

AMP's participation in this small hydroelectric project was approved in 1993. Although this project does not involve any financing, it does involve a long-term contractual commitment to purchase the power produced by the project through January 2010. AMP receives 50% of the power output from this hydroelectric project. After January 1, 2010, AMP will receive 100% of the output from this small hydroelectric project.



**City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012**

Note 12 – Alameda Municipal Power Ventures (Continued)

Western Area Power Administration

AMP has an allocation of power from the Federal Central Valley Project generating resources contracted through the U.S. Department of Energy's Western Area Power Administration. This allocation has been temporarily assigned to NCPA for scheduling and delivery to AMP. AMP pays 1.08075% of the base resource costs and receives that amount of the base resources, which is the amount of power generated in one federal fiscal year.

Other Power Purchase Agreements

AMP has also entered into a number of other power purchase agreements which are scheduled by or through NCPA.

- ***Morgan Stanley Power Purchase Contract***

In April 2002, AMP entered into a contract with Morgan Stanley Capital Group (MSCG) for the delivery of power. From January 1 through March 31 and from October 1 through December 31 during each of the calendar years 2005-2014, MSCG has agreed to deliver 15 megawatts of firm power 24-hours per day.

- ***Highwinds Project Power Purchase***

In December 2004, AMP entered into a long-term power purchase agreement with PPM Energy, Inc. for power supplied by the Highwinds Project in Solano County, California. In 2008, Iberdrola Renewables succeeded PPM Energy as the seller counterparty for this power purchase agreement. AMP receives 6.17% of the output of the 162 megawatt project (nameplate rating) or 10 megawatts through June 30, 2028.

- ***Landfill Gas Projects Power Purchase***

Since 2004, AMP has entered into four long-term power purchase agreements for power supplied by multiple generating facilities. These facilities utilize combustible gaseous emissions from landfills, located in or near the San Francisco Bay area to create power. AMP began receiving nearly 4 megawatts of base-load power from the first 2 facilities in early 2006. An additional 5.2 megawatts of base-load output was added to AMP's portfolio in April 2009 when the Ox Mountain facility commenced operation. An additional 1.9 megawatts of power was added to AMP's portfolio as the Keller Canyon facility commenced base-load operation in August 2009.

California Electric Industry Restructuring

In September 1996, the California State legislature signed into law Assembly Bill 1890 (AB 1890) deregulating the electric power supply market and restructuring the electric power industry in California. While the majority of the legislation was directed at investor-owned utilities (IOUs), AMP and other California publicly owned utilities were greatly affected by the restructuring of markets and the ensuing wide fluctuations in prices that resulted from a deficiency in generating capacity, including an immature and flawed market structure. Because AMP has its own generating resources and is not heavily dependent on the wholesale market to purchase power, it was not negatively impacted by these price swings.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 12 – Alameda Municipal Power Ventures (Continued)

In April 2008, the California Independent System Operator (CAISO) launched a new wholesale market structure in the state. The new structure is referred to as the Market Redesign and Technology Upgrade (MRTU) initiative and features day-ahead energy market with a nodal locational marginal priority regime. The MRTU initiative has introduced new risks and uncertainties for AMP. To establish the extent of the risk and identify its impact to rates, AMP is closely monitoring the new structure's performance and costs.

NCPA plays an active role in protecting members' contractual rights in Federal Energy Regulatory Commission (FERC), California Public Utilities Commission (CPUC), and other legislative/regulatory proceedings. Priorities related to industry restructuring include the preservation of local control authority for publicly owned utilities, assuring open and fair access to wholesale markets and the transmission grid, and maintaining members' preference access to power from the Central Valley Project and Western Area Power Administration.

NCPA Financial Information

NCPA's financial statements can be obtained from NCPA, 651 Commerce Drive, Roseville, CA 95678.

Transmission Agency of Northern California (TANC)

AMP is a member of a joint powers agreement with fourteen other entities in TANC. TANC's purpose is to provide electrical transmission or other facilities for the use of its members. While governed by its members, none of TANC's obligations are those of its members unless expressly assumed by them. According to the 1985 Project Agreement with TANC for the development of the COTP and subsequent related project agreements, AMP is obligated to pay its share of the project's costs, including debt service and is entitled to the use of a percentage of the project's transmission or transfer capacity.

AMP was obligated to pay 1.333% of TANC's debt-service related to the California-Oregon Transmission Project (COTP). AMP entitlement share on COTP is 1.227% and is obligated to pay 1.227% of the project's operating costs. AMP's share on the 2009 Series A bonds is 1.4496%. AMP is not obligated for any portion of the 2009 Series B bonds.

These obligations provide AMP with a COTP transfer capability of 17.05 MW. AMP is also obligated to pay for a portion of the debt associated with the South of Tesla transmission which is provided under an agreement between TANC and Pacific Gas & Electric Company.

In May 2009, TANC issued \$67.0 million of tax-exempt 2009 Series A bonds and \$6.18 million of taxable 2009 Series B bonds. The proceeds of the Series A bonds were used to retire a bank loan that refinanced \$30.3 million of TANC's tax-exempt commercial paper and also to refund \$34.7 million of TANC's 2003 Series C Auction Rate Securities. The proceeds of the Series B bonds were used to retire a bank loan that refinanced \$56.3 million of TANC's taxable commercial paper. The 2009 refunding increased future aggregate debt service payments by \$19.3 million, but resulted in a total economic gain of \$6.5 million, the difference between present value of the old and new debt service payments. TANC has issued Revenue Bonds for \$435,790,000 and eliminated its obligations for the Tax Exempt Commercial Paper notes. As of June 30, 2012 and 2011, AMP's share of this debt is \$4,456,433 and \$4,670,313, respectively.

TANC Financial Information

TANC's financial statements can be obtained from TANC, P.O. Box 15129, Sacramento, CA 95851 or from their website at <http://www.tanc.us/content/blogsection/10/70/>.



**City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012**

Note 13 - Commitments and Contingencies

A. *City and Successor Agency*

The Successor Agency, through the former CIC, has an agreement extending through 2014 under which it refunds a portion of Alameda Marina Village Assessment District Property Tax Increments to the Alameda Marina Village property owners as a partial offset of their assessment liability. These refunds are accounted for in the Successor Agency's financials.

The City participates in several Federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act amendments of 1996 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 which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

B. *Alameda Municipal Power*

Commitments

i) Take or Pay Agreements

Under the terms of its NCPA and TANC joint venture agreements, AMP is liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements, as discussed in Notes 8 and 9. AMP's estimated share of such debt outstanding at June 30, 2012 was \$95,792,000. Under certain circumstances, AMP may also be responsible for a portion of the costs of operating these entities. Under certain circumstances, such as default or bankruptcy of other participants, AMP may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants. These "step up" provisions are generally capped at a 25 percent increase.

ii) Lease Agreement with Alameda Reuse and Redevelopment Authority

In June 2009, AMP entered into two lease agreements with the Alameda Reuse and Redevelopment Authority. The lease terms for each agreement are for two years beginning June 1, 2009 and expiring on May 30, 2011. In May 2011, AMP approved one year extensions to both lease agreements, with new expiration dates of May 30, 2012. AMP will continue to occupy the premises for minimum monthly payments of \$1,083 and \$11,103 respectively.

Contingent Liabilities

i) Lawsuits and Litigation

AMP is a defendant in a number of lawsuits which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, the outcome of these actions cannot be predicted with certainty. In the opinion of the City Attorney, the outcome of these actions will not have a material adverse effect on the financial position of AMP.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 13 - Commitments and Contingencies (Continued)

ii) Vectren Communications Services

In June, 2008, AMP, along with the City of Alameda, was named as a defendant in a suit filed by Vectren Communication Services, Inc. in the United States District Court for the Northern District of California. Vectren's suit alleges that the City breached its obligation under the 2004 Installment Sale Agreement to manage the Telecom System properly and to charge appropriate rates, resulting in the non-payment of installments from net telecom revenues totaling \$6.3 million, plus accrued interest at the 9% default rate, for total damages of approximately \$10 million. Vectren amended its complaint in early 2009 to allege an additional breach of contract claim, based upon AMP's sale of the Telecom System to Comcast in November 2008, without Vectren's consent. Fact discovery in the case is now complete, and the case proceeded to a jury trial in February and March 2010, following which the jury returned a verdict in Vectren's favor for \$1.95 million. Both sides have filed post-trial motions for judgment as a matter of law, which were argued in July 2010 and remain under submission with the Court. In addition to the jury award, Vectren claims costs of suit against AMP totaling approximately \$115,000. On August 4, 2010, the Court Clerk reduced Vectren's costs bill to \$79,688. Both sides appealed the jury verdict and denial of post-trial motions with the 9th Circuit Court of Appeals. Oral argument of the appeals is scheduled for January 18, 2013.

iii) Nuveen Municipal High Income Opportunity Fund

On October 1, 2008, the City of Alameda filed an action for declaratory relief in the United States District Court for the Northern District of California against the Nuveen Municipal High Income Opportunity Fund, the Nuveen Municipal Trust on behalf of its series Nuveen High Yield Municipal Bond Trust, and Pacific Specialty Insurance Co. (Nuveen), in response to Nuveen's threats of litigation. This action arises out of the AMP's issuance in 2004 of \$33 million in Revenue Bond Anticipation Notes to refinance existing obligations and provide funds for completion of the Telecom System. On October 16, 2008, Nuveen filed a counter claim against AMP alleging violations of state and federal securities law, arising from the City's issuance of the Notes, seeking damages which Nuveen alleges to exceed \$11 million. In response to AMP's motion to dismiss, Nuveen amended its counterclaim on May 29, 2009, and discovery has now commenced.

A preliminary settlement conference was conducted on October 28, 2009, a second settlement conference in March 2010, and further settlement conference on July 20, 2010. Fact discovery was completed on October 15, 2010. AMP filed summary judgment motion in January 2011 against Nuveen, which was granted on May 16, 2011 on all claims. AMP has since filed motion for recovery of defense costs totaling \$2.3 million which the court denied. AMP appealed and filed bill of costs seeking \$132,000 in litigation expenses, Court awarded \$91,516 in costs in AMP's favor and against Nuveen and Osher jointly and severally.

Pending any appeals, no assurances can be given and no determination can be made at this time as to the outcome of Nuveen's claims; however, AMP and the City Attorney believe there are meritorious defenses to all of the above claims and that any liability which may finally be determined should not have a material adverse effect on AMP's financial position, results of operations or cash flows.



**City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012**

Note 13 - Commitments and Contingencies (Continued)

iv) Bernard Osher Trust

On April 1, 2009, a lawsuit was filed against the City/AMP, also arising from issuance of the 2004 Revenue Bond Anticipation Notes, by Bernard Osher Trust (Osher). Similar to the Nuveen action, Osher alleges violations of state and federal securities laws arising from issuance of the Notes. Osher claims damages of approximately \$4.7 million. A preliminary settlement conference was conducted on October 28, 2009, a second settlement conference in March 2010, and further settlement conference on July 20, 2010. Fact discovery was completed on October 15, 2010. On September 28, 2010 and in January 2011, the City filed a motion for summary judgment on all of Osher's claims against it. This motion was granted on all claims on May 16, 2011; consequently, the City has filed a motion for recovery of defense costs, totaling \$1.5 million which the court denied.

Pending any appeals, no assurances can be given and no determination can be made at this time as to the outcome of Oshers' claims; however, AMP and the City Attorney believe there are meritorious defenses to all of the above claims and that any liability which may finally be determined should not have a material adverse effect on AMP's financial position, results of operations or cash flows.

Note 14 – Redevelopment Agency Dissolution and Successor Agency Activities

A. *Redevelopment Dissolution*

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except action required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

In addition, ABx1 26 and AB1484 direct the State Controller to review the activities of all redevelopment agencies and successor agencies to determine whether an asset transfer between the agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller's Office has scheduled, but not yet completed its asset transfer review.

Effective January 31, 2012 the Community Improvement Commission (CIC) was dissolved. Certain assets of the CIC Low and Moderate Income Housing Fund were distributed to a Housing Successor; and all remaining CIC assets and liabilities were distributed to a Successor Agency.

Under provisions of AB1484 the Housing Authority of the City of Alameda elected to become the Housing Successor. On July 31, 2012 certain housing assets were transferred from the Successor Agency to the Housing Authority, which has been recorded as a payable to the Housing Authority in the amount of \$19,902,771.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 14 – Redevelopment Agency Dissolution and Successor Agency Activities (Continued)

The City elected to become the Successor Agency and on February 1, 2012 the CIC's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including the City Manager and one former CIC employee appointed by the Mayor.

The activities of the Successor Agency are reported in the Successor Agency Private Purpose Trust Fund as the activities are under control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former CIC.

A summary of the CIC's assets distributed to and liabilities assumed by the Successor Agency and Housing Successor, reported as an Extraordinary Item is presented below:



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 14 – Redevelopment Agency Dissolution and Successor Agency Activities (Continued)

	Beginning Balance January 31, 2012 (Prior to transfer)	Transfer to Successor Agency Private-Purpose Trust Funds	Transfer to Affordable Housing Authority (A)	Other Adjustments	Balance February 1, 2012
ASSETS					
Current assets:					
Cash and investments	\$13,166,774	(\$10,537,592)	(\$2,629,182)		\$ -
Total current assets	13,166,774	(10,537,592)	(2,629,182)		-
Noncurrent assets:					
Restricted cash and investments	14,652,440	(9,998,052)	(4,654,388)		-
Notes receivable	13,477,177		(13,477,177)		-
Advance to other funds	808,781		(808,781)		-
Total noncurrent assets	28,938,398	(9,998,052)	(18,940,346)		-
Total Assets	42,105,172	(20,535,644)	(21,569,528)		-
LIABILITIES					
Current liabilities:					
Account Payable	158,200	(77,668)	(80,532)		-
Accrued Payroll	9,282	(9,282)			-
Deferred Revenue	13,477,177			(13,477,177) (B)	-
Pass-through Obligations	8,126,410	(3,546,157)	(4,580,253)		-
Interest payable	1,222,682	(1,222,682)			-
Long-term debt - due within one year	645,000	(645,000)			-
Total current liabilities	23,638,751	(5,500,789)	(4,660,785)	(13,477,177)	-
Noncurrent liabilities:					
Advance from Other Funds	808,781	(808,781)			-
Advances from the City of Alameda	4,258,995			(4,258,995) (C)	-
Long-term debt - due in more than one year	79,357,717	(72,828,717)		(6,529,000) (D)	-
Total noncurrent liabilities	84,425,493	(73,637,498)		(10,787,995)	-
Total Liabilities	108,064,244	(79,138,287)	(4,660,785)	(24,265,172)	-
NET ASSETS (Transferred)	(\$65,959,072)	\$58,602,643	(\$16,908,743)	\$24,265,172	-

(A) Assets/liabilities were not transferred to the Housing Authority until July 2012. See Note 14A.

(B) Deferred revenue associated with the loans receivable on the original balances of the loans was reversed.

(C) Advances were written off as the State determined they were not eligible for reimbursement.

(D) The City determined that the HUD Section 108 Loan was not to be transferred to the Successor Agency.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 14 – Redevelopment Agency Dissolution and Successor Agency Activities (Continued)

Cash and investments of the Successor Agency as of June 30, 2012 are discussed in Note 2. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2012.

In addition to the above amounts, as discussed in Note 3B the CIC had two interfund advances from the City which have been written off as a result of the implementation of ABx1 26.

B. Loans Receivable

Upon dissolution of the CIC, all loans receivable were transferred to the Successor Agency from the former CIC as of February 1, 2012. The balances of the notes receivable were as follows:

Shinsei Garden Apartments, LP	\$1,411,187
Alameda Islander, LP	8,600,000
Satellite Housing Inc./ Housing Consortium	1,400,000
The Breakers at Bayport	1,408,790
First Time Homebuyers	87,200
Alameda Development Corporation	<u>570,000</u>
Total	<u>\$13,477,177</u>

Since these loans are considered housing assets under the California Health and Safety Code on July 31, 2012, these loans were transferred to the Housing Authority of the City of Alameda, the Housing Successor of the CIC.

C. Long-Term Debt

The Successor Agency assumed the long-term debt of the Redevelopment Agency as of February 1, 2012.

Current Year Transaction and Balances

	Transfer from Community Improvement Commission as of February 1, 2012	Retirements	Balance June 30, 2012	Due within one year	Due more than one year
2003 Tax Allocation Refunding Bonds, Series	\$16,500,000	\$505,000	\$15,995,000	\$525,000	\$15,470,000
2003 Tax Allocation Bonds, Series A1, A2 & B	45,990,000	105,000	45,885,000	1,065,000	44,820,000
2011 Tax Allocation Bonds, Series A & B	10,740,000		10,740,000		10,740,000
Discount	<u>(121,283)</u>		<u>(121,283)</u>		<u>(121,283)</u>
Total Bonds	<u>73,108,717</u>	<u>610,000</u>	<u>72,498,717</u>	<u>1,590,000</u>	<u>70,908,717</u>
2006 CRA/ERAF Loan Program	<u>365,000</u>	<u>35,000</u>	<u>330,000</u>	<u>75,000</u>	<u>255,000</u>
Total	<u>\$73,473,717</u>	<u>\$645,000</u>	<u>\$72,828,717</u>	<u>\$1,665,000</u>	<u>\$71,163,717</u>



**City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012**

Note 14 – Redevelopment Agency Dissolution and Successor Agency Activities (Continued)

2003 Community Improvement Commission Tax Allocation Refunding Bonds

On October 1, 2003, the Community Improvement Commission issued Tax Allocation Refunding Bonds related to the Business and Waterfront Improvement Area in the principal amount of \$18,535,000, with Series 2003 C issued in the amount of \$17,510,000 and Series 2003 D in the amount of \$1,025,000. The proceeds were used to retire the 2002 Financing Authority Variable Rate Revenue Bonds. The Bonds are payable from tax increment revenues receivable by the Project Area. Principal is payable annually on February 1, with interest payable semi-annually on February 1 and August 1 through February 2032. The interest rates on the bonds vary from 2% to 4.75%. The outstanding balance as of June 30, 2012 was \$15,995,000.

2003 Community Improvement Commission Tax Allocation Bonds

On December 1, 2003, the Community Improvement Commission issued Series 2003 A1 and A2 Tax Allocation Bonds in the principal amount of \$37,390,000 and Series 2003 B Subordinated Tax Allocation Bonds in the principal amount of \$9,205,000, for a total original principal amount of \$46,595,000, for the Commission's merged improvement areas. The proceeds were used to finance certain redevelopment projects, to repay a loan of \$2,200,000 for the project area, and to finance \$12,200,000 of demolition costs incurred in the project area. The Series 2003 A1 and A2 are secured by a pledge of certain tax increment revenues for the Merged Project Area. The Series 2003 B are secured by a subordinate pledge of tax revenues. Interest is payable semiannually on March 1 and September 1 through 2033; principal is payable annually on March 1 through 2033. The interest rates on the bonds vary between 2 to 6.25%. The outstanding balance as of June 30, 2012 was \$45,885,000.

2011 Community Improvement Commission Tax Allocation Bonds

On May 1, 2011, the Community Improvement Commission issued Series 2011 A Subordinated Tax Allocation Housing Bonds in the principal amount of \$9,870,000 and Series 2011 B Subordinated Tax Allocation Housing Bonds in the principal amount of \$1,165,000, for a total original principal amount of \$11,035,000, for the Commission's merged improvement areas. Proceeds from the sale of the Bonds will be used to (a) finance certain housing activities of the Agency, (b) refinance the obligations of the Agency under a 1992 Loan Agreement, (c) make a deposit to the Reserve Account for the Bonds in an amount equal to the initial Reserve Requirement, and (d) pay the costs of issuing the Bonds. The Series 2011 A and B are secured by a subordinate pledge of tax revenues. Principal and interest are payable annually on September 1 through 2041. The interest rates on the bonds vary between 2 to 8.5%. The bond was issued with \$125,326 discount. The outstanding balance as of June 30, 2012 was \$10,861,283, net of discount.

With the dissolution of the CIC discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. In addition, under the provisions of the laws dissolving the CIC, the Successor Agency only receives the funds necessary to fulfill its approved obligations. Using both property taxes received by the CIC prior to the dissolution and by the Successor Agency after the dissolution total collections were \$12,400,583 which represented coverage of 2.09 of the \$5,946,271 of debt service.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 14 – Redevelopment Agency Dissolution and Successor Agency Activities (Continued)

ERAF Loan Program

In April 2007, the Community Improvement Commission borrowed \$695,000 from the California Statewide Communities Development Authority to pay for Educational Revenue Augmentation Fund (ERAF) payments due to Alameda County. Both principal and interest payments are made semiannually on November and March through March 2016. The loan carries a 6% interest rate. The outstanding balance as of June 30, 2012 was \$330,000.

Annual debt service requirements are shown below:

For the Year Ending June 30	Principal	Interest
2013	\$1,665,000	\$4,303,083
2014	1,755,000	4,227,970
2015	1,850,000	4,141,920
2016	1,955,000	4,049,896
2017	1,965,000	3,948,043
2018-2022	11,945,000	18,058,067
2023-2027	16,445,000	14,304,205
2028-2032	23,140,000	8,761,889
2033-2037	9,800,000	2,528,875
2038	2,430,000	568,651
Less Discount:	<u>(121,283)</u>	
Total	<u>\$72,828,717</u>	<u>\$64,892,599</u>

D. State Asset Transfer Review

The activities of the former CIC and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller's Office will be conducting a review of the propriety of asset transfers between the former CIC or the Successor Agency and any public agency that occurred on or after January 1, 2011 and the amount, if any, of assets that may be required to be returned to the Successor Agency cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

E. State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.



City of Alameda
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

Note 15 – Subsequent Events

A. Long-Term Debt Subsequent to Year End

On September 18, 2012, the City approved the issuance of 2012 Sewer Revenue Bonds to finance and refinance improvements to the City's municipal sewer system. The principal amount of the Bond was \$14,715,000 and final maturity date of the Bonds is March 1, 2042. A portion of the proceeds from the issuance will also be used to refund the 1995 Certificates of Participation.

B. Operating Lease

In August 2012 the City Council approved a twenty year lease with an option of a five year extension between the City and Greenway Golf Associates, Inc. for the long-term maintenance and operations of the Chuck Corica Golf Complex. The agreement stipulates minimum rent payments to the City that escalate over time to \$350,000 or 10% of gross revenue up to \$4,000,000 and 12% of gross revenues in excess of \$12,000,000 in years 9-20.

C. Settlement Agreement

In December 2012, the City, the former Community Improvement Commission, the Alameda Reuse and Redevelopment Authority and a third party vendor reached a settlement agreement in regards to the redevelopment of the U.S. Naval Air Station at Alameda Point. The City will in total pay \$4.325 million to the third party vendor by July 2014. Once the first payment is made by the City each party shall execute and file a Stipulation of Dismissal of the Federal Action and Federal Counter-Claim.



City of Alameda

People and Places in the City





City of Alameda, California

Non-Major Governmental Funds

Special Revenue Funds:

Community Development

This fund accounts for the activities and services of the Planning and Building Divisions. Revenues are derived from fees, licenses, and fines collected in conjunction with the planning, permitting and enforcement activities of the department in accordance with state law, requiring fees not to exceed the cost of providing services. Expenditures are made in support of the administration of the divisions, the provision and enhancement of services, and the enforcement of municipal codes.

Library

This fund accounts for revenues received from a library tax, library grants and operating transfers from the General Fund for the operations of the City's three libraries.

Gas Tax

This fund accounts for revenues and expenditures received from the State of California under Street and Highways Code Section 2105, 2106, 2107, 2107.5 and 7360. The allocations must be expended for street related maintenance and construction and a limited amount for engineering.

Asset Seizure/Traffic Safety

This fund accounts for restricted Asset Seizure/Traffic Safety funds to be used for eligible Public Safety Programs.

County Measure B

This fund accounts for the City's share of the proceeds of a one-half cent sales tax increase approved by the voters in November 2000. The program is administered by the Alameda County Transportation Commission. The tax provides funds for the maintenance of local streets, roads, bike path and pedestrian walkways, Ferry and paratransit operations.

Tidelands

This fund accounts for revenues received from tidelands property leases. Leases are for state tidelands properties delegated to local agencies for management and control.

Parking Meter

This fund accounts for revenues collected from parking meters and the expenditure of these revenues for parking and transportation related projects.

Commercial Revitalization

This fund accounts for funds to be used for the City's commercial revitalization programs.

Community Development Block Grant

This fund accounts for grant funds received under the Community Development Act of 1974 for activities approved and subject to federal regulations.



City of Alameda, California

Non-Major Governmental Funds (Continued)

Garbage/Recycling Surcharge

This fund accounts for revenues and expenditures of the City's waste management and recycling programs.

Athletic Recreation

This fund accounts for revenues and expenditures of the various City recreation fee based programs.

Grants

This fund accounts for revenues received from Federal, State, County and private grants.

Waste Reduction Surcharge

This fund accounts for revenues and expenditures related to the operation of the City's waste management and recycling programs.

Maintenance Assessment Districts

This fund accounts for special assessments collected and expended for various landscaping and maintenance areas throughout the City.

Parking

This fund accounts for revenues from the Civic Center garage and City parking lots. Expenditures support parking and transportation related projects

Vehicle Registration Fee

This fund accounts for these fees collected by the County to be used to sustain the County's transportation network and reduce traffic congestion.

Debt Service Funds:

City Hall/Library Bonds

This fund accounts for the repayment of two bonds that were issued to fund various improvements and the construction of a new library.

Community Improvement Commission

This fund accounted for debt service expenditures of the Commission through January 31, 2012.

Base Reuse

The 2003 Variable Rate Demand Revenue Bonds were issued in December 2003 by the Alameda Public Financing Authority to refund the 1999 Base Reuse Revenue Bonds and to finance professional land use planning and other activities required in the redevelopment process at Alameda Point. The debt will be repaid solely from lease revenues related to base reuse.

Capital Projects Fund:

Construction Impact Fee

This fund accounts for revenues from development impact fees required from certain new developments. Funds are used to mitigate the impacts on public facilities and infrastructure caused by these developments.



City of Alameda, California

Non-Major Governmental Funds (Continued)

Streets/Transportation

This fund accounts for expenditures for street and transportation projects.

Community Improvement Commission

This fund accounted for capital project expenditures of the Commission through January 31, 2012.

Base Reuse

This fund accounts for the Alameda Point major construction and improvement projects financed through the 2003 Variable Rate Demand Revenue Bonds.

Citywide Development Fee

This fund accounts for revenues from citywide development impact fees required from certain new developments. Funds are used to mitigate the impacts on availability and condition of public facilities caused by these developments.

Urban Runoff Storm Drain Fee

This fund accounts for revenues and expenditures associated with the City's compliance under the Alameda County Urban Runoff Clean Water Program.

Maintenance Assessment Districts

This fund accounts for bond proceeds used to finance the construction and acquisition of public improvements in the District.



City of Alameda
Non-Major Governmental Funds
Balance Sheet
June 30, 2012

SPECIAL REVENUE FUNDS

	Community Development	Library	Gas Tax	Asset Seizure/ Traffic Safety	County Measure B	Tidelands	Parking Meter
ASSETS							
Cash and cash equivalents	\$890,947	\$427,992	\$14,000	\$91,086	\$4,310,779	\$3,011,248	\$2,761,360
Restricted cash and investments			3,553,024				
Accounts receivable	32,752	73,191	671		301,105		2,244
Loans receivable							
Prepaid and deposits							
Total Assets	\$923,699	\$501,183	\$3,567,695	\$91,086	\$4,611,884	\$3,011,248	\$2,763,604
LIABILITIES							
Accounts payable	\$64,868	\$67,552	\$64,145			\$50,464	\$27,143
Accrued payroll	14,175	4,973	1,230			484	2,022
Due to other funds							
Due to other agencies	4,863						
Deferred revenue							
Refundable deposits	240,891						
Total Liabilities	324,797	72,525	65,375			50,948	29,165
FUND EQUITY							
Fund balances							
Nonspendable							
Restricted			3,502,320	\$91,086	\$4,611,884	2,960,300	
Committed	598,902	428,658					2,734,439
Unassigned							
Total Fund Balances	598,902	428,658	3,502,320	91,086	4,611,884	2,960,300	2,734,439
Total Liabilities and Fund Balances	\$923,699	\$501,183	\$3,567,695	\$91,086	\$4,611,884	\$3,011,248	\$2,763,604

SPECIAL REVENUE FUNDS

Commercial Revitalization	Community Development Block Grant	Garbage/ Recycling Surcharge	Athletic Recreation	Grants Fund	Waste Reduction Surcharge	Maintenance Assessment Districts
\$678,357		\$1,291,467	\$2,082,773	\$155,545	\$3,545,974	\$3,693,868
1,773	\$311,600	14,583	308,857	729,034	134,088	344,493
8,894						64,776
<u>\$689,024</u>	<u>\$311,600</u>	<u>\$1,306,050</u>	<u>\$2,391,630</u>	<u>\$884,579</u>	<u>\$3,680,062</u>	<u>\$4,103,137</u>
\$18,954	\$120,727	\$14,720	\$239,238	\$78,991	\$13,428	\$100,752
	190,873	70	4,484	290	3,809	2,252
			13,767	238,604	10,430	
11,943			24,130			
<u>30,897</u>	<u>311,600</u>	<u>14,790</u>	<u>281,619</u>	<u>317,885</u>	<u>27,667</u>	<u>103,004</u>
8,894				566,694		4,000,133
649,233		1,291,260	2,110,011		3,652,395	
<u>658,127</u>	<u></u>	<u>1,291,260</u>	<u>2,110,011</u>	<u>566,694</u>	<u>3,652,395</u>	<u>4,000,133</u>
<u>\$689,024</u>	<u>\$311,600</u>	<u>\$1,306,050</u>	<u>\$2,391,630</u>	<u>\$884,579</u>	<u>\$3,680,062</u>	<u>\$4,103,137</u>

(Continued)



City of Alameda
Non-Major Governmental Funds
Balance Sheet
June 30, 2011

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS			CAPITAL PROJECTS FUND
	Parking	Vehicle Registration Fee	City Hall/ Library Bonds	Community Improvement Commission	Base Reuse	Construction Impact Fee
ASSETS						
Cash and cash equivalents	\$261,236	\$277,697	\$885,663		\$293,927	\$929,417
Restricted cash and investments			829,505		2,174	
Accounts receivable		53,605	30,951			926
Loans receivable	3,068,907					
Prepaid and deposits						
Total Assets	\$3,330,143	\$331,302	\$1,746,119		\$296,101	\$930,343
LIABILITIES						
Accounts payable					\$199	
Accrued payroll						
Due to other funds						
Due to other agencies						
Deferred revenue	\$3,068,907					
Refundable deposits	33,113					
Total Liabilities	3,102,020				199	
FUND EQUITY						
Fund balances						
Nonspendable						
Restricted		331,302	\$1,746,119		\$295,902	\$930,343
Committed	228,123					
Unassigned						
Total Fund Balances	228,123	331,302	1,746,119		295,902	930,343
Total Liabilities and Fund Balances	\$3,330,143	\$331,302	\$1,746,119		\$296,101	\$930,343

CAPITAL PROJECTS FUND

Streets/ Transportation	Community Improvement Commission	Base Reuse	Citywide Development Fee	Urban Runoff Strom Drain Fee	Maintenance Assessment Districts	Total Nonmajor Governmental Funds
\$2,335,077			\$2,904,097	\$7,784,482	\$2,587,248	\$41,214,240
6,072				17,300	456,849	5,203,345
				96,713		2,162,941
						3,068,907
						8,894
<u>\$2,341,149</u>			<u>\$2,904,097</u>	<u>\$7,898,495</u>	<u>\$3,044,097</u>	<u>\$51,658,327</u>
\$10,459				\$82,927		\$954,567
5,922				5,617		39,406
150					\$1,374	196,795
				42,712		15,293
						3,322,802
						352,789
<u>16,531</u>				<u>131,256</u>	<u>1,374</u>	<u>4,881,652</u>
2,324,618			\$2,904,097	7,767,239	3,042,723	8,894
						18,105,740
						28,662,041
<u>2,324,618</u>			<u>2,904,097</u>	<u>7,767,239</u>	<u>3,042,723</u>	<u>46,776,675</u>
<u>\$2,341,149</u>			<u>\$2,904,097</u>	<u>\$7,898,495</u>	<u>\$3,044,097</u>	<u>\$51,658,327</u>



City of Alameda
Non-Major Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balance
for the year ended June 30, 2011

SPECIAL REVENUE FUNDS					
	Community Development	Library	Gas Tax	Asset Seizure/ Traffic Safety	County Measure B
REVENUES					
Property taxes		\$1,523,828			
Other taxes					
Licenses and permits	\$1,282,007				
Revenue from other agencies		39,281	\$2,127,103		\$1,845,358
Charges for current services	923,419	80,212	27,692		
Fines and forfeitures	545,739			\$12,732	
Use of money and property	12,901	21,796	35,045	593	45,009
Other revenues			4,553		
Total Revenues	2,764,066	1,665,117	2,194,393	13,325	1,890,367
EXPENDITURES					
Current:					
General government				3,932	
Public safety					
Public works			832,909		
Community Development	3,283,765				
Community Services		3,394,085			
Housing					
Capital outlay	342	37,285		2,252	
Debt service:					
Principal			40,000		
Interest		788			
Total Expenditures	3,284,107	3,432,158	872,909	6,184	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(520,041)	(1,767,041)	1,321,484	7,141	1,890,367
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets					
Transfers in	8,890	2,131,380			66,839
Transfers (out)		(230,595)	(76,953)	(39,912)	(1,560,751)
Total Other Financing Sources (Uses)	8,890	1,900,785	(76,953)	(39,912)	(1,493,912)
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	(511,151)	133,744	1,244,531	(32,771)	396,455
EXTRAORDINARY ITEM					
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor					
NET CHANGE IN FUND BALANCE	(511,151)	133,744	1,244,531	(32,771)	396,455
BEGINNING FUND BALANCES	1,110,053	294,914	2,257,789	123,857	4,215,429
ENDING FUND BALANCES	\$598,902	\$428,658	\$3,502,320	\$91,086	\$4,611,884

SPECIAL REVENUE FUNDS

Tidelands	Parking Meter	Commercial Revitalization	Community Development Block Grant	Garbage/ Recycling Surcharge	Athletic Recreation	Grants Fund	Waste Reduction Surcharge	Maintenance Assessment Districts
				\$175,000		\$1,125		\$1,821,218
	\$779,564		\$1,755,030		\$607,335	3,461,773	\$303,269	
\$833,107	157,157	\$139,201		13,133	2,087,441		387,120	24,800
583,702	29,033	201,139			20,445	11,303	785	108
1,416,809	975,793	340,340	1,755,030	188,133	2,989,949	3,502,585	722,800	1,846,126
630,148	384,097			170,864	2,325,918	1,026,438		347,887
28,759							616,319	1,092,801
		426,398	2,011,253			1,980,194		
			4,562			430,149		
	4,321							17
658,907	388,418	426,398	2,015,815	170,864	2,325,918	3,436,781	616,319	1,440,705
757,902	587,375	(86,058)	(260,785)	17,269	664,031	65,804	106,481	405,421
			269,985			44,196	204,805	44,232
(2,888)	(502,506)					(35,436)		
(2,888)	(502,506)		269,985			8,760	204,805	44,232
755,014	84,869	(86,058)	9,200	17,269	664,031	74,564	311,286	449,653
755,014	84,869	(86,058)	9,200	17,269	664,031	74,564	311,286	449,653
2,205,286	2,649,570	744,185	(9,200)	1,273,991	1,445,980	492,130	3,341,109	3,550,480
\$2,960,300	\$2,734,439	\$658,127		\$1,291,260	\$2,110,011	\$566,694	\$3,652,395	\$4,000,133

(Continued)



City of Alameda
Non-Major Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balance
for the year ended June 30, 2011

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS			CAPITAL PROJECTS FUND
	Parking	Vehicle Registration Fee	City Hall/ Library Bonds	Community Improvement Commission	Base Reuse	Construction Impact Fee
REVENUES						
Property taxes			\$644,396			\$269,237
Other taxes						
Licenses and permits						33,660
Revenue from other agencies		\$330,830				57,561
Charges for current services						
Fines and forfeitures						
Use of money and property	\$16,480	472	4,529	\$32,816	\$1,580	8,912
Other	200,799					
Total Revenues	217,279	331,302	648,925	32,816	1,580	369,370
EXPENDITURES						
Current:						
General government						28,300
Public safety						
Public works						
Development services						
Recreation and parks						
Housing and community services						48,856
Capital outlay						
Debt service:						
Principal			1,252,000	1,150,000	300,000	
Interest			1,398,216	2,051,102	31,009	
Total Expenditures			2,650,216	3,201,102	331,009	77,156
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	217,279	331,302	(2,001,291)	(3,168,286)	(329,429)	292,214
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets						
Transfers in			2,421,703	3,448,451		191,904
Transfers (out)	(190,703)					(428,863)
Total Other Financing Sources (Uses)	(190,703)		2,421,703	3,448,451		(236,959)
NET CHANGE IN FUND BALANCES	26,576	331,302	420,412	280,165	(329,429)	55,255
EXTRAORDINARY ITEMS (NOTE 15)						
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor				(8,752,791)		
NET CHANGE IN FUND BALANCE	26,576	331,302	420,412	(8,472,626)	(329,429)	55,255
BEGINNING FUND BALANCES	201,547		1,325,707	8,472,626	625,331	875,088
ENDING FUND BALANCES	\$228,123	\$331,302	\$1,746,119		\$295,902	\$930,343

CAPITAL PROJECTS FUNDS

Streets/ Transportation	Community Improvement Commission	Base Reuse	Citywide Development Fee	Urban Runoff Strom Drain Fee	Maintenance Assessment District Capital Projects	Total Nonmajor Governmental Funds
\$434,554				\$2,065,634		\$6,758,867
109,723			\$28,205			312,928
	\$9,192					1,316,792
33,935				32,521		10,536,732
20,622	\$472	\$103	27,253	75,643	24,636	4,351,904
443,656	62,405			3,847		715,628
<u>1,042,490</u>	<u>72,069</u>	<u>103</u>	<u>55,458</u>	<u>2,177,645</u>	<u>24,636</u>	<u>27,238,506</u>
216						3,891,362
934,735				410,623		1,026,438
170,815						3,916,146
216	8,597,896	1,750		1,716,809	108,249	3,283,765
	77					3,564,900
						13,064,597
						2,301,691
						2,742,000
						3,485,453
<u>1,105,982</u>	<u>8,597,973</u>	<u>1,750</u>		<u>2,127,432</u>	<u>108,249</u>	<u>37,276,352</u>
<u>(63,492)</u>	<u>(8,525,904)</u>	<u>(1,647)</u>	<u>55,458</u>	<u>50,213</u>	<u>(83,613)</u>	<u>(10,037,846)</u>
149,812			303,735	8,213		8,213
(1,233)		(22,360)	(863,840)	876,690		10,162,622
<u>148,579</u>		<u>(22,360)</u>	<u>(560,105)</u>	<u>349,355</u>		<u>(4,491,588)</u>
85,087	(8,525,904)	(24,007)	(504,647)	399,568	(83,613)	(4,358,599)
	(74,127)					(8,826,918)
85,087	(8,600,031)	(24,007)	(504,647)	399,568	(83,613)	(13,185,517)
2,239,531	8,600,031	24,007	3,408,744	7,367,671	3,126,336	59,962,192
<u>\$2,324,618</u>			<u>\$2,904,097</u>	<u>\$7,767,239</u>	<u>\$3,042,723</u>	<u>\$46,776,675</u>



**City of Alameda
Budgeted Non-Major Funds
Schedule of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual
for the year ended June 30, 2012**

	COMMUNITY DEVELOPMENT			LIBRARY		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes				\$1,457,400	\$1,523,828	\$66,428
Other taxes						
Licenses and permits	\$1,440,000	\$1,282,007	(\$157,993)			
Revenue from other agencies				51,915	39,281	(12,634)
Charges for current services	990,500	923,419	(67,081)	80,000	80,212	212
Fines and forfeitures	670,250	545,739	(124,511)			
Use of money and property	15,000	12,901	(2,099)	8,000	21,796	13,796
Other	25,000		(25,000)			
Total Revenues	3,140,750	2,764,066	(376,684)	1,597,315	1,665,117	67,802
EXPENDITURES						
Current:						
General government						
Public safety						
Public works						
Community Development	3,559,946	3,274,875	285,071	3,550,030	3,394,085	155,945
Community Services						
Housing						
Capital outlay		342	(342)	49,450	37,285	12,165
Debt service:						
Principal					788	(788)
Interest						
Total Expenditures	3,559,946	3,275,217	284,729	3,599,480	3,432,158	167,322
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(419,196)	(511,151)	(91,955)	(2,002,165)	(1,767,041)	235,124
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets						
Transfers in				2,131,380	2,131,380	
Transfers (out)				(230,595)	(230,595)	
Total Other Financing Sources (Uses)				1,900,785	1,900,785	
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	(\$419,196)	(511,151)	(\$91,955)	(\$101,380)	133,744	\$235,124
EXTRAORDINARY ITEM						
Assets transferred to/Liabilities assumed by Successor Agency/Housing Successor						
NET CHANGE IN FUND BALANCE	(\$419,196)	(511,151)	(\$91,955)	(\$101,380)	133,744	\$235,124
BEGINNING FUND BALANCES (DEFICITS)		1,110,053			294,914	
ENDING FUND BALANCES (DEFICITS)		\$598,902			\$428,658	

GAS TAX			ASSET SEIZURE/TRAFFIC SAFETY			COUNTY MEASURE B		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$1,227,111	\$2,127,103	\$899,992				\$1,243,350	\$1,845,358	\$602,008
5,000	27,692	22,692	\$132,000	\$12,732	(\$119,268)			
2,000	35,045	33,045	1,000	593	(407)	32,000	45,009	13,009
1,300	4,553	3,253						
<u>1,235,411</u>	<u>2,194,393</u>	<u>958,982</u>	<u>133,000</u>	<u>13,325</u>	<u>(119,675)</u>	<u>1,275,350</u>	<u>1,890,367</u>	<u>615,017</u>
				3,932	(3,932)			
896,260	832,909	63,351						
				2,252	(2,252)			
40,000	40,000							
<u>936,260</u>	<u>872,909</u>	<u>63,351</u>		<u>6,184</u>	<u>(6,184)</u>			
<u>299,151</u>	<u>1,321,484</u>	<u>1,022,333</u>	<u>133,000</u>	<u>7,141</u>	<u>(125,859)</u>	<u>1,275,350</u>	<u>1,890,367</u>	<u>615,017</u>
							66,839	66,839
(1,251,475)	(76,953)	1,174,522	(152,000)	(39,912)	112,088	(3,605,859)	(1,560,751)	2,045,108
<u>(1,251,475)</u>	<u>(76,953)</u>	<u>1,174,522</u>	<u>(152,000)</u>	<u>(39,912)</u>	<u>112,088</u>	<u>(3,605,859)</u>	<u>(1,493,912)</u>	<u>2,111,947</u>
(\$952,324)	1,244,531	\$2,196,855	(\$19,000)	(32,771)	(\$13,771)	(\$2,330,509)	396,455	\$2,726,964
<u>(\$952,324)</u>	<u>1,244,531</u>	<u>\$2,196,855</u>	<u>(\$19,000)</u>	<u>(32,771)</u>	<u>(\$13,771)</u>	<u>(\$2,330,509)</u>	<u>396,455</u>	<u>\$2,726,964</u>
	<u>2,257,789</u>			<u>123,857</u>			<u>4,215,429</u>	
	<u>\$3,502,320</u>			<u>\$91,086</u>			<u>\$4,611,884</u>	

(Continued)



**City of Alameda
Budgeted Non-Major Funds
Schedule of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual
for the year ended June 30, 2012**

	TIDELANDS			PARKING METER		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes						
Other taxes						
Licenses and permits						
Revenue from other agencies						
Charges for current services				\$693,800	\$779,564	\$85,764
Fines and forfeitures				60,000	157,157	97,157
Use of money and property	\$1,030,677	\$833,107	(\$197,570)	21,650	29,033	7,383
Other		583,702	583,702		10,039	10,039
Total Revenues	1,030,677	1,416,809	386,132	775,450	975,793	200,343
EXPENDITURES						
Current:						
General government	796,499	630,148	166,351	537,853	384,097	153,756
Public safety						
Public works	223,507	28,759	194,748			
Community Development						
Community Services						
Housing						
Capital outlay						
Debt service:						
Principal						
Interest					4,321	(4,321)
Total Expenditures	1,020,006	658,907	361,099	537,853	388,418	149,435
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,671	757,902	747,231	237,597	587,375	349,778
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets						
Transfers in				328,555		(328,555)
Transfers (out)	(237,721)	(2,888)	234,833	(832,305)	(502,506)	329,799
Total Other Financing Sources (Uses)	(237,721)	(2,888)	234,833	(503,750)	(502,506)	1,244
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	(\$227,050)	755,014	\$982,064	(\$266,153)	84,869	\$351,022
EXTRAORDINARY ITEM						
Assets transferred to/Liabilities assumed by Successor Agency/Housing Successor						
NET CHANGE IN FUND BALANCE	(\$227,050)	755,014	\$982,064	(\$266,153)	84,869	\$351,022
BEGINNING FUND BALANCES (DEFICITS)		2,205,286			2,649,570	
ENDING FUND BALANCES (DEFICITS)		\$2,960,300			\$2,734,439	

COMMERCIAL REVITALIZATION			COMMUNITY DEVELOPMENT BLOCK GRANT			GARBAGE/RECYCLING SURCHARGE		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
						\$175,000	\$175,000	
			\$3,068,755	\$1,755,030	(\$1,313,725)			
\$145,860	\$139,201 201,139	(\$6,659) 201,139				11,700	13,133	\$1,433
145,860	340,340	194,480	3,068,755	1,755,030	(1,313,725)	186,700	188,133	1,433
						293,845	170,864	122,981
435,485	426,398	9,087	3,550,471 1,700	2,011,253 4,562	1,539,218 (2,862)			
435,485	426,398	9,087	3,552,171	2,015,815	1,536,356	293,845	170,864	122,981
(289,625)	(86,058)	203,567	(483,416)	(260,785)	222,631	(107,145)	17,269	124,414
			483,416	269,985	(213,431)			
			483,416	269,985	(213,431)			
(\$289,625)	(86,058)	\$203,567		9,200	\$9,200	(\$107,145)	17,269	\$124,414
(\$289,625)	(86,058)	\$203,567		9,200	\$9,200	(\$107,145)	17,269	\$124,414
	744,185			(9,200)			1,273,991	
	\$658,127						\$1,291,260	

(Continued)



City of Alameda
Budgeted Non-Major Funds
Schedule of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual
for the year ended June 30, 2012

	ATHLETIC RECREATION			GRANTS FUND		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes						
Other taxes						
Licenses and permits				\$1,875	\$1,125	(\$750)
Revenue from other agencies	\$305,500	\$607,335	\$301,835	4,187,397	3,461,773	(725,624)
Charges for current services	1,754,055	2,087,441	333,386			
Fines and forfeitures						
Use of money and property	278,765	274,728	(4,037)	4,100	11,303	7,203
Other	8,500	20,445	11,945	15,000	28,384	13,384
Total Revenues	2,346,820	2,989,949	643,129	4,208,372	3,502,585	(705,787)
EXPENDITURES						
Current:						
General government	2,326,141	2,325,918	223			
Public safety				898,555	1,026,438	(127,883)
Public works						
Community Development						
Community Services						
Housing				2,609,585	1,980,194	629,391
Capital outlay				506,612	430,149	76,463
Debt service:						
Principal						
Interest						
Total Expenditures	2,326,141	2,325,918	223	4,014,752	3,436,781	577,971
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	20,679	664,031	643,352	193,620	65,804	(127,816)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets						
Transfers in				44,200	44,196	(4)
Transfers (out)					(35,436)	(35,436)
Total Other Financing Sources (Uses)				44,200	8,760	(35,440)
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	\$20,679	664,031	\$643,352	\$237,820	74,564	(\$163,256)
EXTRAORDINARY ITEM						
Assets transferred to/Liabilities assumed by Successor Agency/Housing Successor						
NET CHANGE IN FUND BALANCE	\$20,679	664,031	\$643,352	\$237,820	74,564	(\$163,256)
BEGINNING FUND BALANCES (DEFICITS)		1,445,980			492,130	
ENDING FUND BALANCES (DEFICITS)		\$2,110,011			\$566,694	

WASTE REDUCTION SURCHARGE			MAINTENANCE ASSESSMENT DISTRICTS SPECIAL REVENUE			PARKING		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
			\$1,801,779	\$1,821,218	\$19,439			
\$399,488	\$303,269	(\$96,219)						
351,000	387,120	36,120						
35,500	31,626	(3,874)	32,091	24,800	(7,291)	\$15,480	\$16,480	\$1,000
2,500	785	(1,715)		108	108	200,995	200,799	(196)
<u>788,488</u>	<u>722,800</u>	<u>(65,688)</u>	<u>1,833,870</u>	<u>1,846,126</u>	<u>12,256</u>	<u>216,475</u>	<u>217,279</u>	<u>804</u>
			472,750	347,887	124,863			
1,008,534	616,319	392,215	1,296,090	1,092,801	203,289			
3,000		3,000						
				17	(17)			
<u>1,011,534</u>	<u>616,319</u>	<u>395,215</u>	<u>1,768,840</u>	<u>1,440,705</u>	<u>328,135</u>			
(223,046)	106,481	329,527	65,030	405,421	340,391	216,475	217,279	804
	204,805	204,805	222,990	44,232	(178,758)			
(24,750)		24,750	(256,750)		256,750	(190,715)	(190,703)	12
(24,750)	204,805	229,555	(33,760)	44,232	77,992	(190,715)	(190,703)	12
(\$247,796)	311,286	\$559,082	\$31,270	449,653	\$418,383	\$25,760	26,576	\$816
<u>(\$247,796)</u>	<u>311,286</u>	<u>\$559,082</u>	<u>\$31,270</u>	<u>449,653</u>	<u>\$418,383</u>	<u>\$25,760</u>	<u>26,576</u>	<u>\$816</u>
	<u>3,341,109</u>			<u>3,550,480</u>			<u>201,547</u>	
	<u>\$3,652,395</u>			<u>\$4,000,133</u>			<u>\$228,123</u>	

(Continued)



**City of Alameda
Budgeted Non-Major Funds
Schedule of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual
for the year ended June 30, 2012**

	CITY HALL/LIBRARY BONDS			COMMUNITY IMPROVEMENT COMMISSION DEBT SERVICE		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$682,150	\$644,396	(\$37,754)			
Other taxes						
Licenses and permits						
Revenue from other agencies						
Charges for current services						
Fines and forfeitures						
Use of money and property	9,300	4,529	(4,771)	\$4,529	\$32,816	\$28,287
Other						
Total Revenues	691,450	648,925	(42,525)	4,529	32,816	28,287
EXPENDITURES						
Current:						
General government						
Public safety						
Public works						
Community Development						
Community Services						
Housing						
Capital outlay						
Debt service:						
Principal	1,252,000	1,252,000		1,150,000	1,150,000	
Interest	1,388,850	1,398,216	(9,366)	2,051,079	2,051,102	(23)
Total Expenditures	2,640,850	2,650,216	(9,366)	3,201,079	3,201,102	(23)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,949,400)	(2,001,291)	(51,891)	(3,196,550)	(3,168,286)	28,264
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets						
Transfers in	1,854,420	2,421,703	567,283	3,672,074	3,448,451	(223,623)
Transfers (out)						
Total Other Financing Sources (Uses)	1,854,420	2,421,703	567,283	3,672,074	3,448,451	(223,623)
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	(\$94,980)	420,412	\$515,392	\$475,524	280,165	(\$195,359)
EXTRAORDINARY ITEM						
Assets transferred to/Liabilities assumed by Successor Agency/Housing Successor					(8,752,791)	
NET CHANGE IN FUND BALANCE	(\$94,980)	420,412	\$515,392	\$475,524	(8,472,626)	(\$195,359)
BEGINNING FUND BALANCES (DEFICITS)		1,325,707			8,472,626	
ENDING FUND BALANCES (DEFICITS)		\$1,746,119				

BASE REUSE DEBT SERVICE			CONSTRUCTION IMPACT FEE			STREETS/TRANSPORTATION		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
						\$460,000	\$434,554	(\$25,446)
			\$240,000	\$269,237	\$29,237	34,000	109,723	75,723
			15,000	33,660	18,660			
			179,522	57,561	(121,961)			
						31,500	33,935	2,435
\$1,500	\$1,580	\$80	5,900	8,912	3,012	17,450	20,622	\$3,172
							443,656	443,656
<u>1,500</u>	<u>1,580</u>	<u>80</u>	<u>440,422</u>	<u>369,370</u>	<u>(71,052)</u>	<u>542,950</u>	<u>1,042,490</u>	<u>499,540</u>
			5,520	28,300	(22,780)	220	216	4
						500,000	934,735	(434,735)
						210,625	170,815	39,810
			179,522	48,856	130,666			
			22,953		22,953	220	216	4
300,000	300,000							
46,500	31,009	15,491						
<u>346,500</u>	<u>331,009</u>	<u>15,491</u>	<u>207,995</u>	<u>77,156</u>	<u>130,839</u>	<u>711,065</u>	<u>1,105,982</u>	<u>(394,917)</u>
<u>(345,000)</u>	<u>(329,429)</u>	<u>15,571</u>	<u>232,427</u>	<u>292,214</u>	<u>59,787</u>	<u>(168,115)</u>	<u>(63,492)</u>	<u>104,623</u>
			191,900	191,904	4	195,624	149,812	(45,812)
			(846,301)	(428,863)	417,438	(1,233)	(1,233)	
			(654,401)	(236,959)	417,442	194,391	148,579	(45,812)
(\$345,000)	(329,429)	\$15,571	(\$421,974)	55,255	\$477,229	\$26,276	85,087	\$58,811
<u>(\$345,000)</u>	<u>(329,429)</u>	<u>\$15,571</u>	<u>(\$421,974)</u>	<u>55,255</u>	<u>\$477,229</u>	<u>\$26,276</u>	<u>85,087</u>	<u>\$58,811</u>
	625,331			875,088			2,239,531	
	<u>\$295,902</u>			<u>\$930,343</u>			<u>\$2,324,618</u>	

(Continued)



**City of Alameda
Budgeted Non-Major Funds
Schedule of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual
for the year ended June 30, 2012**

	COMMUNITY IMPROVEMENT COMMISSION CAPITAL PROJECTS			BASE REUSE		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes						
Other taxes						
Licenses and permits						
Revenue from other agencies		\$9,192	\$9,192			
Charges for current services						
Fines and forfeitures						
Use of money and property		472	472	\$330	\$103	(\$227)
Other		62,405	62,405			
Total Revenues		72,069	72,069	330	103	(227)
EXPENDITURES						
Current:						
General government						
Public safety						
Public works						
Community Development						
Community Services						
Housing	\$8,600,000	8,597,896	2,104			
Capital outlay		77		50	1,750	(1,700)
Debt service:						
Principal						
Interest						
Total Expenditures	8,600,000	8,597,973	2,104	50	1,750	(1,700)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,600,000)	(8,525,904)	74,096	280	(1,647)	(1,927)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets						
Transfers in						
Transfers (out)				(222,635)	(22,360)	200,275
Total Other Financing Sources (Uses)				(222,635)	(22,360)	200,275
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	(\$8,600,000)	(8,525,904)	\$74,096	(\$222,355)	(24,007)	\$198,348
EXTRAORDINARY ITEM						
Assets transferred to/Liabilities assumed by Successor Agency/Housing Successor		(74,127)				
NET CHANGE IN FUND BALANCE	(\$8,600,000)	(8,600,031)	\$74,096	(\$222,355)	(24,007)	\$198,348
BEGINNING FUND BALANCES (DEFICITS)		8,600,031			24,007	
ENDING FUND BALANCES (DEFICITS)						

CITYWIDE DEVELOPMENT FEE			URBAN RUNOFF STORM DRAIN FEE			MAINTENANCE ASSESSMENT DISTRICT CAPITAL PROJECTS		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
			\$2,233,153	\$2,065,634	(\$167,519)			
\$69,615	\$28,205	(\$41,410)	76,800	32,521	(44,279)			
23,765	27,253	3,488	75,000	75,643	\$643	\$4,350	\$24,636	\$20,286
			1,500	3,847	2,347			
93,380	55,458	(37,922)	2,386,453	2,177,645	(208,808)	4,350	24,636	20,286
				410,623	(410,623)			
			2,813,537	1,716,809	1,096,728		108,249	(108,249)
			2,813,537	2,127,432	686,105		108,249	(108,249)
93,380	55,458	(37,922)	(427,084)	50,213	477,297	4,350	(83,613)	(87,963)
303,735	303,735		856,310	8,213	8,213			
(1,526,023)	(863,840)	662,183	(3,883,866)	876,690	20,380			
(1,222,288)	(560,105)	662,183	(3,027,556)	(535,548)	3,348,318			
				349,355	3,376,911			
(\$1,128,908)	(504,647)	\$624,261	(\$3,454,640)	399,568	\$3,854,208	\$4,350	(83,613)	(\$87,963)
(\$1,128,908)	(504,647)	\$624,261	(\$3,454,640)	399,568	\$3,854,208	\$4,350	(83,613)	(\$87,963)
	3,408,744			7,367,671			3,126,336	
	\$2,904,097			\$7,767,239			\$3,042,723	



City of Alameda

People and Places in the City





City of Alameda, California

Internal Service Funds

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

Equipment Replacement

This fund accumulates funds for the replacement of worn and obsolete equipment.

Central Services

This fund accounts for the City central services operations, reimbursed through charges assessed to other City departments.

Fleet Maintenance

This fund accounts for the maintenance and replacement of vehicles and equipment used by all City departments. Reimbursements occur through charges assessed to other City departments.

Technology Services

This fund accounts for computer and telephone charges and information system upgrades. Reimbursements occur through administrative charges assessed to other departments based upon their proportional share of program costs.

Facilities Maintenance

This fund accumulates funds for the costs associated with the maintenance of the City's facilities.

Workers' Compensation Insurance

This fund accounts for the expenditures for administration of the City's workers' compensation program, payment of workers' compensation claim payments, and related insurance premiums.

Risk Management Insurance

This fund accounts for the administration of the City's risk management program, payment of general liability claim payments, and insurance premiums for general liability and property coverages.

Unemployment Insurance

This fund accounts for the administration of the City's unemployment insurance program and payment of unemployment claim payments.

Other Post Employment Benefits (OPEB)

This fund accounts for expenditures for other post-employment benefits (OPEB).



City of Alameda
Internal Service Funds
Combining Statement of Net Assets
June 30, 2012

	<u>Equipment Replacement</u>	<u>Central Services</u>	<u>Fleet Maintenance</u>	<u>Technology Services</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$3,502,085	\$80,435	\$354,058	\$1,507,680
Accounts receivable	<u>49,368</u>	<u>3,700</u>	<u>5,987</u>	
Total Current Assets	3,551,453	84,135	360,045	1,507,680
Noncurrent Assets:				
Restricted cash and investments (Note 2)	75,951			
Capital assets, depreciable, net	<u>3,720,216</u>			<u>201,706</u>
Total Non-current Assets	<u>3,796,167</u>			<u>201,706</u>
Total Assets	<u>7,347,620</u>	<u>84,135</u>	<u>360,045</u>	<u>1,709,386</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	83	14	72,170	281,335
Accrued payroll			595	
Compensated absences			37,532	61,597
Claims payable:				
Due within one year				
Equipment lease payable				
Due within one year	<u>297,157</u>			
Total Current Liabilities	<u>297,240</u>	<u>14</u>	<u>110,297</u>	<u>342,932</u>
Long-Term Liabilities:				
Claims payable:				
Due in more than one year				
Equipment purchase agreement	<u>2,960,037</u>			
Total Long-Term Liabilities	<u>2,960,037</u>			
Total Liabilities	<u>3,257,277</u>	<u>14</u>	<u>110,297</u>	<u>342,932</u>
NET ASSETS				
Invested in capital assets, net of related debt	760,179			201,706
Unrestricted	<u>3,330,164</u>	<u>84,121</u>	<u>249,748</u>	<u>1,164,748</u>
Total Net Assets (Deficits)	<u>\$4,090,343</u>	<u>\$84,121</u>	<u>\$249,748</u>	<u>\$1,366,454</u>

<u>Facilities Maintenance</u>	<u>Workers' Compensation Insurance</u>	<u>Risk Management Insurance</u>	<u>Unemployment Insurance</u>	<u>OPEB</u>	<u>Total</u>
\$493,803	\$2,787,777 27,106	\$1,665,931 126	\$208,621	\$227,050 594	\$10,827,440 86,881
493,803	2,814,883	1,666,057	208,621	227,644	10,914,321
	407,036				482,987 3,921,922
	407,036				4,404,909
493,803	3,221,919	1,666,057	208,621	227,644	15,319,230
45,731	11,440	120,743			531,516 595
9,559	13,269	14,604			136,561
	2,508,117	34,587			2,542,704
					297,157
55,290	2,532,826	169,934			3,508,533
	4,459,109	1,481,067			5,940,176 2,960,037
	4,459,109	1,481,067			8,900,213
55,290	6,991,935	1,651,001			12,408,746
438,513	(3,770,016)	15,056	208,621	227,644	961,885 1,948,599
<u>\$438,513</u>	<u>(\$3,770,016)</u>	<u>\$15,056</u>	<u>\$208,621</u>	<u>\$227,644</u>	<u>\$2,910,484</u>



City of Alameda
Internal Service Funds
Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
For The Year Ended June 30, 2012

	<u>Equipment Replacement</u>	<u>Central Services</u>	<u>Fleet Maintenance</u>	<u>Technology Services</u>
OPERATING REVENUES				
Charges for services		\$148,446	\$1,391,116	\$1,879,785
Miscellaneous	\$1,240,317			18,335
Total Operating Revenues	<u>1,240,317</u>	<u>148,446</u>	<u>1,391,116</u>	<u>1,898,120</u>
OPERATING EXPENSES				
General administrative	74,447	(3,145)	72,064	54,524
Wages and benefits	12,378	29,419	590,122	760,543
Insurance				
Contractual services		72,022	73,450	330,885
Supplies and maintenance	72,680	6,935	785,511	186,510
Utilities		173	12,839	81,315
Depreciation	462,853			117,636
Total Operating Expenses	<u>622,358</u>	<u>105,404</u>	<u>1,533,986</u>	<u>1,531,413</u>
Operating Income (Loss)	<u>617,959</u>	<u>43,042</u>	<u>(142,870)</u>	<u>366,707</u>
NONOPERATING REVENUES (EXPENSES)				
Operating grants and contributions	43,510			
Interest income	37,092	746	4,112	14,887
Total Nonoperating Revenues (Expenses)	<u>80,602</u>	<u>746</u>	<u>4,112</u>	<u>14,887</u>
Income (Loss) Before Transfers	<u>698,561</u>	<u>43,788</u>	<u>(138,758)</u>	<u>381,594</u>
Transfers in	50,004		300,000	
Transfers out				(80,000)
Net Transfers	<u>50,004</u>		<u>300,000</u>	<u>(80,000)</u>
Change in Net Assets	748,565	43,788	161,242	301,594
BEGINNING NET ASSETS (DEFICITS)	<u>3,341,778</u>	<u>40,333</u>	<u>88,506</u>	<u>1,064,860</u>
ENDING NET ASSETS (DEFICITS)	<u>\$4,090,343</u>	<u>\$84,121</u>	<u>\$249,748</u>	<u>\$1,366,454</u>

<u>Facilities Maintenance</u>	<u>Workers' Compensation Insurance</u>	<u>Risk Management Insurance</u>	<u>Unemployment Insurance</u>	<u>OPEB</u>	<u>Total</u>
	\$4,661,873	\$2,468,069		\$10,083	\$10,559,372
<u>\$751,861</u>					<u>2,010,513</u>
<u>751,861</u>	<u>4,661,873</u>	<u>2,468,069</u>		<u>10,083</u>	<u>12,569,885</u>
6,804	19,294	38,969	\$5,401		268,358
201,578	128,908	281,677	162,954		2,167,579
	2,695,850	805,699		2,424,959	5,926,508
181,148	130,445	851,160	1,620	17,826	1,658,556
61,714	573	5,078			1,119,001
161,887	2,548	2,161			260,923
					<u>580,489</u>
<u>613,131</u>	<u>2,977,618</u>	<u>1,984,744</u>	<u>169,975</u>	<u>2,442,785</u>	<u>11,981,414</u>
<u>138,730</u>	<u>1,684,255</u>	<u>483,325</u>	<u>(169,975)</u>	<u>(2,432,702)</u>	<u>588,471</u>
					43,510
<u>5,303</u>	<u>6,871</u>	<u>(548)</u>	<u>1,000</u>		<u>69,463</u>
<u>5,303</u>	<u>6,871</u>	<u>(548)</u>	<u>1,000</u>		<u>112,973</u>
<u>144,033</u>	<u>1,691,126</u>	<u>482,777</u>	<u>(168,975)</u>	<u>(2,432,702)</u>	<u>701,444</u>
			423,312	2,660,172	3,433,488
		(83,000)	(50,000)		(213,000)
		(83,000)	373,312	2,660,172	3,220,488
144,033	1,691,126	399,777	204,337	227,470	3,921,932
294,480	(5,461,142)	(384,721)	4,284	174	(1,011,448)
<u>\$438,513</u>	<u>(\$3,770,016)</u>	<u>\$15,056</u>	<u>\$208,621</u>	<u>\$227,644</u>	<u>\$2,910,484</u>



City of Alameda
Internal Service Funds
Combining Statement of Cash Flows
For the year ended June 30, 2011

	Equipment Replacement	Central Services	Fleet Maintenance	Technology Services
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$1,235,631	\$144,746	\$1,386,571	\$1,941,355
Payments to suppliers	(72,654)	(80,168)	(906,026)	(565,533)
Payments to employees	(86,825)	(27,464)	(680,200)	(840,802)
Claims paid				
Cash Flows from Operating Activities	1,076,152	37,114	(199,655)	535,020
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund receipts (payments)				
Transfers, net	50,004		300,000	(80,000)
Cash Flows from Noncapital Financing Activities	50,004		300,000	(80,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets, net	(3,847,981)			
Equipment purchase agreement proceeds	3,257,194			
Cash Flows from Capital and Related Financing Activities	(590,787)			
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in restricted investments	(75,951)			
Operating grants and contributions	43,510			
Interest income	37,092	746	4,112	14,887
Cash Flows from Capital and Related Investing Activities	4,651	746	4,112	14,887
Net Cash Flows	540,020	37,860	104,457	469,907
Cash and investments at beginning of period	2,962,065	42,575	249,601	1,037,773
Cash and investments at end of period	\$3,502,085	\$80,435	\$354,058	\$1,507,680
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$617,959	\$43,042	(\$142,870)	\$366,707
Adjustments to reconcile operating income to cash flows from operating activities:				
Depreciation	462,853			117,636
Change in assets and liabilities:				
Accounts receivable	(4,686)	(3,700)	(4,545)	43,235
Prepays and deposits				
Accounts payable	26	(1,038)	(34,226)	33,177
Compensated absences			4,251	1,162
Claims payable				
Accrued payroll		(1,190)	(22,265)	(26,897)
Cash Flows from Operating Activities	\$1,076,152	\$37,114	(\$199,655)	\$535,020

<u>Facilities Maintenance</u>	<u>Workers' Compensation Insurance</u>	<u>Risk Management Insurance</u>	<u>Unemployment Insurance</u>	<u>OPEB</u>	<u>Total</u>
\$751,861	\$4,697,396	\$2,482,292		\$9,663	\$12,649,515
(404,074)	(99,587)	(924,785)	(\$1,620)	(2,442,785)	(5,497,232)
(218,747)	(146,686)	(341,152)	(168,355)		(2,510,231)
	<u>(1,871,311)</u>	<u>(578,493)</u>			<u>(2,449,804)</u>
<u>129,040</u>	<u>2,579,812</u>	<u>637,862</u>	<u>(169,975)</u>	<u>(2,433,122)</u>	<u>2,192,248</u>
			(716)		(716)
		<u>(83,000)</u>	<u>373,312</u>	<u>2,660,172</u>	<u>3,220,488</u>
		<u>(83,000)</u>	<u>372,596</u>	<u>2,660,172</u>	<u>3,219,772</u>
					(3,847,981)
					<u>3,257,194</u>
					(590,787)
	(407,036)				(482,987)
5,303	6,871	(548)	1,000		43,510
					<u>69,463</u>
<u>5,303</u>	<u>(400,165)</u>	<u>(548)</u>	<u>1,000</u>		<u>(370,014)</u>
134,343	2,179,647	554,314	203,621	227,050	4,451,219
<u>359,460</u>	<u>608,130</u>	<u>1,111,617</u>	<u>5,000</u>		<u>6,376,221</u>
<u>\$493,803</u>	<u>\$2,787,777</u>	<u>\$1,665,931</u>	<u>\$208,621</u>	<u>\$227,050</u>	<u>\$10,827,440</u>
\$138,730	\$1,684,255	\$483,325	(\$169,975)	(\$2,432,702)	\$588,471
					580,489
	35,523	14,223		(420)	79,630
	135,000				135,000
675	(101,021)	(66,386)			(168,793)
(1,968)	5,443	(8,924)			(36)
	824,539	227,206			1,051,745
<u>(8,397)</u>	<u>(3,927)</u>	<u>(11,582)</u>			<u>(74,258)</u>
<u>\$129,040</u>	<u>\$2,579,812</u>	<u>\$637,862</u>	<u>(\$169,975)</u>	<u>(\$2,433,122)</u>	<u>\$2,192,248</u>



City of Alameda

People and Places in the City





City of Alameda, California

Fiduciary Funds

GASB Statement 34 requires that Private Purpose, Pension Funds and Agency Funds be presented separately from the Government-wide and Fund financial statements.

Private Purpose Trust Funds

Successor Agency Special Revenue Fund

This fund accounts for the operations of the agency.

Successor Agency Capital Projects Fund

This fund accounts for capital projects of the agency.

Successor Agency Debt Service Fund

This fund accounts for the debt service related payments of the agency.

Pension Trust Funds

Pension Trust Funds are used to report and account for resources that are required to be held in trust for the members and beneficiaries of the City's defined benefit pension plan.

Police and Fire Pension #1079

This fund accounts for the resources accumulated for the payment of pension benefits enacted under Plan 1079.

Police and Fire Pension #1082

This fund accounts for the resources accumulated for the payment of pension benefits enacted under Plan 1082.

Agency Funds

Agency Funds account for assets held by the City as agent for individuals, governmental entities, and non-public organizations. These funds include the following:

Assessment Districts

This fund accounts for cash and investments held on behalf of assessment districts formed within the City. The City is not obligated for repayment of any debt issued by these assessment districts.

Waste Management JRRRC Trust (Joint Refuse Rate Review Committee)

This fund accounts for refuse charges collected to pay for operation of the committee.

Mastick Senior Center Trust Fund

This fund accounts for assets held for the Mastick Senior Center Advisory Board to provide services and facilities which enhance the quality of life for senior citizens.



**City of Alameda
Pension Trust Funds
Combining Balance Sheet
June 30, 2012**

	<u>PENSION TRUST FUNDS</u>		
	<u>Police and Fire Pension #1079</u>	<u>Police and Fire Pension #1082</u>	<u>Total</u>
ASSETS			
Restricted cash and investments	<u>\$393</u>	<u>\$524</u>	<u>\$917</u>
Total Assets	<u><u>\$393</u></u>	<u><u>\$524</u></u>	<u><u>\$917</u></u>
FUND BALANCE			
Reserved for:			
Employees' pension benefits	<u>\$393</u>	<u>\$524</u>	<u>\$917</u>
Total Equity	<u><u>\$393</u></u>	<u><u>\$524</u></u>	<u><u>\$917</u></u>



City of Alameda
Pension Trust Funds
Combining Statement of Changes in Net Assets
for the year ended June 30, 2012

	<u>PENSION TRUST FUNDS</u>		
	<u>Plan #1079</u>	<u>Plan #1082</u>	<u>TOTALS</u>
ADDITIONS			
Employer contributions	<u>\$1,914,176</u>	<u>\$44,400</u>	<u>\$1,958,576</u>
Total Additions	<u>1,914,176</u>	<u>44,400</u>	<u>1,958,576</u>
DEDUCTIONS			
Retirement and other benefits	<u>1,897,882</u>	<u>44,257</u>	<u>1,942,139</u>
Contractual services	<u>15,901</u>	<u>96</u>	<u>15,997</u>
Total Deductions	<u>1,913,783</u>	<u>44,353</u>	<u>1,958,136</u>
INCREASE (DECREASE) IN NET ASSETS	<u>393</u>	<u>47</u>	<u>440</u>
NET ASSETS HELD IN (DUE TO) TRUST FOR PENSION BENEFITS			
Beginning of year	<u>0</u>	<u>477</u>	<u>477</u>
End of year	<u>\$393</u>	<u>\$524</u>	<u>\$917</u>



City of Alameda
Successor Agency Private Purpose Trust Funds
Combining Balance Sheet
June 30, 2012

	<u>PRIVATE PURPOSE TRUST FUNDS</u>			
	<u>Successor Agency Special Revenue</u>	<u>Successor Agency Debt Service</u>	<u>Successor Agency Capital Project</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$15,687,289	\$1,368,523	\$9,815	\$17,065,627
Restricted cash and investments	2,613,589	6,503,386		9,116,975
Accounts receivable	646,776			646,776
Deferred loans	13,477,177			13,477,177
Total Assets	<u>\$32,424,831</u>	<u>\$7,871,909</u>	<u>\$9,815</u>	<u>\$40,306,555</u>
LIABILITIES				
Accounts payable	\$67,150			\$67,150
Accrued payroll	481			481
Interest payable		1,222,682		1,222,682
Pass-through obligations	946,157			946,157
Payable to the Housing Authority	19,902,771			19,902,771
Long term debt:				
Due within one year	75,000	1,590,000		1,665,000
Due in more than one year	255,000	70,908,717		71,163,717
Total Liabilities	<u>21,246,559</u>	<u>73,721,399</u>		<u>94,967,958</u>
NET ASSETS				
Held in trust for private purpose	<u>\$11,178,272</u>	<u>(\$65,849,490)</u>	<u>\$9,815</u>	<u>(\$54,661,403)</u>



City of Alameda
Successor Agency Private Purpose Trust Funds
Combining Statement of Changes in Net Assets
For the year ended June 30, 2012

	PRIVATE PURPOSE TRUST FUNDS			TOTALS
	Successor Agency Special Revenue	Successor Agency Debt Service	Successor Agency Capital Project	
ADDITIONS				
Property taxes	\$5,214,801			\$5,214,801
Use of money and property	126,720	\$23,649	\$198	150,567
Other	486,750	1,866,169		2,352,919
Total Additions	5,828,271	1,889,818	198	7,718,287
DEDUCTIONS				
Administration	184,361			184,361
Contractual services	844,517		64,510	909,027
Transfer to Successor Agency Debt Service Fund	1,866,169			1,866,169
Community development expense	1,425,985			1,425,985
Debt service:				
Interest and fiscal charges	31,960	2,160,700		2,192,660
Total Deductions	4,352,992	2,160,700	64,510	6,578,202
Change in net assets before extraordinary item	1,475,279	(270,882)	(64,312)	1,140,085
EXTRAORDINARY ITEM				
Asset transferred to/liabilities assumed by Successor Agency	9,702,993	(65,578,608)	74,127	(55,801,488)
Beginning of year				
End of year	\$11,178,272	(\$65,849,490)	\$9,815	(\$54,661,403)



City of Alameda
Agency Funds
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<hr/> <u>Assessment Districts</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$21,124,002		\$12,438,520	\$8,685,482
Accounts receivable	27,395,212	\$1,214	27,395,212	1,214
Total Assets	<u>\$48,519,214</u>	<u>\$1,214</u>	<u>\$39,833,732</u>	<u>\$8,686,696</u>
<u>Liabilities</u>				
Due to bondholders	<u>\$48,519,214</u>	<u>\$1,214</u>	<u>\$39,833,732</u>	<u>\$8,686,696</u>
<hr/> <u>Mastick Senior Center</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	<u>\$323,538</u>	<u>\$44,198</u>		<u>\$367,736</u>
<u>Liabilities</u>				
Due to members	<u>\$323,538</u>	<u>\$44,198</u>		<u>\$367,736</u>
<hr/> <u>Totals All Agency Funds</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$21,447,540	\$44,198	\$12,438,520	\$9,053,218
Accounts receivable	27,395,212	1,214	27,395,212	1,214
Total Assets	<u>\$48,842,752</u>	<u>\$45,412</u>	<u>\$39,833,732</u>	<u>\$9,054,432</u>
<u>Liabilities</u>				
Refundable deposits				
Due to members	323,538	\$44,198		\$367,736
Due to bondholders	48,519,214	1,214	39,833,732	8,686,696
Total Liabilities	<u>\$48,842,752</u>	<u>\$45,412</u>	<u>\$39,833,732</u>	<u>\$9,054,432</u>



STATISTICAL SECTION



City of Alameda

People and Places in the City





City of Alameda, California

Statistical Section

This section of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information presents with respect to the City's overall financial health. In contrast to the Financial Section, the Statistical Section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balances of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Direct and Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Ratio of General Bonded Debt Outstanding
3. Computation of Direct and Overlapping Debt
4. Computation of Legal Bonded Debt Margin
5. Sewer Fund Debt Service
6. Bonded Debt Pledged Revenue Coverage, CIC Revenue Bonds and Tax Allocation Bonds

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.



City of Alameda

People and Places in the City





City of Alameda
Net Assets by Component
Last Ten Fiscal Years (a)
Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$116,456,794	\$132,621,927	\$124,741,406	\$149,626,890	\$158,716,508	\$169,776,636	\$169,927,104	\$179,200,175	\$173,302,089	\$249,436,223
Restricted	51,888,403	144,673,265	116,647,178	102,723,054	79,816,104	86,336,351	86,483,930	81,018,431	81,525,686	57,906,023
Unrestricted	19,237,422	(81,824,156)	(40,784,740)	(18,104,392)	13,312,902	8,764,362	16,106,522	17,744,797	21,985,164	17,632,805
Total governmental activities net assets	<u>\$187,582,619</u>	<u>\$195,471,036</u>	<u>\$200,603,844</u>	<u>\$234,245,552</u>	<u>\$251,845,514</u>	<u>\$264,877,349</u>	<u>\$272,517,556</u>	<u>\$277,963,403</u>	<u>\$276,812,939</u>	<u>\$324,975,051</u>
Business-type activities										
Invested in capital assets, net of related debt	\$51,668,490	\$38,512,292	\$41,430,248	\$41,606,226	\$41,973,568	\$42,515,505	\$44,928,147	\$45,131,483	\$39,458,176	\$44,169,706
Restricted		1,083,977	1,106,890	1,145,471						
Unrestricted	17,280,942	17,488,537	19,470,915	19,401,658	19,774,563	20,318,503	17,184,286	18,336,223	19,025,625	18,085,254
Total business-type activities net assets	<u>\$68,949,432</u>	<u>\$57,084,806</u>	<u>\$62,008,053</u>	<u>\$62,153,355</u>	<u>\$61,748,131</u>	<u>\$62,834,008</u>	<u>\$62,112,433</u>	<u>\$63,467,706</u>	<u>\$58,483,801</u>	<u>\$62,254,960</u>
Primary government										
Invested in capital assets, net of related debt	\$168,125,284	\$171,134,219	\$166,171,654	\$191,233,116	\$200,690,076	\$212,292,141	\$214,855,251	\$224,331,658	\$213,414,695	\$293,605,929
Restricted	51,888,403	145,757,242	117,754,068	103,868,525	79,816,104	86,336,351	86,483,930	81,018,431	81,525,686	57,906,023
Unrestricted	36,518,364	(64,335,619)	(21,313,825)	1,297,266	33,087,465	29,082,865	33,290,808	36,081,020	39,344,911	35,718,059
Total primary government net assets	<u>\$256,532,051</u>	<u>\$252,555,842</u>	<u>\$262,611,897</u>	<u>\$296,398,907</u>	<u>\$313,593,645</u>	<u>\$327,711,357</u>	<u>\$334,629,989</u>	<u>\$341,431,109</u>	<u>\$334,285,292</u>	<u>\$387,230,011</u>

Source: City Finance Department



City of Alameda
Changes in Net Assets
Last Ten Fiscal Years (a)
(Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,			
	2003	2004	2005	2006
Expenses				
Governmental Activities:				
General Government	\$11,314,930	\$11,892,299	\$15,395,113	\$17,477,965
Police	21,343,437	22,502,026	22,074,065	25,255,793
Fire	18,361,188	18,648,073	19,667,256	20,520,453
Public Works	13,654,427	12,263,391	13,990,352	5,374,200
Community Development	16,665,180	18,215,641	17,920,317	14,093,939
Community Services	6,599,712	8,625,168	6,758,918	7,114,677
Housing	6,155,962	5,059,414	4,687,684	3,395,317
Interest on Long-Term Debt	4,130,840	9,767,781	6,429,215	5,918,480
Total Governmental Activities Expenses	<u>98,225,676</u>	<u>106,973,793</u>	<u>106,922,920</u>	<u>99,150,824</u>
Business-Type Activities:				
Ferry Services	5,228,012	3,439,322	3,539,277	3,478,994
Golf Course	4,224,577	4,338,367	4,400,252	4,508,404
Sewer Service	3,374,862	3,921,506	3,632,512	3,756,084
Total Business-Type Activities Expenses	<u>12,827,451</u>	<u>11,699,195</u>	<u>11,572,041</u>	<u>11,743,482</u>
Total Primary Government Expenses	<u>\$111,053,127</u>	<u>\$118,672,988</u>	<u>\$118,494,961</u>	<u>\$110,894,306</u>
Component Units:				
Housing Authority	\$25,944,248	\$26,122,570	\$25,742,559	\$23,458,406
Power & Telecom	48,808,125	54,710,878	57,956,365	60,987,054
Total Component Units	<u>\$74,752,373</u>	<u>\$80,833,448</u>	<u>\$83,698,924</u>	<u>\$84,445,460</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$2,631,863	\$12,761,494	\$13,294,972	\$13,804,737
Police	1,237,479	197,252	190,052	217,551
Fire	1,724,050	95,384	90,640	79,718
Public Works	2,964,261	731,746	782,578	848,390
Community Development	15,277,921	13,103,655	11,891,979	12,395,013
Community Services	1,462,654	1,399,564	2,581,142	2,926,120
Housing				
Operating Grants and Contributions	7,095,519	10,397,197	8,170,805	16,571,222
Capital Grants and Contributions	8,853,630	8,722,254	10,946,725	15,576,210
Total Government Activities Program Revenues	<u>41,247,377</u>	<u>47,408,546</u>	<u>47,948,893</u>	<u>62,418,961</u>
Business-Type Activities:				
Charges for Services:				
Ferry Services				
Golf Course	4,991,613	4,730,019	4,259,968	3,859,518
Sewer Service	5,091,934	5,179,831	5,356,564	5,252,893
Operating Grants and Contributions	3,715,911	1,878,270	6,683,481	2,279,492
Total Business-Type Activities Program Revenue	<u>13,799,458</u>	<u>11,788,120</u>	<u>16,300,013</u>	<u>11,391,903</u>
Total Primary Government Program Revenues	<u>\$55,046,835</u>	<u>\$59,196,666</u>	<u>\$64,248,906</u>	<u>\$73,810,864</u>
Component Units:				
Charges for Services:				
Housing Authority	\$2,927,404	\$3,056,974	\$3,366,326	\$3,162,738
Power & Telecom	43,466,487	50,952,137	58,103,776	61,937,553
Operating Grants and Contributions	22,967,145	23,420,341	22,357,796	24,594,124
Total Component Units Program Revenues	<u>\$69,361,036</u>	<u>\$77,429,452</u>	<u>\$83,827,898</u>	<u>\$89,694,415</u>
Net (Expense)/Revenue				
Governmental Activities	(\$56,978,299)	(\$59,565,247)	(\$58,974,027)	(\$36,731,863)
Business-Type Activities	972,007	88,925	4,727,972	(351,579)
Component Units Activities	(5,391,337)	(3,403,996)	128,974	5,248,955
Total Primary Government Net Expense	<u>(\$56,006,229)</u>	<u>(\$59,476,322)</u>	<u>(\$54,246,055)</u>	<u>(\$31,834,487)</u>

Note: (a) Information prior to fiscal year 2003 is not available
Source: City Finance Department

2007	2008	2009	2010	2011	2012
\$20,160,089	\$13,942,578	\$11,725,432	\$15,456,715	\$18,188,575	\$15,237,357
25,632,978	26,769,167	26,137,009	26,798,928	26,889,284	25,904,606
23,911,788	24,645,039	22,123,701	22,861,254	24,532,288	23,970,035
4,465,955	12,628,974	18,746,655	10,939,983	18,950,456	13,738,143
22,986,738	19,189,329	22,163,130	19,248,260	16,550,661	5,718,100
7,730,394	8,275,998	8,125,339	8,749,436	9,296,269	8,741,325
5,802,261	6,668,775	7,415,214	7,975,615	7,261,310	14,452,825
6,307,727	6,351,470	6,100,624	5,764,642	5,677,260	4,142,152
116,997,930	118,471,330	122,537,104	117,794,833	127,346,103	111,904,543
3,274,613	4,469,475	3,756,857	4,200,933	3,357,896	
4,645,595	5,009,337	4,380,267	3,914,763	3,917,153	3,814,979
4,244,145	4,320,760	4,726,773	4,359,415	4,598,661	3,864,222
12,164,353	13,799,572	12,863,897	12,475,111	11,873,710	7,679,201
\$129,162,283	\$132,270,902	\$135,401,001	\$130,269,944	\$139,219,813	\$119,583,744
\$25,890,669	\$25,717,763	\$26,750,656	\$30,114,145	31,077,746	
63,267,230	61,075,579	61,522,873	56,686,475	50,902,652	54,520,590
\$89,157,899	\$86,793,342	\$88,273,529	\$86,800,620	\$81,980,398	
\$13,697,081	\$5,244,071	\$6,202,753	\$7,065,225	\$8,378,706	\$6,899,450
179,212	918,369	1,211,316	1,196,533	1,248,344	1,181,455
	1,917,703	2,528,403	2,459,169	1,875,008	2,156,989
1,488,380	7,149,848	7,135,253	5,234,368	6,743,825	6,694,970
13,265,740	12,520,166	12,050,332	9,628,742	9,628,742	9,261,637
1,940,528	2,396,147	2,328,111	2,600,886	2,643,386	2,771,489
	438,278				
14,350,320	12,969,596	6,816,299	7,401,177	7,753,440	9,898,631
11,063,279	5,535,687	4,307,127	6,703,662	8,305,292	5,111,573
55,984,540	49,089,865	42,579,594	42,289,762	46,576,743	43,976,194
17,726				222	
4,226,422	4,187,705	4,161,463	3,768,555	3,546,251	3,958,933
5,667,296	5,826,652	5,901,599	6,068,908	6,936,223	7,447,477
1,990,515	3,000,763	2,356,878	2,245,111	2,245,111	
11,884,233	13,015,120	12,419,940	12,082,574	12,727,807	11,406,410
\$67,868,773	\$62,104,985	\$54,999,534	\$54,372,336	\$59,304,550	\$55,382,604
\$3,368,311	\$3,294,371	\$3,369,634	\$2,957,381	2,959,697	
60,552,680	61,857,720	54,987,323	49,284,110	51,237,727	51,526,195
27,623,882	21,419,640	21,595,495	28,796,857	29,390,234	
\$91,544,873	\$86,571,731	\$79,952,452	\$81,038,348	\$83,587,658	\$51,526,195
(\$61,013,390)	(\$69,381,465)	(\$79,957,511)	(\$75,505,071)	(75,504,996)	(67,928,349)
(262,394)	(784,452)	(443,957)	(392,537)	1,027,225	3,727,584
2,386,974	(221,611)	(8,321,077)	(5,762,272)	1,607,260	
(\$58,888,810)	(\$70,387,528)	(\$88,722,545)	(\$81,659,880)	(\$72,870,511)	(\$64,200,765)



City of Alameda
Changes in Net Assets
Last Ten Fiscal Years (a)
(Accrual Basis of Accounting)
(Continued)

	For the Fiscal Year Ended June 30,			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Property Taxes	\$15,987,519	\$17,773,235	\$19,007,465	\$21,332,157
Incremental property tax	7,739,233	7,993,279	8,956,569	11,178,320
Urban runoff special assessments	2,290,320	2,514,813	894,930	851,005
Sales Taxes	5,430,564	5,551,361	4,756,425	4,580,600
Utility Users Tax				8,328,131
Transfer Tax				6,601,412
Franchise Tax				
Transient Occupancy Tax				
Property Tax In-Lieu				
Other Taxes	14,410,517	15,654,287	18,780,327	7,200,067
Motor Vehicle In-Lieu, Unrestricted	4,123,899	3,438,362	5,083,751	5,982,971
Use of Money and properties	3,306,730	876,633	2,898,323	2,695,888
Gain/Loss from disposal of capital assets	(7,578,352)	1,312,894		
Miscellaneous	413,199	34,145	3,435,857	1,215,942
Transfers	(16,347,856)	12,304,655	293,188	407,078
Extraordinary item				
Total Government Activities	<u>29,775,773</u>	<u>67,453,664</u>	<u>64,106,835</u>	<u>70,373,571</u>
Business-Type Activities:				
Use of Money and properties	983,739	282,361	486,455	646,149
Miscellaneous	1,686	68,743	2,008	257,810
Transfers	18,847,856	(12,304,655)	(293,188)	(407,078)
Total Business-Type Activities	<u>19,833,281</u>	<u>(11,953,551)</u>	<u>195,275</u>	<u>496,881</u>
Total Primary Government	<u>\$49,609,054</u>	<u>\$55,500,113</u>	<u>\$64,302,110</u>	<u>\$70,870,452</u>
Component Units Activities:				
Use of Money and properties	\$437,429	\$341,058	\$2,369,805	\$2,315,772
Miscellaneous	2,707,172			
Transfers	(2,500,000)			
Net Extraordinary Items				
Total Component Units Activities	<u>\$644,601</u>	<u>\$341,058</u>	<u>\$2,369,805</u>	<u>\$2,315,772</u>
Change in Net Assets				
Governmental Activities	(\$27,202,526)	\$7,888,417	\$5,132,808	\$33,641,708
Business-Type Activities	20,805,288	(11,864,626)	4,923,247	145,302
Total Primary Government	<u>(\$6,397,238)</u>	<u>(\$3,976,209)</u>	<u>\$10,056,055</u>	<u>\$33,787,010</u>
Changes in Net Assets				
Component units Activities	<u>(\$4,746,736)</u>	<u>(\$3,062,938)</u>	<u>\$2,498,779</u>	<u>\$7,564,727</u>

Note:

(a) Information prior to fiscal year 2003 is not available

Source: City Finance Department

2007	2008	2009	2010	2011	2012
\$26,137,534	\$27,413,398	\$28,056,019	\$30,779,575	\$30,205,060	\$27,965,276
12,266,563	14,043,703	15,634,394	11,631,272	11,868,722	5,748,695
2,668,301	1,738,422	1,857,611	1,897,652	1,886,557	1,844,180
4,967,130	5,140,774	5,412,461	4,880,379	5,077,031	6,035,950
8,702,101	9,301,200	9,049,473	8,822,075	9,182,248	8,787,016
4,177,736	3,389,197	3,124,066	4,647,057	5,896,294	4,921,032
	1,605,512	1,626,089	4,403,092	4,451,081	4,477,426
	1,088,342	1,178,705	1,084,850	1,118,732	1,294,691
	1,654,175	1,672,842	1,278,940	1,255,240	1,271,253
7,184,959	2,392,876	1,956,106	891,109	1,197,746	1,489,036
5,479,921	5,748,775	5,994,956	6,041,729	6,120,156	5,874,386
5,897,661	8,066,247	6,843,179	3,836,073	5,059,361	617,852
345,906	1,427,356	4,090,462	742,404	4,080,095	5,803,134
1,293,540	(596,677)	1,101,353	(1,114,750)	(1,628,137)	207,258
					40,764,726
<u>79,121,352</u>	<u>82,413,300</u>	<u>87,597,716</u>	<u>79,821,457</u>	<u>85,770,186</u>	<u>117,101,911</u>
1,004,169	1,126,277	730,441	348,032		192,687
146,541	147,375	93,294	285,028		58,146
(1,293,540)	596,677	(1,101,353)	1,114,750	1,628,137	(207,258)
(142,830)	1,870,329	(277,618)	1,747,810	1,628,137	43,575
<u>\$78,978,522</u>	<u>\$83,009,977</u>	<u>\$86,496,363</u>	<u>\$80,936,207</u>	<u>\$87,398,323</u>	<u>\$117,145,486</u>
\$2,804,872	\$2,974,858	\$1,744,742	\$356,673	\$1,965,040	\$119,699
			506,590	249,207	54,142
	(32,097,496)	25,251,400			
<u>\$2,804,872</u>	<u>(\$29,122,638)</u>	<u>\$26,996,142</u>	<u>\$863,263</u>	<u>\$2,214,247</u>	<u>\$173,841</u>
\$18,107,962	\$13,031,835	\$7,640,205	\$4,316,386	\$2,828,006	\$49,173,562
(405,224)	1,085,877	(721,575)	1,355,273	3,473,803	3,771,159
<u>\$17,702,738</u>	<u>\$14,117,712</u>	<u>\$6,918,630</u>	<u>\$5,671,659</u>	<u>\$6,301,809</u>	<u>\$52,944,721</u>
\$5,191,846	(\$29,344,249)	\$18,675,065	(\$4,899,009)	\$3,821,507	(\$2,820,554)



City of Alameda

People and Places in the City





City of Alameda
Fund Balances of Governmental Funds
Last Ten Fiscal Years (b)
(Modified Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Pre-GASB 54 Classifications:										
Reserved	\$4,351,023	\$6,061,084	\$6,065,209	\$6,626,345	\$6,649,640	\$9,441,392	\$6,152,052	\$5,426,061		
Unreserved	14,516,417	12,655,623	16,048,586	17,947,381	16,171,215	10,252,721	15,362,069	16,223,164		
GASB 54 Classifications:										
Nondisposable										\$2,685,205
Restricted									\$400,000	
Committed									603,629	400,000
Assigned									16,693,535	315,045
Unassigned										19,618,518
Total General Fund	<u>\$18,867,440</u>	<u>\$18,716,707</u>	<u>\$22,113,795</u>	<u>\$24,573,726</u>	<u>\$22,820,855</u>	<u>\$19,694,113</u>	<u>\$21,514,121</u>	<u>\$21,649,225</u>	<u>\$17,697,164</u>	<u>\$23,018,768</u>
All Other Governmental Funds										
Pre-GASB 54 Classifications:										
Reserved	\$22,490,776	\$30,173,689	\$26,759,167	\$29,578,391	\$32,799,457	\$34,104,927	\$31,746,036	\$33,900,970		
Unreserved, reported in:										
Special revenue funds	11,284,346	46,548,364	40,171,866	38,923,405	31,494,061	20,831,848	36,849,864	32,037,363		
Capital project funds	18,295,744	17,971,148	18,531,330	14,420,484	13,068,955	28,887,337	17,242,412	14,178,257		
GASB 54 Classifications:										
Nondisposable									\$45,639,192	\$8,894
Restricted									36,594,620	24,442,662
Committed									10,965	35,055,243
Assigned									(9,200)	
Unassigned										(1,600,776)
Total all other governmental funds	<u>\$52,070,866</u>	<u>\$94,693,201</u>	<u>\$85,462,363</u>	<u>\$82,922,280</u>	<u>\$77,362,473</u>	<u>\$83,824,112</u>	<u>\$85,838,312</u>	<u>\$80,116,590</u>	<u>\$82,235,577</u>	<u>\$57,906,023</u>

(b) Information prior to fiscal year 2003 is not available

Source: City of Alameda Finance Department



City of Alameda
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years (a)
(Modified Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Revenues					
Property taxes	\$27,491,873	\$29,947,878	\$32,976,420	\$37,320,071	\$39,938,739
Other local taxes	20,743,798	22,236,960	24,120,443	27,682,138	26,125,551
Licenses and permits	2,485,586	2,928,479	3,664,147	4,316,809	4,281,863
Revenue from other agencies	17,955,265	16,905,698	22,233,324	35,629,270	29,797,193
Charges for current services	9,324,938	10,079,831	9,291,266	10,705,681	9,952,910
Fines and forfeitures	933,675	897,087	907,001	941,793	992,593
Use of money and property	14,965,122	14,517,984	15,444,762	15,791,585	18,624,311
Other	971,470	953,026	3,550,257	1,168,243	1,437,521
Total Revenues	94,871,727	98,466,943	112,187,620	133,555,590	131,150,681
Expenditures					
Current:					
General government	10,569,472	11,020,370	15,208,034	15,161,220	13,761,022
Police	20,164,707	21,372,121	21,986,900	24,563,122	25,244,920
Fire	17,999,297	18,061,798	18,898,538	22,795,320	23,634,196
Public Works	6,992,184	7,844,588	7,382,093	7,120,517	7,892,558
Community Development	27,202,280	19,887,277	15,319,311	12,677,375	28,512,408
Community Services	5,639,792	6,034,698	6,177,938	6,331,629	6,621,934
Housing	6,649,001	6,900,786	6,400,799	4,369,609	6,249,589
Capital outlay (b)	11,719,561	19,409,657	18,907,960	39,505,003	23,667,913
Debt service:					
Principal repayment	1,745,853	10,363,174	1,560,568	1,564,295	1,918,623
Interest and fiscal charges	3,856,685	9,288,334	6,283,053	6,033,431	6,255,397
Total Expenditures	112,538,832	130,182,803	118,125,194	140,121,521	143,758,560
Excess (deficiency) of revenues over (under) expenditures	(17,667,105)	(31,715,860)	(5,937,574)	(6,565,931)	(12,607,879)
Other Financing Sources (Uses)					
Contribution from (to) other entities	2,500,000	3,731,721			
Transfers in	17,150,259	35,648,704	24,240,787	41,355,020	42,858,538
Transfers (out)	(17,749,270)	(35,749,307)	(24,244,606)	(41,077,819)	(41,588,363)
Sale of capital assets	11,166,506	7,556,344	23,443	5,176,704	25,026
Payment to escrow agent	(10,565,000)	(15,570,000)			
Bond issuance premium (discount) on debt					
Issuance of long-term debt	22,994,507	78,570,000	84,200	1,031,874	4,000,000
Total other financing sources (uses)	25,497,002	74,187,462	103,824	6,485,779	5,295,201
Extraordinary item					
Net Change in fund balances	\$7,829,897	\$42,471,602	(\$5,833,750)	(\$80,152)	(\$7,312,678)
Debt service as a percentage of noncapital expenditures	5.6%	17.7%	7.9%	7.6%	6.8%

NOTE:

(a) The City implemented GASB Statement 34 in fiscal year 2003.

(b) Calculation of percentage only includes non-capitalized expenditures that is not being reflected on the capital outlay line.

Source: City Finance Department

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$43,189,504	\$45,548,024	\$44,308,500	\$44,304,076	\$36,215,189
25,463,825	24,588,234	27,032,505	29,209,243	28,731,775
3,792,899	3,361,091	3,172,848	3,389,609	2,962,194
24,321,452	19,408,936	19,354,972	18,584,868	19,851,341
11,987,586	10,264,260	12,252,283	12,102,124	13,526,293
1,239,607	1,463,269	1,434,684	1,350,974	1,498,967
20,264,478	20,329,314	17,208,171	17,595,184	17,912,885
1,795,035	4,516,237	791,233	5,454,018	3,716,012
<u>132,054,386</u>	<u>129,479,365</u>	<u>125,555,196</u>	<u>131,990,096</u>	<u>124,414,656</u>
11,315,409	13,114,355	9,756,226	4,130,188	8,505,007
26,544,338	25,770,329	26,749,247	27,612,111	27,697,939
24,338,086	22,932,133	22,589,195	24,297,287	23,735,534
9,255,632	10,198,469	4,682,917	6,324,136	5,045,594
24,230,719	19,673,992	19,288,336	22,899,662	17,959,889
7,258,611	7,006,083	7,738,644	8,292,609	8,358,813
7,075,267	8,117,536	10,060,973	8,460,735	14,513,011
11,845,020	11,212,641	15,527,159	17,392,517	12,969,550
2,533,420	7,479,565	2,569,040	3,169,360	2,844,360
6,375,793	6,099,165	5,675,982	5,732,593	3,700,852
<u>130,772,295</u>	<u>131,604,268</u>	<u>124,637,719</u>	<u>128,311,198</u>	<u>125,330,549</u>
<u>1,282,091</u>	<u>(2,124,903)</u>	<u>917,477</u>	<u>3,678,898</u>	<u>(915,893)</u>
29,641,624	39,525,272	16,789,896	(1,347,013)	8,505,007
(30,614,587)	(38,281,393)	(23,293,991)	20,625,790	22,598,326
25,769	21,507		(24,690,492)	(25,611,556)
			735,000	8,213
			(985,000)	
	118,725		(125,326)	
<u>3,000,000</u>	<u>4,575,000</u>		<u>11,035,000</u>	
<u>2,052,806</u>	<u>5,959,111</u>	<u>(6,504,095)</u>	<u>5,247,959</u>	<u>(3,005,017)</u>
				<u>(20,454,496)</u>
<u>\$3,334,897</u>	<u>\$3,834,208</u>	<u>(\$5,586,618)</u>	<u>\$8,926,857</u>	<u>(\$24,375,406)</u>

8.0% (b)

10.9% (b)

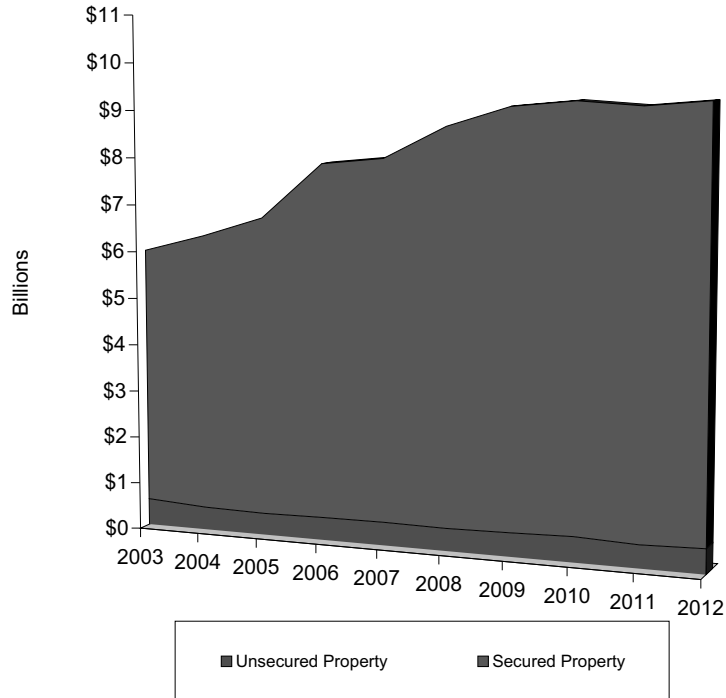
7.4% (b)

7.6% (b)

5.5% (b)



**City of Alameda
Assessed and Estimated Actual
Value of Taxable Property
Last Ten Fiscal Years**



Fiscal Year	Secured Property	Percent Change	Unsecured Property	Percent Change	Total Assessed
2003	\$5,426,195,345	6.19%	\$564,982,533	2.05%	\$5,991,177,878
2004	5,865,562,253	8.10%	485,153,311	-14.13%	6,350,715,564
2005	6,316,942,645	7.70%	460,263,932	-5.13%	6,777,206,577
2006	7,469,413,342	18.24%	482,582,523	4.85%	7,432,630,955
2007	7,600,603,000	1.76%	493,333,000	2.23%	7,951,995,865
2008	8,299,483,280	9.20%	477,194,312	-3.27%	8,776,677,592
2009	8,699,660,252	4.82%	501,285,753	5.05%	9,226,664,742
2010	8,796,462,645	1.11%	536,786,045	7.08%	9,436,632,497
2011	8,767,561,741	-0.33%	486,282,942	-9.41%	9,284,599,251
2012	8,851,986,300	0.96%	524,614,003	7.88%	9,387,095,373

- (a) California cities do not set their own direct tax rate. The State Constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.
- (b) Estimated full market information is not available
- (c) See page 157 for information regarding the total direct rate applied to the property tax assessed base.
- (d) See the following page for the total direct rate applied to the assessed valuation base for each year.

Source: Alameda County Auditor Controller Office Certificate of Assessed Valuations



**City of Alameda
Property Tax Rates
All Direct and Overlapping Governments
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Basic County Wide Levy (1)</u>	<u>City</u>	<u>Alameda Unified School Bonds</u>	<u>Alameda Unified School District</u>	<u>BART</u>	<u>Peralta College</u>	<u>Total</u>
2003	1.0000	0.0175	0.0610	flat rate	N/A	0.0176	1.0961
2004	1.0000	0.0318	N/A	0.1960	N/A	0.0280	1.2558
2005	1.0000	0.3330	0.0549	0.1960	0.0058	0.0280	1.2847
2006	1.0000	0.0255	0.0496	N/A	0.0050	0.0272	1.1073
2007	1.0000	0.0255	0.0496	N/A	0.0050	0.0272	1.1073
2008	1.0000	0.0247	0.0469	N/A	0.0076	0.0223	1.1015
2009	1.0000	0.0245	0.0479	N/A	0.0090	0.0362	1.1176
2010	1.0000	0.0245	0.0498	N/A	0.0057	0.0430	1.1230
2011	1.0000	0.0244	0.0520	N/A	0.0031	0.0430	1.1225
2012	1.0000	0.0249	0.0527	N/A	0.0041	0.0436	1.1253

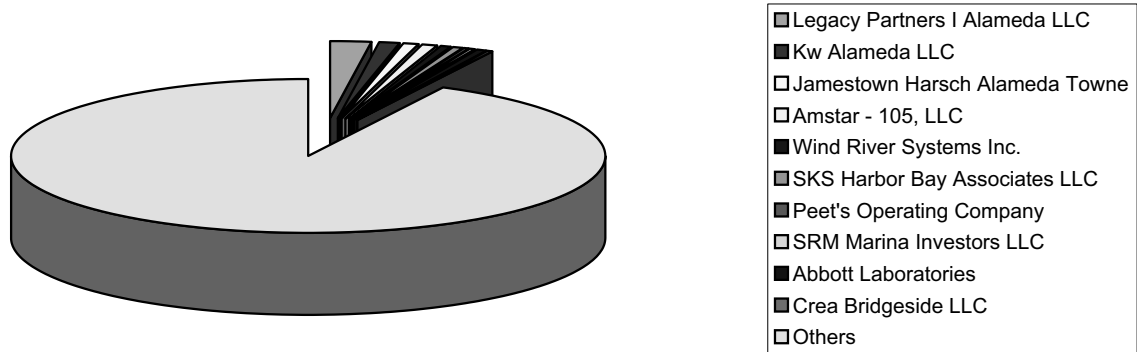
Source: Alameda County Assessors Office

(1) The City of Alameda is .3331, Alameda County is .3293, Alameda USD is .1956 and other government agencies represent .142 of the basic county wide levy



**City of Alameda
Principal Property Taxpayers
Current Year and Ten Years Ago**

Current Year Taxpayers

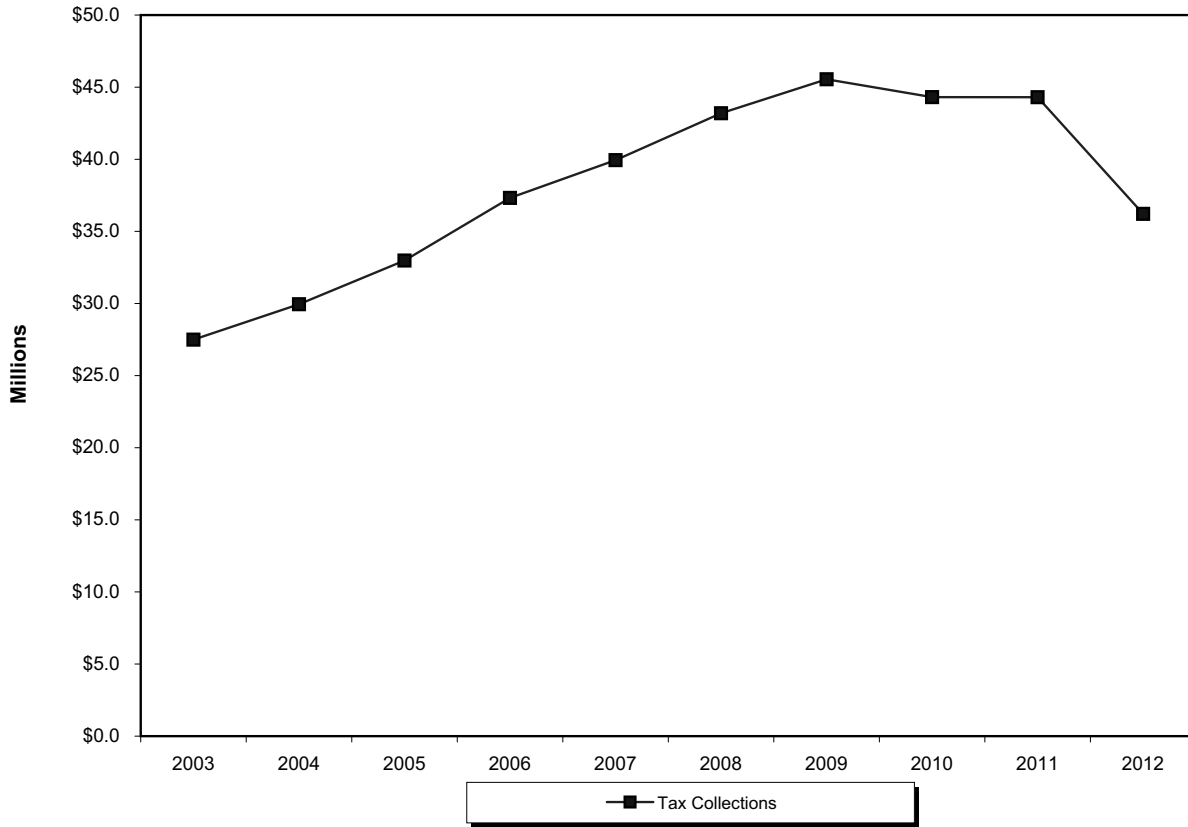


Taxpayer	2011-12			2002-03		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Legacy Partners I Alameda LLC	\$210,076,003	1	2.24%			
Kw Alameda LLC	105,529,615	2	1.12%			
Jamestown Harsch Alameda Towne	83,165,293	3	0.89%			
Amstar - 105, LLC	63,244,450	4	0.67%			
Wind River Systems Inc.	59,371,217	5	0.63%	\$61,979,692	3	1.03%
SKS Harbor Bay Associates LLC	41,265,906	6	0.44%			
Peet's Operating Company	40,359,035	7	0.43%			
SRM Marina Investors LLC	35,410,051	8	0.38%			
Abbott Laboratories	32,761,433	9	0.35%			
Crea Bridgeside LLC	32,274,000	10	0.34%			
Alameda Real Estate Investment				209,861,859	1	3.50%
Ascend Communications				105,395,319	2	1.76%
Harsh Investment				38,641,416	4	0.64%
Limar Realty Corp 13 & Realty Corp 1				35,925,440	5	0.60%
City of Alameda Health Care District				30,163,910	6	0.50%
TCI Cablevision of California				28,648,151	7	0.48%
Sumitomo Bank Leasing & Finance Inc.				27,413,401	8	0.46%
Ballena Village LLC				26,308,878	9	0.44%
South Shore Beach and Tennis Club				25,005,788	10	0.42%
Subtotal	\$703,457,003		7.49%	\$589,343,854		9.84%
Total Net Assessed Valuation:						
Fiscal Year 2011-12	\$9,387,095,373					
Fiscal Year 2002-03	\$5,991,177,878					

Source: Alameda County Assessor Fiscal Year Combined Tax Rolls.



**City of Alameda
Property Tax Levies and Collections
Last Ten Fiscal Years**



Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections (a)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2003	\$27,491,873	\$27,491,873	100%	0	\$27,491,873	100%
2004	29,947,878	29,947,878	100%	0	29,947,878	100%
2005	32,976,420	32,976,420	100%	0	32,976,420	100%
2006	37,320,071	37,320,071	100%	0	37,320,071	100%
2007	39,938,739	39,938,739	100%	0	39,938,739	100%
2008	43,189,504	43,189,504	100%	0	43,189,504	100%
2009	45,548,024	45,548,024	100%	0	45,548,024	100%
2010	44,308,500	44,308,500	100%	0	44,308,500	100%
2011	44,304,076	44,304,076	100%	0	44,304,076	100%
2012	36,215,189	36,215,189	100%	0	36,215,189	100%

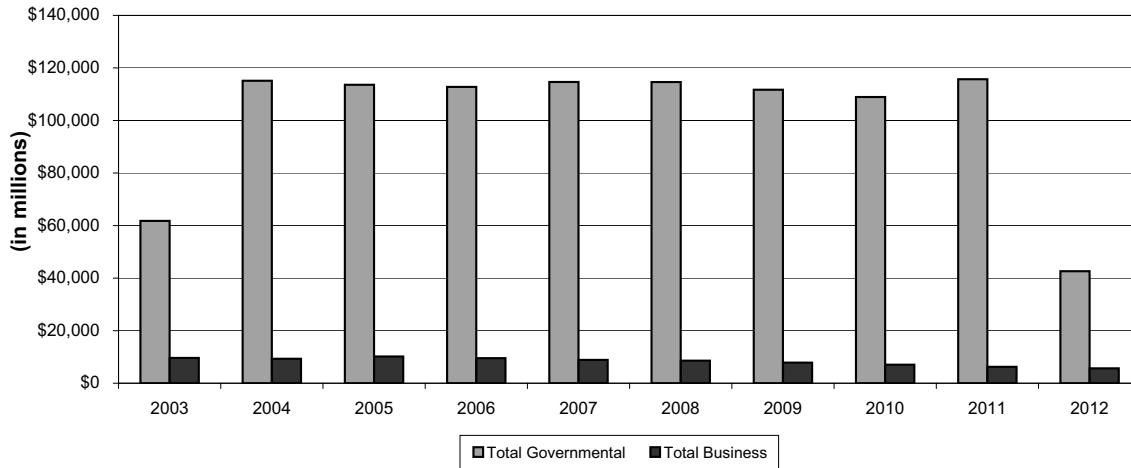
Source: City of Alameda Records

NOTE: Current tax collections beginning in 1993 have been reduced by a mandatory tax reallocation imposed by the State of California

- (a) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement (Teeter Plan) which allows the County to keep all interest and delinquency charges collected.
- (b) Upon the dissolution of the Community Improvement Commission effective January 31, 2012, a Successor Agency assumed the revenues of the former Community Improvement Commission.



City of Alameda
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years



Governmental Activities

Fiscal Year	Tax Allocation Bonds	Certificates of Participation	General Obligation Bond	Revenue Bonds	Loans & Lease Purchases	Total
2003	\$4,640,000	\$18,510,000	\$10,600,000	\$26,405,000	\$1,625,511	\$61,780,511
2004	69,770,000	17,230,000	10,600,000	15,330,000	2,181,320	115,111,320
2005	69,225,000	16,605,000	10,455,000	15,225,000	2,071,962	113,581,962
2006	68,700,000	15,960,000	10,300,000	15,110,000	2,724,932	112,794,932
2007	68,010,000	15,290,000	10,135,000	14,995,000	6,241,387	114,671,387
2008	67,005,000	14,595,000	9,960,000	14,630,000	8,666,301	114,644,787
2009	65,900,000	13,715,000	9,775,000	14,195,000	8,139,871	111,724,871
2010	64,685,000	13,305,000	9,580,000	13,745,000	7,620,380	108,935,380
2011	74,254,674	12,470,000	9,375,000	12,300,000	7,291,020	115,690,694
2012	0 (b)	11,600,000	9,155,000	12,000,000	9,878,854	42,633,854

Business-Type Activities

Fiscal Year	Certificates of Participation	Loans & Lease Purchases	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2003	\$4,430,000	\$5,191,545	\$9,621,545	\$71,402,056	3.07%	\$975
2004	4,225,000	5,087,209	9,312,209	124,423,529	5.18%	1,697.97
2005	4,010,000	6,182,578	10,192,578	123,774,540	4.85%	1,700.62
2006	3,785,000	5,750,127	9,535,127	122,330,059	4.51%	1,681.26
2007	3,545,000	5,323,440	8,868,440	123,539,827	4.19%	1,696.79
2008	3,295,000	5,305,043	8,600,043	123,513,227	3.94%	1,683.68
2009	3,030,000	4,813,515	7,843,515	119,568,386	3.82%	1,629.91
2010	2,755,000	4,304,311	7,059,311	115,994,691	3.73%	1,552.06
2011	2,465,000	3,776,678	6,241,678	121,932,372	4.48%	1,616.95
2012	2,160,000	3,498,778	5,658,778	48,292,632	1.75%	647.01

Note : Debt amounts exclude any premiums, discounts, or other amortization amounts.

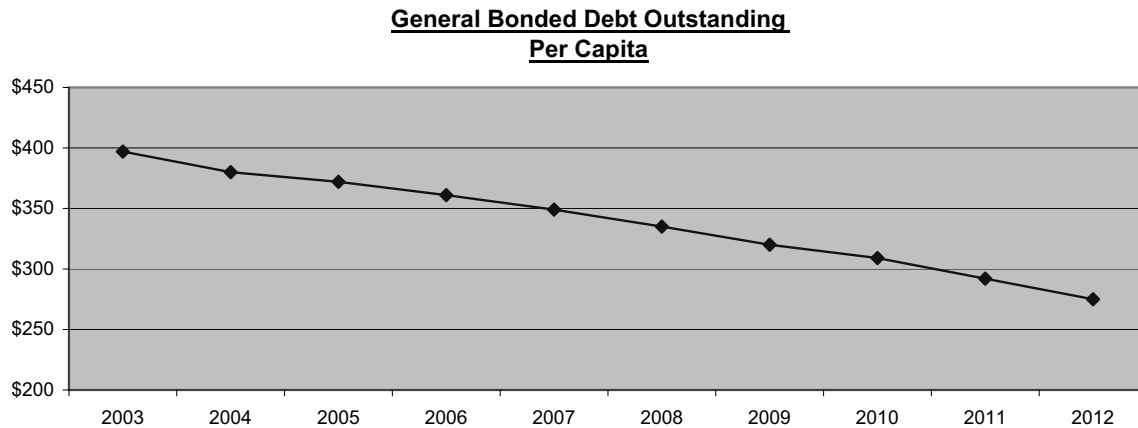
Sources: City of Alameda
 State of California, Department of Finance (population)
 U.S. Department of commerce, Bureau of the Census (income)

(a) See page 166 (Demographic Statistics) for personal income and population data.

(b) Upon the dissolution of the Community Improvement Commission effective January 31, 2012, a Successor Agency assumed the liabilities of the former Community Improvement Commission, including the Tax Allocation Bonds.



**City of Alameda
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years**



General Bonded Debt Outstanding				Percentage of Actual Taxable Value of Property	Per Capita
Fiscal Year	Certificates of Participation Governmental Activities	General Obligation Bond	Total		
2003	\$18,510,000	\$10,600,000	\$29,110,000	0.49%	\$397
2004	17,230,000	10,600,000	27,830,000	0.44%	379.79
2005	16,605,000	10,455,000	27,060,000	0.40%	371.80
2006	15,960,000	10,300,000	26,260,000	0.35%	360.91
2007	15,290,000	10,135,000	25,425,000	0.32%	349.21
2008	14,595,000	9,960,000	24,555,000	0.28%	334.72
2009	13,715,000	9,775,000	23,490,000	0.25%	320.21
2010	13,305,000	9,580,000	22,885,000	0.24%	309.12
2011	12,470,000	9,375,000	21,845,000	0.24%	292.30
2012	11,600,000	9,155,000	20,755,000	0.22%	275.23

Source: City of Alameda Finance Department



City of Alameda
Computation of Direct and Overlapping Debt
June 30, 2012

2011-12 Assessed Valuation:	\$9,387,095,373
Redevelopment Incremental Valuation:	<u>1,422,165,776</u>
Adjusted Assessed Valuation:	\$7,964,929,597

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/12	% Applicable (1)	City's Share of Debt 6/30/12
Bay Area Rapid Transit District	\$412,540,000	1.826%	\$7,532,980
Peralta Community College District	427,080,000	14.307	61,102,336
Alameda Unified School District	71,975,326	100	71,975,326
East Bay Regional Park District	129,525,000	2.837	3,674,624
East Bay Municipal Utility District, Special District No. 1	21,650,000	13.221	2,862,347
City of Alameda	9,155,000	100	9,155,000
City of Alameda Facilities District No. 1	9,775,000	100	9,775,000
City of Alameda Facilities District No. 2	770,000	100	770,000
City of Alameda 1915 Act Bonds	6,415,000	100	<u>6,415,000</u>
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$173,262,613

Ratios to 2010-11 Assessed Valuation:

Direct Debt (\$9,155,000)	0.10%
Total Direct and Overlapping Tax Assessment Debt	1.85%

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Alameda County and Coliseum Authority General Fund Obligations	\$669,510,500	4.717%	\$31,580,810
Alameda County Pension Obligations	131,540,555	4.717	6,204,768
Alameda-Contra Costa Transit District Certificates of Participation	34,485,000	5.725	1,974,266
Peralta Community College District Pension Obligations	160,149,090	14.307	22,912,530
Alameda Unified School District Certificates of Participation	1,260,000	100	1,260,000
City of Alameda General Fund Obligations	11,600,000	100	<u>11,600,000</u>
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$75,532,374

TOTAL DIRECT DEBT	\$20,755,000
TOTAL OVERLAPPING DEBT	\$228,039,987

COMBINED TOTAL DEBT	\$248,794,987	(2)
---------------------	---------------	-----

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the authority.
 (2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Adjusted Assessed Valuation:

Total Direct Debt (\$20,755,000)	0.26%
Combined Total Debt	3.12%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: \$0

AB:(\$459)

Note: The overlap is calculated based upon information by the City and County



**City of Alameda
Computation of Legal Bonded Debt Margin
June 30, 2012**

ASSESSED VALUATION:

Secured property assessed value, net of
exempt real property \$8,851,986,300

BONDED DEBT LIMIT (15% OF ASSESSED VALUE) \$1,327,797,945

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt (a) \$34,915,000

Less:

Revenue Bonds 12,000,000

Certificates of Participations 13,760,000

Amount of debt subject to limit 9,155,000

LEGAL BONDED DEBT MARGIN \$1,318,642,945

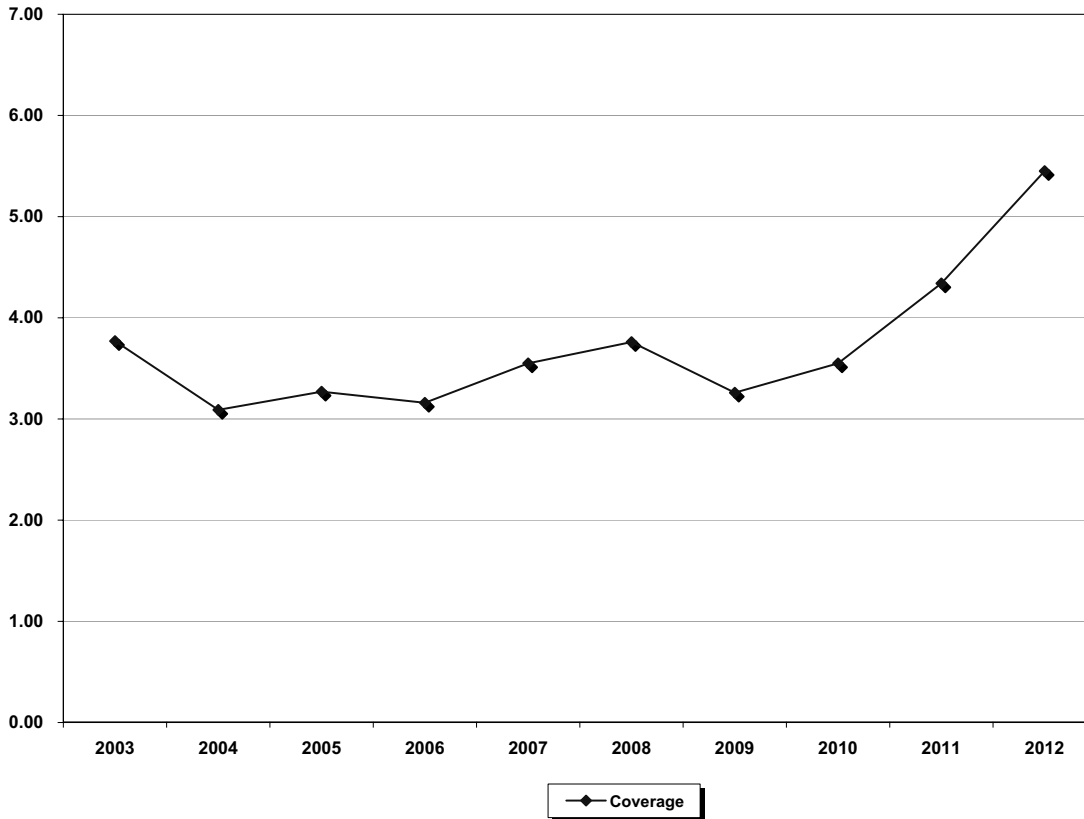
Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2003	\$898,676,682	\$22,057,055	\$876,619,627	2.52%
2004	952,607,335	87,638,529	864,968,806	10.13%
2005	1,016,580,986	93,934,540	922,646,446	10.18%
2006	1,140,090,450	42,126,174	1,097,964,276	3.84%
2007	1,140,090,450	42,466,779	1,097,623,671	3.87%
2008	1,244,922,492	9,960,000	1,234,962,492	0.81%
2009	1,304,949,038	9,775,000	1,295,174,038	0.75%
2010	1,319,469,397	9,580,000	1,309,889,397	0.73%
2011	1,315,134,261	38,556,717	1,276,577,544	3.02%
2012	1,327,797,945	9,155,000	1,318,642,945	0.69%

Source: City Finance Department

(a) Upon the dissolution of the Community Improvement Commission effective January 31, 2012, a Successor Agency assumed the liabilities of the former Community Improvement Commission, therefore the total bonded debt and revenue bonds have decreased.



**City of Alameda
Sewer Fund Debt Coverage
Last Ten Fiscal Years**



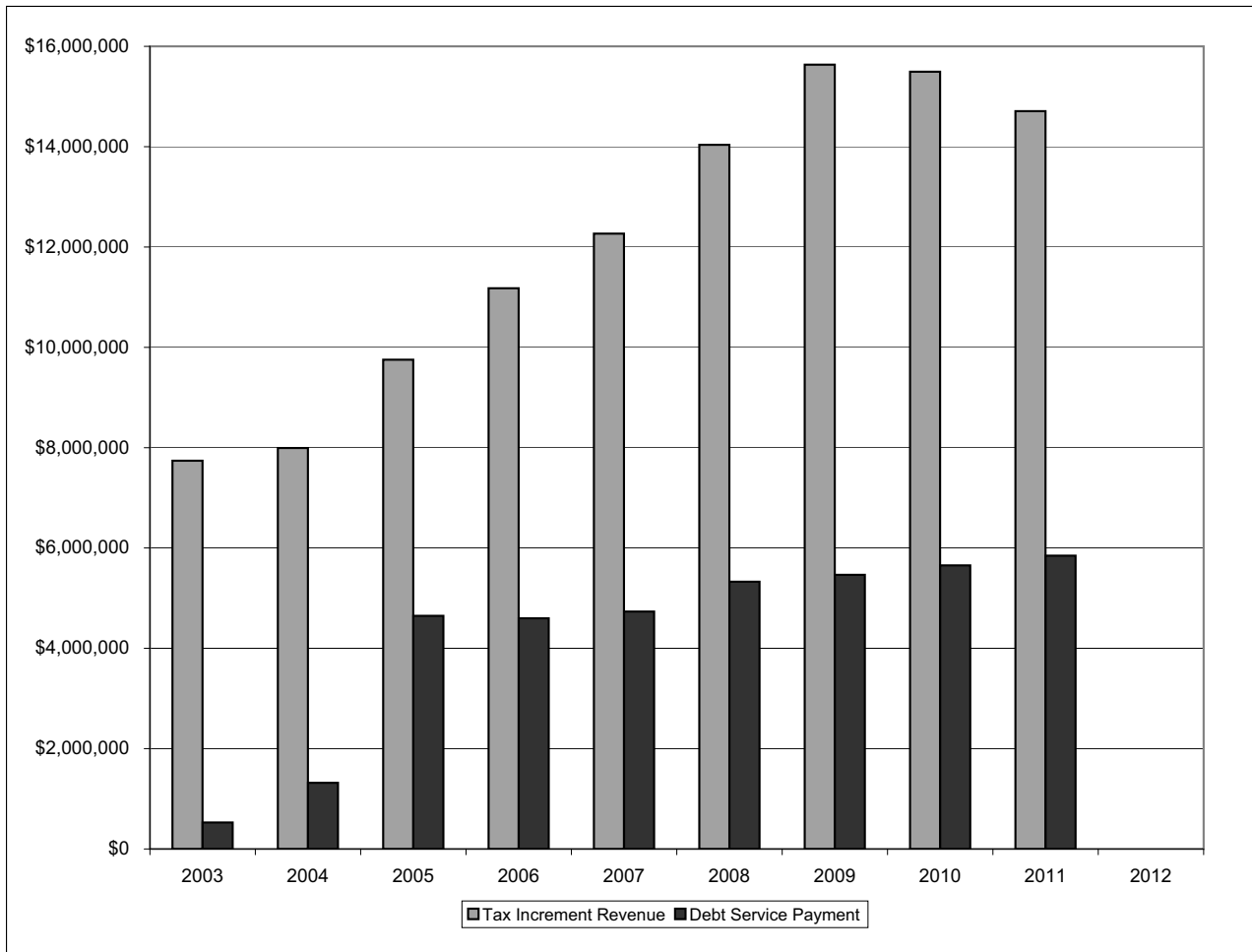
Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	\$5,375,026	\$2,303,181	\$3,071,845	\$448,038	\$367,356	\$815,394	3.77
2004	5,200,564	2,676,271	2,524,293	464,930	351,415	816,345	3.09
2005	5,358,572	2,352,626	3,005,946	557,150	361,729	918,879	3.27
2006	5,510,703	2,610,725	2,899,978	563,839	354,612	918,451	3.16
2007	6,557,677	3,284,973	3,272,704	588,054	334,260	922,314	3.55
2008	6,802,936	3,344,067	3,458,869	607,573	312,675	920,248	3.76
2009	6,540,313	3,432,587	3,107,726	632,247	322,293	954,540	3.26
2010	6,362,273	3,075,856	3,286,417	652,237	272,959	925,196	3.55
2011	7,322,938	3,328,747	3,994,191	677,500	242,891	920,391	4.34
2012	7,638,530	2,609,730	5,028,800	703,047	219,274	922,321	5.45

Notes: (1) Includes all Sewer Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenue
 (2) Includes all Sewer Operating Expenses less Depreciation and Interest

Source: City of Alameda Annual Financial Statements



City of Alameda
Bonded Debt Pledged Revenue Coverage
CIC Revenue Bonds and Tax Allocation Bonds
Last Ten Fiscal Years



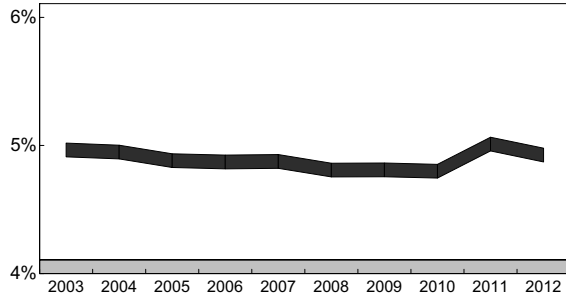
Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2003	\$7,739,233	\$90,000	\$437,771	\$527,771	14.66
2004	7,993,280	95,000	1,223,210	1,318,210	6.06
2005	9,753,286	650,000	3,997,104	4,647,104	2.10
2006	11,178,320	640,000	3,957,871	4,597,871	2.43
2007	12,266,563	805,000	3,928,195	4,733,195	2.59
2008	14,037,684	1,190,000	4,137,493	5,327,493	2.63
2009	15,634,394	1,300,000	4,165,670	5,465,670	2.86
2010	15,494,892	1,582,000	4,070,898	5,652,898	2.74
2011	14,708,012	1,722,000	4,124,257	5,846,257	2.52
2012	(a)	(a)	(a)	(a)	(a)

(a) Upon the dissolution of the Community Improvement Commission effective January 31, 2012, a Successor Agency assumed the liabilities of the former Community Improvement Commission, including the Tax Allocation Bonds.

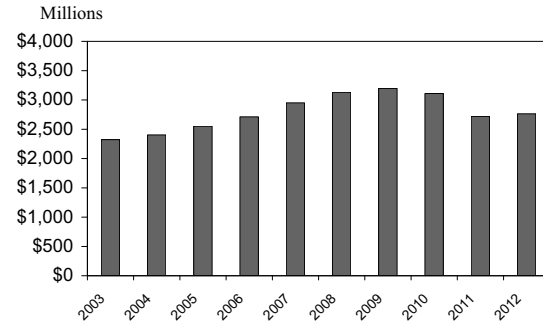
Source: City of Alameda Annual Financial Statements



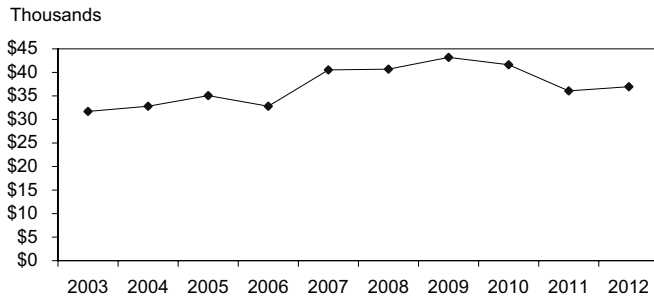
City of Alameda Demographic and Economic Statistics Last Ten Fiscal Years



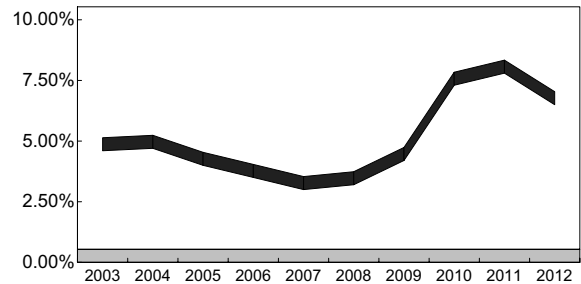
■ Graph City Population



■ Graph County Population



◆ Per Capita Personal Income



■ Unemployment Rate (%)

Fiscal Year	City Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate (%)	Alameda County Population	City Population % of County
2003	73,240	\$2,322,517,000	\$31,711	4.6%	\$1,491,209	4.91%
2004	73,278	2,403,681,000	32,802	4.7%	1,496,968	4.90%
2005	72,782	2,552,837,000	35,075	4.0%	1,507,500	4.83%
2006	72,761	2,711,584,000	32,802	3.5%	1,510,303	4.82%
2007	72,808	2,950,462,000	40,524	3.0%	1,509,981	4.82%
2008	73,359	3,131,575,000	40,688	3.2%	1,543,000	4.75%
2009	74,032	3,197,344,000	43,189	4.2%	1,556,657	4.76%
2010	74,736	3,110,554,000	41,621	7.3%	1,574,857	4.75%
2011	75,409	2,719,701,000	36,066	7.8%	1,521,157	4.96%
2012	74,640	2,763,776,399	36,962	6.5%	1,532,137	4.87%

Source: California State Department of Finance



**City of Alameda
Principal Employers
Current Year and Six Years Ago (A)**

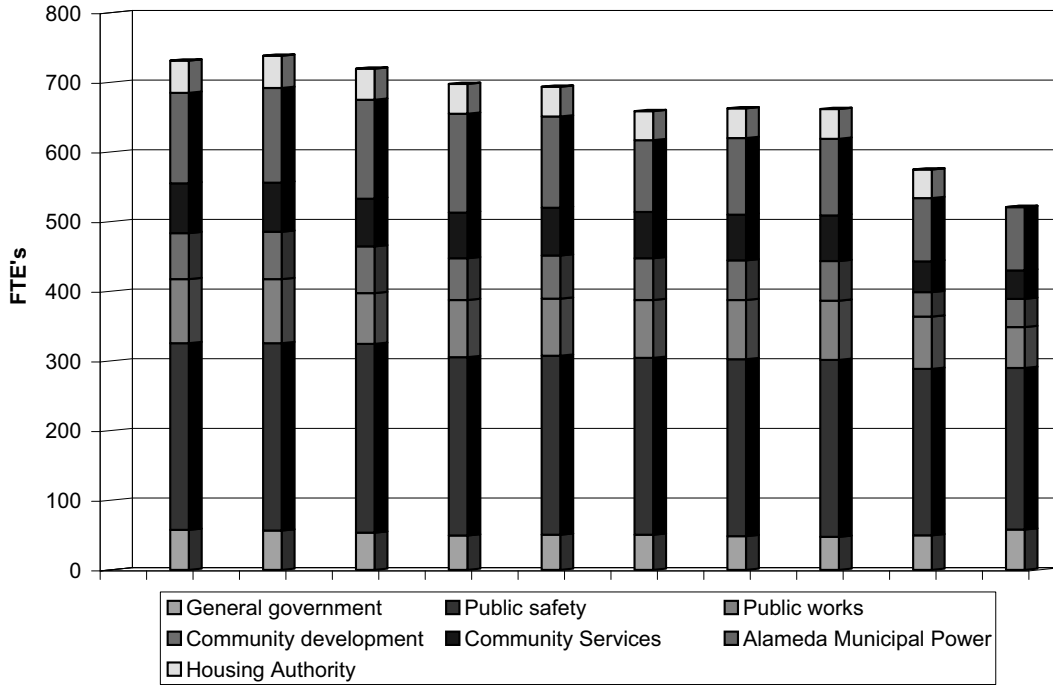
Employer	2011-12			2006-07		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Telecare Corp	2,100	1	2.81%			
Alameda Unified School District	1,330	2	1.78%	1,000	1	1.33%
North Face Inc.	600	3	0.80%			
City of Alameda	502	4	0.67%	626	3	0.84%
Alameda Hospital	492	5	0.66%	600	4	0.80%
Celera Corp	490	6	0.66%	215	10	0.29%
Associated Third Party Administration	250	7	0.33%			
Bay Ship & Yacht Co	250	8	0.33%			
College of Alameda	216	9	0.29%	472	5	0.63%
Associated Third Party	200	10	0.27%			
Abbott Diabetes Care				671	2	0.90%
Safeway Stores				345	6	0.46%
Wind River Systems				339	7	0.45%
Kaiser Foundation Health Plan				252	8	0.34%
UT Starcom Inc.				223	9	0.30%
Subtotal	<u>3,000</u>		<u>4.019%</u>	<u>3,743</u>		<u>6.329%</u>
Total City Day Population	<u>74,640</u>			<u>74,940</u>		

Sources: City of Alameda, Infousa.com

(A) Employment information not available for fiscal year 2001-2002



City of Alameda
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years



	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Function										
General government	57.50	56.50	53.50	49.50	50.50	50.50	48.50	47.50	49.70	58.00
Public safety	268.00	269.00	271.00	256.00	257.00	254.00	254.00	254.00	239.00	232.00
Public works	92.00	92.00	73.00	82.00	82.00	83.00	85.00	85.00	75.00	58.60
Community development	66.00	68.00	67.00	60.00	62.00	60.00	57.00	57.00	35.20	40.60
Community Services	71.50	70.50	68.50	65.50	68.50	66.50	65.50	65.50	44.00	40.75
Alameda Municipal Power	130.00	136.00	142.00	142.00	131.00	103.00	110.00	110.00	91.00	91.00
Housing Authority	46.20	46.20	44.70	42.70	42.70	41.70	42.70	42.70	41.00	
Total	<u>731.20</u>	<u>738.20</u>	<u>719.70</u>	<u>697.70</u>	<u>693.70</u>	<u>658.70</u>	<u>662.70</u>	<u>661.70</u>	<u>574.90</u>	<u>520.95</u>

Note:

Wastewater and Solid Waste are included in Public Works
 Culture & Recreation includes Library, Recreation and Park and Golf

Source: City of Alameda



City of Alameda

People and Places in the City





City of Alameda
Operating Indicators by Function/Program
Last Ten Fiscal Years

	2003	2004	2005	2006
General Information				
Area in square miles	10.1	10.1	22.7	22.7
Number of registered voters	39,780	39,360	40,968	41,755
Number of Hospitals	1	1	1	1
Education:				
Student enrollment	(A)	(A)	10,383	9,975
Elementary schools	12	12	12	10
Junior high schools	3	3	3	3
High schools	2	2	2	3
Continuation schools	1	1	1	1
Independent study	1	1	1	1
Teachers (full & part time)	528	637	650	621
Function/Program				
Fire:				
Fire calls for service	6,070	6,003	(A)	(A)
Primary fire inspections conducted	(A)	1,700	3,050	3,215
Police:				
Police calls for Service	72,584	65,535	66,634	67,816
Law violations:				
Part I and Part II crimes	7,897	6,741	6,128	6,479
Physical arrests (adult and juvenile)	5,530	4,712	4,036	4,441
Traffic violations	16,845	15,370	16,154	16,205
Sewer				
Storm drain inlets	(A)	(A)	(A)	2,100
Sewer service connections	(A)	(A)	(A)	29,789
Solid Waste				
Refuse Landfill (tons per year)	(A)	(A)	(A)	35,504
Recyclables Processed (tons per year)	(A)	(A)	(A)	10,936

2007	2008	2009	2010	2011	2012
22.7	22.7	22.7	22.7	22.7	22.7
37,307	40,238	42,547	42,547	41,665	42,547
1	1	1	1	1	1
9,975	10,260	9,770	8,704	8,704	8,704
11	10	10	10	10	10
3	3	3	3	3	3
3	3	3	4	4	4
1	1	1	1	1	1
1	1	1	1	1	1
650	514 FTE	638	628	628	628
(A)	(A)	4,360	6,100	6,100	6,100
3,215	(A)	2,485	1,991	1,991	1,991
6,883	69,272	69,061	65,963	65,963	65,963
5,824	5,705	5,705	5,141	5,141	5,141
3,574	3,661	3,461	3,103	3,103	3,103
11,721	12,058	12,265	12,000	12,000	12,000
2,100	2,280	2,280	2,300	2,300	2,300
29,789	30,525	30,525	20,590	20,590	20,590
39,584	36,640	31,485.53	33,280.00	33,280.00	33,280.00
14,354	20,816	18,864.14	17,777.00	17,777.00	17,777.00



City of Alameda
Operating Indicators by Function/Program
Last Ten Fiscal Years
(Continued)

	2003	2004	2005	2006
Planning & Building:				
Number of Building Permits issued	4,964	5,131	7,011	6,197
Recreation and Parks:				
Youth & Teens:				
Number of youth programs	89	90	92	98
Number of youth attendees	22,259	28,479	33,550	22,915
Seniors:				
Number of senior programs	75	79	81	84
Number of senior attendees	117,099	161,216	160,762	167,269
Number of meals served	14,435	14,243	12,154	12,209
Number of Mastick Senior Center attendees	117,099	161,216	160,762	167,269
Golf:				
Number of rounds played	198,113	178,937	151,607	134,114
Library:				
Volumes in Collection (thousands)	184	189	198	193
Total Volumes Borrowed (thousands)	517	508	499	494
Finance:				
Number of Business Licenses issued	8,295	8,732	9,038	9,283
Alameda Power and Telecom:				
Number of electric customers	32,957	33,059	33,188	33,869
Number of kilowatt hours sold	367,521,970	379,852,595	378,328,730	377,792,038
Reliability rate	99.99	99.99	99.99	99.99
Number of telecom customers	8,708	12,001	15,462	16,770
Housing Authority:				
Number of Section 8 vouchers	1,583	1,625	1,625	1,675
Number of managed units	559	559	559	559

Source: City of Alameda

Note: (A) Information not available
 (B) Telecom sold in November 2008

2007	2008	2009	2010	2011	2012
5,979	5,297	5,231	4,575	4,575	4,575
102	110	148	151	151	151
23,831	26,766	29,596	153,056	153,056	153,056
96	101	110	114	114	114
166,788	169,552	151,065	153,056	153,056	153,056
11,203	51,962	9,512	9,672	9,672	9,672
166,788	169,352	151,065	153,056	153,056	153,056
144,811	133,250	121,250	118,000	118,000	118,000
224	203	200	216	216	216
483	573	591	630	630	630
10,251	(A)	9,462	8,638	8,638	8,638
33,892	34,030	34,272	34,231	34,231	34,231
389,286,575	392,955,223	387,847,929	383,119,780	383,119,780	383,119,780
99.99	99.99	99.99	99.99	99.99	99.99
16,374	16,316	(B)	(B)	(B)	(B)
1,675	1,675	1,675	1,845	1,845	1,845
559	559	559	572	572	572



City of Alameda
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	2003	2004	2005	2006
Function/Program				
Fire:				
Fire stations	5	5	5	5
Police:				
Police stations	1	1	1	1
Public works:				
Miles of streets	(A)	135	135	135
Miles of bike lanes	(A)	(A)	10	10
Traffic Signals	(A)	(A)	78	78
Wastewater				
Miles of sanitary sewers	(A)	(A)	(A)	160
Miles of storm sewers	(A)	(A)	(A)	41
Recreation and Parks:				
City parks	29	29	31	31
City parks acreage	141	141	149	149
Playgrounds	11	11	11	11
City trails/Bike paths	(A)	(A)	12	12
Community centers	12	12	12	12
Senior centers	1	1	1	1
Sports centers				
Performing arts centers				
Swimming pools (B)	5	5	5	5
Tennis courts (C)	19	19	19	19
Baseball/softball diamonds (D)	15	15	15	15
Soccer/football fields (E)	2	2	2	2
Golf:				
Acres of Greens	5.39	5.39	5.39	5.39
Number of electric golf carts	(A)	(A)	150	150
Library:				
City Libraries	3	3	3	3
Alameda Power and Telecom:				
Miles of lines	239	2,456	245	147
Street lights	(A)	(A)	(A)	6,359

Source: City of Alameda

Note: (A) Information not available

(B) Owned by Alameda Unified School District but operated jointly by City and District

(C) 16 courts are owned by the City, 3 owned by Alameda Unified School District but operated jointly by City and District

(D) 14 baseball fields in City parks with three owned by College of Alameda

(E) 1 Dedicated soccer field in City Parks with one not owned by City at Alameda Point

Fiscal Years

2007	2008	2009	2010	2011	2012
5	5	4	3	3	3
1	1	1	1	1	1
138	141	141	141	141	141
10	12	15	15	15	15
78	78	78	78	78	78
160	165	165	165	165	165
41	41	41	41	41	41
31	31	32	32	32	32
149	152	156	156	156	156
11	11	11	13	13	13
12	13	13	13	13	13
12	13	13	13	13	13
1	1	1	1	1	1
5	5	5	5	5	5
19	19	19	19	19	19
15	15	15	18	18	18
2	2	3	3	3	3
5.39	5.39	5.39	5.39	5.39	5.39
150	120	120	120	120	120
3	3	3	3	3	3
256	257	257	257	257	257
6,365	6,370	6,440	6,069	6,069	6,069



City of Alameda

People and Places in the City



APPENDIX C
INVESTMENT POLICY OF THE CITY

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**CITY OF ALAMEDA, CALIFORNIA
INVESTMENT POLICY**

I. STATEMENT OF PURPOSE AND ADOPTION OF POLICY

It shall be the investment policy of the City of Alameda that all funds not required for immediate expenditures be invested in compliance with this statement, as well as applicable federal state and local legislation governing the investment of public funds. Funds shall be invested in a manner that will provide the highest investment return with the appropriate level of security, while meeting the daily cash flow demands of the City.

Safeguards will be set into place to insure that adequate operating reserves are established and maintained to provide that cash in sufficient amounts will be available to pay for immediate expenditures as authorized by the City's budget. Funds so maintained will be deposited in a manner best serving the City.

It will be further recognized that the City has a responsibility to monitor the security of its assets and always maintain a level of quality so that the public at large will have the highest confidence that its best interests are being served.

The purpose of this document is to identify various policies and procedures that enhance opportunities for a systematic investment process. The initial step toward a prudent investment policy is to organize and formalize investment related activities. Related activities, which comprise good cash management, include accurate cash projection, the expeditious collection of revenue, the control of disbursements, cost effective banking relations, and a short-term borrowing program which coordinates working capital requirements and investment opportunities. In concert with these requirements are the many facets of an appropriate and secure investment program.

The City's Investment Policy shall be adopted by resolution of City Council. The policy shall be reviewed at least annually by the City Treasurer and the Controller, and any modifications must be approved by City Council.

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such funds shall be reinvested only as provided by this policy.

II. SCOPE

It is intended that this policy cover all operating funds and investment activities under the direct authority of the City. These funds are described in the City's Comprehensive Annual Financial Report and include its General Fund, Capital Projects Funds, Special Revenue Funds, Enterprise Funds, Internal Service Funds, Fiduciary Funds and Community Improvement Commission Retirement Trust Funds.

This investment policy applies to all transactions involving the financial assets and related activities of the foregoing funds. Except for cash held in separate restricted funds, the City will pool cash balances from all funds for investments to maximize earnings and efficiencies with regards to investment pricing, safekeeping and administration. Investment income will be allocated to the City's funds based upon their respective average monthly balances and in accordance with Generally Accepted Accounting Principles (GAAP).

**CITY OF ALAMEDA, CALIFORNIA
INVESTMENT POLICY**

III. OBJECTIVES AND PERFORMANCE STANDARDS

The primary objectives, in priority order, of the City's investment activities shall be:

- A. **Safety:** Safety of principal is the foremost objective of the City's investment program, followed by liquidity and yield. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the City's portfolio. To obtain this objective, the City will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions. Each investment transaction shall seek to first insure that capital losses are avoided, whether they are from securities default or erosion of market value. Investment decisions should not incur unreasonable investment risks in order to obtain current investment income.
- B. **Liquidity:** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. This need for investment liquidity may be tempered to the extent that the City is able to issue short-term notes to meet its operating requirements. Emphasis will be on marketable securities with low sensitivity to market risk. Maturities of investments for which there is limited opportunity for resale shall be staggered to maximize liquidity.
- C. **Yield:** The City maintains an active investment strategy and its investment portfolio shall be designed to attain a rate of return which approximates benchmarks to be selected by the City's investment advisory committee throughout budgetary and economic cycles, taking into account the City's investment risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restricts the investment of funds.
- D. **Other Preferences:** Where all other factors are equal, as a final consideration the following preferences for investing in institutions will be given in order:
 - a. Institutions principally located in the City
 - b. Institutions principally located in the County
 - c. Institutions principally located in the State
 - d. Institutions principally located in the United States
- E. **Other Objectives:** Investments are to be made that will bear in mind the responsibility of city government to its citizens. Alternative investments which enhance the quality of life will be given full consideration. Investments which serve to only enrich a few to the detriment of the people will be strictly avoided. No investment is to be made in a company that receives more than 51% of gross revenues from the production or manufacture of cigarettes, alcohol, or gambling products.

IV. PRUDENCE AND RISK TOLERANCE

The City recognizes that investment risks of the following can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity:

- A. Credit risk is the possibility that a deterioration in an issuer's creditworthiness will adversely affect the value of its bonds or that an issuer will not make timely payments of interest or principal on its bonds (default). A decline in a bond issuer's credit rating, or creditworthiness, may cause prices for its outstanding bonds to decline. This shall be mitigated by limiting investments to those allowed under this policy and by diversification.

**CITY OF ALAMEDA, CALIFORNIA
INVESTMENT POLICY**

- B. Market or Interest Rate risk, defined as market value fluctuations due to overall changes in market price, shall be mitigated by eliminating the need to sell securities prior to maturity and investing operating funds primarily in shorter-term securities, money market funds or similar investment pools, thereby limiting the average maturity of the portfolio. Investments shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the safety of their capital as well as the income to be derived.

The standard of prudence to be used by investment officers shall be the "prudent investor standard", and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the City's investment policy and exercising due diligence shall be relieved of personal liability for an individual security credit risk or market price changes, provided that deviations from expectations are reported on a timely fashion, and appropriate action is taken to control adverse developments.

V. INTERNAL CONTROLS

The City Auditor will establish a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officers of the City. Controls deemed most important include: control of collusion, segregation of duties, separating transaction authority from accounting and recordkeeping, custodial safekeeping, clear delegation of authority, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, documentation of transactions and strategies and code of ethical standards. In addition, whenever possible pre-formatted wire transfers will be used to transfer funds to pre-authorized accounts.

The Controller shall establish an annual process for independent review of these controls by an external auditor. This review will help to ensure compliance with the City's investment policies and procedures.

VI. INVESTMENT PROCEDURES AND DELEGATION OF AUTHORITY

Article V of the Charter of the City of Alameda places sole custody of the City's funds with the Treasurer. Further, Section 53636 of the Government Code of the State of California provides that money on deposit is deemed to be in the treasury of the City. Although the responsibility for conducting the City's investment program and for all transactions undertaken resides with the Treasurer, the day to day investment function is hereby delegated to the Controller, who shall establish written procedures for the operation of the investment program, consistent with this investment policy.

Such procedures shall include a system of controls and explicit delegation to subordinate staff of authority for all investment activities, including procedures addressing safekeeping, wire transfer agreements, contracts, banking services, and procedures to be used in absence of the Controller. No person shall engage in an investment transaction except as provided for in this policy and these procedures. In the event of an absence or replacement of the City's Treasurer, the authority to invest in all maturities beyond six months shall be regulated by controls and restraining requirements and documented in written investment procedures

CITY OF ALAMEDA, CALIFORNIA INVESTMENT POLICY

The City may engage the services of one or more external investment managers to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

VII. **SAFEKEEPING & CUSTODY**

Guidelines - All security transactions entered into by the City shall be conducted on a delivery versus payment (DVP) basis as evidenced by safekeeping receipts in the City's name.

To protect against fraud and embezzlement, the investment securities of the City shall be held in the City's safe or held by a third party custodian according to established safekeeping procedures. Custody will be evidenced by safekeeping receipts.

Securities purchased from brokers/dealers shall be held in a third party custodian account, which the City has established for safekeeping. Said securities are to be held in the name of the City with the trustee executing investment transactions as directed by the appropriate City official. Receipts for confirmation of purchase of authorized securities must include trade date, pay value, maturity, rate, price, yield, and settlement date, description of securities purchased, agency's name, and third party custodian information.

Trust Agreements - The City shall direct the investment activities of trustees. Such direction shall be in keeping with the terms and condition of its trust agreements, applicable law and policies set forth in the Investment Policy. In addition to the acceptable investment instruments listed in Section IX, A thru K, bonds proceeds may be invested in securities permitted under Section 53635 and other investment instruments allowed by State law, and which comply with requirements imposed by bond insurance and rating agencies.

VIII. **AUTHORIZED BANKS AND FINANCIAL SECURITIES DEALERS AND INSTITUTIONS**

The Treasurer shall approve all financial institutions from which securities are purchased. Deposits shall only be made in a qualified public depository as allowed under State Statute. In selecting financial institutions for the deposit or investment of City funds, the Treasurer will consider the credit rating of the institutions. These financial institutions shall be authorized to provide investment services in the State of California, as authorized by Government Code Section 53608 GC, Section 5102 Financial Code (C) and the Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the City Treasurer and Controller with the following: audited financial statements, proof of National Association of Security Dealers certification, trading resolution, proof of state/province registration, a completed broker/dealer questionnaire, and a written certification agreeing to abide by the City's investment policy and depository contracts.

An annual review of the financial condition and registrations of qualified bidders may be conducted by the City Treasurer or designee. As part of any review performed, a current audited financial statement will be obtained for those financial institutions and brokers/dealers subject to review. Whenever reasonable a competitive bid process, utilizing a minimum of three financial institutions deemed eligible by the Treasurer, will be used to place investment purchases. The City shall transact business only with banks, savings and loans, and with brokers/dealers approved by the Investment Advisory Committee.

**CITY OF ALAMEDA, CALIFORNIA
INVESTMENT POLICY**

IX. AUTHORIZED INVESTMENTS, MAXIMUM MATURITIES AND INVESTMENT AMOUNTS

The following represent the maximum maturities for and maximum percentage or dollar amounts that may be invested in specific investment types:

Investment Type	Maximum % or \$	Maximum Maturity	Minimum Required Rating
Bank/Time Deposits	None	5 years	N/A
U.S. Treasuries	None	5 years	N/A
U.S. Agencies	75% (25% for one issuer)	5 years	N/A
Money Market Funds	20% (10% with one mutual fund)	N/A	N/A
Bankers Acceptances	30% (5% with one bank)	180 days	A1/P1
Commercial Paper	25% (5% with one firm)	270 days	A1/P1
Negotiable CDs	30% (5% with one bank)	5 years	A < 1 year AA for 1-5 years
LAIF	Per State Statute (\$50 million as of 5/1/11)	N/A	N/A
CAMP / Caltrust	None	N/A	N/A
County Investment Pool	15%	N/A	N/A
CDs - non-negotiable / CDARS	30% (5% with one bank)	3 years	N/A
Local Agency Debt	(5% with one agency)	5 years	A (except City's Own bonds)
Medium Term Notes	30%	5 years	A

As specified in Government Code Section 53601, the City Council must expressly authorize the investment of funds that mature in excess of five years. Placement of such investments cannot occur until three months have lapsed from the date of authorization. Bond covenants may allow for a longer term investment for bond reserves held with a fiscal agent.

It is the intent that investments shall be managed in such a way that any market price losses resulting from interest-rate volatility would be offset by coupon income and current income received from the overall portfolio over market cycles. To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements.

CITY OF ALAMEDA, CALIFORNIA INVESTMENT POLICY

Pursuant to Government Code Section 53601 et seq. the City may only invest in the following security types (See Attachment A – Glossary, for a detailed description of each of these investment types):

- A. **U.S. Government Treasury Bills and Notes**
- B. **U.S. Government Sponsored Enterprise Debt (GSE's) (known as Agencies)**
- C. **Certificates of Deposit** (non-negotiable) (CDs) – The City is authorized to use of private CD placement services by local agencies. This investment policy allows for the use of a placement service called the Certificate of Deposit Account Registry Service (CDARS), which acts as the master custodian for the placement of CDs. Through the use of this placement service, local banks that work with CDARS place one investment by the City and divide the deposit into individual CDs not to exceed \$250,000, so that each individual CD is fully insured by the FDIC.
- D. **Bankers Acceptances (BA)**
- E. **Commercial Paper** - Prime commercial paper with an A1/P1 rating as provided for by a nationally recognized statistical-rating organization (NRSRO). Purchases must be limited to corporations organized and operating within the United States, and as a practical matter generally only those corporations operating within the State of California, having total assets in excess of \$500 million, and having an "A" or higher rating for the issuer's debentures, other than commercial paper (as-provided by Moody's or Standard and Poor's rating services). In addition, purchases may not represent more than ten percent (10%) of the outstanding paper of an issuing corporation.
- F. **State of California Local Agency Investment Fund (LAIF)**
- G. **County Agency Investment Pool**
- H. **CalTrust**
- I. **Domestic money market mutual funds** – These must be registered with the Federal Securities and Exchange Commission (SEC), have over \$500 million in total assets, be rated in the highest rating category by at least two nationally recognized rating services and only invest in:
 - a) U.S. Government or federal agency securities and repurchase agreements,
 - b) Tax exempt obligations or other investment instruments specifically included in the local investment policy
- J. **California Asset Management Program (CAMP)**
- K. **Negotiable Certificates of Deposit** - Must be issued by a nationally or state chartered bank or savings and loan association, or by a state licensed branch of a foreign bank.
- L. **Medium Term Corporate Notes** - Notes issued by corporations doing business in the United States

CITY OF ALAMEDA, CALIFORNIA INVESTMENT POLICY

If a corporate note owned by the City is downgraded by either Moody's or S&P to a level below the quality required by this Investment Policy, it shall be the City's policy to review the credit situation and make a determination as to whether to sell or retain such a corporate note in the portfolio.

- a. If a security is downgraded two grades below the level required by the City, the security shall be sold immediately.
 - b. If a security is downgraded one grade below the level required by this policy and matures within 6 months, the security will be held to maturity. The City Treasurer may determine to sell the security if it is determined that there is a probability of default prior to maturity. If a decision is made to retain the security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the City Council.
- M. **Local Agency Debt** – Must be rated "A" or better by a nationally recognized rating agency, except for the City's own bonds and bonds issued by the City's former Community Improvement Commission and its Financing Authority, which may have any rating.
- N. **Prohibited Investments** - The City's investment pool will not enter into repurchase or reverse repurchase agreements, mortgage and asset backed securities, nor trade in options or future contracts. In accordance with Government Code Section 53601.6, no investment shall be made by the City in any of the following instruments: inverse floaters, range notes, interest only strips derived from a pool of mortgages (i.e. Collateralized Mortgage Obligations), and any security that could result in zero interest accrual, such as straight floaters or floating rate notes.

X. **ADDING INVESTMENT POOLS / MONEY MARKET MUTUAL FUNDS**

A thorough investigation of the pool / fund is required prior to investing and on a regular basis, and information should be obtained from the pool / fund regarding the following items:

- Authorized Investments
- Interest Calculations / Distributions
- Fee Schedule / Who May Invest
- Frequency of Statements
- Safeguarding of Investments
- Deposit / Withdrawal Limitations
- Investment Policy and Objectives
- Investment Limitations
- Eligibility for holding Bond Proceeds
- Treatment of Gains and Losses
- Settlement Process
- Utilization of Reserves by Fund

XI. **DIVERSIFICATION**

It is the policy of this City to diversify the investment portfolio in order to reduce the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. See Section IX for limitations by category on the investment of City funds. Maturities shall be selected which provide for stability of income and reasonable liquidity. Concern for liquidity shall be insured through practices that include covering the next vendor disbursement date and payroll date through maturing investments. Risks of market price volatility shall be controlled through maturity and issuer diversification.

CITY OF ALAMEDA, CALIFORNIA INVESTMENT POLICY

In order to reduce portfolio risk, the City's portfolio will be diversified by type and issuer. The portfolio shall be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institution. The City shall diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions. In a diversified portfolio, occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return.

XII. COLLATERALIZATION

Collateral for time deposit in savings and loans is to be held by the Federal Home Loan Bank. Collateral for time deposits in banks is to be held in the City's name in the bank trust department or by the Federal Reserve. Bank Collateralization is required on Certificates of Deposit (non-negotiable) in excess of \$250,000. (California Government Code Section 53652 (a)). The City chooses to limit collateral to eligible securities authorized under the Government Code.

Collateral pledged with a U. S. Treasury Bill or Note must be at least 110% of the face value of the investment. Collateral pledged with first mortgages must be at least 150% of the face value of the investment. The right of collateral substitution may be granted by the City. Collateral will always be held by an independent third party with whom the financial institution has a current custodial agreement. These parties are limited to only those trust companies and trust departments, or the Federal Home Loan Bank of San Francisco, which have been approved by the California State Superintendent of Banks.

XIII. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Clerk and material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial or investment positions that could be related to the performance of the City.

These disclosure requirements shall include complying with the disclosure and disqualification requirements as established by the Fair Political Practices Commission and Conflict of Interest Codes of the City. A copy of each Investment Official's Statement of Economic Interest, which is required to contain disclosure of any material financial interests in financial institutions doing business in the City, shall be filed annually with the City Clerk.

XIV. INVESTMENT ADVISORY COMMITTEE / REPORTING REQUIREMENTS

An Investment Advisory Committee has been formed for the purpose of overseeing the implementation of the City's investment program and assuring it is consistent with the investment policy as approved by the City Council. The advisory committee shall consist of the City Treasurer, Controller (as representative of the City Manager) and the Accounting Supervisor.

The Investment Advisory Committee will meet as needed or as market or economic condition changes to determine general strategies and to monitor results. The committee shall include in its deliberations such topics as: economic outlook, portfolio diversification and maturity structure, potential risks to the City's funds, approval of authorized financial institutions, and the target rate of return on investment portfolio. The written investment procedures shall be reviewed by the investment advisory committee on an annual basis.

**CITY OF ALAMEDA, CALIFORNIA
INVESTMENT POLICY**

The Controller, with the concurrence of the Treasurer, shall submit a quarterly investment report to the City Council in order to provide a clear picture of the status of the current investment portfolio. This report will list all of the City's investments as of the end of the quarter, compute average yield and average life of the portfolio as well as all required elements of the quarterly report for each investment, including:

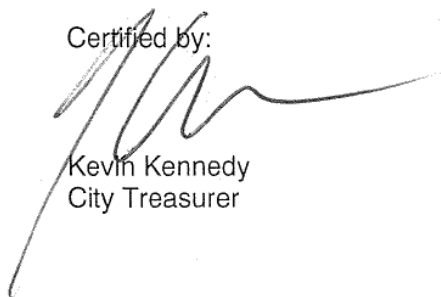
- Issuer
- Date of maturity / weighted average maturity (WAM) / Duration
- Purchase Date
- Coupon and Effective interest rates
- Book and Market Values
- Percentage of portfolio in each category
- Rating of security
- Call date, if applicable

The management report should include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategies.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments", as of June 30th of each Fiscal Year the City will report all investments in excess of one year at market value. Any change in the value of the investments will be recognized on an annual basis, as a part of interest income.

The quarterly information shall state compliance of the portfolio with the City's investment policy, or the manner in which the portfolio is not in compliance. The quarterly information shall also include a statement that the City is able to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money may not be available. The quarterly information shall be submitted to the City Manager and City Council within 30 days following the end of the quarter, or as soon as practicable after the data is available to the City.

Certified by:



Kevin Kennedy
City Treasurer

**CITY OF ALAMEDA, CALIFORNIA
INVESTMENT POLICY**

**ATTACHMENT A
GLOSSARY**

ACCRUED INTEREST: Coupon interest accumulated on a bond or note since the last interest payment or, for a new issue, from the dated date to the date of delivery.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises. These include securities of government agencies such as, but not limited to: Federal National Mortgage Association (FNMA); Federal Home Loan Bank (FHLB); Government National Mortgage Association (GNMA); Community Development Corporation (CDC), Small Business Association (SBA), Tennessee Valley Authority (TVA), Federal Farm Credit Bank (FFCB) and Federal Home Loan Mortgage Corporation (FHLMC).

ARBITRAGE: Transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a yield difference in the two markets. The 1986 Tax Reform Act made this practice by municipalities illegal solely as a borrowing tactic, except under certain safe-harbor conditions.

ASKED: The price at which securities are offered.

ASSET BACKED SECURITIES: Securities that are supported by pools of assets, such as installment loans or leases, or by pools of revolving lines of credits. Asset-backed securities are structured as trusts in order to perfect a security interest in the underlying assets.

BANK DEPOSITS: To deposit collateral in the form of currency that may be in the form of demand accounts (checking) or investments in accounts that have a fixed term and negotiated rate of interest.

BANK NOTES: A senior, unsecured, direct obligation of a bank or U.S. branch of a foreign bank.

BANKERS' ACCEPTANCE (BA): These are bills of exchange or time drafts drawn on, and accepted by, commercial banks in the top 100 of the world, which are eligible for purchase by the Federal Reserve System. Acceptance of the draft obligates the bank to pay the bearer the face amount of the draft at maturity. In addition to the guarantee by the accepting bank, the transaction is secured with a specific commodity. The sale of the underlying goods will generate the funds necessary to liquidate the indebtedness. BAs are usually created to finance the import and export of goods, the shipment of goods within the United States and the storage of readily marketable staple commodities. BAs are sold at a discount from par and the amount and maturity date are fixed.

BASIS POINT: Refers to the yield on bonds. Each percentage point of yield in bonds equals 100 basis points (1/100% or 0.01%). If a bond yield changes from 7.25% to 7.39% that is an increase of 14 basis points.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BOND PROCEEDS: The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

CITY OF ALAMEDA, CALIFORNIA INVESTMENT POLICY

BONDS: A debt obligation of a firm or public entity. A bond represents the agreement to repay the debt in principal and, typically, in interest on the principal.

BOOK ENTRY: The system maintained by the Federal Reserve, by which most money market securities are delivered to an investor's custodial bank. The Federal Reserve maintains a computerized record of the ownership of these securities and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment).

BOOK VALUE: The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of any premium or discount.

BROKER: A broker assists in the buying and selling of investments together for a commission.

CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP): CAMP is a money market portfolio rated AAAM by Standard and Poors and created for California Public Agencies. Similar to LAIF, CAMP provides daily liquidity, money market returns and unlimited number of deposits and withdrawals. CAMP may hold a broader range of securities that would not be eligible under the City investment criteria. Since CAMP is subject to different statutory investment provisions, any such variances in their holdings are acceptable under this policy

CALL PRICE: The price at which an issuer may redeem a bond before maturity

CALLABLE BOND: A bond issue in which all or a part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions

CALTRUST: a Joint Powers Authority created by public agencies to provide a convenient method for public agencies to pool their assets for investment purposes. CalTRUST is governed by a Board of Trustees made up of experienced local agency treasurers and investment officers. The Board sets overall policies for the program and selects and supervises the activities of the investment manager and other agents.

CD PLACEMENT SERVICE: A private cd placement service that allows local agencies to purchase more than \$250,000 in cds from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS (Certificate of Deposit Account Registry System) is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

CERTIFICATE OF DEPOSIT (CD): See "Non-Negotiable" and "Negotiable" Certificate of Deposit. Large-denomination CDs are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMMERCIAL PAPER: Unsecured promissory notes issued to finance short term credit needs, with maturities ranging from 2 to 270 days. Unsecured promissory notes are issued to finance short term credit needs. The paper must be of "prime" quality of the highest ranking, or of the highest letter and numerical rating as provided by Moody's or Standard & Poor's. Eligible paper is further limited to issuing corporations that are organized and operate within the United States, have total assets in excess of \$500 million, and have an 'A1-P1' rating for its debt from Moody's or Standard & Poor's.

CITY OF ALAMEDA, CALIFORNIA INVESTMENT POLICY

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the City. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

CORPORATE NOTES AND BONDS: Debt instruments, typically unsecured, issued by corporations, with original maturities in most cases greater than one year and less than ten years. Medium term notes (MTN) are unsecured, corporate and depository institution debt obligations. Allowable medium term notes must be issued by corporations organized and operating within the United States (U.S.) or by depository institutions licensed by the U.S. or any state and operating within the U.S. MTNs must be rated "A" or better by Moody's or Standard and Poor's.

COUNTY POOLED INVESTMENT FUNDS: The aggregate of all funds from public agencies placed in the custody of the county treasurer for investment and reinvestment.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value and (b) a certificate attached to a bond evidencing interest due on a payment date.

CREDIT RATING: Various alphabetical and numerical designations used by institutional investors, Wall Street underwriters, and commercial rating companies to give relative indications of bond and note creditworthiness. Standard & Poor's and Fitch Ratings use the same system, starting with their highest rating, of AAA, AA, A, BBB, BB, B, CCC, CC, C, and D for default. Moody's Investors Service uses Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C, and D. Each of the services use pluses (+), minuses (-), or numerical modifiers to indicate steps within each category. The top four letter categories are considered investment grade ratings.

CREDIT RISK: The chance that an issuer will be unable to make scheduled payments of interest and principal on an outstanding obligation. Another concern for investors is that the market's perception of a corporation's credit will cause the market value of a security to fall, even if default is not expected.

CUSIP NUMBER: The Committee on Uniform Security Information Procedures (CUSIP) Number refers to a security's identification number assigned to each publicly traded security by the CUSIP Service Bureau operated by Standard & Poor's for the American Bankers Association. The CUSIP Number is a nine-character identifier unique to the issuer, the specific issue and the maturity, if applicable (the first six characters identifying the issuer, the next two identifying the security and the last digit provides a check digit to validate the accuracy of the preceding CUSIP number).

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DEFEASED BOND ISSUES: Issues that have sufficient money to retire outstanding debt when due so that the agency is released from the contracts and covenants in the bond document.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

CITY OF ALAMEDA, CALIFORNIA INVESTMENT POLICY

DERIVATIVES: Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or financial contracts based upon amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, *e.g.*, U.S. Treasury Bills.

EFFECTIVE DURATION: A measure of the price sensitivity of fixed-income investments, especially for those with embedded option features such as call options. As yields rise, the effective duration of a callable investment rises to reflect the fact that it has become less likely to be called. The more rates rise, the longer the effective duration will become, approaching the duration to maturity. The converse is true in a declining interest rate environment (that is, the more rates fall, the shorter the effective duration will become, approaching the duration to call). For securities without an embedded option, the duration to call, maturity, and effective duration are all the same. The calculation for effective duration involves averaging the duration under a simulation of many possible interest rate scenarios in the future.

EXTENDABLE NOTES: Securities with maturity dates that can be extended by mutual agreement between the issuer and investor. When investing in these types of securities, the maturity date plus the stated extendable option must not exceed the time frames that are allowed in California Government Code or the investment policy for the investment type.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, *e.g.*, banks,, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, up to \$250,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or Freddie Mac): A United States government sponsored corporation.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety mortgages and second loans. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

CITY OF ALAMEDA, CALIFORNIA INVESTMENT POLICY

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

FIDUCIARY: A person who holds something in trust for another and bears liability for its safekeeping.

FIRST TIER SECURITIES: Securities that have received short-term debt ratings in the highest category from the requisite nationally recognized statistical-rating organizations (NSROS), or are comparable unrated securities, or are issued by money market funds, or government securities. [See sec Rules: Paragraph (a)(12) of rule 2a-7]

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, which prescribes standard accounting practices for governmental units.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FMHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

GUARANTEED INVESTMENT CONTRACTS (GICS): An agreement acknowledging receipt of funds for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest.

INTEREST: The amount a borrower pays to a lender for the use of his or her money.

INTEREST RATE RISK: The potential for a decline in bond prices and the market value of bonds in the portfolio, due to rising market interest rates. In general, bond prices vary inversely with interest rates. The change in a bond's price depends on several factors, including its maturity date. In general, bonds with longer maturities are more sensitive to changes in interest rates than bonds with shorter maturities. Similarly, bond funds with longer average portfolio maturities, such as the CalTRUST Medium-Term and Long-Term Accounts, will be more sensitive to interest rate changes than those with shorter average portfolio maturities, such as the CalTRUST Short-Term account.

INVESTMENT AGREEMENTS: Investment agreements are contracts with respect to funds deposited by an investor. Investment agreements are often separated into those offered by banks and those offered by insurance companies. In the former case, they are sometimes referred to as "bank investment contracts."

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LIQUIDITY RISK: The chance that a security, sold prior to maturity, will be sold at a loss of value. For a local agency, the liquidity risk of an individual investment may not be as critical as how the overall liquidity of the portfolio allows the agency to meet its cash needs.

CITY OF ALAMEDA, CALIFORNIA INVESTMENT POLICY

LOCAL AGENCY DEBT: Bonds or notes of any local agency within California, including bonds payable solely out of the revenues from revenue producing property owned, controlled or operated by the local agency. In addition, the City may invest in its own bonds of any rating, including bonds issued by the City's former Community Improvement Commission (CIC) and Financing Authority.

LOCAL AGENCY INVESTMENT FUND (LAIF): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment. LAIF was created in the California State Treasury by Section 16429 GC. LAIF holds local government funds in trust in a state investment pool in order to provide safety, liquidity and the benefits of the investment pool yield for local government entities invested in LAIF. LAIF may hold a broader range of securities that would not be eligible under the City investment criteria. Since LAIF is subject to different statutory investment provisions, any such variances in the LAIF pool holdings are appropriate exceptions for City purposes.

MARKET RISK: The chance that the value of a security will decline as interest rates rise. In general, as interest rates fall, prices of fixed income securities rise. Similarly, as interest rates rise, prices fall. Market risk also is referred to as systematic risk that affects all securities within an asset class similarly.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold on a specific date.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded. Rule 2a-7 of the Investment Company Act applies to Money Market Funds, which mandates these funds to maintain certain standards, including a 13 month maturity limit and a 90 day average maturity on investments, to maintain a constant net asset value of \$1.00.

MORTGAGE BACKED SECURITIES (MBS): Mortgage-backed securities (MBS) are created when a mortgagee or a purchaser of residential real estate mortgages creates a pool of mortgages and markets undivided interests or participations in the pool. MBS owners receive a prorata share of the interest and principal cash flows (net of fees) that are "passed through" from the pool of mortgages. MBS are complex securities whose cash flows are determined by the characteristics of the mortgages that are pooled together. Investors in MBS face prepayment risk associated with the option of the underlying mortgagors to pre-pay or payoff their mortgage. Most MBS are issued and/or guaranteed by federal agencies and instrumentalities (e.g., Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC)).

MORTGAGE PASS-THROUGH OBLIGATIONS: Securities that are created when residential mortgages (or other mortgages) are pooled together and undivided interests or participations in the stream of revenues associated with the mortgages are sold.

MUTUAL FUNDS: An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments.

NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD): A self-regulatory organization (SRO) of brokers and dealers in the over the counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

CITY OF ALAMEDA, CALIFORNIA INVESTMENT POLICY

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS (NSROs): Credit rating agencies whose ratings are permitted to be used for regulatory purposes such as those imposed by the Securities and Exchange Commission.

NEGOTIABLE CERTIFICATE OF DEPOSIT (NCD): A large denomination certificate of deposit which can be sold in the open market prior to maturity. Generally, it is a short-term debt instrument that usually pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. The majority of negotiable cds mature within six months, while the average maturity is two weeks. Negotiable cds are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor). These instruments are supported only by the strength of the institution issuing them.

NET ASSET VALUE (NAV): A term used in the mutual fund industry to determine the average price per share of a pool or mutual fund. How this measure varies over time provides information on whether the pool is stable or variable. NAV is the market value of all securities in a mutual fund, less the value of the fund's liabilities, divided by the number of shares in the fund outstanding. Shares of mutual funds are purchased at the fund's offered NAV.

NET PRESENT VALUE: An amount that equates future cash flows with their value in the present terms.

NON-NEGOTIABLE CERTIFICATES OF DEPOSIT: Funds deposited in nationally or state chartered bank or state or federal association for a specified period of time at a specified rate of interest. The first \$250,000 is guaranteed by the Federal Deposit Insurance Corporation (FDIC) for banks, the Federal Savings and Loan Insurance Corporation (FSLIC) for savings and loan associations and the National Credit Union Share Insurance Fund (NCUSIF) for credit unions. CDs with a face value in excess of \$250,000 must be collateralized at 110% of market value with pledged securities of the banking institution.

NOTE: A written promise to pay a specified amount to a certain entity on demand or on a specified date. Usually bearing a short-term maturity of a year or less (though longer maturities are issued—see "Medium-Term Note").

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

OPTIONS: A contract that gives the buyer the right to buy or sell an obligation at a specified price for a specified time. Exchange Traded Options are standardized option contracts that are actively traded on the Chicago Board of Exchange on a daily basis, whereas over the counter options are traded directly between the buyer and seller at agreed upon prices and conditions (the former type of option is therefore more liquid than the latter).

PAR AMOUNT OR PAR VALUE: The principal amount of a note or bond which must be paid at maturity. Par, also referred to as the "face amount" of a security, is the principal value stated on the face of the security. A par bond is one sold at a price of 100 percent of its principal amount.

PORTFOLIO: Collection of securities held by an investor.

CITY OF ALAMEDA, CALIFORNIA INVESTMENT POLICY

PREMIUM: The amount by which the price paid for a security exceeds the security's par value. Investors pay a premium to purchase a security when the return to the investor (yield) is lower than the stated coupon (interest rate) on the investment.

PRICE: Price is the amount of monetary consideration required by a willing seller and a willing buyer to sell an investment on a particular date.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include the Securities and Exchange Commission (SEC), registered securities broker-dealers and banks.

PRINCIPAL: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state, the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield on a security based on its purchase price or its current market price. This may be the amortized yield to maturity, on a bond it is the current income return.

REVERSE REPURCHASE AGREEMENTS: An agreement of one party (for example, a financial institution) to purchase securities at a specified price from a second party (such as a public agency) and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. One exception is when the Federal Reserve is said to be doing RP, it is lending money that is increasing bank reserves.

RISK: The uncertainty of maintaining the principal or interest associated with an investment due to a variety of factors.

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD: Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities.

CITY OF ALAMEDA, CALIFORNIA INVESTMENT POLICY

SAFETY: In the context of investing public funds, safety relates to preserving the principal of an investment in an investment portfolio; local agencies address the concerns of safety by controlling exposure to risks.

SAFEKEEPING: A service to customers rendered by banks for a fee, whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECURITIES LENDING AGREEMENT: An agreement of one party to borrow securities at a specified price from a second party with a simultaneous agreement by the first party to return the security at a specified price to the second party on demand or at a specified date. These agreements generally are collateralized and involve a third-party custodian to hold the securities and collateral. Economically similar to reverse repurchase agreement.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

SETTLEMENT DATE: The date when a trade is cleared by delivery of securities against funds

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, FHLB, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

SWAP: A swap is any financial transaction that involves the simultaneous purchase of a security and the sale of another for the purpose of enhancing an investor's portfolio. Swap transactions of interest to California public investors include portfolio swaps and interest rate swaps.

TAX AND REVENUE ANTICIPATION NOTES (TRANS): Notes issued in anticipation of receiving tax proceeds or other revenues at a future date.

TIME DEPOSITS: Issued by depository institutions against funds deposited for a specified length of time. Time deposits include instruments such as deposit notes. They are distinct from certificates of deposit (CDs) in that interest payments on time deposits are calculated in a manner similar to that of corporate bonds, whereas interest payments on CDs are calculated similar to that of money market instruments.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months to one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

TRUSTEE: A financial institution with powers to act in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

CITY OF ALAMEDA, CALIFORNIA INVESTMENT POLICY

UNDERWRITER: A dealer that purchases a new issue of municipal securities for resale.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

U.S. TREASURY OBLIGATIONS: These are debt obligations of the U.S. Government sold by the Treasury Department in the forms of bills, notes, and bonds, for which the full faith and credit of the United States are pledged for the payment of principal and interest. Bills are short-term obligations that mature in one year or less and are sold at a discount. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

WEIGHTED AVERAGE MATURITY (WAM): The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years

YIELD (Yield to Maturity or Yield to Call): The rate of annual income return on an investment, expressed as a percentage. Income yield is obtained by dividing the current dollar income by the current market price for the security. Net yield or yield to maturity or call is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity or call.

YIELD CURVE: A graphical representation of the yield on bonds, notes or bills of the same type and credit risk at a specific date for maturities up to thirty years.

ZERO COUPON SECURITY: A security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

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APPENDIX D

FORM OF SPECIAL COUNSEL OPINION

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

City Council of the
City of Alameda
2263 Santa Clara Avenue
Alameda, California 94501

OPINION: \$9,610,000 Certificates of Participation (2013 Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the City of Alameda, California, as the Rental for Certain Property Pursuant to a Lease Agreement with the City of Alameda Financing Authority

Members of the City Council:

We have acted as special counsel in connection with the delivery by the City of Alameda, California (the "City"), of its \$9,610,000 Lease Agreement, dated as of October 1, 2013, by and between the City of Alameda Financing Authority (the "Authority") and the City (the "Lease Agreement"), pursuant to the California Government Code. The Authority has, pursuant to the Assignment Agreement, dated as of October 1, 2013 (the "Assignment Agreement"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), assigned certain of its rights under the Lease Agreement, including its right to receive a portion of the lease payments made by the City thereunder (the "Lease Payments"), to the Trustee. Pursuant to the Trust Agreement, dated as of October 1, 2013, by and among the Trustee, the Authority and the City (the "Trust Agreement"), the Trustee has executed and delivered certificates of participation (the "Certificates") evidencing direct, undivided fractional interests of the owners thereof in the Lease Payments. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Lease Agreement and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a municipal corporation and general law city organized and existing under the laws of the State of California with the power to enter into the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.
2. The Lease Agreement has been duly authorized, executed and delivered by the City and is an obligation of the City valid, binding and enforceable against the City in accordance with its terms.
3. The Trust Agreement and the Assignment Agreement are valid, binding and enforceable in accordance with their terms.

4. Subject to the terms and provisions of the Lease Agreement, the Lease Payments to be made by the City are payable from general funds of the City lawfully available therefor. 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 terms and provisions of the Trust Agreement.

5. Subject to the City's compliance with certain covenants, interest with respect to the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest with respect to the Certificates to be includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates.

6. 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.

Ownership of the Certificates may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement, the Assignment Agreement and the Trust Agreement may be subject to the Bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the City and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. 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.

Respectfully submitted,

APPENDIX E

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement prepared for Certificates. The following also includes definitions of certain terms used therein and in this Official Statement. Such summary is not intended to be definitive. Reference is directed to said documents for the complete text thereof. Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. Copies of said documents are available from the City and from the Trustee.

DEFINITIONS

“*Additional Payments*” means the payments so designated and required to be paid by the City pursuant to the Lease Agreement.

“*Assignment Agreement*” means the Assignment Agreement, dated as of October 1, 2013, by and between the Authority and the Trustee, together with any duly authorized and executed amendments thereto.

“*Bond Counsel*” means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

“*Authority*” means the City of Alameda Financing Authority, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State.

“*Authority Representative*” means the Chairperson, the Executive Director, the Treasurer and the Secretary of the Authority, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the Authority under or with respect to the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement.

“*Business Day*” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the state in which the Principal Corporate Trust Office is located or in the State are closed or are required to close or a day on which the New York Stock Exchange is closed.

“*Certificate of Completion*” means the certificate of a City Representative certifying that the construction of the 2013 Project has been completed by the City and that all costs relating thereto have been paid.

“*Certificates*” means the certificates of participation to be executed and delivered pursuant to the Trust Agreement which evidence direct, undivided fractional Interests of the Owners thereof in Lease Payments.

“*City*” means City of Alameda, a municipal corporation and chartered city, duly organized and existing under and by virtue of the laws of the State.

“*City Representative*” means the Mayor, the City Manager, the Finance Director, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the City under or with respect to the Site and Facility Lease, the Lease Agreement and the Trust Agreement.

“*Closing Date*” means October 16, 2013, the date upon which there is a physical delivery of the Certificates in exchange for the amount representing the purchase price of the Certificates by the Original Purchaser.

“*Code*” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Lease Agreement or the Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Code.

“*Completion Date*” means the date of completion of the 2013 Project as evidenced by the filing with the Trustee of a Certificate of Completion.

“*Continuing Disclosure Certificate*” shall mean that certain Continuing Disclosure Certificate executed by the City and dated the date of execution and delivery of the Certificates, as it may be amended from time to time in accordance with the terms thereof.

“*Council*” means the City Council of the City.

“*Defeasance Obligations*” means (a) cash, (b) direct non-callable obligations of the United States of America, (c) securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, (d) Refcorp interest strips, (e) CATS, TIGRS, STRPS, and (f) defeased municipal bonds rated AAA by S&P or Aaa by Moody’s (or any combination of the foregoing).

“*Delivery Costs*” means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority relating to the execution and delivery of the Site and Facility Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement or the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, costs for statistical data, initial fees and charges of the Trustee (including the fees and expenses of its counsel), financing discounts, legal fees and charges, insurance fees and charges (including title insurance), financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

“*Delivery Costs Fund*” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“*Escrow Agreement*” means that certain Escrow Deposit and Trust Agreement, dated the Closing Date, by and between the City and the Escrow Bank, as originally entered into or as it may be amended or supplemented pursuant to the provisions thereof, created to provide for the defeasance of the 2002 Certificates.

“*Escrow Bank*” means The Bank of New York Mellon Trust Company, N.A., as escrow bank under the Escrow Agreement, or any successor thereto appointed as escrow bank thereunder in accordance with the provisions thereof.

“*Escrow Fund*” means the fund by that name created and maintained by the Escrow Bank pursuant to the Escrow Agreement.

“*Event of Default*” means an event of default under the Lease Agreement.

“*Facility*” means those certain existing facilities more particularly described in the Site and Facility Lease and in the Lease Agreement.

“*Federal Securities*” means (a) Cash (insured at all times by the Federal Deposit Insurance Corporation), and (b) obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States including: (i) United States treasury obligations, (ii) all direct or fully guaranteed obligations, (iii) Farmers Home Administration, (iv) General Services Administration, (v) Guaranteed Title XI financing, (vi) Government National Mortgage Association (GNMA), and (vi) State and Local Government Series.

“*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 selected by the City as its fiscal year.

“*Independent Counsel*” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Authority, the City or the Trustee.

“*Information Services*” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>) or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information or disseminating notices of redemption of obligations similar to the Certificates.

“*Insurance and Condemnation Fund*” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“*Interest Payment Date*” means the first (1st) day of May and November in each year, commencing May 1, 2014, so long as any Certificates are Outstanding.

“*Lease Agreement*” means that certain agreement for the lease of the Property by the Authority to the City, dated as of October 1, 2013, together with any duly authorized and executed amendments thereto.

“*Lease Payment Date*” means the fifteenth (15th) day of April and October in each year during the Term of the Lease Agreement, commencing October 15, 2013.

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

“*Lease Payments*” means the total payments required to be paid by the City pursuant to the Lease Agreement, including any prepayment thereof pursuant to the Lease Agreement, which payments consist of an interest component and a principal component, as set forth in the Lease Agreement.

“*Moody’s*” means Moody’s Investors Service, New York, New York, or its successors.

“*Net Proceeds*,” when used with respect to insurance or condemnation proceeds, means any insurance proceeds or condemnation award paid with respect to the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“*2002 Certificates*” means the 2002 Certificates of Participation (City Hall Refinancing Project), evidencing direct, undivided fractional interests of the owners thereof in lease payments to be made by the City as the rental for certain property pursuant to a lease agreement with the Authority, currently outstanding in the principal amount of \$7,140,000.

“*Original Purchaser*” means the first purchaser of the Certificates upon their delivery by the Trustee on the Closing Date.

“*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 for the payment or redemption of which funds or Defeasance Obligations in the necessary amount shall have theretofore been deposited with the Trustee or an escrow holder (whether upon or prior to the maturity or redemption date of such Certificates), provided that, if such Certificates are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

“*Owner*” or “*Certificate Owner*” or “*Owner of a Certificate*,” or any similar term, when used with respect to a Certificate means the person in whose name such Certificate shall be registered on the Registration Books.

“*Participating Underwriter*” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“*Permitted Encumbrances*” means, as of any particular time: (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of the Lease Agreement, permit to remain unpaid; (b) the Site and Facility Lease; (c) the Lease Agreement; (d) the Assignment Agreement; (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (f) easements, rights-of-way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the City certifies in writing will not materially impair the use of the Property; and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease Agreement and to which the Authority and the City agree in writing do not reduce the value of the Property.

“*Permitted Investments*” means any of the following:

(a) Federal Securities;

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: (i) Export-Import Bank, (ii) Rural Economic Community Development Administration, (iii) U.S. Maritime Administration, (iv) Small Business Administration, (v) U.S. Department of Housing & Urban Development (PHAs), (vi) Federal Housing Administration, and (vii) Federal Financing Bank;

(c) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: (i) senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC), (ii) obligations of the Resolution Funding Corporation (REFCORP), and (iii) senior debt obligations of the Federal Home Loan Bank System;

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

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

(f) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Trust

Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Trust Agreement may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(g) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or (B) (i) which are fully secured as to principal, interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal, interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal, interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

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

(i) the Local Agency Investment Fund maintained by the State; and

(j) 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).

“*Principal Corporate Trust Office*” means the corporate trust office of the Trustee located at 100 Pine Street, Suite 3100, San Francisco, CA 94111, Attention: Corporate Trust Department, or, solely for the purposes of the presentation of Certificates for payment, transfer or exchange, the designated corporate trust operations office of the Trustee or such other office designated by the Trustee from time to time.

“*Proceeds*,” when used with reference to the Certificates, means the face amount of the Certificates, less original issue discount.

“*Project Costs*” means all costs of payment of, or reimbursement for, the 2013 Project.

“*Project Fund*” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“*Property*” means, collectively, the Site and the Facility.

“*Rating Category*” means, with respect to any Permitted Investment, one of the generic categories of rating by Moody’s or S&P applicable to such Permitted Investment, without regard to any refinement or graduation of such rating category by a plus or minus sign or a numeral.

“*Registration Books*” means the records maintained by the Trustee pursuant to the Trust Agreement for registration of the ownership and transfer of ownership of the Certificates.

“*Regular Record Date*” means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

“*Rental Period*” means each twelve-month period during the Term of the Lease Agreement commencing on May 2 in any year and ending on May 1 in the next succeeding year; *provided, however*, that the first Rental Period shall commence on the Closing Date and shall end on May 1, 2014.

“*S&P*” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., New York, New York, or its successors.

“*Securities Depositories*” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041 Attention: Call Notification Department; or to such other addresses and/or such other registered securities depositories holding substantial amounts of obligations of types similar to the Certificates.

“*Site*” means that certain real property more particularly described in the Site and Facility Lease and in the Lease Agreement.

“*Site and Facility Lease*” means the Site and Facility Lease, dated as of October 1, 2013, by and between the City, as lessor, and the Authority, as lessee, together with any duly authorized and executed amendments thereto.

“*State*” means the State of California.

“*Term of the Lease Agreement*” means the time during which the Lease Agreement is in effect, as provided in the Lease Agreement.

“*Trust Agreement*” means the Trust Agreement, dated as of October 1, 2013, by and among the City, the Authority and the Trustee, together with any duly authorized amendments thereto.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., or any successor thereto, acting as Trustee pursuant to the Trust Agreement.

“*2013 Project*” means the construction of a new City Emergency Operations Center and associated expenses, more particularly described in the Trust Agreement.

SITE AND FACILITY LEASE

The Site and Facility Lease is entered into between the City and the Authority. The City agrees to lease the Site and the Facility to the Authority for a term continuous with the term of the Lease Agreement. The City and the Authority agree that the lease to the Authority of the City’s right, title and interest in the Site and the Facility pursuant to the Site and Facility Lease serves the public purposes of the City by enabling the Authority to lease the Site and Facility back to the City.

LEASE AGREEMENT

Deposit of Money

On the Closing Date, the Authority shall cause to be deposited with the Trustee the net proceeds of sale of the Certificates. Amounts required to pay Delivery Costs shall be deposited in the Delivery Costs Fund, amounts required to refund the 2002 Certificates will be transferred to the Escrow Bank for deposit in the Escrow Fund and amounts estimated to be required to pay Project Costs, shall be deposited in the Project Fund.

Payment of Project Costs Payment of Project Costs shall be made from the moneys deposited in the Project Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with the Trust Agreement.

Payment of Delivery Costs

Payment of Delivery Costs shall be made from the moneys deposited in the Delivery Costs Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with the Trust Agreement.

Lease

The Authority leases the Property to the City, and the City leases the Property from the Authority, upon the terms and conditions set forth in the Lease Agreement. The leasing of the Property by the City to the Authority pursuant to the Site and Facility Lease shall not affect or result in a merger of the City's leasehold estate pursuant to the Lease Agreement and its fee estate as lessor under the Site and Facility Lease.

Term of Agreement; Possession

The Term of the Lease Agreement shall commence on the Closing Date, and shall end on May 1, 2030, unless such term is extended. If, on May 1, 2030, the Trust Agreement shall not be discharged by its terms or if the Lease Payments payable under the Lease Agreement shall have been abated at any time and for any reason, then the Term of the Lease Agreement shall be extended without the need to execute any amendment to the Lease Agreement until there has been deposited with the Trustee an amount sufficient to pay all obligations due under the Lease Agreement, but in no event shall the Term of the Lease Agreement extend beyond May 1, 2040. If, prior to May 1, 2030, the Trust Agreement shall be discharged by its terms, the Term of the Lease Agreement shall thereupon end. The Trustee shall notify the Authority of the termination of the Lease Agreement pursuant to the Trust Agreement.

The City agrees to accept and take possession of the Property on or prior to the date of recordation of the Lease Agreement. The first Lease Payment shall be due on January 15, 2014.

Lease Payments

Obligation to Pay. The City agrees to pay to the Authority, its successors and assigns, as rental for the use and occupancy of the Property during each Rental Period, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in the Lease Agreement, to be due and payable on the respective Lease Payment Dates specified in the Lease Agreement. 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 Certificates not yet surrendered) shall be credited towards the Lease Payment then due and payable; and no Lease Payment need be made 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 paid. The Lease Payments for the Property payable in any Rental Period shall be for the use of the Property for such Rental Period.

Effect of Prepayment. In the event that the City prepays all remaining Lease Payments and all additional payments due under the Lease Agreement in full, the City's obligations under the Lease Agreement shall thereupon cease and terminate including, but not limited to, the City's obligation to pay Lease Payments under the Lease Agreement; subject however, to the provisions of the Lease Agreement in the case of prepayment by application of a security deposit. In the event that the City optionally prepays the Lease Payments in part but not in whole, such prepayment shall be credited entirely towards the prepayment of the Lease Payments as follows: (i) the principal components of each remaining such Lease Payments shall be reduced in such order as shall be selected by the City in integral multiples of \$5,000; and (ii) the interest component of each remaining Lease Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates redeemed pursuant to the Trust Agreement.

Rate on Overdue Payments. In the event the City should fail to make any of the payments required in the Lease Agreement, the payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid and the City agrees to pay the same with interest thereon, to the extent permitted by law, from

the date of default to the date of payment at the rate per annum payable with respect to the Certificates. Such interest, if received, shall be deposited in the Lease Payment Fund.

Fair Rental Value. The Lease Payments for each Rental Period shall constitute the total rental for the Property for each such Rental Period and shall be paid by the City in each Rental Period for and in consideration of the right of the use and occupancy and the continued quiet use and enjoyment of the Property during each Rental Period. The parties to the Lease Agreement have agreed and determined that the total Lease Payments represent the fair rental value of the Property. In making such determination, consideration has been given to the obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the City and the general public.

Source of Payments; Budget and Appropriation. Lease Payments shall be payable from any source of available funds of the City. The City covenants to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in each of its budgets during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments and for additional payments due under the Lease Agreement. To that end, the Board of Supervisors shall direct budgetary staff to include in each annual budget proposal to the Board of Supervisors an appropriation sufficient to pay Lease Payments and Additional Payments. The City expresses its present intent to appropriate Lease Payments and additional payments due under the Lease Agreement during the Term of the Lease Agreement. The covenants on the part of the City contained in the Lease Agreement shall be deemed to be and shall be construed to be duties imposed by law and it shall be 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.

Assignment. The City understands and agrees that all Lease Payments have been assigned by the Authority to the Trustee in trust, pursuant to the Assignment Agreement, for the benefit of the Owners of the Certificates, and the City assents to such assignment. The Authority directs the City, and the City agrees to pay to the Trustee at the Principal Corporate Trust Office, all payments payable by the City pursuant to the Lease Agreement.

Additional Payments

In addition to the Lease Payments, the City shall pay when due the following additional payments:

(a) Any fees and expenses incurred by the City in connection with or by reason of its leasehold estate in the Property as and when the same become due and payable;

(b) Any amounts due to the Trustee pursuant to the Trust Agreement for all services rendered under the Trust Agreement and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Trust Agreement;

(c) Any reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the City, the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease Agreement or the Trust Agreement;

(d) Any reasonable out-of-pocket expenses of the City in connection with the execution and delivery of the Lease Agreement or the Trust Agreement, or in connection with the execution and delivery of the Certificates, including any and all expenses incurred in connection with the authorization, execution, sale and delivery of the Certificates, or incurred by the Authority in connection with any litigation which may at any time be instituted involving the Lease Agreement, the Trust Agreement, the Certificates or any of the other documents contemplated or thereby, or incurred by the Authority in connection with the Continuing Disclosure Certificate, or otherwise incurred in connection with the administration thereof.

Title

During the Term of the Lease Agreement, the Authority shall hold leasehold title to the Property and shall hold fee title to those portions of the Property which are newly acquired or constructed and any and all additions which comprise fixtures, repairs, replacements or modifications to the Property, except for those fixtures, repairs, replacements or modifications which are added to the Property by the City at its own expense and which may be removed without damaging the Property and except for any items added to the Property by the City pursuant to the Lease Agreement.

If the City prepays the Lease Payments in full or makes the security deposit permitted by the Lease Agreement, or pays all Lease Payments during the Term of the Lease Agreement as the same become due and payable, all right, title and interest of the Authority in and to the Property shall be terminated. The Authority agrees to take any and all steps and execute and record any and all documents reasonably required by the City to consummate any such transfer of title.

Maintenance, Utilities, Taxes and Assessments

Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the City and the City shall pay, or otherwise arrange, for the payment of all utility services supplied to the Property which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the Lease Payments, the Authority agrees to provide only the Property. The City waives the benefits of subsections 1 and 2 of section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the City under the terms of the Lease Agreement.

The City shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the City affecting the Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

The City may, at the City's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the City that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Authority in the Property will be materially endangered or the Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority. The City shall provide the Authority with written notice of any such contest and shall provide such updates on the contest as the Authority may reasonably request.

Modification of Property

The City shall, at its own expense, have the right to remodel the Property or to make additions, modifications and improvements to the Property. All additions, modifications and improvements to the Property shall thereafter comprise part of the Property and be subject to the provisions of the Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Property, substantially alter its nature, cause the interest component of Lease Payments to be subject to federal income taxes or cause the Property to be used for purposes other than those authorized under the provisions of State and federal law; and the Property, upon completion of any additions, modifications and improvements made thereto pursuant to the Lease Agreement, shall be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifica-

tions and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City pursuant to the Lease Agreement; provided that if any such lien is established and the City shall first notify the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the 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 shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

Insurance

Public Liability and Property Damage Insurance. The City shall maintain or cause to be maintained, throughout the Term of the Lease Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the Authority, the City and the Trustee and their respective members, officers, agents and employees. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City, and may be maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the City. Said policy or policies shall provide for indemnification of said parties against direct or consequential loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the City. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Fire and Extended Coverage Insurance; No Earthquake Insurance. The City shall maintain, or cause to be maintained throughout the Term of the Lease Agreement, insurance against loss or damage to any part of the Property constituting structures, if any, by fire and lightning, with extended coverage and vandalism and malicious mischief insurance; *provided, however,* that the City shall not be required to maintain earthquake insurance with respect to the Property. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to one hundred percent (100%) of the replacement cost of such portion of the Property, if any. Such insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried by the City and may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The Net Proceeds of such insurance shall be applied as provided in the Lease Agreement. The City may not satisfy the requirements of the Lease Agreement for fire and extended coverage insurance with self-insurance.

Rental Interruption Insurance. The City shall maintain, or cause to be maintained, throughout the Term of the Lease Agreement rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property during the Term of the Lease Agreement as a result of any of the hazards covered in the insurance required by the Lease Agreement, if any, in an amount at least equal to two times maximum annual Lease Payments. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable. Such insurance may be maintained as part of or in conjunction with any other insurance carried by the City and may be maintained in whole or in part in the form of insurance maintained through a joint exer-

cise of powers authority created for such purpose. The City may not satisfy the requirements of the Lease Agreement for rental interruption insurance with self-insurance.

Title Insurance. The City shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, an CLTA title insurance policy in the amount of not less than the principal amount of the Certificates, insuring the City's leasehold estate in the Property, subject only to Permitted Encumbrances.

Insurance Net Proceeds; Form of Policies. Each policy or other evidence of insurance required by the Lease Agreement shall provide that all proceeds thereunder shall be payable to the Trustee as and to the extent required under the Lease Agreement, shall name the Trustee as an additional insured and shall be applied as provided in the Lease Agreement. Insurance must be provided by an insurer rated "A" or better by S&P or A.M. Best Company. The City shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. The Trustee shall not be responsible for the sufficiency of any insurance required in the Lease Agreement, including any forms of self-insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The City shall cause to be delivered annually on or before each September 1 to the Trustee a certification, signed by a City Representative, stating compliance with the provisions of the Lease Agreement. The Trustee shall be entitled to rely on such certification without independent investigation. The City shall have the adequacy of any insurance reserves maintained by the City or by a joint exercise of powers authority, if applicable, for purposes of the insurance required by the Lease Agreement reviewed at least annually, on or before each September 1, by an independent insurance consultant and shall maintain reserves in accordance with the recommendations of such consultant to the extent moneys are available for such purpose and not otherwise appropriated.

Tax Covenants

Private Activity Bond Limitation. The City shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Lease Agreement 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.

Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Certificates or the Lease Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Rebate Requirement. The City shall 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 Agreement.

No Arbitrage. The City shall 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 Closing Date would have caused the Certificates or the Lease Agreement to be "arbitrage bonds" within the meaning of section 148 of the Code.

Maintenance of Tax-Exemption. The City shall 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 Closing Date.

No Condemnation

The City covenants and agrees, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the City will not exercise the power of condemnation with respect to the Property. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fall or refuse to abide by such covenant and condemns the Property, the appraised value of the Property shall not be less than the greater of (i) if the Certificates are then

subject to redemption, the principal and interest components of the Certificates Outstanding through the date of their redemption, or (ii) if the Certificates are not then subject to redemption, the amount necessary to defease the Certificates to the first available redemption date in accordance with the Trust Agreement.

Eminent Domain

If all of the Property shall be 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 shall cease as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily under the power of eminent domain, (1) the Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the City and the Authority and communicated to the Trustee such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property, except to the extent of special funds available for the payment of Lease Payments.

Application of Net Proceeds

From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of any portion of the Property constituting structures, if any, by fire or other casualty shall be paid by the City to the Trustee, as assignee of the Authority under the Assignment Agreement, deposited in the Insurance and Condemnation Fund held by the Trustee and applied as set forth in the Trust Agreement.

From Eminent Domain Award. The Net Proceeds of any eminent domain award shall be paid by the City to the Trustee, as assignee of the Authority under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in the Trust Agreement.

From Title Insurance. The Net Proceeds of any title insurance award shall be paid to the Trustee, as assignee of the Authority under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in the Trust Agreement.

Abatement of Lease Payments in the Event of Damage or Destruction

Lease Payments shall be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the City of the Property or any portion thereof to the extent to be agreed upon by the City and the Authority and communicated by a City Representative to the Trustee. The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in the Lease Agreement, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed, based upon the opinion of an MAI appraiser with expertise in valuing such properties, or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as communicated by a City Representative to the Trustee. In the event of any such damage or destruction, the Lease Agreement shall 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 shall be no abatement of Lease Payments to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated, it being declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

Access to the Property

The City agrees that the Authority and any Corporation Representative, and the Authority's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Property. The City further agrees that the Authority, any Corporation Representative, and the Authority's successors or assigns, shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the City to perform its obligations under the Lease Agreement.

Release and Indemnification Covenants

The City shall and agrees to indemnify and save the Authority and the Trustee and their officers, agents, directors, employees, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on the Property by the City, (ii) any breach or default on the part of the City in the performance of any of its obligations under the Lease Agreement or the Trust Agreement, (iii) any act or omission of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (iv) any act or omission of any sublessee of the City with respect to the Property, or (v) the authorization of payment of the Delivery Costs. Such indemnification shall include the costs and expenses of defending any claim or liability arising under the Lease Agreement or the Trust Agreement and the transactions contemplated thereby. No indemnification is made in the Lease Agreement for willful misconduct, negligence or breach of duty under the Lease Agreement by the Authority, its officers, agents, directors, employees, successors or assigns.

Assignment by the Authority

The Authority's rights under the Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the City under the Lease Agreement, have been assigned to the Trustee pursuant to the Assignment Agreement.

Assignment and Subleasing by the City

The Lease Agreement may not be assigned by the City. The City may sublease the Property or any portion thereof, but only with the written consent of the Authority and subject to, and delivery to the Authority of a certificate as to, all of the following conditions:

(a) The Lease Agreement and the obligation of the City to make Lease Payments shall remain obligations of the City;

(b) The City shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(c) No such sublease by the City shall cause the Property to be used for a purpose other than as may be authorized under the provisions of the Constitution and laws of the State; and

(d) The City shall furnish the Authority and the Trustee with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such sublease does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

Amendment of Lease Agreement

(a) *Substitution of Site or Facility.* The City shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a "Substitute Site") and/or a substitute facility (a "Substitute Facility") for the Site (the "Former Site"), or a portion thereof, and/or the Facility (the

“Former Facility”), or a portion thereof, provided that the City shall satisfy all of the following requirements (to the extent applicable) which are declared to be conditions precedent to such substitution:

(i) If a substitution of the Site, the City shall file with the Authority and the Trustee an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) If a substitution of the Site, the City shall file with the Authority and the Trustee an amendment to the Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(iii) If a substitution of the Facility, the City shall file with the Authority and the Trustee an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(iv) If a substitution of the Facility, the City shall file with the Authority and the Trustee an amendment to the Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(v) The City shall certify in writing to the Authority and the Trustee that such Substitute Site and/or Substitute Facility serve the purposes of the City, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the City is permitted to lease under the laws of the State;

(vi) The City delivers to the Authority and the Trustee evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Property following such substitution is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to the Trust Agreement applies with respect to the Substitute Site and/or Substitute Facility;

(vii) The Substitute Site and/or Substitute Facility shall not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement and in the Trust Agreement;

(viii) The City shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which adds thereto a description of the Substitute Site and deletes therefrom the description of the Former Site;

(ix) The City shall certify that the Substitute Site and/or the Substitute Facility is of the same or greater essentiality to the City as was the Former Site and/or the Former Facility;

(x) The City shall provide notice of the substitution to any rating agency then rating the Certificates which rating was provided at the request of the City or the Authority; and

(xi) The City shall furnish the Authority and the Trustee with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

(b) *Release of Site.* The City shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the City shall satisfy all of the following requirements which are declared to be conditions precedent to such release:

(i) The City shall file with the Authority and the Trustee an amendment to the Site and Facility Lease which describes the Site, as revised by such release;

(ii) The City delivers to the Authority and the Trustee evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Site, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Authority that the indemnification provided pursuant to the Trust Agreement applies with respect to the Site, as revised by such release;

(iii) Such release shall not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement and in the Trust Agreement; and

(iv) The City shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the City or the Authority.

(c) *Generally.* The Authority and the City may at any time amend or modify any of the provisions of the Lease Agreement, 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 Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved to or conferred upon the City;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Lease Agreement, or in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Bond Counsel.

Events of Default and Remedies

Events of Default. The following shall be “events of default” under the Lease Agreement and the terms “Events of Default” and “Default” shall mean, whenever they are used in the Lease Agreement, any one or more of the following events:

(a) Failure by the City to pay any Lease Payment or other payment required to be paid at the time specified.

(b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease Agreement or under the Trust Agreement, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority, the Trustee or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding; *provided, however*, if the failure stated in the notice can be corrected, but not within the applicable period, the Authority, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected.

(c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a

court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar acts which may hereafter be enacted.

Remedies on Default. The Trustee shall have the right to re-enter and re-let the Property and to terminate the Lease Agreement.

Whenever any Event of Default shall have happened and be continuing, it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however,* that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant in the Lease Agreement to be kept and performed by the City is expressly made a condition and upon the breach thereof, the Authority may exercise any and all rights of entry and re-entry upon the Property, and also, at its option, with or without such entry, may terminate the Lease Agreement; provided, that no such termination shall be effected either by operation of law or acts of the parties to the Lease Agreement, except only in the manner expressly provided in the Lease Agreement. In the event of such default and notwithstanding any re-entry by the Authority, the City shall, as expressly provided in the Lease Agreement, continue to remain liable for the payment of the Lease Payments and/or damages for breach of the Lease Agreement and the performance of all conditions therein contained and, in any event such rent and/or damages shall be payable to the Authority at the time and in the manner as provided in the Lease Agreement, to wit:

(a) In the event the Authority does not elect to terminate the Lease Agreement in the manner provided for below, the City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions contained in the Lease Agreement and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Property, or, in the event the Authority is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of the Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property or the exercise of any other remedy by the Authority. The City irrevocably appoints the Authority as the agent and attorney-in-fact of the City to enter upon and re-lease the Property in the event of default by the City in the performance of any covenants contained in the Lease Agreement to be performed by the City and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place within Riverside City, for the account of and at the expense of the City, and the City exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Property and the removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The City waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the City that may be in or upon the Property. The City agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Authority to re-lease the Property in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of the Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate the Lease Agreement shall vest in the Authority to be effected in the sole and exclusive manner provided for in paragraph (b) below.

(b) In an Event of Default, the Authority at its option may terminate the Lease Agreement and re-lease all or any portion of the Property. In the event of the termination of the Lease Agreement by the Authority at its option and in the manner provided in the Lease Agreement on account of default by the City (and notwithstanding any re-entry upon the Property by the Authority in any manner whatsoever or the re-leasing of the Property), the City nevertheless agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is provided in the Lease Agreement in the case of payment of Lease Payments. Any surplus received by the Authority from such re-leasing shall be credited towards the Lease Payments next coming

due and payable. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Authority shall of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the City shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate the Lease Agreement. The City covenants and agrees that no surrender of the Property and/or of the remainder of the Term of the Lease Agreement or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

No Remedy Exclusive. No remedy is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease Agreement now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in the Lease Agreement, it shall not be necessary to give any notice, other than such notice as may be required in the Lease Agreement or by law.

Security Deposit

Notwithstanding any other provision of the Lease Agreement, the City may, on any date, secure the payment of all or a portion of the Lease Payments remaining due by an irrevocable deposit with the Trustee or an escrow holder under an escrow deposit and trust agreement, of: (a) in the case of a security deposit relating to all Lease Payments, either (i) cash in an amount which, together with amounts on deposit in the Lease Payment Fund and the Insurance and Condemnation Fund, is sufficient to pay all unpaid Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in the Lease Agreement, or (ii) Defeasance Obligations in such amount as will, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters, together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations or cash then on deposit and interest earnings thereon in the Lease Payment Fund and the Insurance and Condemnation Fund, be fully sufficient to pay all unpaid Lease Payments on their respective Lease Payment Dates; or (b) in the case of a security deposit relating to a portion of the Lease Payments, a certificate executed by a City Representative designating the portion of the Lease Payments to which the deposit pertains, and either (i) cash in an amount which is sufficient to pay the portion of the Lease Payments designated in such City Representative's certificate, including the principal and interest components thereof, or (ii) Defeasance Obligations in such amount as will, together with interest to be received thereon, if any, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters, be fully sufficient to pay the portion of the Lease Payments designated in the aforesaid City Representative's certificate.

In the event of a deposit pursuant as to all Lease Payments and the payment of all fees, expenses and indemnifications owed to the Trustee, all obligations of the City under the Lease Agreement shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, all payments from the deposit made by the City and the obligations of the City pursuant to the Lease Agreement and title to the Property shall vest in the City on the date of said deposit automatically and without further action by the City or the Authority. Said deposit and interest earnings thereon shall be deemed to be and shall constitute a special fund for the payments and said obligation shall thereafter be deemed to be and shall constitute the installment purchase obligation of the City for the Property. Upon said deposit, the Authority will execute or cause to be executed any and all documents as may be necessary to confirm title to the Property in accordance with the provisions of the Lease Agreement. In addition, the Authority appoints the City as its agent to prepare, execute and file or record, in appropriate offices, such documents as may be necessary to place record title to the Property in the City.

Prepayment

Optional Prepayment. The Authority grants an option to the City to prepay the principal component of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments, or in part, in a

prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Said option may be exercised with respect to Lease Payments due on and after June 15, 2021, in whole or in part on any date, commencing June 15, 2020. Said option shall be exercised by the City by giving written notice to the Authority and the Trustee of the exercise of such option at least forty-five (45) days prior to said prepayment date. In the event of prepayment in part, the partial prepayment shall be applied against Lease Payments in such order of payment date as shall be selected by the City. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the City to the Trustee and which shall represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. The Trustee agrees to notify the Authority in the event of any prepayment of Lease Payments, as provided in the Trust Agreement.

Mandatory Prepayment From Net Proceeds of Insurance, Title Insurance or Eminent Domain. The City shall be obligated to prepay the Lease Payments, in whole on any date or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance, title insurance or condemnation award with respect to the Property theretofore deposited in the Lease Payment Fund for such purpose. The City and the Authority agree that such Net Proceeds shall be applied first to the payment of any delinquent Lease Payments, and thereafter shall be credited towards the City's obligations under the Lease Agreement. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the City to the Trustee and which shall represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment.

ASSIGNMENT AGREEMENT

The Assignment Agreement is entered into between the Authority and the Trustee, pursuant to which the Authority assigns and transfers to the Trustee, for the benefit of the Owners, certain of the rights of the Authority under the Lease Agreement, including the right to receive Lease Payments under the Lease Agreement and the rights and remedies of the Authority under the Lease Agreement to enforce payment of Lease Payments or otherwise to protect and enforce the Lease Agreement in the event of default by the City. Certain rights of the Authority to payment of advances, indemnification and attorneys' fees and expenses are not assigned.

TRUST AGREEMENT

Project Fund; Payment of Project Costs

There shall be deposited in the Project Fund from the proceeds of the Certificates the amount required to be deposited therein, together with any other amounts from time to time deposited with the Trustee for such purpose as may be identified in writing to the Trustee.

Amounts in the Project Fund shall be disbursed for Project Costs. Disbursements from the Project Fund shall be made by the Trustee upon receipt of a sequentially numbered requisition requesting disbursement executed by a City Representative. Each such requisition shall:

(a) set forth the amounts to be disbursed for payment or reimbursement of previous payments of Project Costs and the person or persons to whom said amounts are to be disbursed;

(b) state that the amounts to be disbursed constitute Project Costs, that said amounts are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the City, or were necessarily and reasonably incurred, and that said amounts are not being paid in advance of the time, if any, fixed for payment;

(c) state that no amount set forth in the requisition was included in any requisition requesting disbursement previously filed with the Trustee ; and

(d) state that there has been compliance with the Lease Agreement relating to the private use limitation and the private loan limitation.

The Trustee shall be responsible for the safekeeping and investment of the moneys held in the Project Fund and the payment thereof in accordance with the Trust Agreement, but the Trustee shall not be responsible for the truth or accuracy of such requisitions, may rely conclusively thereon and shall be under no duty to investigate or verify any statements made therein.

Delivery Costs Fund; Payment of Delivery Costs

There shall be deposited in the Delivery Costs Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to the Trust Agreement and any other funds from time to time deposited with the Trustee for such purpose and identified in writing to the Trustee.

The moneys in the Delivery Costs Fund shall be disbursed by the Trustee to pay the Delivery Costs. Disbursements from the Delivery Costs Fund shall be made by the Trustee on receipt of a sequentially numbered requisition, signed by a City Representative.

The Trustee shall be responsible for the safekeeping and investment (in accordance with the Trust Agreement) of the moneys held in the Delivery Costs Fund and the payment thereof in accordance with the Trust Agreement, but the Trustee shall not be responsible for the truth or accuracy of such requisitions, may rely conclusively thereon and shall be under no duty to investigate or verify any statements made therein.

Upon written notice from a City Representative that all Delivery Costs have been paid, the Trustee shall transfer any moneys then remaining in the Delivery Costs Fund to the Lease Payment Fund and applied for the purposes of such fund, the Delivery Costs Fund shall be closed, the Trustee shall no longer be obligated to make payments for Delivery Costs and all further Delivery Costs shall be paid by the City.

Assignment of Rights in Lease Agreement

The Authority has, in the Assignment Agreement, transferred, assigned and set over to the Trustee certain of its rights but none of its obligations set forth in the Lease Agreement, including but not limited to all of the Authority's rights to receive and collect Lease Payments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease Agreement or pursuant to the Trust Agreement. All Lease Payments and such other amounts to which the Authority may at any time be entitled shall be paid directly to the Trustee and all of the Lease Payments collected or received by the Authority shall be deemed to be held and to have been collected or received by the Authority as the agent of the Trustee, and if received by the Authority at any time shall be deposited by the Authority with the Trustee within one Business Day after the receipt thereof, and all such Lease Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund.

Lease Payment Fund

All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the City nor the Authority shall have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement.

There shall be deposited in the Lease Payment Fund all Lease Payments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Trust Agreement or the Lease Agreement, and any other moneys required to be deposited therein pursuant to the Lease Agreement or the Trust Agreement.

All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Certificates as the same shall become due and payable in accordance with the provisions of the Trust Agreement.

Any surplus remaining in the Lease Payment Fund after redemption and/or payment of all Certificates, including accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the City.

Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award

(a) Any Net Proceeds of insurance against damage to or destruction of any part of the Property collected by the City in the event of any such damage or destruction shall be paid to the Trustee by the City pursuant to the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the “Insurance and Condemnation Fund” to be established by the Trustee when deposits are required to be made therein.

(b) Within ninety (90) days following the date of such deposit, the City shall determine and notify the Trustee in writing of its determination either (i) that the replacement, repair, restoration, modification or improvement of the Property is not economically feasible or in the best interest of the City, or (ii) that all or a portion of such Net Proceeds are to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property.

(c) In the event the City’s determination is as set forth in clause (i) of paragraph (b) above, such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund, applied to the prepayment of Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates as provided in the Trust Agreement; *provided, however*, that in the event of damage or destruction of the Property in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause the prepayment of the principal components of all unpaid Lease Payments pursuant to the Lease Agreement, otherwise such Net Proceeds shall be applied to the replacement, repair, restoration, modification or improvement of the Property; *provided further, however*, that in the event of damage or destruction of the Property in part, such Net Proceeds may be transferred to the Lease Payment Fund and applied to the prepayment of Lease Payments only if the resulting Lease Payments represent fair consideration for the remaining portions of the Property, evidenced by a certificate signed by a City Representative and an Corporation Representative.

(d) In the event the City’s determination is as set forth in clause (ii) of paragraph (b) above, Net Proceeds deposited in the Insurance and Condemnation Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property by the City, and disbursed by the Trustee upon receipt of requisitions signed by a City Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the City.

Application of Net Proceeds of Eminent Domain Award

If all or any part of the Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the City has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the City to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are not needed for repair or rehabilitation of the Property, the City shall so certify to the Trustee and the Trustee, at the City's written request, shall transfer such proceeds to the Lease Payment Fund to be credited towards the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

(b) If the City has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the City to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are needed for repair, rehabilitation or replacement of the Property, the City shall so certify to the Trustee and the Trustee, at the City's written request, shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such repair or rehabilitation, upon the filing with the Trustee of requisitions of the City Representative in the form and containing the provisions set forth in the Trust Agreement. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein.

(c) If (i) less than all of the Property shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the City has given written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the operation of the Property or the ability of the City to meet any of its obligations with respect to the Property under the Lease Agreement or (ii) all of the Property shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

Application of Net Proceeds of Title Insurance Award

The Net Proceeds from a title insurance award shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be transferred to the Lease Payment Fund to be credited towards the prepayment of Lease Payments required to be paid pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

Moneys in Funds; Investment

Held in Trust. The moneys and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Certificates and for the purposes specified in the Trust Agreement and such moneys, and any income or interest earned thereon, shall be expended only as provided in the Trust Agreement and shall not be subject to levy, attachment or lien by or for the benefit of any creditor of the Authority, the Trustee, the City or any Owner of Certificates.

Investments Authorized. Moneys held by the Trustee under the Trust Agreement shall, upon written order of a City Representative, be invested and reinvested by the Trustee in Permitted Investments. The Trustee may deem all investments directed by a City Representative as Permitted Investments without independent investigation thereof. If a City Representative shall fail to so direct investments, the Trustee shall hold such moneys uninvested. Such investments, if registrable, shall be registered in the name of and held by the Trustee or its nominee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as principal or agent in the making or disposing of any investment and make or dispose of any investment through its investment department or that of an affiliate and shall be entitled to its customary fees therefor. The Trustee is authorized, in making or disposing of any investment permitted by the Trust Agreement, to deal with itself (in its individual capacity) or with one or more of its affiliates, whether it or such affili-

ate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account. The Trustee may rely on the investment directions of the City Representative as to both the suitability and legality of the directed investments.

Allocation of Earnings. Unless and until otherwise directed by the City to the Trustee in writing, all interest or income received by the Trustee on investment of the Lease Payment Fund shall as received, prior to the Completion Date, be transferred to the Project Fund (except as otherwise provided in the Trust Agreement) and thereafter shall be retained in the Lease Payment Fund. Amounts retained or deposited in the Lease Payment Fund shall be applied as a credit against the Lease Payment due by the City pursuant to the Lease Agreement on the Lease Payment Date following the date of deposit. All interest or income in the Project Fund shall be retained in the Project Fund until the Project Fund is closed. All interest or income in the Delivery Costs Fund shall be retained in the Delivery Costs Fund until the Delivery Costs Fund is closed.

Amendments

The Trust Agreement and the rights and obligations of the Owners of the Certificates, the Lease Agreement and the rights and obligations of the parties thereto, the Site and Facility Lease and the rights and obligations of the parties thereto and the Assignment Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Certificate, or (2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of a Lease Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in the Trust Agreement.

The Trust Agreement and the rights and obligations of the Owners of the Certificates and the Lease Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to add to the covenants and agreements of the Authority or the City, (2) to cure, correct or supplement any ambiguous or defective provision contained therein and which shall not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the Owners of the Certificates, (3) in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interests of the Owners of the Certificates; (4) to make such additions, deletions or modifications as may be necessary or appropriate in the opinion of bond counsel to assure the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments and the interest payable with respect to the Certificates, (5) to add to the rights of the Trustee, or (6) to maintain the rating or ratings assigned to the Certificates. Any such supplemental agreement shall become effective upon execution and delivery by the parties thereto, as the case may be.

The Trust Agreement and the Lease Agreement may not be modified or amended at any time by a supplemental agreement which would modify any of the rights and obligations of the Trustee without its written assent thereto.

Certain Covenants

Compliance With and Enforcement of Lease Agreement. The City covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement. The Authority covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement.

The City will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of their respective Lease Agreement by the Authority thereunder. The Authority and the City, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the City or the Authority, will deliver the same, or a copy thereof, to the Trustee.

Observance of Laws and Regulations. The City and the Authority will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City or the Authority, respectively, including its right to exist and carry on business as a public entity, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Budgets. The City shall supply to the Trustee as soon as practicable, but not later than September 15 in each year, a written determination by a City Representative that the City has made adequate provision in its annual budget for the payment of Lease Payments due under the Lease Agreement in the Fiscal Year covered by such budget. The determination given by the City to the Trustee shall be that the amounts so budgeted are fully adequate for the payment of all Lease Payments and Additional Payments due under the Lease Agreement in the annual period covered by such budget.

Continuing Disclosure. The City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may, upon payment of its fees and expenses, including counsel fees, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Certificates, shall or any holder or beneficial owner of the Certificates may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Limitation of Liability

Limited Liability of City. Except for the payment of Lease Payments when due in accordance with the Lease Agreement and the performance of the other covenants and agreements of the City contained in the Lease Agreement and the Trust Agreement, the City shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee, except as expressly set forth in the Trust Agreement.

No Liability of City or Corporation for Trustee Performance. Neither the City nor the Authority shall have any obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

Indemnification of Trustee. The City shall to the extent permitted by law indemnify and save the Trustee, its officers, employees, directors, affiliates and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses (including allocated costs of internal counsel), arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on, the Property by the Authority or the City; (ii) any breach or default on the part of the Authority or the City the performance of any of their respective obligations under the Lease Agreement, the Assignment Agreement, the Trust Agreement and any other agreement made and entered into for purposes of the Property; (iii) any act of the Authority or the City or of any of their respective agents, contractors, servants, employees, licensees with respect to the Property; (iv) any act of any assignee of, or purchaser from the Authority or the City or of any of its or their respective agents, contractors, ser-

vants, employees or licensees with respect to the Property; (v) the authorization of payment of Delivery Costs; (vi) the actions of any other party, including but not limited to the ownership, operation or use of the Property by the Authority or the City including, without limitation, the use, storage, presence, disposal or release of any Hazardous Substances on or about the Property; (vii) the Trustee's exercise and performance of its powers and duties under the Trust Agreement or as assigned to it under the Assignment Agreement; (viii) the offering and sale of the Certificates; (ix) the presence under or about or release from the Property, or any portion thereof, of any substance, material or waste which is or becomes regulated or classified as hazardous or toxic under State, local or federal law, or the violation of any such law by the City; or (x) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, in any official statement or other offering document utilized in connection with the sale of the Certificates. Such indemnification shall include the costs and expenses of defending against any claim or liability arising under the Trust Agreement. No indemnification will be made under the Trust Agreement for willful misconduct or negligence under the Trust Agreement by the Trustee, its officers, affiliates or employees. The City's obligations under the Trust Agreement shall remain valid and binding notwithstanding maturity and payment of the Certificates or resignation or removal of the Trustee.

Assignment of Rights; Remedies. Pursuant to the Assignment Agreement, the Authority has transferred, assigned and set over to the Trustee certain of the Authority's rights in and to the Lease Agreement, including without limitation all of the Authority's rights to exercise such rights and remedies conferred on the Authority pursuant to 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, and (ii) otherwise to exercise the Authority's rights and take any action to protect the interests of the Trustee or the Certificate Owners in an Event of Default.

If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee shall, upon request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and upon payment of its fees and expenses, including counsel fees, and being indemnified to its satisfaction therefor shall, exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however,* that notwithstanding anything in the Trust Agreement or in the Lease Agreement to the contrary, there shall 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.

APPENDIX F

DTC'S BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F, concerning The Depository Trust Company, New York, New York ("DTC"), and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or (c) redemption 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 Participants or DTC Indirect Participants will act in the manner described in this Appendix F. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates (as used in this Appendix E, 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 maturity of the Securities, 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 is rated AA+ by Standard & Poor's. 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 and www.dtc.org.

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 represent-

ing 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 the 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 the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 the 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 the City or the paying agent or bond trustee, 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 nor its nominee, the paying agent or bond trustee, or the City, 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 the City or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 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 the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the CITY OF ALAMEDA, CALIFORNIA (the “City”) in connection with the execution and delivery of \$9,610,000 City of Alameda Certificates of Participation (2013 Financing Project) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of October 1, 2013, by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the City and the City of Alameda Financing Authority (the “Trust Agreement”). Pursuant to Section 11.08 of the Trust Agreement, the City covenants and agree as follows:

Section 1. **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 2, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

“*Annual Report*” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Beneficial Owner*” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

“*Dissemination Agent*” shall mean The Bank of New York Mellon Trust Company, N.A. or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. In the absence of such a designation, the City shall act as the Dissemination Agent.

“*EMMA*” or “*Electronic Municipal Market Access*” means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

“*Listed Events*” shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

“*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 which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Participating Underwriter*” shall mean any original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“*Rule*” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. **Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the City for the benefit of the owners and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. **Provision of Annual Reports.**

(a) *Delivery of Annual Report.* The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for the 2012-13 Fiscal Year, which is due not later than March 31, 2014, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* 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), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City.

(d) *Report of Non-Compliance.* If the City is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the City shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the City is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the City for the preceding fiscal year, prepared in accordance generally accepted accounting principles. 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 and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the City, the Annual Report shall also include financial and operating data with respect to the City for preceding fiscal year, as follows, substantially similar to that provided in the corresponding tables and charts in the official statement for the Certificates:

- (i) Table 2—General Fund Reserve Policy;
- (ii) Table 3—Tax Revenues by Source
- (iii) Table 4—Other Revenue Sources
- (iv) Table 5—Assessed Valuations;
- (v) Table 6—Largest Local Secured Property Tax Payers;
- (vi) Table 7—Sales Tax Rates; and
- (vii) Table 8 Property Tax In-Lieu of VLF.

(c) *Cross References.* 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 EMMA. The City shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the City shall provide such further 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.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The City shall, or shall cause the Dissemination Agent (if not the City) to, give notice of the occurrence of any of the following events with respect to the Certificates:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) *Material Reportable Events.* The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* The City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of any Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Certificates under the Trust Agreement.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this 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 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.

(a) *Appointment of 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 such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the City, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the City. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Certificate owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the City shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the City.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid reasonable compensation by the City for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the City from time to time and all reasonable expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the City, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the City or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the City. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the City that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), 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 the type of business conducted.

(b) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of

the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Certificate owners in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Certificate owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Certificate owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the City shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 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. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Certificate owner or Beneficial Owner 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. 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. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Trust Agreement. The obligations of the City under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

Section 13. **Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: [Closing Date]

CITY OF ALAMEDA, CALIFORNIA

By _____
Authorized Officer

ACKNOWLEDGED:

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Alameda, California

Name of Issue: Certificates of Participation (2013 Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be made by the City of Alameda, California, as the Rental for Certain Property Pursuant to a Lease Agreement with the City of Alameda Financing Authority

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing date], furnished by the City in connection with the Issue. The City anticipates that the Annual Report will be filed by _____.

Date: _____

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., Dissemination Agent

By _____
Authorized Officer

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